

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

# Progressive Rentals

## Rental Training

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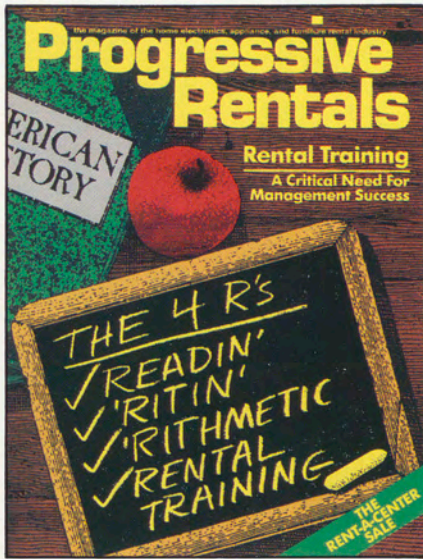
For more information call or write: Mr. Larry Brown, Senior Vice-President, Sales and Marketing, Chrysler First Wholesale Credit, P.O. Box 187, Bridgeville, PA 15017. 1-800-843-2180, (In PA) 1-800-654-9325.



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**ON THE COVER:** Good rental-purchase employees need to know more than how to read, write, and use a calculator; they need intensive rent-to-own training from a to z. Get a detailed look at rental training in the cover feature, beginning on page 8. An in-depth look at the Rent-A-Center sale begins on page 30.

COVER ART BY:  
DESIGN2,  
Austin, Texas

## FEATURES

### 8 TRAINING: MANAGEMENT'S MOST IMPORTANT RESPONSIBILITY

Well-trained employees are an essential ingredient in the recipe for a profitable rental-purchase company. But where does a good training program start, who needs the training, and how can you determine the effectiveness of training? Find out in this step-by-step study of rental training.

### 10 MANAGEMENT SERVICES WHO'S WHO

Management services from accounting and advertising to property insurance and warranty programs are provided for the rent-to-own industry by a number of companies. Here is a comprehensive listing of companies that work with rental-purchase businesses.

### 22 RENTAL APPLICATIONS REVISITED

Getting the right information on the rental application and using it to the best advantage can improve rentals and profits. APRO's general counsel reviews what constitutes a good application.

### 30 DEALING IN THE BIG LEAGUES

Rent-A-Center's purchase by a long-established British firm for megabucks got the attention of the business world at large. Here is a look at how the sale came about and how some Rent-A-Center executives expect it to affect the future of their company and the industry.

### 42 WHAT IT TAKES TO BE PROMOTED

For employees only, a rental company president dishes out practical advice on getting ahead in the rental business.

### 48 APRO SPECIAL REPORT

APRO's survey results are complete and the 1988 Winter CES is now history. Both are reviewed in this special report.

## DEPARTMENTS

### 6 DIRECTOR'S DESK

### 18 LEGAL

### 20 MESSAGE

### 27 PRODUCT FOCUS

### 38 GOVERNMENT RELATIONS

### 54 CORPORATE MOVES, INDUSTRY NEWS

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## THE DIRECTOR'S DESK

Sometimes it seems as if the only thing predictable in the business world is change, and certainly the trade associations that represent the various industries must change along with the industries if they are to meet the needs of the association members. Surely no other industry has changed more in the past few years than the rent-to-own industry. And I am just as sure that no other trade association has undergone more change than APRO.

We have suffered many growing pains as a young association—and APRO is still young by most association standards. What started in 1981 with a handful of rental dealers banding together in the midst of an onslaught of legal attacks, has grown into a large national association representing over 500 rent-to-own companies. APRO has grown and changed along with the industry it represents.

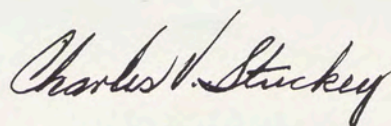
Early APRO efforts were focused on legal and legislative protection for the industry, and this continues to have a high priority. As this issue of PROGRESSIVE RENTALS goes to press, 19 states have organized state associations of rental dealers resulting in passage of rent-to-own legislation in 12 states with bills pending in the other seven states. The APRO board of directors is developing a program to improve communications and increase assistance to the state associations in 1988. APRO's legal counsel provides legal advice to a growing number of members.

The need for dissemination of information among rental dealers became apparent in the early years, and a newsletter called "The Approach" was first published in 1981. That publication has grown into a four-color slick format magazine leading the industry in production quality, editorial content, and readership. The magazine, PROGRESSIVE RENTALS, will continue to provide valuable information on legal and legislative issues, product news, and how to run a profitable rent-to-own business. A newsletter, "RENTIPS," which was made available on a subscription basis, has been reformatted and expanded for free distribution to all APRO members in 1988. A legal newsletter to keep members up to date on current legal and legislative issues in all 50 states is now being developed.

As the rent-to-own industry grew, industry statistics became a pressing need, and a statistical survey of APRO members was completed in 1987. The results were published in January and are now available to members. Members who participated in the survey were mailed a copy of the results and others may purchase a copy by calling the APRO office.

As the industry and APRO continued to grow, the annual APRO convention and trade show was organized to bring rental dealers together for educational seminars, and to view the products and services available to the rent-to-own industry from suppliers. The convention and trade show has grown 174 percent in the past four years. The 1988 convention will be headquartered at Bally's in Las Vegas, and the 1989 convention and trade show is scheduled for the Sheraton Washington Hotel in Washington, D.C.

APRO will continue to remain flexible and responsive to the needs of members as the industry continues to change.



—Executive Director

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# TRAINING: Management's Most Important Responsibility

Here is detailed information on setting up a training program

REWARD: \$100. Payable to every person who writes to me honestly saying they started on their present job, or any job, wanting to do badly, to fail, to lose all chance for raises, promotions and recognition, to be thrown out on the street unceremoniously, or even ceremoniously. I promise not to publish your name, but I will require you to pass a polygraph before I send the check.

Research shows that normal people want to do a good job. Don't you? For the most part, the people we hire come to us wanting to do a good job, to be successful, to achieve recognition, to get raises and promotions, and perhaps someday become president of the company. They bring self-motivation to the job.

So if there is a high turnover, either because they quit or we terminate them, where is the gap? It is in the knowledge they need to do the job effectively—informational knowledge and behavioral knowledge. It's a gap waiting to be filled by effective training.

Peter Drucker, considered by many people to be today's foremost philosopher of management, talks about the importance of effective training and development of subordinates. Earl G. Planty, named Mr. Executive Development by *Fortune*, says that the training and development of subordinates is management's most important responsibility and task. I absolutely agree with

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The people we hire come to us wanting to do a good job, to be successful, to achieve recognition, to get raises and promotions, and perhaps someday become president of the company.

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these two highly respected professionals. I also believe that each person in an organization has certain kinds of responsibility for his or her own development.

If you have any responsibility at all for managing others, your overall task is to achieve the organization's objectives through those others. This is true whether you are the chief executive officer or a first-line supervisor or manager. You either manage consciously and proactively, or you nonmanage unconsciously by failure to manage actively. Your job is to be sure there is no gap between your subordinates' self-motivation and their ability to perform effectively.

The term "proactive management," coined a few years ago, is a convenient way to describe what has always been

effective management. The opposite of "reactive," it means taking steps to make desired results happen, rather than reacting to situations after the fact and hoping for a favorable outcome. This doesn't mean reacting is bad; certainly you must learn to react positively to unexpected situations. Proactive management simply means anticipating situations to the greatest extent possible, then planning, organizing, controlling, directing, and leading for the desired result. Proactive management produces the minimum need for reaction.

The training and development of subordinates is, in my view, the most proactive management task.

## Start with Job Definition

Effective training does not start the first day on the job; it starts long before we hire or promote a soul. It really starts when we define the job carefully.

1. Exactly what will the person do?
2. What characteristics, skills, and knowledge are required for full, effective performance of those tasks?
3. What are you not prepared to teach? This defines the minimum skills and knowledge that a person must have coming in. For example, if the job requires ability to read and write basic English, or perhaps basic Spanish or

some other language, you probably aren't prepared to start training that far back.

4. Beyond the minimum, what additional skills or knowledge are desirable if available?

5. The difference between 2 and 3 defines what you must be prepared to teach, or pay to have someone else teach for you.

- That someone else might be a competitor, and you may pay their former employee a higher starting salary for experience. Just be aware that your competitor may not do a very good job of training, and that is why the person is available.
- The someone else may be a school or training consultant.
- It may be another employee; however, unless the employee knows how to train, this can be costly not only in terms of that person's time, but also in terms of poor performance by the trainee.
- All too often we settle for the most costly someone else: the poor trainee who is dumped onto the job SOS—sink or swim—style. Is SOS costly? You bet. Because of inadequate performance, frustration (remember, the person came wanting to do a good job), poor morale, and high turnover. (If you suspect you are a victim of SOS, keep reading. All is not lost; you can influence your own destiny.)

6. The difference between 4 and 5 defines what you must teach the actual individual you hire, or promote.

7. Before you start searching for your prospect, prepare the actual materials you will need for No. 5 above.

As you can see, job definition is a good thing to do before we start hiring. We can do a better job of selection if we know precisely what to select for, and we will be less likely to settle for the proverbial warm, breathing body.

## Plan a Training Sequence

You have now defined your musts and wants. The next step is to plan the sequence for training. There is no exact right way. You will need to account for many circumstances, including what additional skills or knowledge the individual brings to the job, the time available between other tasks you must personally accomplish during the training period (such as supervision of others, reports, audits, and so forth),

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Effective training does not start the first day on the job; it starts long before we hire or promote a soul.

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facilities, other qualified trainers, and materials available.

1. **Test prior knowledge.** Prepare questions to let you know exactly where the new person you hired stands on the scale of things you want him or her to know. This will let you plug in modules as needed. (You can probably determine some of this information during the interview and will have it to use if you make good interview notes.)

2. **Start with the fundamentals and build.** Training is like building a house. You can't start with the roof; you must start with the foundation, laying one brick on top of another. You can't operate a VCR until you know how to turn on a TV. You can't turn on a TV unless you understand you must plug it in to the power, and how to do that. You can't fill out an agreement unless you know the price of the item, the tax rate, term. You can't sell a TV unless you have product knowledge. Use your list from the training requirements list, No. 5 above. Think of it as a basic outline and fill in the details. Another way to state this principle is, teach sequentially.

3. **Plan training units as modules.** Think of these modules just as you do the electronics in a TV. You hook up units you need for a given task and you make the parts interchangeable and replaceable. When you select your new employee, you hope it will be someone who provides some of the wants. Your modular construction will let you tailor your training to fill that person's gaps fully, and it will help you avoid boring the trainee to death.

4. **Make the modules brief.** Good intervals are no more than 30 to 45 minutes if possible. If necessary, break up the subject into sub-modules.

5. **Teach some easy things first.** This helps the trainee break the ice. It improves the opportunity for early success, which lets you praise the individual, giving him or her confidence and motivation to learn more.

6. **Very early, teach modules that will let the person start doing meaningful tasks,** both for that person's motivation and so you can get the store's work done. For example, teaching a new rental specialist how to take standard

renewal payments and prepare receipts would let that person perform some useful duties while applying important training.

7. **Recognize the difference between teaching new information and teaching new behavior.** Examples: information includes such items as model number, features and benefits, rental rates and terms; behavior is making a sales presentation using that information. Be sure the person has the information needed to demonstrate effective behavior before you expect that behavior. (In this article I use the term behavior primarily to mean interaction with another person such as a customer.)

8. **Break up the kinds of activity.** Alternate passive periods such as reading with periods of physical activity, such as learning to operate the various products. Alternate information training with behavior training.

9. **Plan assignments to coordinate with your own tasks.** In the small work groups typical of the rental business, you must do certain things yourself, like preparing reports for the corporate office. Plan to have some things like reading or watching videotapes for the trainee to do at your critical time. But remember No. 6. Don't sit the trainee down to read the whole procedures book just because you have a month-end report to do.

10. **Avoid thumb in ear syndrome.** Don't let the trainee sit around with nothing to do. It not only wastes valuable time, but is highly demotivating to that eager human being. It's not much better to shoo them off to help with deliveries just to keep them busy. And please, don't have them clean returned refrigerators just to fill a gap.

11. **Create opportunities to prove learning.** This is a better term than "test" because it conveys a more positive approach.

- Let the learner tell you what they have learned and praise good performance. Nothing succeeds like success, especially for building both confidence and motivation.
- The review is a good learning technique; reiteration helps memory.
- It gives you a checkpoint on progress and a chance to correct misunderstanding quickly before it becomes fixed knowledge or behavior.
- Set frequent checkpoints, usually at the end of each training module.
- Set overall review and checkpoints for groups of related items.

# Management Services Who's Who

Coordination is the key to operating a rent-to-own outlet. This requires a number of management services from insurance to point-of-purchase signs, to advertising and warranty programs. The following is an up-to-date listing of the management service companies that work with rental-purchase.

- \*+ ‡**American Bankers Insurance Group**  
11222 Quail Roost Dr.  
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Cleveland, OH 44128  
(216) 475-8920  
Print advertising
- \***Complete Financial Services Company**  
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P.O. Box 161464  
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(305) 233-1400  
Rental financial services
- \***Coopers & Lybrand**  
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Dallas, TX 75240  
(214) 458-8000  
Accounting
- ‡**Custom Animated Productions**  
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Fort Wayne, IN 46835  
(800) 351-3366  
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- \*+ ‡**General Electric Credit Corp.**  
P.O. Box 833872  
Richardson, TX 75083  
(214) 437-9885  
Rental financing service
- \*+ ‡**Insurance Mart**  
P.O. Box 12303  
Jackson, MS 39211  
(601) 956-5093  
Rental property insurance purchased by renter; general business insurance
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2205-F Grant Ave.  
Panama City, FL 32405  
(904) 785-3000  
Consulting
- \***Kirkpatrick, Sprecker & Co.**  
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(813) 685-3228  
Consulting
- \*+ **McDonnell Douglas Finance Corp.**  
10901 Lowell Suite 280  
Overland Park, KS 66210  
(913) 661-9234  
Rental financing
- + ‡**Morey Dickter Advertising Concepts of America**  
P.O. Box 6133  
Ft. Lauderdale, FL 33310  
(800) 521-9935  
Rental advertising
- \***Pannell, Kerr & Forster**  
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Dallas, TX 75240  
(214) 661-1843  
Accounting
- ‡**Phillips Group**  
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Stafford, TX 77077  
(713) 240-1414  
Insurance
- + ‡**Ram Systems**  
P.O. Box 1365  
Starkville, MS 39759  
(601) 323-4679  
Security device for rental products
- \*‡**Rental Insurance Program**  
P.O. Box 161464  
Miami, FL 33116  
(305) 233-1400  
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San Diego, CA 92121  
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(800) 521-3676(Florida)  
Rental business forms
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Muscle Shoals, AL 35662  
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Parker, CO 80134-8924  
(303) 699-1638  
Consulting
- \*‡**Sullivan & Findsen Advertising**  
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(513) 281-2700  
Advertising materials
- \***Surrett, Walker, Creson & Colley**  
Box 1497  
Augusta, GA 30903  
(404) 722-3301  
Legal counsel
- \*+ ‡**T-Buff & Son Promotions**  
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Parker, CO 80134-8924  
(303) 699-0141  
TV advertising
- \*+ ‡**TRIB Group**  
Presidential Parkway Suite 113  
Atlanta, GA 30340  
(404) 451-4302  
Buying group (APRO membership a requirement)
- \*+ ‡**Voyager Insurance**  
P.O. Box 2918  
Jacksonville, FL 32203  
(800) 237-8314  
Rental property insurance purchased by renter; general business insurance
- \***Whitsell & Company**  
2301 N. Lamar Blvd. Suite 110  
Arlington, TX 76006  
(817) 640-4454  
Rental accounting
- \***Associate Member Advertiser**  
‡**Convention Exhibitor**

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All too often we settle for the most costly someone else: the poor trainee who is dumped onto the job SOS—sink or swim—style.

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**12. Write down your sequence for the individual.** If you have each module on a file card, you can shuffle cards to make it easier for you to prepare the sequence for that particular person. Keep in mind that this sequence will probably have to be flexible, but having the list will remind you to go back to something that had to be skipped.

## Conduct On-Job Training

We have discussed planning and organizing your training. Now turn to how to execute a successful training program. For our model, I will use the technique developed for the all-time largest training challenge. Do you happen to know what that was? It was teaching housewives who had never worked to build B-24s and B-25s, Liberty ships, Patton tanks and munitions, to ferry aircraft, handle giant equipment, cover non-combat positions, and other similar jobs. Historians credit the Allies' winning of World War II on superior materiel, mostly built by these women and by men who couldn't qualify for combat and had never performed such tasks either.

The process that evolved was named Job Instruction Training, or JIT. It utilized four key steps and was called the four-step method. It's really as easy as 1-2-3-4. There is preparation and detail that amplifies these steps, so the entire process is delineated here, with the original four steps numbered. In concept, this process is as valid today as it was 46 years ago. However, when teaching interpersonal behavior instead of mechanical tasks, there are some variations on the major theme.

The detail of the process presented here assumes that most rental company training is done one-on-one. Susie starts Monday in a 4 to 6-person store and has to be trained by the store manager from day one. However, the concept and principles involved are the same for classroom style training, which may be done in larger organizations with professional training staff.

**Preliminary:** Develop training materials.

The most important thing to do is to develop a step-by-step action check list describing the task. This is usually easier to do for manual or thought tasks than for behaviors, such as conducting a conversation with a customer. This serves several purposes: it makes you think through and organize the process in detail; it provides a secondary or booster impetus to your personal instructions; it gives the learner a crutch for learning and developing confidence; it helps the learner practice alone; and it provides a basis for checking performance. You will want to have finished examples, such as forms, and definitions of performance standards so the person can know what to aim for and how to recognize when it is achieved.

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Training is like building a house. You can't start with the roof; you must start with the foundation, laying one brick on top of another.

---

Ideally, you should try to break down tasks so that you teach no more than 8-10 steps per task; 4-6 steps is better, but it's important to have logical groupings and breaks.

In a large, multi-store system it would be fruitful to develop programmed learning materials that would let the learner proceed much more on their own. APRO's Learning Power Training System uses programmed learning techniques and includes detailed lists for all typical conversations with customers: not canned speeches, but steps for maintaining control and achieving desired results. Even with programmed instruction, there is still the need for participation by a trainer, so in smaller operations developing them may not be cost-effective.

In addition to the action steps for performing tasks, it is also necessary to have completed examples and blanks of all forms the person will learn to use, as well as any tools, materials, diagrams, and the like, which are relevant to the task.

**JIT Step 1:** Prepare the learner.

Put the person at ease personally; expressing confidence is usually a good technique. Make sure the person is comfortable. On mechanical tasks, find

out whether the person is left- or right-handed. Describe what to expect, the objective of the module, the final use of the module, and when and where it will be used.

**JIT Step 2:** Present and demonstrate the action steps in order.

Show that you are using the action steps check list. Think of this as tell and show: read (tell) the step, then show exactly how to do it. If you are demonstrating a physical task, make sure the learner can see exactly what you are doing. If you are teaching interpersonal behavior, such as making a sales presentation or handling an account call, a role play (called the positive model) becomes the demonstration.

In a mechanical task, pause at the end of each step, both to give the learner time to absorb, and to leave space for clarification. Go slowly and patiently. Watch the learner's expression. You can often tell when the action is unclear; ask the learner whether they would like for you to repeat, review or clarify anything about the step or the process so far. Avoid asking, "Do you understand?" or even "Do you have any questions?" A new person on the job is frequently unwilling to give any hint of nonunderstanding, thinking it will look foolish. When there is a question or request for review, make it clear you appreciate the question by saying so. "I'm glad you asked" and "Good question" are teacher techniques for developing the openness you naturally want.

For a complex operation, you may need to repeat your tell and show for the complete task. This is a matter for you to judge how much the person understood.

---

Recognize the difference between teaching new information and teaching new behavior.

---

**JIT Step 3:** Have the learner describe and demonstrate the steps.

Affirm each step that is performed correctly: "Right," "Good," "That's it," "Excellent." Nodding and smiling when the action is correct is also very effective if the person is looking at you. If a step is not done correctly, don't criticize, just calmly say what to correct: "Don't forget to..."; "You'll find it will be better this way"; "Try it this way"; "Just a little more (or less)."

In teaching interpersonal behavior, the only way to have meaningful practice is to role play situations, with the learner playing the rental professional's role.

Return to Step 2 any time during Step 3 if you find the learner is befuddled.

Repeat Step 3 as often as necessary until you judge that the learner has the desired level of skill and confidence. With some tasks, one or two repeats will be enough. With others, especially those involving complex behavior such as a difficult renewal call, it may be necessary to have several repeats, even stretching the repeats across more than one session. This is strictly a matter of

your judgment. An important responsibility you have as trainer is for the control of quality.

**JIT Step 4:** Have the learner practice alone until qualified.

Express confidence that the person understands the process and ask them to work alone. Give instructions to continue using the action steps. Say that you will return after a short time to see how things are going.

Here, of course, is the wrinkle between tasks involving interaction with the customer and what I have been calling mechanical tasks. The original JIT applied to mechanical tasks that the

trainee could do alone. Customer interaction training usually means more practice with the trainer until you are confident no serious problems will arise with customers, then sending the learner to interact with customers.

The essence of this step is that you decide when the person can proceed without you hanging over their shoulder. On tasks like completing agreements, filling out receipts, learning to operate a VCR easily, or recording inventory, which I categorize as mechanical, you can have the person practice either real or simulated situations. If real, you will check the output before it gets into the system. Except for very simple interpersonal tasks, such as courtesy calls, you can usually release the person to work unaided much sooner on mechanical tasks than you can on interpersonal ones.

---

When you select your new employee, you hope it will be someone who provides some of the wants.

---

The best advice I have on behavior is to train the person on simple interpersonal situations first until you see how they progress. Build to the more difficult tasks. Role play units until you believe the learner can perform creditably with a customer. Then this step becomes practicing with the customer. Select customers for the first times where no conflict or problem is expected.

In either case, you will set a return time for review. It is important for you to meet that time. Review the work performed by the learner. For customer interactions, have the learner tell you specifics of conversations, how they went, what was said at each step, whether the desired outcome was achieved. Once the learner has become comfortable with you and your training process, you may want to use an audiotape recording of phone conversations to help you critique and evaluate performance. I would not suggest this for in-store customer conversations unless they can be done totally unobtrusively.

If the learner has difficulty during Step 4, you may need to return to the earlier steps for further clarification and practice.

You complete Step 4 by reviewing performance until you are fully satis-

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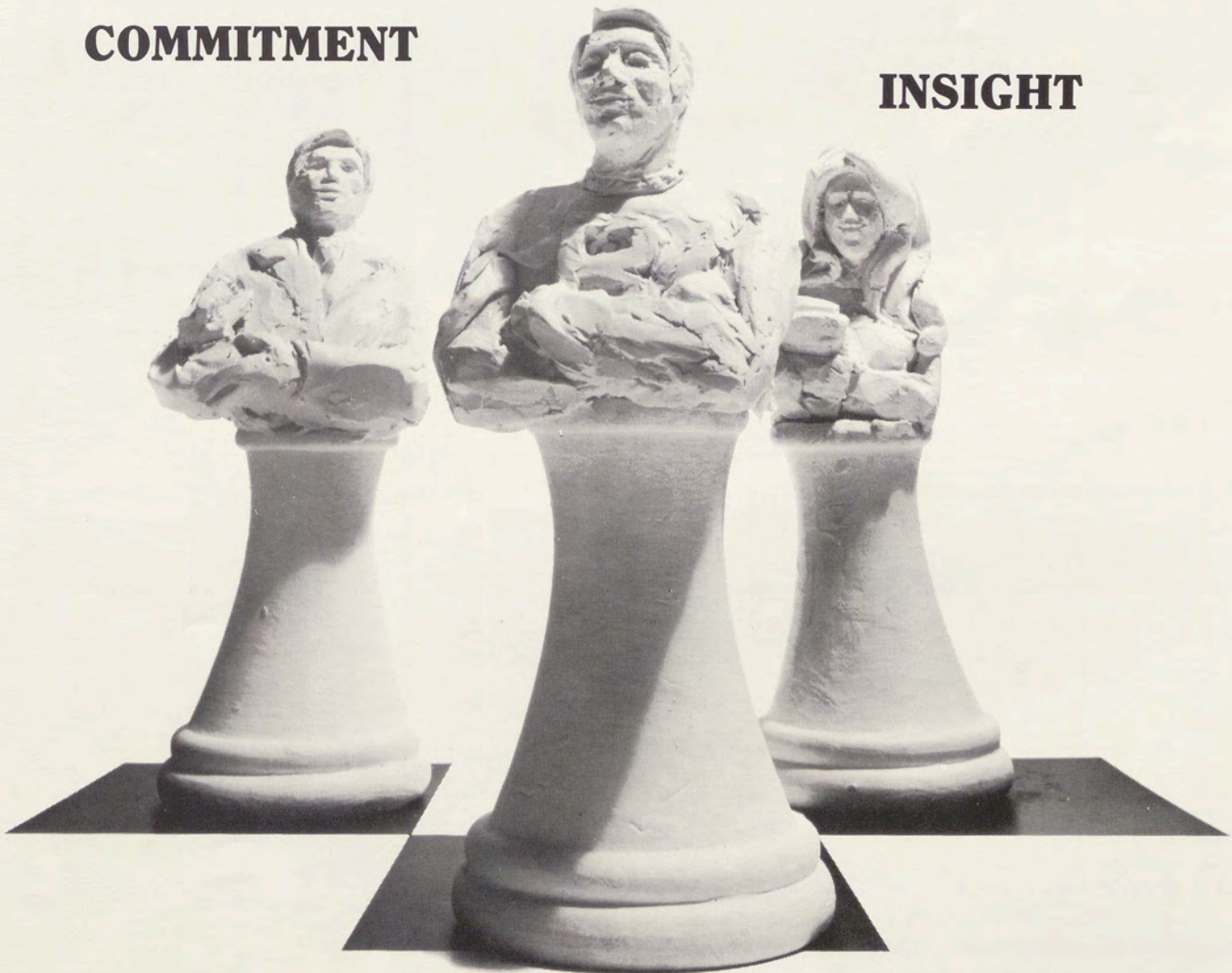
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## **EXPERIENCE**

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fied that the learner is now qualified to perform alone with minimum follow-up. It is important for you to tell the person when he or she qualifies as competent on the module and to express confidence in ability to perform effectively and to achieve the desired performance standards.

When there are specific standards, this is an excellent time to reiterate them. A good way to use the list of modules you established for your training for the individual is to assign a grade, or at least a completion mark for each

A new person on the job is frequently unwilling to give any hint of nonunderstanding, thinking it will look foolish.

module, and to let the person know what that is. It's the report card. It shows progress, confirms readiness, and provides you a good record of what has been done.

In cutting the learner loose for this module, it is important that you create an atmosphere that makes it easy for the person to ask you for help.

**Post-Training: Follow-Up and Control**

When you release your learner as fully qualified, you maintain control by checking performance and re-training as needed, by offering help for developing further efficiencies, and most important, by reinforcing good performance on the job. Some things you will be able to see for yourself, such as work output on forms and procedures. Others, particularly customer interpersonal situations, you will have to ask about in detail, or listen in on when possible (without interrupting!).

An important responsibility you have as trainer is for the control of quality.

I suggest that your follow-up should be more frequent when the person is still new at the task, then it can become less frequent. In order to "fix" newly learned skills, it is important to offer reinforcement in terms of praise and affirmation soon after the formal training to show that what you taught was indeed important. Newly learned skills need heavier reinforcement to turn them into regular behavior.

**Reinforcement Skills For Effective Training And Managing**

The term "behavior modification" for some is a loaded term, often with negative or anti-social connotations. I prefer to use the term "behavior development" in the context of training employees to perform effectively. The techniques are powerful, much more than most people consciously recognize. Positive reinforcement techniques are by far the most powerful for training, which is behavior development.

In this context, I define reinforcement as anything that increases the probability that a behavior or skill will be learned and will continue. Fundamentally, there are three basic ways in which you can apply positive reinforcement, both in training and in managing.

1. **Modeling.** You are probably familiar with the term "role model." It is very important to provide positive, or correct, models. Avoid "do as I say, and not

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as I do." It plain doesn't work. Whatever you do will provide a role model that is far stronger than a set of different instructions.

Modeling is what you do in JIT Step 2. It is important for all management people to provide positive models of desired behavior. It's no good for the trainer to teach the learner using a correct model if the trainer's boss does it a different way. The clear message is that *the boss must be right*, otherwise how did that person get to be the boss?

The term "behavior modification" is for some a loaded term, often with negative or anti-social connotations.

A good model follows the action steps; a good model is clear and understandable; and a good model is easily repeatable.

2. **Praise or reward.** Praise is the trainer's most important technique. It is used particularly in JIT Steps 3 and 4. It is readily available and cost-free, it can be given immediately, it is a great confidence builder, especially with new people, and best of all, it is highly effective if appropriately administered. There are several criteria for appropriateness and, therefore, effectiveness.

Subtler but equally important expectations...are improved morale and reduced turnover.

- Praise should be **sincere**. Human beings have an uncanny sixth sense about insincerity. In relation to performance (either during training or on the job), the person receiving the praise knows whether they have in fact been effective or correct. The affirmation by a person in authority is what creates the reinforcing effect. As a confidence builder, it is important to offer praise liberally, so the key is to find something you can praise sincerely. **Warning:** The Surgeon Specific says that praising ineffective or inappropriate behavior may be hazardous to corporate health because it will cause that behavior

to continue. Or, you get what you reinforce.

Put the person at ease personally; expressing confidence is usually a good technique.

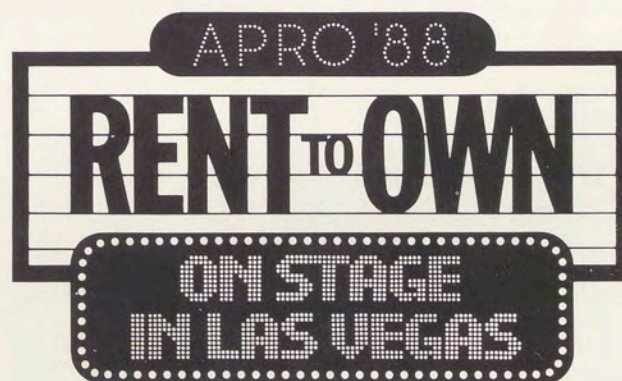
- Praise should be **specific**, very specific, if you want the behavior to continue or become lasting. The learner must know exactly what it is you like or approve in order to repeat that behavior. Being specific has the interesting side benefit that it helps people give praise who might otherwise feel they sound insincere if they do. When you are specific about praise, it simply melts away the insincerity issue, assuming that what you are praising is correct or appropriate. In role playing, or in reinforcing interactions with real customers, being specific means feeding back as much specific dialogue as possible and relating it to the specific action step followed.
- Praise should be **given immediately**, or as soon as possible. It is easier to be specific, and the learner is more likely to know exactly what you are referring to and therefore to be able to repeat the behavior.
- Praise should be **given directly** to the person whose behavior you want to reinforce. Telling the boss about it or putting a note in the file doesn't do anything to create continued behavior.

- Praise should be **appropriate**. You don't give a mere nod to a giant accomplishment, or a giant hoopla for a minor achievement. You maintain a proportionality suitable to the importance of what has been done.
- For purposes of behavior development, praise should be **scheduled**, that is, given more heavily at the beginning of new behavior, then tapering appropriately (but never given up entirely).

If given the chance to evaluate behavior that they may not realize they use, they will want to change that behavior.

Praise in the generic sense of positive reinforcement can be given in many ways. The most important and frequently used by the teacher is verbal praise, as described in JIT Step 4. To be specific in role playing, it means feeding back effective dialogue and giving it approval. Smiling, nodding, and other body language are also powerful forms of approving behavior, and are particularly useful in role playing in one-on-one training. The grade or certificates of achievement are important symbolic forms of reinforcement by approval and should be given as lasting, tangible evidence.

In classroom situations, praise by the other learners is a highly useful form of  
*continued on page 44*



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## Employment Agreements

The assistant manager in one of your medium-size stores has just quit. You have heard that he went to work for one of your competitors. He was not your best employee. You were not even sure that you wanted to make a store manager out of him. He only worked for you for nine months. Two of those months were concentrated in an OJT program. You introduced him to the rent-to-own business. His employment history was only fair.

Could this happen to you? Would you say in this case that your company was better off without the employee? Do you have a sense of missed opportunity?

Certainly the manager who can answer no to all of these questions would be one who manages effectively and competently. Such a manager would know that every effort would have been made to develop this employee to his fullest potential. Such a manager would say that it is impossible for every "hire" to be successful. Such a manager is certainly not in need of any suggestion from this article. Less confident managers should read on.

### Luck Plays a Role

There is no discounting the value of luck in the management effort. Some people are better employees through no fault of management. Others are hopelessly unmanageable. There are very few of either category in most companies. Instead, there is that vast group of employees whose abilities range from fair to good without being either poor or excellent on a consistent basis.

The hypothetical employee identified earlier is typical of a large percentage of your employees. We do not fire that employee for mediocre performance.

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There is no discounting the value of luck in the management effort. Some people are better employees through no fault of management.

---

The replacement might be worse. Neither can we promote that employee into a position of greater responsibility. We manage that employee as best we can for as long as he works for us.

If this seems unlikely to you, think back to three years or more ago and consider who is still employed by your company and who has left for various reasons. Turnover is inevitable. While we lose a few good employees, it is more likely that we will lose the mediocre employees—if for no other reason, because there are so many of them.

### Advantages, Disadvantages

The Employment Agreement is a tool. Like any tool, it has advantages and disadvantages. The advantages are obvious. The disadvantages may be a little misunderstood.

Consider those disadvantages, or perceived disadvantages. Some managers think that an Employment Agreement requires the company to guarantee a job to an employee for a specified term, usually a period of years. Not so. An Employment Agreement can provide for any particular duration such as a month, three months, or a year. Renewal can be equally flexible.

Some managers believe that

employees will not perform as effectively if they believe their job is guaranteed by an Employment Agreement. Not so. An employee's faithful and diligent performance of duties is a typical requirement of an Employment Agreement. Failure of an employee to satisfy that standard is grounds for discharge.

On this point, consider that the standard which will be applied to a contract employee will probably be no different from that same standard which is applied to a non-contract employee. Our hypothetical employee probably should have been fired three months after he was hired. We typically do not manage that way. Instead, we work with an employee to the bitter end in the hope that we can salvage something for our effort. The benefit of the doubt is one of the most generous fringe benefits available in any company.

### Other Considerations

Let us reflect a moment on the "employment at will" doctrine. As employers, we treasure our right to discharge employees without being required to prove cause. It is a principle of law that is recognized in most states. Yet, it is a principle whose use is quite inconsistent with good management practices.

Consider the circumstances of the typical non-contract employee. In a well-managed company, the employee will generally be selected for the training program after he or she has shown some basic qualifications. After that point, the company spends a considerable amount of its resources—monetary and otherwise—training that employee. If the employee's response to the training program or job assignment is unsatisfactory, the employee

will be reviewed carefully by his manager and warned specifically of his deficiencies. If this is not done in writing, certainly notes of the employee's evaluation would be maintained.

If an employee continues the unsatisfactory performance, he will be terminated or, more likely, given a final warning. This step would be documented like the first such warning. In the end, when the employee is terminated, the circumstances would be documented in like manner.

This is a course of management conduct that would easily support termination of a contract employee as well as a non-contract employee. There should be no hesitation about terminating a contract employee under these circumstances.

### Agreement Benefits

What are the benefits of an Employment Agreement? While they are numerous, two will be cited for your consideration. The first is non-disclosure of trade secrets. An employee can be prohibited from disclosing trade secrets such as customer lists, operational procedures, merchandising strategies, personnel circumstances, expansion plans, and technical information gained through employment with your company. This is a restriction that can be easily enforced by injunction. It is quite different and separate from the second important benefit of an Employment Agreement, the non-competition provision.

In the non-competition section of an Employment Agreement, an employee can be prohibited from entering into employment with a competitor for a reasonable time and within a reasonable geographic area following the termination of the employment. The choice of enforcement of this provision will be yours. The mere possibility discourages the marginal employee from seeking to barter your information and training at another company. It discourages your competitors from enticing your employees away for the purpose of capitalizing on your investment.

Is an Employment Agreement one-sided in favor of the employee? It sometimes appears to be. The employee cannot be made to work for your company even though he has signed an agreement to that effect. On the other hand, your company can be made to retain the employee as long as the quality of his services are adequate.

Certainly if your company was plan-

ning a reduction in its work force, Employment Agreements would not be a good idea. What rent-to-own company do you know that fits that description? On the other hand, if you are making an investment in the employee, Employment Agreements can be a very good idea.

What is a good term for an Employment Agreement? While it probably doesn't make any difference, a one-year term with yearly renewal options is suggested here. While it is true that the employee can quit working for you any time he chooses, the one-year term makes it difficult for your competitors to hire one of your employees because the competitor would have to encourage the employee to breach the contract. This may give you a right to sue the competitor for a cause of action known as "Interference With Contract." The most significant aspect of that claim is the possibility of receiving punitive damages from a jury.

If this seems overly technical to you, consider the case of *Pennzoil vs. Texaco*. Pennzoil claimed Texaco was guilty of "Interference with Contract" when it encouraged Getty Oil to breach its merger agreement with Pennzoil. The rest, as they say, is history.

In summary, Employment Agreements should be reconsidered in the light of today's legal environment. Every employee will not be a good candidate for an Employment Agreement. On the other hand, in a business as training-intensive as the rent-to-own industry, an Employment Agreement can be a very effective management tool to encourage continuity, loyalty, and confidentiality.

A sample Employment Agreement can be provided to any APRO member by sending a written request to the address shown in this article together with a stamped, self-addressed envelope. Under no circumstances should this sample agreement be used without consulting with your lawyer. The purpose of providing the sample agreement is to show you how a simple, plain-language document can secure for you some very valuable benefits.

**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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## New Year, New Opportunity

I want to take this opportunity to wish those of you whom I have not seen lately a very happy new year. I know that most of you are wondering what the new year will hold for the rental industry. I wonder the same myself.

I have been hearing a higher level of optimism from dealers lately than I had been hearing most of last year. There is no one thing that dealers are pointing to that leads them to conclude that the worst times are over. It is more a sense of having ridden out very rough times, and the instinct then is to sense that better times are ahead.

Thorn EMI did purchase Rent-A-Center at an unheard of multiple. And these are people who have been renting TVs all over the globe for as long as there have been TVs—longer, really, since one of their big names in the industry in Australia is Radio Rentals. They must believe that there is a future for the rental industry in the states, or they would not have bought such a foothold as they did at the price they paid.

I did have a dealer tell me the other day that what he noticed about dealers in the industry is that once they were primarily investors who were in the business to make a lot of money. Now he increasingly sees people in the business to make a living.

The implication is that dealers today are in the business for the long haul. They must enjoy most parts of what they are doing, or they would presumably find something else to do. They are the dealers who realize the retail niche they have carved for themselves with the short-term rental of products for the home, and they plan on developing that niche to the greatest extent possible. Along the way they plan on making a good living and perhaps have a company with some equity built up that they can sell one day. They are, in a word, on the road toward fulfilling the entrepreneurial dream.

I do not foresee any dealers cashing

in on hundreds of millions of dollars worth of equity like Tom Devlin did in the near future. Until the face of the industry changes significantly, that will be a once-in-a-lifetime occurrence. I do see the industry supporting another company or two going public, however.

I hear from dealers all over the country who are talking of expanding. Some of you will look down the street and wonder how the economy can possibly support another rental store, and there are some cities with too many rental stores, make no mistake. But there are other markets that are not yet full, and there are dealers out there figuring out ways to get stores in those markets.

I look to see the marketing in this industry get increasingly sophisticated and aggressive. That is both good and bad. To the extent that marketing gets sophisticated there is the promise of attracting an ever-broadening base of customers to the acceptance of the rental concept. Aggressive, on the other hand, usually translates into price cutting, and that, alas, is destined to continue.

But even the price cutting has a bright side, although it is a hard sell to most of you. The lower rental rates get, the less pressure there is legally on the industry.

It has always been the notion, never particularly valid in my view, that we as an industry enjoyed profits at the expense of destitute consumers upon whom we preyed. When rental rates fall, that argument loses all credibility and finally will cease to be made. It is always going to cost a little more to rent something than it does to buy something outright. That is because it costs more money to rent and service and pick up a product and service a rental customer than it does to sell a product in a box off the showroom floor. But the day is coming when it will not cost very much more.

As that day approaches, we in the

industry are going to have to get better and better at what we do in order to remain profitable. And I see progress.

Compare, for example, the average longevity of the managers in your system to what it was three years ago. Most of you are finding, hiring, and keeping higher caliber employees in your companies than you were several years ago. Compare repeat customers and customers with multiple items with those numbers three years ago. Most of you are learning how to keep the customers you have and are building a loyal customer base. Compare the number of different products you offer today with those you offered several years ago. Most of you can look at these kinds of examples and see real progress, even if you are not showing as fat a bottom line as you might have wished.

And so I do not welcome you into a new year full of starry promises and unreachable dreams. I welcome you into another year of hard work and, I hope, accomplishment and progress. It can be an exciting time for all of us in the business. The industry is growing and developing. It will finally look as good as those of you who are committed to the industry make it look. It already looks infinitely better than it did eight years ago when I was first introduced to the business. Every year it looks better.

One of my new year's resolutions is to continue doing my best to help make the industry as good as it can possibly be. I trust that all of you will join me in the effort.

Here's to a challenging and prosperous 1988.

EDWARD L. WINN III  
APRO General Counsel

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# Rental Applications Revisited

*The right information, properly used, means better business*

Rental dealers have various devices for getting prospective customers in the door. They place their stores in high traffic locations; they run carefully thought-out advertising campaigns via direct mail or TV or some other medium; they give out hot dogs and cokes in front of the store on Saturdays. Once they have the prospective customer in the store, they try to get him or her in front of a suitable, rentable product.

Once a product is selected and an agreement is struck in principle, the next step is to get the customer to give the store enough information to make a decision whether to rent him the product or not. This is commonly known as the rental application process, and is the subject of this article.

Some dealers call the written document a rental order, customer information, or rental processing. Dealers have explained that using the word *application* may give the wrong impression to the customer. *Rental order*, for example, sounds more positive and makes it sound more likely that the customer will get the product.

Some dealers may be taking care of the rental application process in exactly the right way. They may always get the proper amount of information, verify it properly, and use the information when following up during the collection process. Some dealers, on the other hand, may not be doing everything properly, and this article is intended to get dealers and store personnel to take another look at their rental application process to see whether any improvements can be made.

## Get the Right Information

A threshold question is, what kind of information is being gathered during

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the application process? The reason this question is important is that there is a federal law, the Equal Credit Opportunity Act (ECOA), that controls credit applications, grants of credit, and credit turn-downs. Rental dealers are not generally in the business of extending credit to customers and, in most cases, do not run true credit checks on prospective customers. Consequently, the federal law will not apply to them.

Rental dealers certainly can run full-blown credit checks on rental customers if they want to, and there are a few rental dealers around the country who do just that. They are signed up with one or more of the major credit reporting services—Chilton or TRW—and they run each customer through the process.

If a dealer is running credit checks on customers, a couple of points are in order. The first is that the federal statute may well apply. That means that the application will have to be taken on the proper form—model forms are provided by the Federal Reserve Board—and those dealers must also play by the statutory rules when turning a customer down. Essentially, the customer has the right to a written explanation of why no credit is being extended. The FRB also has a form for that, a copy of which is in the box on the facing page.

An interesting legal question is whether a rental dealer doing a credit check on customers is covered by the Equal Credit Opportunity Act (Title VII of the Consumer Credit Act). The entire Act is premised on the statutory defini-

tion of credit, which reads as follows: [Credit] "means the right granted by a creditor to an applicant to defer payment of a debt, incur debt and defer its payment, or purchase property or services and defer payment therefor" (15 USC Sec. 1691a[d]).

Historically, rent-to-own transactions have not been considered credit transactions under the federal Consumer Credit Protection Act. However, in 1984, the U.S. Ninth Circuit Court of Appeals held that the ECOA does apply to consumer leases, even though they are not "credit transactions" as defined in the Act. [*Brothers v. First Leasing*, 724 F2d 789, cert. denied 105 S.Ct. 121, 469 U.S. 832, 83 LE2d 63 (9th Cir. 1984).]

If consumer leases and consumer lessors are covered by the ECOA, might not rent-to-own transactions also be covered? Probably not. Consumer leases are specifically regulated under Title I of the Consumer Credit Protection Act; rent-to-own transactions are not.

In the *Brothers* case, the court had no difficulty concluding that the anti-discriminatory purpose of the ECOA should be broadly applied to all kinds of consumer transactions already being regulated by federal law. It would be a much further jump for a court to make, however, to apply the ECOA to transactions not otherwise covered by federal law.

## Avoid Discrimination

If rent-to-own dealers are not likely regulated by the technical requirements of the ECOA, they are still well advised to avoid discriminating against any prospective customers on any prohibited basis, namely: sex, marital status, race, color, religion, national origin, age, or the fact that all or a part of an

applicant's income is derived from any public assistance program.

The best way to avoid having to prove there is no unlawful discrimination is to tell customers the truth concerning turn-downs. Most of the time, candor will cause no problem and the customer will understand the reason since it will be either that the dealer has been unable to verify all of the information on the application or simply that some of the information did not check out.

Occasionally, dealers will not want to make a delivery because the customer either lives too far away or in a section of town where the dealer does not want to do business. The first reason poses no problem, and dealers are advised to tell the customer the reason for the turn-down, and, if possible, recommend a rental company located closer to the customer.

If rent-to-own dealers are not likely regulated by the technical requirements of the ECOA, they are still well advised to avoid discriminating against any prospective customers on any prohibited basis.

Giving the second reason may be more awkward, but is no less legal. To a casual observer, such a policy may smack of "redlining," a former practice of some banks and other financial institutions not to make mortgage loans on real estate in certain sections of town. Often, the result of such a practice was to deny credit to a disproportionate number of racial or ethnic minority groups. The practice has since been prohibited by federal statute.

There are rental dealers who do not feel they can afford to do business in certain inner-city projects. The reason is usually that the dealer has lost too much merchandise over the years to the project's inhabitants. A prospective customer has occasionally taken such a turn-down as evidence of racial discrimination, especially when the dealer institutes a new policy and the customer knows that some of his or her neighbors are renting from the company. Again, the best advice is to be perfectly candid with the customer and explain the situation fully.

Customers who feel they have been

[§ 41.235]

## FORM C-1—SAMPLE NOTICE OF ACTION TAKEN AND STATEMENT OF REASONS

Statement of Credit Denial, Termination, or Change

DATE \_\_\_\_\_

Applicant's Name: \_\_\_\_\_

Applicant's Address: \_\_\_\_\_

Description of Account, Transaction, or Requested Credit:  
\_\_\_\_\_

Description of Action Taken:  
\_\_\_\_\_  
\_\_\_\_\_

### PART I - PRINCIPAL REASON(S) FOR CREDIT DENIAL, TERMINATION, OR OTHER ACTION TAKEN CONCERNING CREDIT.

*This section must be completed in all instances.*

- |   |   |
|---|---|
| <input type="checkbox"/> Credit application incomplete                      | <input type="checkbox"/> Length of residence  |
| <input type="checkbox"/> Insufficient number of credit references provided  | <input type="checkbox"/> Temporary residence  |
| <input type="checkbox"/> Unacceptable type of credit references provided    | <input type="checkbox"/> Unable to verify residence   |
| <input type="checkbox"/> Unable to verify credit references                 | <input type="checkbox"/> No credit file   |
| <input type="checkbox"/> Temporary or irregular employment                  | <input type="checkbox"/> Limited credit experience  |
| <input type="checkbox"/> Unable to verify employment                        | <input type="checkbox"/> Poor credit performance with us  |
| <input type="checkbox"/> Length of employment                               | <input type="checkbox"/> Delinquent past or present credit obligations with others                          |
| <input type="checkbox"/> Income insufficient for amount of credit requested | <input type="checkbox"/> Garnishment, attachment, foreclosure, repossession, collection action, or judgment |
| <input type="checkbox"/> Excessive obligations in relation to income        | <input type="checkbox"/> Bankruptcy   |
| <input type="checkbox"/> Unable to verify income                            | <input type="checkbox"/> Value or type of collateral not sufficient   |
| <input type="checkbox"/> Other, specify: _____                              |   |

turned down wrongfully have been known to file discrimination charges against rental companies, and the companies have had to prove statistically that they do not, in fact, discriminate on any impermissible ground. This proof can be an expensive process.

### Another Danger Spot

Are there items on a rental application that can get a dealer into trouble? There are items that can make a rental application look more like a credit check than a rental application or rental order. If it is a selling point with the company that there are no credit checks, then dealers do not want to give the appearance of running credit checks else they risk being accused of false advertising.

Asking for information about a customer's ability to pay is the same kind of information that creditors request when qualifying a customer for credit. Therefore, dealers are advised not to ask for specific credit information concerning a customer's existing debt. It is all right to ask for income as a part of collecting job information. Dealers can verify salary levels when they verify employment as a part of gauging the customer's honesty.

After all, the reason the dealer wants information about the customer to begin with is to make sure the customer can be located when the need arises.

There is no particular need to inquire about bank references, and such information looks more like credit information.

### Get Enough Information

Dealers typically ask for a good deal of personal information about the customer. This includes name, address, social security number, driver license number, employment information, telephone numbers, and so forth. There is nothing wrong with getting all of this information; indeed, dealers are well advised to get it all and to verify it.

Dealers will occasionally get too involved with verifying personal references and forget to verify employment

and residence information. A call to the landlord and the employer can reveal the basic honesty of the customer as well as whether the customer pays the rent on time. If the customer is late with the apartment rent, will he also be late with the dealer's rental payments?

A part of the personal information ought to cover any quirks about contacting the customer during the rental term. After all, the reason the dealer wants information about the customer to begin with is to make sure the customer can be located when the need arises. If the customer works nights and prefers

not to be disturbed during certain hours, then such information should be noted on the application and respected later on. If the telephone number the customer lists does not actually belong to him, then that information needs to be recorded to avoid later confusion.

It is appropriate to collect information about spouses or roommates on the application. It is always useful to get on the rental agreement the signatures of anyone else living in the house where the rental unit will be. A dealer's only course of action in the event of non-return and non-payment is against

whoever has signed the rental agreement. Therefore, the more signatures the better.

Rental dealers have various devices for getting prospective customers in the door..Once they have the prospective customer in the store, they try to get him or her in front of a suitable, rentable product.


Dealers also typically collect information about personal references. These may be relatives or friends. Dealers may want names, addresses, and telephone numbers for a few friends and relatives—one only, or a lot of friends and relatives, up to five. There is no law preventing dealers from asking for as many personal references as they want. They are free to contact all of the personal references and explain why they are calling. Dealers should not forget that the list of personal references may be fertile ground for future customers, and dealers may want to keep a separate file of all customers' references for future marketing efforts.

### Verify the Information

Most dealers feel that to collect personal reference information from customers and not verify it is to ask for trouble in this business. Occasionally, store personnel will focus on a strong part of the application—a very long time on the job, for example—and short-circuit the verification process. The solution to such a problem, of course, is to have a firm policy concerning verification of application information and to insist that employees stick to it.

Dealers' opinions vary about the most important part of a rental application. For some it is length of time at a residence, or length of time on the job, or some combination of the two. For some it is getting the closest relative—a mother or mother-in-law—as a personal reference. For still others, it is a telephone number in the house where the unit will be. There is no one correct answer for the most important part of a rental application.

*continued*



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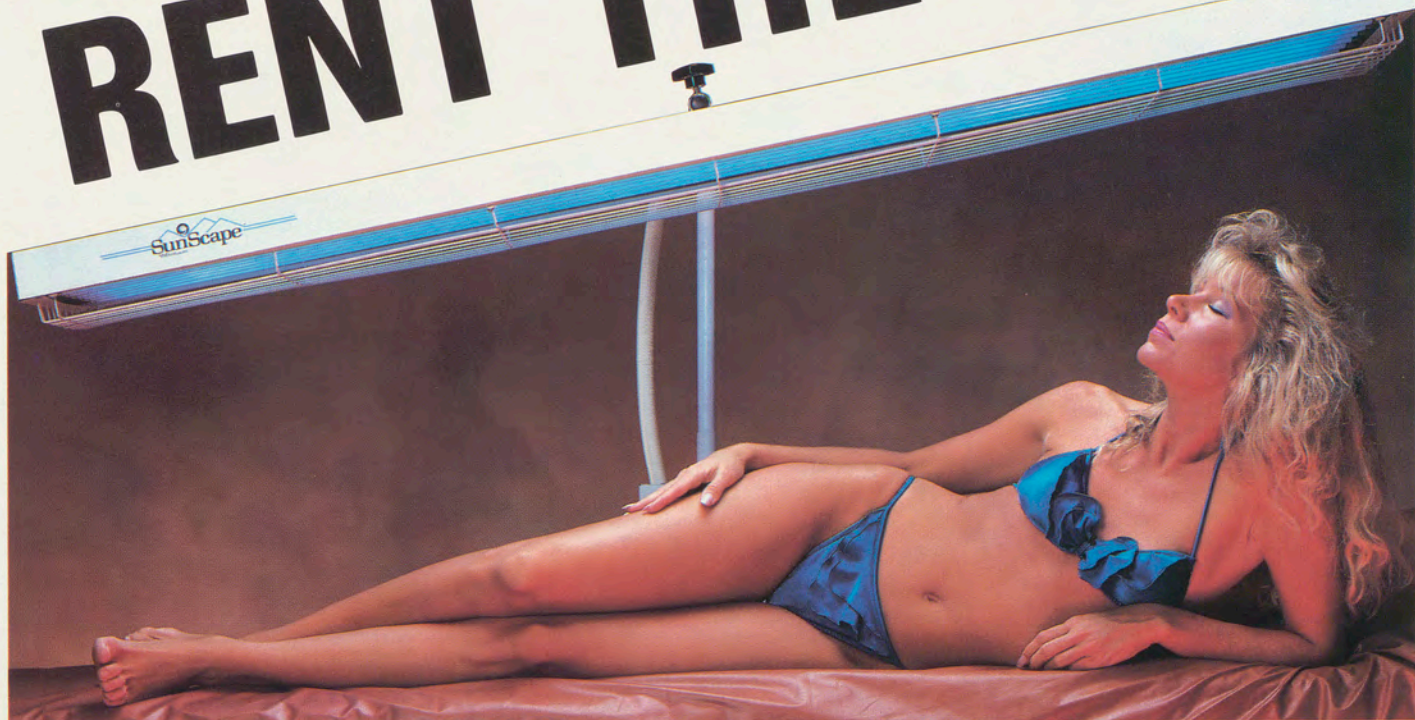
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Some dealers use a point system to help balance the different parts of the application. Point systems may give some security to new employees when trying to qualify customers, but most dealers report that point systems ultimately result in fewer deliveries. This is because the points simply may not add up for a customer who in the dealer's judgment does not pose a substantive risk of becoming a skip or stolen.

## Use the Information

An interesting calculation for dealers to make is the percentage of turn-downs compared to applications. Dealers report a low of 1 percent or 2 percent to a high of 75 percent. The high turn-down percentage comes from retailers who run credit checks on all of their customers and have only a few rental units out on rent. Most rental dealers report a rental turn-down rate of around 10 percent, which means that 9 out of 10 prospective rental customers are getting units delivered to them.

A useful practice for dealers is to go back through the rental turn-down file periodically and review the problems

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Dealers should not forget that the list of personal references may be fertile ground for future customers.

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that caused the turn-down. Such an analysis may show the company better ways to get information from customers and better ways to verify it.

A question that arises periodically is whether the industry will support a reference checking system that helps dealers qualify rental applicants. The proposed system is similar to traditional credit checking systems, except that it focuses on rental customers who have failed to return rental property in the past.

Dealers have participated in such systems in several cities around the country. The effort has been organized in Houston, Dallas, Austin, Atlanta, Baltimore, and recently in Kansas City. To date, none of the systems has been able to stand the test of time.

The theory is that a group of dealers

report all skips and stolens to a central location, which in turn can be called prior to making a delivery. Customers who have been reported as a skip or a stolen by another company would show up, much as bad check writers are reported and then show up on hot check sheets. It would seem natural for big companies to use such a system in-house. Yet, none of the major rental companies uses such a system. City systems that have tried to organize have been unable to support the costs of administration.

Like many aspects of the business, the rental application process is a detail that often gets overlooked. The information collected at that moment is the best and perhaps only link to the customer. A well-thought-out application process may not double profits overnight, but a careful review might give a dealer another delivery or two per month, or it might mean one less skip. These days, every little bit helps.

**PR**

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

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*Zenith Model ZB2755S*

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T A L S

# Dealing in the Big Leagues

Rent-A-Center's sale will affect the industry's future

Rent-A-Center was riding high in the summer of 1987, along with the stock market. Its stock was selling at \$21-23 a share, its franchise network was expanding rapidly, and the Wichita, Kansas-based company was growing at a steady rate of 30 percent a year. A 3-2 stock split had just increased shareholders' portfolios in April. One of only two publicly traded companies in the rent-to-own field, Rent-A-Center's position had been quite solid since it went public in 1983, offering stock at \$14.50 a share.

So, in August, when Thorn EMI plc, a United Kingdom company, announced plans to acquire Rent-A-Center at \$27 a share, or nearly \$600 million, observers marveled at the continued upward climb of this company that was founded in 1973 with a mere \$30,000. With the sale, Rent-A-Center would change from a public corporation to a subsidiary of a multinational conglomerate. Rent-to-own was achieving a new aura of glamour through the shrewd dealings of Thomas R. Devlin, Frank Barton, and their high-power management team (see "Key Players" box).

## Luck or Brains?

And then, to make the sale look even more brilliant, the stock market plummeted 500 points on October 19. Was Devlin really that smart, or just lucky?

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"One of the things in the back of our mind was the thought that a 2,000 point Dow couldn't be that good for that long."

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"It depends on who you ask," jokes John H. Slaymaker, vice president of finance. President and chief executive officer Walter E. "Bud" Gates says it involved "both a touch of prophecy and of luck."

When the possibility of a sale began to be discussed at Rent-A-Center last May, "One of the things in the back of our mind was the thought that a 2,000 point Dow couldn't be that good for that long," says Gates. "We actually, specifically talked about the possibility of a day when the stock market could drop 200 points in one day," says Gates.

If you ask Devlin himself, he will point to two key factors in his decision to find a buyer for his 14-year-old company. The first was a pragmatic business judgment that the stock market was out of control, and not likely to settle down.

"I really had felt uncomfortable with the market for some time—about a year," says Devlin. "The kind of P/Es [price/earnings ratio] that most companies were getting were record, were huge. There was just no way that I felt the companies were worth that kind of

money, including my own. The market says 'you're wrong Tom, because people are paying that. That's what it's worth.'

"Of course, every year we do our five-year plan. We were in the process last spring of doing our plan and I started looking at the profit we had projected for three years from now. I said, 'gee, if the stock market ever goes back to being sensible again, and goes back to reality, three years from now our company, based on that profit, is worth very little more than what it's worth today,' because of the high multiples that the stock market was paying.

"Well, hell, why do I want to take that risk and manage it for three more years to get no more money, if I'm right? If I'm wrong, well then of course I left a lot on the table. But if I'm right, I saved three years of time."

## "Do You Mean It, Dad?"

The second incident that was equally important in the decision to sell was a trip Devlin took last June with his son Tommy. Discussing plans for the coming year, father told son that he hoped to see his grades improve, and that he would lend a hand in the process. Son looks at father and says, with all sincerity, "That's great Dad, but how are you going to do that when you're never home?"

## Will Other Companies Go Public Now?

Asked what the overall impact of the acquisition on the rent-to-own industry will be, Bud Gates replies, "That's a pretty hard one to answer. Let me explain to you why.

"You could say, 'well, you've really made it easy for everyone to go public.' That's not true. You have to have a long history of delivering against fairly high targets to have your stock perform even close to what ours did. This is a company that's been in business 14 years and that's effectively grown at a rate of 30 percent a year; it's had a tremendous track record.

"To grow a company the size of Rent-A-Center with any kind of degree of consistency of growth in earning as we did is no easy feat. It's not real easy to go public, and even if you do, that's no proven pot of gold. After you do, you have to put together a pretty long, successful, unbroken string of performances to get the payoff from it.

"So I don't think what we've done is going to be any harder or easier on anybody else. It's a wide open book. Your rewards will be dictated by how good you are."

Back home, Devlin mentioned the incident to his wife who suggested that he check his calendar for the last year to see how often he had actually been at home. Devlin was astonished to discover that he had been gone 40 out of 52 weeks. Looking ahead to his fall calendar, the chief executive says that he was already booked to travel at least one out of every two weeks.

"You've got to understand that as a public company, and as big as we were, I had a lot of obligations. My day starts at about 7 and goes until 9 at night," says Devlin.

Taking the company's high relative value and weighing it against the potential financial gains and personal losses, Devlin put the wheels in motion to find a buyer. Chairman emeritus Frank Barton (an original investor in the company) was also ready to entertain suitable offers for his stock block. It didn't take long to find a buyer.

Bud Gates compares the relative ease of the selling process to "two people just starting to look to get married who ran into each other in the elevator.

"There wasn't a lot of wooing going on at all," says Gates. "It was really a fairly quick process. We'd been approached many times over the years to sell, but we really hadn't entertained anything seriously at all."

As vice president of finance, John Slaymaker was heavily involved in the sale. "It happened that in checking out the market our people ran into an investment banking group, Goldman Sachs, who, on the other hand, had been looking on behalf of Thorn in the U.S. marketplace, and had already surfaced our name. From there the discussion developed pretty quickly."

### Good Enough to Marry?

In a November 1984 article on British rental practices, Thorn was quoted in PROGRESSIVE RENTALS as saying that they would enter the U.S. market when they found "the right formula." At that time, they were the only British rental firm without U.S. outlets. Apparently, Rent-A-Center fit the bill for Thorn EMI.

What convinced Rent-A-Center management that Thorn would be a good match?

Gates explains: "The fact that they had a reputation as *people* who were very strong, the fact that they clearly were decentralized, and the fact that as an organization it was one in the U.K. that was very well known to be on the

uptake. Mr. Southgate and Mr. Maxmin are both relatively new to Thorn, having joined within the last three or four years, and have been restructuring and turning around Thorn EMI. They are known in the London financial community as fairly dynamic and aggressive people who are having their impact.

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Bud Gates compares the relative ease of the selling process to "two people just starting to look to get married who ran into each other in the elevator."

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"Staying on as CEO, I certainly had an interest in who they were, but I would be quick to point out nobody took a greater interest in that than Tom Devlin did. Everybody said, 'geez, you got your \$100 million and you don't care anymore,' but that couldn't be further from the truth. Tom has a financial side, but he also has a side that wants to see his vision fulfilled. He wants this to become a billion dollar company and he knew that whoever did the acquiring had to be a certain ilk of company or that would never happen. They would stifle the creativity, they would shut off the things that had made this company great."

Devlin echoes this, explaining that he feels good about the choice of Thorn because "they are in our industry and have had tremendous growth. They

have done an excellent job of bringing in good people. So they're experienced at growing 30 percent a year.

"Plus, if somebody who doesn't understand this business buys you, they come in and don't know how to operate you. They can tear up and ruin everything you've built. These people understand the industry. And they're great marketers who will bring a lot to the party. They'll add fuel to us, not take away."

Thorn executives went to Wichita for discussions in the early part of July, followed by visits of the key U.S. people to London in the latter part of July. Significant third party help came from New York investment broker Ben Jacobson, who acted as mediator. "He did a lot of our negotiation, bridging, and liaison work," say Gates.

### Buying Back the Stock

What were some of the mechanics of converting from a publicly held corporation to a subsidiary of a foreign conglomerate, in terms of notifying the stockholders and repurchasing stock?

"Once a decision was made that there would be a tender offer, it was really the responsibility of Thorn to make the offer," says Slaymaker. "They offered back in the latter part of July, first part of August, and tendered for the stock. The stock needed to be in by the first part of September. The stockholders had to actually transmit their stock for \$27 cash a share to Thorn."

Even if shareholders had not responded favorably to the deal (not likely considering the excellent terms), it would still have gone through

# Thomas R. Devlin

## Passing the Entrepreneurial Torch

**APRO:** *You've been very involved in contributing time and money to the entrepreneurial courses at your alma mater, Wichita State University. Why has that been so important to you?*

**Devlin:** The rental business as a whole is a very entrepreneurial business. Most of the people who are in the business work for somebody else and then decide to go on their own and start their own deal. So, just being involved in this industry, and being one of the original founders in this industry, put me in a position where I could contribute.

I'm very entrepreneurial and I have no problem with people starting their own companies. Wichita is a big entrepreneurial type city. I like to see people start their own business, and of course, that's what creates new jobs and keeps the economy rolling.

I really believe that in almost every business, whether it be service or manufacturing, or whatever, that there are enough bad operators out there that there's always an opportunity. Now, it's not always an opportunity in the city where you live (you may have to move somewhere else to start it), but I think there's always a good opportunity for a good operator in any industry, and I like to see these would-be entrepreneurs get their chance.

But I don't want them to make all the mistakes that everybody else has made, so I like to teach because my feeling is that if I can get them to listen, I can show them the areas where they can make mistakes, how not to make them, and thus help increase their ability to succeed.

**APRO:** *So you will be speaking next summer at a conference at Wichita State University?*

**Devlin:** Yes, they have an entrepreneurship class here in the summer that is the largest in the country. Over 500 people come into town for it. I do that class, and then there's another class they're having this summer that's for teachers of entrepreneurship, and I'll do that class. I've been part of their program for seven or eight years.

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Even if shareholders had not responded favorably to the deal . . . it would still have gone through because of pledges made by the company and principal stockholders.

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because of pledges made by the company and principal stockholders.

"They actually had an option to acquire sufficient stock to have a majority interest in the form of three major blocks," says Slaymaker. "The first was Tom Devlin's, the second was Frank Barton's, and the third was an option the company had given for additional stock. It was roughly 23 percent apiece on Frank and Tom, and the company gave them sufficient option to get them over 50 percent.

"As it turned out, the market was very receptive to the offer. It actually offered up more than 90 percent, which

allowed Thorn mechanically not only to buy that interest, but to go through the next step of acquiring the balance through Delaware law. Under Delaware law, you're allowed to buy out all the remaining stock subject only to those remaining shareholders perhaps challenging the value of those shares, which to my knowledge is very unlikely.

"In other words," adds Gates, "there's a mechanism available that says if you're able to acquire 90 percent or more of a company, then it's a pretty easy process to take the remaining 10 percent."

After the offer was made, Rent-A-Center stock hit its peak of 26 $\frac{7}{8}$  as the market recognized the offer.

The \$27 sale price "was a nice premium" for stockholders, according to Slaymaker. "And given the response of the market, I think the marketplace acknowledged it."

Completing the sale cost both companies millions of dollars in commissions, accounting and legal fees, and other expenses to notify stockholders, but as Slaymaker points out, that was

a small percentage of the overall sale price.

## What Does It Mean?

Now that the sale is a reality, what will it mean for the future of Rent-A-Center? Who is Thorn and what will they do with their new acquisition? The answers to these questions and others will determine the impact on other rent-to-own companies, and the industry as a whole.

The consensus of those involved seems to be that Rent-A-Center was already doing fine and, with Thorn's help, will become even bigger and stronger.

By going public in 1983, Rent-A-Center gained an infusion of capital that permitted its growth from 76 stores to its current level of 520 stores. By introducing franchising in 1984, the company speeded up the process of expansion. Rent-A-Center currently operates 330 company-owned stores, with 190 franchise stores, and expects to add another 200 stores altogether this year. (See box on "The Franchise Factor.")

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Now that the sale is a reality, what will it mean for the future of Rent-A-Center? Who is Thorn and what will they do with their new acquisition?

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According to Devlin, this expansion will make Rent-A-Center the undisputed leader in the rental industry, overtaking ColorTyme "not only in revenue and earnings, but also in the number of stores. I think that Thorn's position is, 'Look, that's a great job, Rent-A-Center, but we want to be the most dominant rental company in the United States, by far.'

"You see, they have 50 percent of the market share in all the countries they're in. That's a very dominating position to be in. Their goal is: We're going to be THE rental company in the United States, period. The market share Rent-A-Center enjoys today is probably 10 or 11 percent, but I suspect that in the next three years they plan on doubling that, or better. I think five years out they're going to be so dominant," says Devlin.

"Of course, when we get the buying

# Key Players at a Glance

Many of the top executives at both Thorn EMI and Rent-A-Center are relatively new to their positions and to the rental industry. Here is an overview of management at each company.



**Walter E. "Bud" Gates**, seated center, president and chief executive officer, joined Rent-A-Center in 1985 as executive vice president and was promoted to chief operating officer in August 1986. He spent 11 years with PepsiCo, including five years as senior vice president of marketing for the Pizza Hut division.

**P. David Egan**, standing far right, senior vice president and general counsel since 1983, formerly in private legal practice.

**John H. Slaymaker**, seated right, senior vice president of finance, joined the company in November 1986. Formerly an independent consultant, before that he was vice president of finance and chief financial officer for Pizza Hut Inc.

**Christopher C. Browne**, standing far left, senior vice president of marketing, joined Rent-A-Center in January 1987. He was formerly president and CEO of Hi-Net Communications, a joint venture of Holiday Corporation and Comsat.

**Michael A. Jones**, seated left, senior vice president of human resources, joined Rent-A-Center in April 1986. Jones was previously a senior vice president for the Howard Johnson Co.

**Richard S. Klein**, standing center, vice president of franchising, has been with the company since October 1985. He was formerly vice president of franchise business development for Weight Watchers International.

**Robert J. DiGiacomo**, standing second left, vice president merchandising, since October 1987. Before that he was director of marketing and merchandise manager, hardlines, for Lechmere, a division of Dayton Hudson.

**Richard F. Rineberg**, standing second right, senior vice president of operations, joined Rent-A-Center in March 1979. He was formerly in management at Pizza Hut Inc.

## *At Thorn EMI, London, England*

**Colin Southgate**, managing director and chief executive, a member of the board since 1984, he joined the company in 1982. Southgate became managing director in April 1985 and assumed role of chief executive in July 1987. He formed his own company, Software Sciences, in 1970.

**James Maxmin**, chairman and chief executive, home electronics, has been chief executive of the Television Rentals and Retail Group since 1983. Appointed to the board in 1984, Maxmin was previously chief executive of Volvo Concessionaires and worked for Lex Hotels and Unilever.

## *At Rent-A-Center, Wichita, Kansas*



**Thomas R. Devlin**, founder and former chairman of the board and chief executive officer, now acting as consultant to Rent-A-Center, but expects to be inactive.

# The Franchise Factor

The first Rent-A-Center franchise store opened in 1984 when the parent company had 93 of its own stores in operation. By the beginning of 1988, those numbers had increased dramatically to 190 franchise stores, while company-owned stores had more than tripled to 320. Each franchisee has an average of eight stores, while six owners have ten or more stores.

Franchisees receive territorial development grants and must be experienced in multi-store management. They generally pay about \$25,000 per store with ongoing royalties of about 5 percent a year. What effect has the purchase had on the franchisee network? Did they have any say in the selling decision?

"No, in the first stage of negotiations they did not have a major say," according to John Slaymaker, vice president of finance, "although I think Tom (Devlin) has been very sensitive to how they might react. I would say, if anything, it's simply insured that, going down the road, more resources have been added to the system as a whole.

"To the extent that the company has those resources, the franchisee is going to benefit from it as well. All of their contractual rights and commitments remain exactly the same."

Bud Gates recognizes the franchisees' keen interest in the sale. "If you were a franchisee of Rent-A-Center, and you had all your hard-earned money poured into this thing, any change at all would be disturbing to you a little bit, but if you had to think of the one change that could possibly make you feel the best, I'm not so sure we haven't just done it.

"We've just been acquired by the only company in the world who has 40 years of experience in the worldwide marketplace, who's committed to growth in the United States, and that's just paid \$600 million, based upon that growth. So, if you had to pick one person, or one group, or one suitor that you think could bring something to the party, it's just happened."

According to Gates, the number of franchises will continue to increase dramatically, but the percentage of franchise to the total will remain about the same, "because we are also dramatically increasing the number of company stores.

"We've recently leased some additional franchise areas in New York, but the majority of our franchise growth comes from our existing franchisees filling out their territories. Just the franchisees filling out their territories will probably add about 100 stores next year. New York was one of the few master franchise territories left, and there are very few others available.

"As of this coming year, we should be 100 percent penetrated in the sense that we will either have a company store in the market or we will have franchised it."

Asked whether these territories encompass Canada as well, Gates replied, "No, that is just in the domestic U.S. Alaska is still open, as is Puerto Rico. We're also looking at a variety of countries around the world. We're in the process of launching an international franchise effort."

Former owner Devlin anticipates that Thorn, who has no franchises in its system, will strive for a mix of about 75 percent company-owned stores and 25 percent franchised.

power, we can lower the price to the consumer and that helps it all. Combined with Thorn, we are now the largest electronics buyer in the world. That's incredible. Now, Rent-A-Center is going to have some buying power they never had. So, there's just so many economies of scale that will be possible."

## An In-House Banker

Gates foresees that the company's already strong cash position will be fur-

ther enhanced by Thorn's backing.

"We were fortunate enough, going into the acquisition, to be one of those companies that has plenty of capital. We had just successfully floated a convertible debenture and we still had \$20 million worth of excess cash around. From many companies the answer you will get is, 'well, finally I don't have to be out constantly trying to get enough capital to expand the business.' So we had already one of the major sighs of relief that really hadn't been a major factor for us.

"I've swapped bosses—from the investment public to Thorn EMI," says Gates.

"Down the road we will have access to financing. Thorn is a banker, if you will, for us and they will be able to supply us capital as we grow. If we came across a big acquisition or something, rather than having to take the time to line up debt or go to the equity market, because of Thorn we may have the ability to have access to that quickly."

## Negatives of Being Public?

Questioned about the "downside of going public," Gates replies, "I wasn't here when they first went public. Judgmentally, you could say you give up a lot in terms of reporting, really having to be there every quarter and show that consistency, but for Rent-A-Center, going public was the vehicle that allowed us to continue to grow.

"I doubt that the company could have continued to grow at 30 percent plus per year if they didn't have access to that kind of capital. You see, you're chewing it up in pretty big chunks at that time. You can raise a million, or two million, or three million through banks and partnerships and so forth, but when you have to start raising 30, 40, 50, 60 million, it's pretty hard without the ability to go public."

## No More (Public) Annual Reports

Key Rent-A-Center executives agree that the sale will mean the end of quarterly reports and accountability to the investing public, but the only real difference will be in the timing. This is because Thorn will obviously expect similarly detailed annual reports that the company has been required to issue in recent years.

Anyone could request an annual report that would include information such as: "Rent-A-Center stores generally are located in strip shopping centers in moderate income neighborhoods near major shopping areas.... Store size generally varies from 2,000 to 3,500 square feet. The average annual volume of all stores that have been open for more than 18 months is approximately \$800,000."

It wasn't even necessary to visit a Rent-A-Center store to learn that available furniture lines include: Bassett, Berkline, Allied, and Rachlin. The final annual report also revealed that in fis-

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cal 1987 the company had entered major new markets in Detroit, Columbus, Ohio, and northern New Jersey.

One could also read that Rent-A-Center's advertising budget, spent primarily on television, was approximately 5 percent of its rental revenues, and that its 12 warehouses range in size from 2,000 to 13,000 square feet. In addition, the company has more than 1,700 employees, with about 230 at headquarters.

Thorn prepares corporate annual reports, but since they describe so many different subsidiaries, the small, albeit very interesting, details of each company are ignored.

### Who Is Thorn EMI?

Forty-year-old Thorn operates internationally and is made up of five principal subsidiaries. Rental and Retail operates home electronics stores—Radio Rentals, DER, MultiBroadcast and Focus—in 15 countries, including the world's largest record store, HMV Oxford Circus in London. Hire purchase, as it is called in Britain, is a widely accepted method of acquiring electronics products. Its strength developed as a result of restrictive government credit practices created to control consumer spending, and poor quality retail products that suffered frequent breakdowns.

Other subsidiaries include: Technology (defense electronics, software, security, telecommunications, and semiconductors); Music (publishing and manufacturing); Lighting; and Kenwood (appliances, not electronics).

Gates says, "The areas where they're going to be able to help us are merchandising in stores (they're very well merchandised) and global purchasing. We figure that we're the largest purchaser of brown goods in the world now. I haven't quite figured out whether we're bigger than Sears, or which way it goes, but we'll call it a tie.

"It's hard to say where the positive impact will come, but when you have 40 years in a very related business, even when the markets and countries are different, I just think there are going to be places where that is going to come to bear.

"We're in the process of taking a look at each other's business and seeing how we can help each other. Just a quick observation, they're very interested in our reporting systems, because ours appear to be, at first glance, more developed than theirs. On the flip side, they

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Looking ahead to the future of the industry, Bud Gates predicts that a whole new category will be introduced to rent-to-own.

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are considerably ahead of where we are in just terms of merchandising in the stores, such as signage and how the stores look, so I expect that we'll be getting some ideas from them."

Asked how he feels about the future at this point, Gates says, "I feel outstanding and I think I speak for everyone in the company. We're excited, genuinely excited about it, yet it makes all this great logical sense.

"You can do your right brain analysis and from a logic standpoint say, 'boy this is great. This insures our future. Now, if we ever had a doubt about the future of Rent-A-Center, that money would run out, or we'd run out of the management team, or whatever, the acquisition by Thorn insures the division will reach its completion. We will

*continued on page 52*



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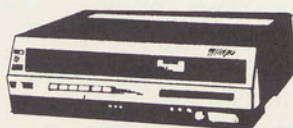
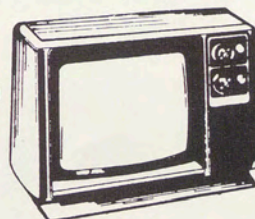
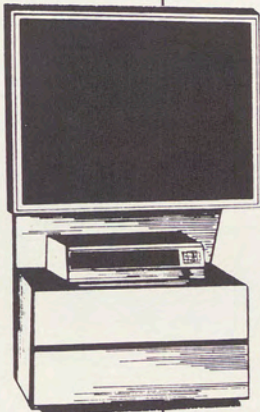
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## PXs Want to Get Into TV and Furniture Business

The Department of Defense has recently forwarded a request to the House Armed Services Committee to allow military PXs to begin selling TVs, audio-video components, desk-top copiers, exercise equipment, ready-to-assemble furniture, and diamond jewelry up to one carat.

The DOD regularly requests the Congress to expand the list of items that can be sold on military PXs. This is one of the more far-reaching requests in the past few years, and part of the breadth of the request has to do with the makeup of the Morale, Welfare and Recreation Panel of the Readiness Subcommittee of the HASC.

For several years, the five-member committee has been composed of pro-business representatives led by Rep. Marvin Leath (D-TX). The pro-business members on the five-member panel enjoyed a majority on the issue of military PX sales, and there was little expansion of the goods offered.

### New Members Have Other Views

The newest member of the panel, Rep. Jack Davis (R-IL), has indicated to the military that he would like to see PXs be able to sell televisions and components, according to the *Exchange and Commissary News*. The news also reports that other panel members—Rep. David Martin (R-NY) and panel chairman Rep. Dan Daniel (D-VA)—had indicated they would support the latest DOD proposal. Only Representative Leath is expected to take a strong stand against the proposed action. It is not known what position Rep. Bill Nichols (D-AL), the other member of the panel, will take.

The specific request to the HASC was sent by Lt. Gen. Anthony Lukeman,

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The newest member of the panel has indicated to the military that he would like to see PXs be able to sell televisions and components...

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USMC, deputy assistant secretary of defense, military manpower and personnel policy. In his letter to the committee chairman, Rep. Les Alpin (D-WI), Lukeman explained that the PXs could already sell goods as follows: self-contained stereo systems with a cost limit of \$990.45; tape recorders and VCRs; sports equipment with a cost limit of \$213.35; completely disassembled knockdown furniture and bunk beds with a cost limit of \$142.60; and diamond jewelry up to one-half carat.

### Lengthy Justification

Attached to his letter, Lukeman sent a four-page "Justification in Support of Recommended Changes to the Armed Services Regulations." The argument for allowing PXs to sell electronics products without limit is explained as follows:

State-of-the-art audio and video systems components including TVs should be authorized for sale in exchanges to offer military members an alternative to the high prices and high interest charged by some of the commercial enterprises which target military personnel. Television is a necessity for both entertainment and its educational value. Over 98 percent of American households own one or more TV sets. Music

systems are also viewed as a necessity by the younger generation. The younger age market is oriented toward quality sound, better audio equipment, and the freedom to select a combination of components to make up a system of choice. Approximately 74 percent of the national retail sales of audio equipment are in the component category compared to 26 percent in self-contained systems.

Stereo TV broadcasts are steadily increasing. Over 200 stations are now broadcasting in stereo and more prime time shows are being recorded in stereo. To fully appreciate this sound advancement, viewers must hook into stereo systems, further enhancing demand for the audio/video systems. Industry reports sharp patron demand for these systems over the next several years.

The current restrictions on authorized items favor full-line Japanese manufacturers of systems at the expense of U.S. manufacturers that specialize in components. For example, loudspeakers, a category dominated by small American manufacturers, are not presently authorized for sale. The broadened authority should not threaten off-base retailers. Limited space and limited funds for inventory investment will limit exchange stock assortment. Commercial retailers will have latitude in establishing assortments which will not compete with exchanges on an item basis. Total military exchange sales of electronic products represent less than 1.5 percent of total industry sales.

This recommended change would permit an adequate and

realistic assortment of audio and video components and systems. It should generate an additional \$100 million in sales annually and approximately \$5 million in added earnings.

The position paper went on to estimate that the expansion in furniture sales would generate an additional \$20 million in sales and approximately \$1 million in added earnings.

## **Effect on Private Business**

The military argument would be persuasive were it not for the devastating effect such a proposal would have on the industry that has grown up around military bases all over the country to cater to military personnel. If the military argument were carried to its natural conclusion, PXs would have no limits whatsoever on the goods and services they offer to military service people, presumably at cost. That would simply remove military personnel from the national economy, and add additional revenues and expenses to an already bloated federal budget.

Unfortunately, flag waving carries a lot of weight in Washington. Years ago when the PXs first attempted to sell electronic products, NARDA took a strong stand against the attempted encroachment onto its turf. Several hundred thousand dollars in lobbying fees later, NARDA retreated to lick its wounds in the face of strong and repeated arguments about the need to provide goods and services for the very people who were protecting this great nation.

Representative Leath spoke for the record before the panel on the issue of allowing PXs to accept credit cards.

"I am living in the real world because I have been on the telephone constantly for two weeks with people calling me about this credit card issue. Not only that, I've spent more personal time trying to solve problems that the Exchange Service creates for me at Ft. Hood than any other single thing that I do. My gas people call me, saying we are going broke because the exchange people find the first jack-leg outfit that they can that has got the cheapest price and base the exchange price on that. We cannot compete based on what we have to pay. And it goes on, and on, and on. So I think we just need not to have a love feast

here and talk about how nobody is going to get hurt and this is going to be a blessing and wind-fall for everybody, because that is not true. You start doing things like this, you expand the scope of anything the exchange does on the post out there, it affects merchants. And it affects some of them to the extent that it may be just that margin that keeps them in business or takes them out of business.

"So, you know, I think that we are going to have to start looking at these things with a little bit more realism. You know, perks are wonderful things, but perks are not as important to soldiers and sailors today as they were when soldiers and sailors were making \$50 a month, or \$100 a month. You know, we have a pretty good pay scale right now for people in the Armed Forces. And for us to take the attitude that we have just got to continue to keep making every military installation in this country totally self-sufficient, whether it be with Burger King, or mini-storage warehouses, or credit cards, or whatever, where they never have to get off that post to do business with a merchant, gentlemen, you had better get out there and run for Congress and ask for votes. When you do not pay any taxes it is difficult for a guy who is sitting out there paying taxes and complying with all the rules and regulations and so forth that the Federal Government puts on him, to compete with you and stay in business at the very best."

The good news is that military PXs cannot sell whatever they want to service people, and there are other representatives like Leath in Congress who understand free enterprise and the adverse impact that excessive governmental intrusion into the system can have on it. There is hardly a worse example of governmental intrusion than to allow the government to offer goods and services readily available in the marketplace to selected citizens at cost. There are few things more anticompetitive.

APRO members recently received a memo on this topic with a list of all of the House members on the Armed Forces Committee, some 51 representatives. Historically, the DOD has attempted to expand PX authority in the

dark of the night with as little publicity attendant to the effort as possible. Full public airings of the issues have generally been effective in slowing down the movement of such efforts through Congress.

Once again, APRO members and other dealers who are concerned with this issue are urged to write their representative in the House and make their views known. If enough business people express their outrage at the DOD proposal, Congress may be reluctant to act on it quickly. Dealers who wish copies of the military position paper or other information concerning this issue are requested to write or call APRO General Counsel Ed Winn III, 500 MBank Tower, Austin, TX 78701, (512) 474-6436.

## **Arizona Dealers Loses Claim**

An Indian Reservation Court in Arizona has handed down an opinion holding that a rental dealer's rent-to-own contract is a disguised credit sale under the current version of the federal Truth-in-Lending Act. This ruling flies in the face of the clear trend of these kinds of cases, and may cause trouble for dealers in that state as well as in other parts of the country.

The case arose when the dealer rented furniture to a customer living in the Tohono O'Odham Indian Nation. The furniture was rented on a standard rent-to-own contract at \$86 per month. Approximately 12 months later, after the customer quit making payments and refused to return the furniture, the dealer filed suit in the reservation's court, a practice the dealer had used successfully for years.

This time, however, the customer took her case to the Papago Legal Services Office. Her legal aid lawyer filed a counterclaim against the company. The customer alleged that the company had violated various state laws, including the state Consumer Fraud Act, by harassing her while attempting to recover the merchandise.

In rendering his decision, the judge acknowledged the outcome would have an impact on all of the contracts with customers living on the reservation. The dealer himself reported that several hundred contracts he has out with customers have been thrown into question by this opinion.

## Regulation Language Ignored?

In ruling against the company, the judge looked at the declaration of purpose in the Truth-in-Lending Act and either overlooked or ignored the clear language of the regulations supporting the Act, which had been promulgated by the Federal Reserve Board. Unfortunately, the specific language that the judge relied upon was the language explaining the reason for adopting the Consumer Leasing Act, which statute the judge ignored in favor of erroneously applying the Truth-in-Lending Act to the transaction:

"...the congress also finds that there has been a recent trend toward leasing...durable goods for consumer use as an alternative to installment credit sales and that these leases have been offered without adequate cost disclosures. It is the purpose of this Subchapter to assure a meaningful disclosure of the terms of leases of personal property for personal, family, or household

purposes so as to enable the lessee to compare more readily the various lease terms available to him...enable comparison of lease terms with credit terms where appropriate... (15 USC Sec. 1601 (b).)"

What the judge did not find persuasive is the language in Regulation Z, which carefully distinguishes credit

This ruling flies in the face of the clear trend of these kinds of cases, and may cause trouble for dealers in that state as well as in other parts of the country.

sales, in which there is an obligation to pay, and short-term lease or rental arrangements in which there is no such obligation:

"Credit Sale means a sale in which the seller is a creditor. The term includes a bailment or lease (unless terminable without penalty at

any time by the consumer) under which the consumer: agrees to pay as compensation for use a sum substantially equivalent to, or in excess of, the total value of the property and services involved; and will become (or has the option to become) the owner, for no additional consideration. (Reg. Z, 12 CFR 226.2(a)(16) (emphasis added).)"

The italicized language in the regulation was added in 1982, and one might properly wonder whether the reservation court has an updated version of the code. The National Consumer Law Center has acknowledged that the addition of that language has taken the steam out of the disguised credit sale argument for all rent-to-own contracts entered into since 1982.

"Congress did not change the definition of credit sale when it simplified Truth-in-Lending, but the Federal Reserve Board did. In re-writing Regulation Z, the Board added new language which provided that credit sales include certain leases unless terminable without penalty at any time by the

*continued on page 53*



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# What It Takes To Be Promoted

*Lessons from management on climbing the ladder to success*

An issue that is uppermost in the mind of every account manager and assistant manager in the industry is: What does it take, what must I do, how long will it take to be promoted?

This is a valid question and one that deserves a definitive answer. Four criteria must be met for you to be promotable to store manager:

1. Availability of a store. This is the one over which you have the least control. This occurs when existing stores are growing and the company is fiscally able to open a new store or, through a turnover or promotion, an existing store becomes available.
2. Your performance and readiness.
3. Being recommended by your store manager or district manager.
4. By having replaced yourself with someone of equal or greater ability.

## Performance

Number one is self-explanatory, so let's begin by examining performance. You were initially hired because someone (usually your store manager) believed that you could be trained to do the job well, and that at some point you would be capable of successfully managing a profitable rental store.

The length of time it takes varies greatly from individual to individual, chiefly due to previous background, experience, maturity, and the ability to handle personal problems. Of equal importance are your own personal commitment to learning the business and developing and fine tuning your interpersonal (people) skills and manage-

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You are initially hired because someone . . . believed that you could be trained to do the job well, and that at some point you would be capable of successfully managing a profitable rental store.

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ment skills. Although of extreme importance, it is not enough just to know how to rent, collect, manage your inventory, and keep accurate records and reports.

You must look, act, perform, and most of all, think like a manager. No longer are you spending the majority of your day on credit. Credit becomes just one of many balls you must effectively juggle to do a good job.

The most critical job you will be called on to do is to supervise other people's activities and help them manage their time productively as well as managing your own. To do this effectively requires that others must look at you as a manager. You are in the spotlight, you must set the example.

This means you must have integrity, maturity, professional appearance, attitude, speech, mannerisms (body language), and self-confidence in dealing with people. You must also have the ability to attract, with good interviewing skills, the right person and then be able to effectively train and provide a climate that motivates that person to want

to do whatever it takes to get the job done. It's the "You can lead a horse to water, but you can't make him drink" theory.

Even as a good manager with all of these skills, you will occasionally hire a person who has the ability to be successful, but whom, for whatever reason, you are not able to motivate to the necessary degree to reach that success. This is a failure of management.

Each time you have a turnover, you must look in the mirror and ask yourself these questions:

Did I do a good job with this person?

Did I lead by example?

Did I spend enough time on training?

Did I listen to this person's feedback and respond properly?

Did I allow this person to feel good about himself and his job and maintain or increase his self-esteem?

And probably one of the most important: did I earn his respect?

Positions don't earn respect; people do. The fact that you are a manager doesn't earn real respect. The fact that you are a good manager does.

## Recommendation

Let's consider the third criterion: being recommended by your store or district manager. No matter how good you think you are, you will probably never be promoted if your manager doesn't agree.

This means you must have an open line of communication with your manager. Ask your manager regularly for evaluations and critiques of your performance and abilities, so you know exactly where you stand and what you

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What's one more month, six more months, even a year if you eventually become a successful store manager?

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need to work on. If it's just a matter of training, ask for it. Remember, it's your future we're talking about.

For a manager to push you for promotion, he or she must feel that you are ready. Not only is it not to a manager's benefit to promote you prematurely, it actually hurts his future promotability if you are not successful in managing your own store. Not to mention that if you are not properly prepared, you lose a potentially rewarding career, and your company loses what could have been an excellent store manager had you had a little additional seasoning. What's one more month, six more months, even a year if you eventually become a successful store manager? Short-term goals are nice, but success is always a long-term proposition.

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The manager who prematurely pushes people for promotion, or makes promises on how long it takes to get a store, probably won't be a manager for very long.

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Also, it hurts the promotability of the person that you leave behind. If you aren't successful, it's doubtful the manager's opinion of the next guy will carry as much weight as when you were promoted. Conversely, if you were really ready and are successful in your store, chances are the person you left behind will be promoted whenever the manager says he is ready. The track record that the manager establishes determines his future promotability, so he or she does not make those decisions lightly.

Although age is not a factor in and of itself, the maturity that usually comes with age is. The average age of my company's account managers is 25. I was 32 when I started as an account manager. So will it be a tragedy if you're not a manager until you're 26? Think about it. What's another year when a career is at stake?

## Replacement

Now for the fourth and final criterion, replacing yourself. I'm going to suppose that if you've done the kind of job it takes to be promoted and you are ready for that challenge, a large part of the credit must go to the manager who patiently hired, trained, and gave of himself or herself, to get you to the point that you are now ready to run a store.

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Short-term goals are nice, but success is always a long-term proposition.

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Does it make any sense that you should be promoted, leaving that manager holding the bag, if you haven't helped hire and train someone as good or better to take your place? You will not appreciate that being done to you when you promote your first manager, will you?

There is no incentive for the manager to promote you if it is going to leave him in a bind in his store, even though he gets a bonus if you are doing a good job after 90 days. A bonus is nice; however, a bonus is a short-term situation. Keeping your store staffed with quality people and running smoothly is a long-term situation.

The manager that prematurely pushes people for promotion, or makes promises on how long it takes to get a store, probably won't be a manager for very long. In his haste to promote people, he will promote prematurely, deplete his staff, and his results will suffer.

In summation, if you believe what you have read and are willing to abide by these principles, you can have a successful long-term career in this or any other business. These principles don't just apply to the rental business but to any business where performance and results dictate success.

You have a job that offers great potential; make the most of a good opportunity. Start now. Remember, the best fine wine is that wine that has been thoughtfully produced, carefully bottled, patiently aged, and at the right time gratefully enjoyed.

**PR**

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*Dan Ervin is vice-president of operations and chief operating officer of TV Rental Distribution Co. of Chattanooga, Tennessee, a ColorTyme company.*

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## TRAINING

continued from page 15

reinforcement, as it helps develop and fix the behavior of those giving the praise as well as that of the individual receiving the praise. Effectively managing this form of reinforcement is possibly the most difficult teaching skill for a trainer to learn.

**3. Diagnosis and recommendation.** Not all behavior is effective and therefore deserving of praise. I've already emphasized the importance of sincerity in giving praise, and indeed the danger in giving reinforcement to ineffective behavior. You must deal with ineffective or inappropriate behavior. How you deal with behavior you want to change determines your effectiveness as teacher, or manager. In place of negative criticism, I strongly recommend the approach called "alternative positive behavior" or APB. It depends on the thesis that people want to do well; if they don't do well, it's because they don't recognize what they did, or they don't know another way.

The most effective method is to help the learner discover exactly what they

did, and ask for evaluation. In the case of interaction situations, the best way to hold up a mirror is to feed back specific dialogue or other behavior.

Many times the people we train or manage have more exacting standards for themselves than we expect. If given the chance to evaluate behavior that they may not realize they use, they will want to change that behavior. If they just don't see what you see, then you can ask what effect the specific you have in mind might have on the feelings or actions of others. Once they see what you are getting at, you can ask them what is a more effective approach. Again, if this isn't recognized, you may help with some hints. If all else fails, you can still point out the specific behavior, then present a more effective way giving a brief model: "I think you'll find this more effective...(model)"; or "This way usually works better...(model)"; or "I think your customer will be more likely to cooperate if you say it this way...(model)."

It seems that we have all been trained to see errors, and to call them out. The important message here is how you call them out. I think you'll find it far more effective to use the APB approach.

## What to Expect and How to Measure It

It is important that you expect performance in return for training. A highly effective training program will produce several forms of performance. First is the ability of new or promoted employees to demonstrate and maintain effective job performance. The speed with which you deliver training determines how quickly the person can reach standard. The efficiency of the program—that is, how much time is required by a trainer per individual per learning module—affects overall operational efficiency, particularly in small group situations where the trainer has many other tasks to accomplish. The same as your measure of merchandise, training can be measured by quality, cost, and delivery.

That sound wonderful. The problem for all training people is that it's really not easy to measure. The best answers come from comparisons. You can compare results from the new program you start against the results under the old way, but only if you have some measures of the old way. Or, if you represent a large organization with multiple stores, you can install the new program in a few stores and compare results with the stores using the old way. For a smaller operation, you can find some friends in the industry and develop comparisons with similar operations.

How long before the average trainees can perform basic tasks without supervision? How long before they can perform X, Y, and Z tasks? How long before they are fully trained for all contingencies and ready for promotion? How many are brought to the level of promotability? To what extent are your operating performance standards met or exceeded, and do you find you can raise your standards?

Subtler but equally important expectations (because they influence performance) are improved morale and reduced turnover. There are sophisticated instruments for measuring morale, often used by large corporations; you may not be prepared for this expense. But it is generally acknowledged that morale influences absenteeism, tardiness, turnover, accident rates, and employee dishonesty.

Training is not the only factor that influences morale. But if you buy the theory that people want to do well and that they feel good about themselves and their company when they know they do, it follows that preparing them

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In teaching interpersonal behavior, the only way to have meaningful practice is to role play realistic situations.

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to do well will have a large influence. The most available measure is again the comparison: with the past, with other parts of the company, or with other similar companies.

There are two companies I have talked with in the last few months who have installed new training programs. One of the companies spread the training quickly to all stores, and then compared with past performance in terms of BOR, a measure they had readily available; they made the comparison for a period in which they did no advertising, as that would have skewed the results. The other company started their program in several of their stores and directly compared all their key operating results of the old vs. new way stores.

Two other companies have reported to me that they did not expect to see a reduction in turnover, but some time

after they installed programs and remained committed to them they realized that they were experiencing a much higher retention rate.

### **SOS? Here's A Lifeline**

I promised a lifeline for those finding themselves in that SOS situation, whether you are a new employee, one going for promotion, or one already in a new position. (If you are in a well-managed company that has a good program, you won't fit this category, so skip this section.)

I'm sure that you want to learn quickly and to achieve a high level of success. If you are in a company where the realities are that the manager is overloaded, everyone is feeling great pressure to produce operating results immediately, and there is no formal program available, you can do some things for yourself. How you handle it is critical.

1. Ask for an overall outline of the things you will need to learn to be effective on your new job (or to qualify for promotion). Ask about the expected timetable within which you should accomplish the various parts. Keep

good notes for yourself so you can track your own progress.

2. Ask your manager what he or she wants you to learn next so that you can become effective quickly. Ask whether there is anything you can do, such as reading, watching videos, working with the manager, taking an outside class, attending a seminar, and so forth. If given an assignment, complete it promptly and ask yourself questions about what you've learned. Imagine situations in which you will apply the learning and practice to yourself, unless you're lucky enough to find someone to help you practice. When you complete each assignment to your satisfaction, tell your manager so, and say that you are ready to be tested or tried on the job. Ask for the next assignment to help you continue learning to be more effective for the company.

3. When you aren't certain about something, go to your manager. You don't have to say you don't understand. Say you want to be absolutely sure you have it right, or use the most effective way, and ask for additional explanation. You may demonstrate what you understand and ask whether there is a better

*continued*



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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

## Put It On YOUR CALENDAR

way. (You are asking for your own APBs.)

4. It is important to use the reinforcement technique discussed above by praising the manager sincerely, specifically, and appropriately. Say that you appreciate the attention, the time to talk with you, the help in understanding, the training the manager personally provides, the fact that you feel good about learning to do new tasks effectively for the company. If you want the behavior to continue, reinforce it.

5. Find out what you can read for yourself. For example, PROGRESSIVE RENTALS has had many good articles over the years. Some are primarily for management, but there is much you can learn about the rental business. If you are reading this article, your company is probably an APRO member. Ask for previous issues that will let you learn at home. Request an extra subscription for yourself. Read and ask questions about things you find unclear.

6. If you really make a good faith effort and still are swimming around out there, or always feel you're up a creek without a paddle, quietly start looking for another job. Things aren't going to change where you are. This time, play it smart. On the interview, find out exactly what kind of training you can expect so that you can become a successful person for the new company.

### Commitment Is the Key

No program, training or otherwise, can be expected to succeed if it has only half-hearted support or commitment. This is true for individuals as well as companies. I use commitment here to include the sense of continuity as well as intensity. Unless you are prepared to make a full commitment, you are wasting your time in nominal programs. You might just as well limp along as you always have.

Time is probably the most difficult resource to muster for the kind of commitment I'm talking about. I'll end here with Rozanne's Law: You never have time: you have to make time!

**PR**

*Rozanne Flatt, long-time APRO member and former member of the board of directors, is the developer of APRO's Learning Power Training System.*



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# Survey Backs Up APRO Estimates

At long last, the 1987 APRO Statistical Survey results are in and the results disseminated to the participants. Dealers report that they are glad to have the survey and are looking forward to future results.

Some of you may recall that APRO first attempted to conduct a statistical survey in 1981. The results were disappointing. Only 60 stores responded to the questionnaire, and 50 of those were Remco stores. Needless to say, with such a small sample, most of it coming from one company, the survey results were not valid and were never published.

Since that time, we at APRO have had to make educated guesses about the size and scope of this industry. I have probably answered more questions about the size and future of the industry than anyone, and until the results of this questionnaire were in, I could not be sure that the information I regularly provided bankers, investment people, suppliers, and rental dealers was accurate.

The good news is that the information APRO has been giving out about the industry over the past several years has been quite close to the mark.

## Who Responded

One hundred seventy companies participated in the survey, representing 1,389 stores. Not every company answered every question, and so there were fewer responses for some of the questions.

For example, in the revenue-reporting section, only 115 companies gave information for 1985, and only 133 compa-

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The good news is that the information APRO has been giving out about the industry over the past several years has been quite close to the mark.

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nies gave information for 1986. There is still apparently some reluctance on the part of dealers to disclose revenue information, even in a blind study such as this one.

The average number of stores per company calculates to about eight, which is a little higher than what I feel the true industry average to be. What that probably means is that the larger dealers took the time to complete the questionnaire and more of the small dealers did not. That may be because the larger dealers are more likely to be on computer and therefore could accumulate the information more easily than dealers on manual systems. Then, too, larger companies may have a greater need for statistical information for budgeting and planning purposes than smaller dealers.

The responses received were mostly from rent-to-own dealers, although there was a sprinkling from dealers who also have some retail and some rent-to-rent.

Home-office employees averaged just over seven per company, which is consistent with the average number of stores, since an old industry rule of thumb has been one employee at the home office for each store.

## Figuring BOR

I learned that dealers do not count their BOR in any consistent manner, especially where home entertainment systems are concerned. That makes the task of gauging the size of the industry more difficult, and we need to get better uniformity here.

Average BOR per store was 520 units for 1986, which is right in line with the previous estimates of between 500-600 BOR per store. Actually, the number may be a little higher than that, given the structure of the survey.

Dealers were asked to report total BOR at year end. If they opened stores late in the year, they reported the new stores along with the mature ones, and the comparison between the BOR in a mature store and a new store is not a valid one.

Likewise, the same problem exists when calculating the average income per unit, which came out right around \$54 per unit for all three years of the survey. Again, the total revenues were divided by the total BOR, and that number was divided by 12 for the monthly average. There were certainly units in the calculation that had only been on rent for a short time. Nevertheless, for the purposes of the survey, they were treated as having generated revenues for the full 12 months.

## Inventory Accounting

The survey points out with stunning clarity the lack of uniformity in the industry concerning inventory accounting methods. Although roughly half of the industry used an 18-month straight

line formula, it is not clear from the survey exactly how dealers were making the calculation—depreciation vs. inventory write-off. The other half of the industry is split among five-year ACRS, income forecasting, and a host of straight line depreciation formulas from 20 to 36 months.

There were no great surprises in the dealers' reports of expenses. Advertising, for example, came in at an average of 6 percent of revenues, exactly what the industry has been estimating for years.

I had thought that relatively few dealers used warehouses, preferring, instead, to have units drop-shipped to the stores. I was surprised to learn that nearly 100 of the 170 companies reporting have one or more warehouses. Once again, it may be because the larger companies responded to the survey.

### Product Mix

Product mix was about what we thought it was, although TVs have fallen dramatically over the past few years. In 1986, TVs accounted for only 28 percent of BOR. However, when added together with VCRs, the percentage is 46 percent.

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Product mix was about what we thought it was, although TVs have fallen dramatically over the past few years.

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Only one-third of the companies reporting carry movie rentals. That group reported that movie rentals make up about 12 percent of revenues.

Furniture as a percentage of BOR was 17 percent in 1986, which shows one clear direction of the industry. As recently as three years ago, few if any dealers carried furniture. Now it is a significant percentage of BOR for most dealers.

The dealers surveyed remain optimistic about the future of the industry. They see continued growth for the next three years and they all plan on being a part of that growth. The days of 30 percent growth rates are over, but fully 80 percent of the dealers reporting predicted up to 20 percent growth for the industry overall during the next five years.

Dealers who responded to the survey

questionnaire should already have a copy of the results. Other APRO members who wish a copy of the survey can purchase one from APRO headquarters.

## Winter CES A Success

Once again, the winter CES was a lesson in how to put on a trade show. With over 100,000 people in attendance, everyone deemed the show to have been a success.

There may have been a few more rental dealers at this show than in years past because the APRO Board of Directors held its semi-annual meeting on the Monday following the show. Several board members who had either never been to CES or who had not been in several years went to Las Vegas a few days early to take advantage of the timing of the board meeting. It also gave the board members an opportunity to take a look around Bally's, the site of the APRO annual convention this summer.

Winter CES is a time when electronics manufacturers bring out their new products, although there has not been anything unveiled with the market

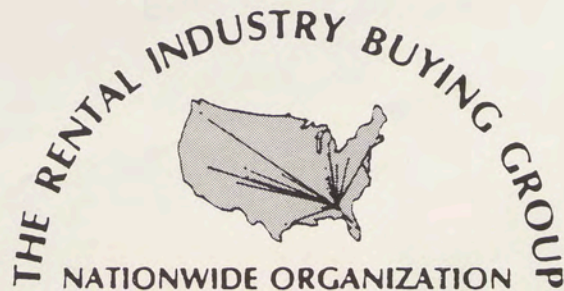
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impact of the VCR debut in several years. Mostly there are refinements to existing technology, which has more of an appeal to high-end retailers than it does to rental dealers.

The hot topic at that end of the spectrum continues to be DAT recorders, and while there were a few machines in view at the show, manufacturers do not seem ready to display them in large

numbers. DAT machines are available at retail in Japan currently, but the price tag is in the thousands. Several car manufacturers plan to offer DAT playback machines in their 1988 vehicles, but so far, there are few prerecorded DAT tapes on the market.

There was talk at the show of a significant hike in VCR prices, but there is often such talk at the winter CES about

one product or another. Last year it was TVs. But that talk has a way of remaining just talk when the show is over and suppliers start competing in earnest for dealers' dollars during the year.

But there is more to the CES show than just the big hall with all of the major manufacturers showcasing new models. For example, the Electronics Industries Association (EIA) reported that audio-video and telephone accessories sales are headed for the \$1 billion mark in 1988. So impressive has been the growth in this segment of the market that EIA has added a new division to the Consumer Electronics Group called the Accessories Division. Suppliers of accessories are increasingly visible at the CES shows.

Rental dealers who attend the show can make good use of their time by spending some of it with these accessories suppliers. Rental customers are going to buy accessories for the equipment they are renting somewhere. Savvy dealers are studying the accessories market to determine what products to display on the rental showroom floor, for example, earphones, record cleaners, and the like.

The \$1 billion figure for accessories predicted by the EIA, incidentally, does not include sales of blank tapes, audio and video, which accounted for another \$1.4 billion in retail sales in 1987. Rental dealers who offer dual cassette decks can earn a few bucks by demonstrating how to duplicate tapes in the store and selling a package of blank tapes to go along with the stereo rental.

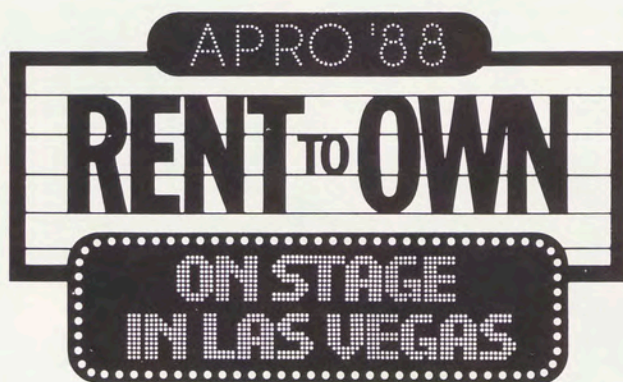
Dealers who take the time to demonstrate how to copy shows off television using a VCR can occasionally sell a blank video tape or two to go along with the VCR rental.

To be sure, the CES show does not aim itself at rental dealers. Its overall scope is far too large for that. Nonetheless, for rental dealers who have never been it is worth the trip for the spectacle of it all. For dealers who have been, it is worth going every now and then to be reminded of the variety of products available in the electronics field.

One cannot attend the show without having the senses shocked to some extent. That process is good for shaking off the cobwebs and looking at one's own business in new ways. From such insights comes progress.

**PR**

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



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## RENT-A-CENTER

continued from page 36

become a billion dollar company; we will dominate the U.S. market.' So, right brain says this is really good. I would suspect that we will reach that goal by 1992." (Editor's note: That would mean more than quintupling revenues from the company's 1987 figures of \$177.6 million.)

"The left brain side of this thing is that the two principal people at Thorn (Colin Southgate, chairman of the whole entity of Thorn EMI, and Jim

Maxmin, chairman of the home electronics group which runs all the rental industries, the person that I report to) are extraordinary men, warm, bright, real people," says Gates. "They have said to us, we're here when you need us. We'll give you some suggestions, but we don't have the time or the organizational structure to run your business.

"They're a very decentralized business. So, it's not like being totally left alone, which gets a little lonely; on the other hand, it's not like having somebody come in and run your business. It's about as good a blend as it can be and it's driven by some of the extraor-

Gates also emphasizes that the biggest problem in rent-to-own will continue to be the successful management of people.

dinary personalities that we're dealing with. So I feel very warm about them as individuals."

None of Thorn's employees have been placed in the United States offices, although Gates anticipates that in the future U.S. executives may have the opportunity to get foreign assignments, just as Thorn employees will. The biggest change in the Wichita offices will occur when Rent-A-Center moves into its new \$10 million, 110,000 square-foot headquarters building this month, consolidating the two locations in which it was previously housed. According to Dave Egan, senior vice president and general counsel, the staff will continue to grow in the next few years, although not at the same high rate.

"We have the ability to provide product without obligation. That's important to the consumer because I think, by and large, retail stores take advantage of the consumer."

Rent-A-Center also plans to expand outside the United States. Looking at attitudes to rentals in other countries, Gates says, "It differs everywhere. England is primarily what you call a rent-to-rent country where people really have very little interest in owning an item. So it's really maintenance- and fashion-driven, if you will. America is very different.

"Our concept would be that, while we think the rent-to-own concept that we have in America plays in a variety of different countries in the world, we're going to be entering each market with our eyes open to fine tune the concept as needs be, to be more successful. We're going to pick up the ones first where we're pretty sure that rent-to-own as we know it will fly almost intact."

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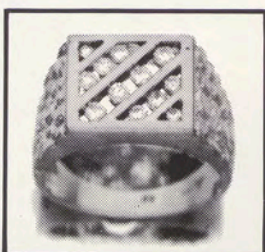
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## Looking into the Crystal Ball

Looking ahead to the future of the industry, Bud Gates predicts that a whole new category will be introduced to rent-to-own. "The industry went from brown goods to white goods to furniture, and I think there will be an evolution of another whole product line. I don't know what that is yet, but logic and history would come together and probably say there will be something."

In striving to maintain a growth rate in the 25-30 percent compounded range, Gates also emphasizes that the biggest problem in rent-to-own will continue to be the successful management of people. "It's all run by people. It's a very specialized business. We're spending a lot of time and energy hiring and training the right numbers of people to run an ever-increasing number of rental stores. That's really the key to the business."

In the next five years, for the industry as a whole, Gates anticipates that increasingly sophisticated marketing techniques will be essential.

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"The industry went from brown goods to white goods to furniture, and I think there will be an evolution of another whole product line."

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"This has always been, and always will be, an operationally driven business. That's where the cash registers are. On the other hand, if you look to the future, I think you have to bring a lot broader focus of the functional skills to be able to grow the business. You have to be a lot more marketing-driven and consumer-driven than you have been in the past."

Founder Tom Devlin takes an extremely optimistic view of the future of rent-to-own and says flatly, "I think it's going to replace the retail store. The reason I think that is because the consumer needs the service the rental store provides. We have the ability to provide product without obligation. That's important to the consumer because I think, by and large, retail stores take advantage of the consumer."

"Historically, government and people have tried to say that rental companies charge too much money, but what

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"Their goal is: We're going to be THE rental company in the United States, period."

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they've missed out on is, hey wait a minute, if you go buy something in a retail store and don't like it, you're stuck with it. The retail stores, historically, have always been bad about giving service to the consumer. With us, with no obligation, if we don't service that set properly tomorrow, they don't pay us, and they return it to us. We lose their business that fast," says Devlin.

"We are in a service-oriented business where we really have to give that consumer great service, both timely and efficient. I think the consumer, more and more, is going to demand that. I think that Rent-A-Center will, because

of its size, buying power, borrowing ability and all that, will continue to be able to come up with better pricing for the consumer. Thus, someday, Rent-A-Center will be at a point to offer merchandise with a rent-to-own option at no higher price than Sears or anybody else.

"When they get to that point, why would you ever want to buy from Sears, where you're stuck (with the merchandise), when you can get it from Rent-A-Center at no obligation, and know you're going to be serviced properly?"

"And I think that the rental business, having grown so much in the last 10 years, tells you that the consumer wants that. If they didn't want it, the business wouldn't be growing," concludes Devlin. **PR**

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

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## GOV'T RELATIONS

*continued from page 40*

consumer. No matter what expectation the parties may have, the FRB's position is that a rent-to-own appliance contract written to permit the customer to return the appliance with no further obligation is not a credit sale. . . .

"Given the deference which must be accorded Regulation Z, any challenge of the FRB position must be developed with care. (Sarason, Truth-in-Lending (National Consumer Law Center, 1986), p. 30.)."

## Unconscionability Claimed

In addition to the faulty interpretation of the federal act, the court also considered the claims brought under Arizona state law. Specifically, the court acknowledged the customer's claim of unconscionability.

The test for conscionability is "whether, in the light of the general commercial background and the commercial needs of the particular trade or case, the clauses involved are so one-sided as to be unconscionable under the circumstances existing at the time of the making of the contract." (UCC 2.302.)

The tribal judge noted that there seemed to be unequal bargaining power in favor of the rental company—

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The customer alleged that the company had violated various state laws, including the state Consumer Fraud Act by harassing her while attempting to recover the merchandise.

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something that could be said of every consumer contract—but stopped short of declaring the dealer's contract unconscionable. The Court further held that there were no violations under the Arizona Fraud statute. The judge awarded the customer \$371.25, plus title to the merchandise, plus attorney fees.

APRO has contacted dealers in the state to advise them of the suit. It is expected that the dealer will appeal the decision in an effort to correct what is manifestly an unfair decision. Whether legal aid will also appeal the decision on the state court claims remains to be seen.

Copies of the opinion are available to APRO members from Ed Winn at the address listed above. **PR**

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

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## CORPORATE MOVES

**ABC Rentals Inc.**, a five-store chain based in Dallas, has purchased the six Today Leasing rent-to-own stores in Missouri and Oklahoma. The company promoted 10-year veteran **Cathy Lewis** to market manager for the stores located in Kansas City, Tulsa, and Oklahoma City. The stores will be renamed ABC. The acquisition nearly doubles ABC's revenues and BOR base, according to owner **Bud Holladay**.

A Hispanic-oriented concept, **Fiesta TV Rental**, has been added to ABC's Texas operations. Holladay said his company's development of the Fiesta concept is timely because, "This is the fastest-growing segment of the rent-to-own business in the Southwest; customers of Hispanic descent currently make up 40 percent of our rental base." To date, ABC has converted its Austin store to the Fiesta concept and opened a Fiesta TV Rental in Dallas with bilingual employees using Spanish-language advertising and contracts. Holladay says the company "probably will" expand the concept after an initial trial period.

**M. Lee Hulsebus** has been appointed president and chief operating officer of Atlanta-based **Aaron Rents Inc.** He was also named as a director on the Aaron Rents Board. **R. Charles Loudermilk**, company founder, will remain chairman of the board of directors and chief executive officer. The 48-year-old Hulsebus spent nine years with C.R. Bard Inc., most recently as president of the Urological Division in Atlanta, before joining Aaron Rents. Previously, he held executive-level positions at Omnicare Inc. in Cincinnati and at Becton Dickinson & Company in Rutherford, New Jersey.

Also at Aaron Rents, **David P. Shepard** has been promoted from treasurer to vice president of finance and chief financial officer. Shepard has a background of 20 years in accounting and finance management including eight years with Touche Ross and executive positions at Mutual Broadcasting, Paramount Petroleum and Sentry Refining Company.

**Tim Shannon**, former rental accounts manager at RCA, has been promoted to national account manager, groups, at **Thomson Consumer Electronics**, the official name of the company that resulted from the GE/RCA buyout by



Lewis



Hulsebus



Shepard



Shannon

Thomson S.A. of France. The rental accounts department has now been divided into two regions with **Duane**

**Stephen** named manager of the Eastern Region, and **Tim Fages** responsible for the Western Region.

## INDUSTRY NEWS

Two rental-purchase enterprises, both headquartered in Georgia and both members of APRO, made it to the *Inc.* 500 list of America's fastest-growing private companies. **Goodtime Appliance and Television Rental** of Columbus, which operates as **Majestic Rentals**, is 421 on the list; **Network Rental**, based in Atlanta, is #263 on this year's list. Majestic, with a growth rate of 611 percent between 1982 and 1986, has 10 store locations in Georgia, Florida, and Alabama. **G. J. Jordan Jr.** is president and CEO, and **Jimmy Jordan III** is executive vice president and general manager of the family-owned operation Network Rental, listed for the second year in a row, showed a sales growth rate of 963 percent during the 1982-86 period. **Perry J. McNeal** is president of Network Rental, which now includes 39 company-owned stores and one franchise in six states across the southeastern and mid-western United States. The *Inc.* 500 list appears annually in the December issue of the magazine.

Attendance at the 1988 **Winter Consumer Electronics Show** hit 103,540, according to show sponsor Electronic Industries Association/Consumer Electronics Group (EIA/CEG). Held annually in Las Vegas, the winter show had a four-day run in January. (See APRO Special Report for Ed Winn's view of the event.) Summer CES will open June 4 in Chicago and run through June 7. EIA reports that, despite mediocre November sales, home video product sales for the first 11 months of 1987 were up by more than 6 percent over the previous year. Sales of color TVs with stereo were up 38.2 percent during the same period.

**Sony** has announced that it will join the ranks of VHS home deck marketers later this year. Sony launched the home video business with the Betamax VCR in 1975, and is the only company still marketing units in the Beta format. Sony also sells 8mm decks. The company says it will continue to support its Beta and 8mm products. They expect to start marketing VHS VCR in the United States some time between this fall and early 1989.

**Maytag Corporation** is consolidating Admiral into its other divisions, Magic Chef and Maytag Company. They will continue to market the Admiral brand. Long known for its laundry products, Maytag has announced plans to manufacture and market a Maytag line of refrigerators and freezers.

North American Philips Consumer Electronics has been officially renamed **Philips Consumer Electronics Company** in an organizational change prompted by NAP's buyout by N.V. Philips of the Netherlands. A company spokesman called the change structural in nature and said it won't affect ongoing operations.

**TDK Electronics Corporation** has announced price increases ranging from 10 to 20 percent for all its audiocassette products, depending on grade of tape, effective February 1. The price increase will not apply to TDK's videocassette products at this time, according to TDK President Takashi Tsujii.

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