

VOL. 8 NO. 2

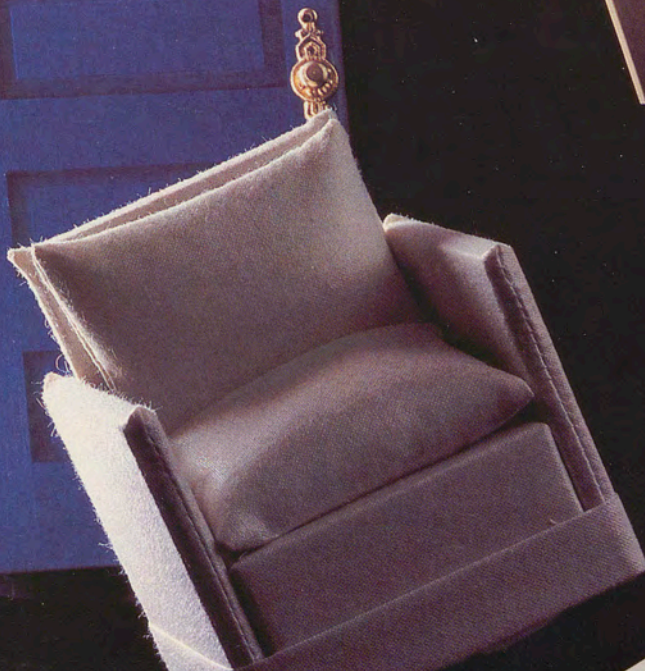
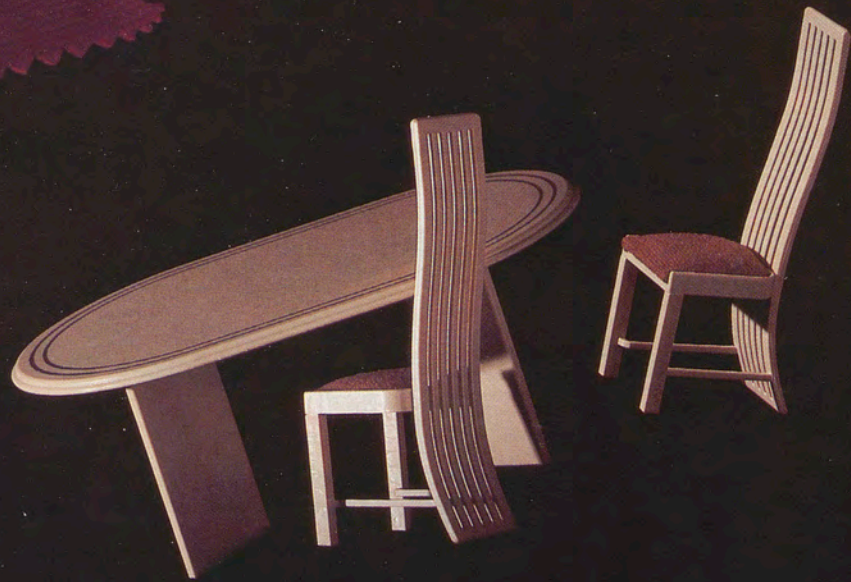
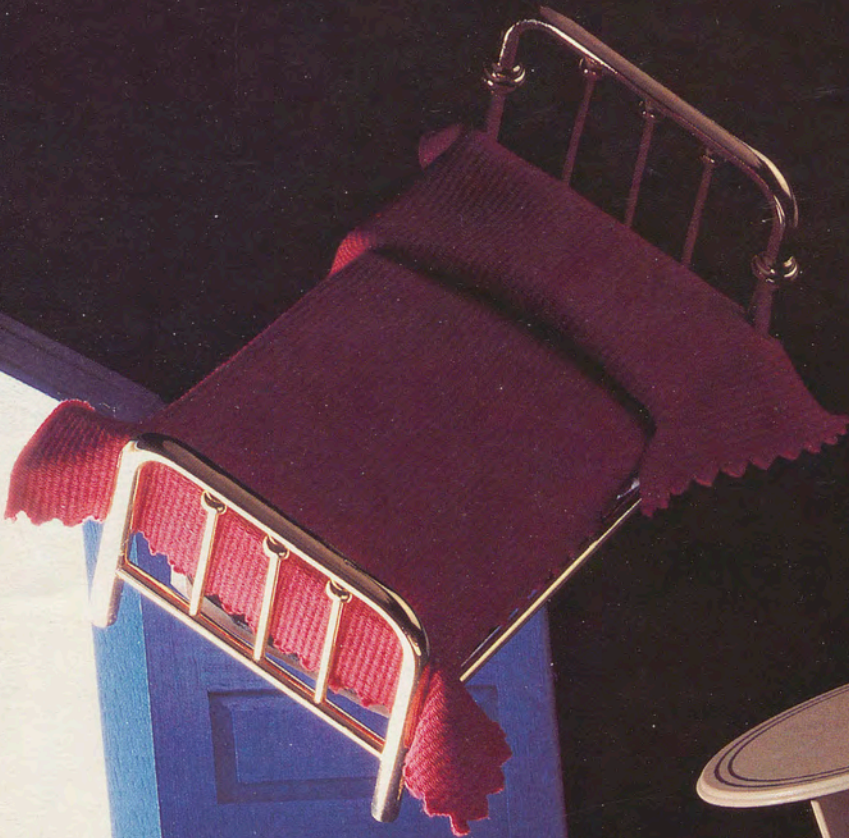
APRIL/MAY 1988

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

Progressive Rentals

Furniture Rentals

Coming Out
Of The Closet



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ON THE COVER: Furniture is, in one dealer's words, "coming out of the closet." Better styles and improved quality are important factors in this product's increasingly important position in the rent-to-own industry. The cover feature begins on page 8.

COVER BY:
Carrington Weems & Design2

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Take one persistent legal aid lawyer, a group of disgruntled former employees, and inflammatory news stories, and the result is a piece of bad legislation that has sent dealers scrambling to keep operating any way they can. Hard lessons can be learned from the Pennsylvania experience.

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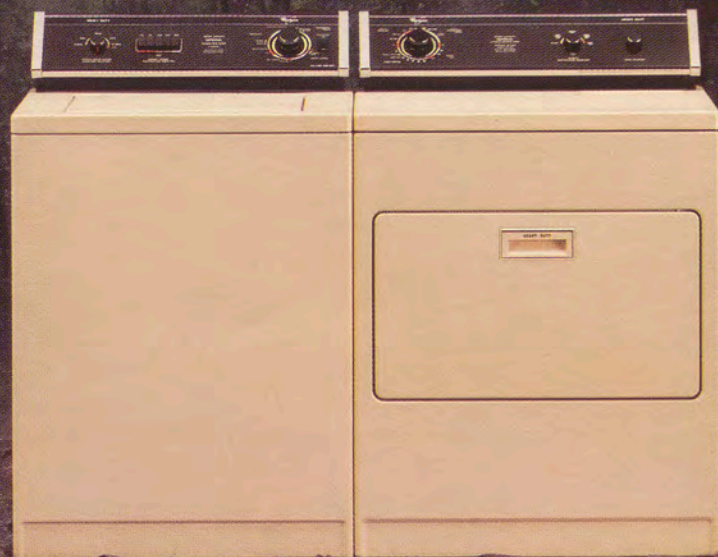
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THE DIRECTOR'S DESK

This issue of PROGRESSIVE RENTALS highlights the changes that are happening in the rent-to-own industry. An article by APRO's legal counsel Ed Winn examines the series of events that led to Pennsylvania Gov. Robert Casey signing a law doing away with the rent-to-own industry in his state, and recaps Pennsylvania dealers' efforts to cope with that change. The cover feature is a study of the rapid growth in the number of rent-to-own dealers adding furniture to their inventory. This list of changes in the industry goes on and on.

APRO's mission is to keep members abreast of changes in the industry as they occur and to provide information that will help members deal with the changes, profiting by those changes when possible and minimizing risks resulting from industry changes.

Recent changes in the legislative arena have caused the association to renew efforts to get federal legislation passed that would provide an important measure of protection for the rent-to-own industry. The Pennsylvania setback emphasizes the need for a federal law. APRO President Mac Hennigan wrote recently to all members asking for pledges to fund the renewed federal legislative effort. Responses to the appeal are being received at the association headquarters.

At the state level, attempts to pass favorable rent-to-own laws have been increasingly successful, but at this time, less than half of the states have passed such laws. For the most part, dealers in those states where rent-to-own laws have been passed are satisfied with the laws and the progress made by the industry since passage of rent-to-own legislation. The APRO Board of Directors is currently developing a plan to provide more assistance to state organizations. State dealer associations in states where rent-to-own laws have been passed are being urged by APRO to keep strong state associations intact to be prepared to deal with legislative issues that are certain to arise in the future and have the potential of adversely affecting the industry.

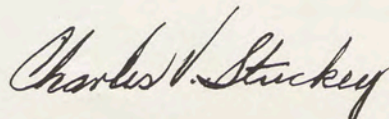
APRO helps members keep up with industry changes through educational seminars that are offered at convenient locations throughout the nation. Improvements and changes in the 1988 seminar schedule include reduced registration fees, discounts for multiple registrations, new topics, and new speakers. Manuals and educational tapes are also available to assist APRO members. Manuals and other educational materials are constantly being updated to provide current information.

The major educational opportunity of the year is the APRO Convention and Trade Show, which features more than 20 seminars and a trade show with 200 booths displaying products and services available to rent-to-own dealers. The 1988 APRO Convention and Trade Show will be headquartered at Bally's in Las Vegas, August 3-7.

An important reference source for retail dealers, financial institutions, attorneys, suppliers, and others associated with rent-to-own is the 1987 statistical survey of the rent-to-own industry. The survey includes valuable information on operations, product lines, and growth projections. The survey of 170 rent-to-own companies is being used by dealers to compare their operations with industry averages in areas such as BOR per store, amount spent on advertising, income per unit, inventory accounting method, product mix, and monthly deliveries.

1988 is developing into a year of widespread change for rent-to-own. What changes can be expected? What are the industry trends? What effect will the changes have that will uniquely affect the small dealer, the medium-size company, and the large company? These questions will be explored at the APRO rental retreat, which will be held at Hilton Head Island, South Carolina, May 25-27. Be there to hear projections on the future of rent-to-own.

Regardless of the nature and extent of industry changes, APRO is dedicated to helping members prepare for the future.



—Executive Director

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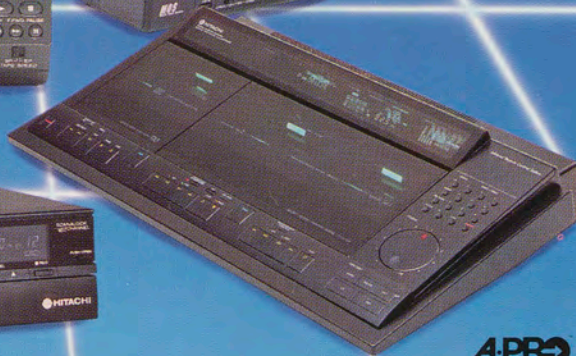
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Furniture Rentals: Coming Out of the Closet

Dealers and suppliers see big things for furniture's future

Rent-to-own dealers who are not handling furniture yet are "missing the boat," say those who are. Dealers, manufacturers, and distributors around the country have nothing but praise for this market segment, using such glowing descriptions of furniture rentals as "growing and changing—fast," "strong, getting stronger," and "doubling every year."

Upgrading of quality, selection, and fashion rank as major factors in this growth, all contributing to increases in rental units, and more dealers adding furniture to their inventory. Formulas for success were clear-cut to those questioned, and should provide an overview of industry attitudes helpful to both experts in furniture rental and novices preparing to enter the market.

Looking ahead, participants say that the entry of former rent-to-rent furniture companies such as Aaron Rents into rent-to-own will have a positive overall impact, creating more professionalism and bringing RTO furniture "out of the closet."

A Changing Image

Mike Root, vice president of furniture sales for Furniture Sales of Mid-America in Omaha, sees "a 180-degree" turn away from the industry's image of the past as purveyors of "early Salvation Army" merchandise.

Upgrading of quality, selection, and fashion rank as major factors in this growth, all contributing to increases in rental units, and more dealers adding furniture to their inventory.

"I don't mean to be negative about the industry, but a few years ago when people thought of renting furniture they expected to get something similar to a hand-me-down from an aunt or uncle," says Root. "Truly, the industry has come 180 degrees away from that and we are seeing things offered in many stores similar to what retailers are offering. Customers want something that's going to last and they're looking to rent-to-own to supply that."

Novice to Expert

Dealers surveyed for this feature have been in furniture rentals as briefly as five months and as long as six years. Two of the furniture manufacturer-distributors had owned, or currently own, both rent-to-own and rent-to-rent stores, so attribute part of their market knowledge to this cross-over experience.

The stores of dealers surveyed range in size from 1,400 to 10,000 square feet, in both one-store local operations and multistate chains with up to 65 locations.

Individual dealers highlighted different problem areas and solutions in furniture rentals, but all report being pleased with the addition of furniture to their BOR. Alan Appel, operations manager for the rental division of Philip M. Bell (a Cincinnati distributor serving nine midwestern states), says, "Everybody who has added furniture to their mix is still in it. There is nobody who adds furniture that discontinues it. We have dealers who have expanded their showrooms to accommodate more furniture."

Furniture as part of a dealer's total BOR ranged from 10 to 33 percent (with the newest dealer reporting the lowest BOR; he expects an increase to 25 percent by year's end). Living room groups still lead in number of units rented, with anywhere from 30 to 75 percent of the total, followed by dining rooms and dinettes at 10 to 20 percent and bedrooms generally at 25-40 percent.

The number of dealers who carry accessory items such as lamps, pillows, and prints was about half of the total number, although some supply them only for executive apartment or condominium rentals. Individual pieces being offered include recliners, sofa

beds, china cabinets, microwave carts, gourmet racks, and entertainment centers.

Business Is Good

Most dealers describe their furniture business as steady or growing, with the exception of a Texas dealer and a manufacturer in Louisiana, where weak economies have reversed their previous growth patterns.

Austin, Texas, dealer Fred Viehweg of Actiontime Rentals noted that the loss of 20,000 blue collar jobs in his city during 1987 (not to mention the doubling of rent-to-own stores there) had cut heavily into his 50 percent furniture BOR of past years. "We still have quite a bit of furniture out, however, so I wouldn't consider not having it," says Viehweg.

Mike Herschman, vice president of Fraenkel Wholesale Furniture in Baton Rouge, Louisiana, a manufacturer and distributor, reports that he has seen a definite upswing in business during the last eight months, and predicts that the worst is over in his area. Fraenkel has marketed furniture to rent-to-own dealers for almost eight years, leading Herschman to recommend that "all rent-to-own dealers should carry furniture. It is very profitable. The ones who do carry furniture have come to know that. Compared to their brown goods and appliances, furniture is a very strong contributor to the profit picture."

Getting Into Furniture

A variety of reasons prompt dealers to set up furniture on their showroom floors. Gary Ferriman of TVCO in Marion, Ohio, sums up the attitude of many one-store dealers just entering the field. "We just felt like we'd missed the boat by not going into it earlier," says Ferriman, "and we noticed some of our competitors who had furniture seemed to be gaining BOR because they were the only place in town that had furniture. So people would go there to get furniture and eventually they would end up transferring electronics or appliance business to those people.

"We finally decided to go ahead and get furniture before anybody else in town did. Now we're quite happy with it. It's something we feel that has better margins than electronics, and it's a little easier to hook up than appliances."

Fraenkel's Mike Herschman sees this desire to keep up with competition as the major motivation for most small



Pine is dead, and upholstered furniture is in as quality and style become big factors in today's market.

"Customers want something that's going to last, and they're looking to rent-to-own to supply that."

dealers he encounters, but contrasts them with bigger rent-to-own companies who are looking for a new profit category.

Herschman says bigger dealers "also want to compete, but they're looking for another profit center where they can make some money, as opposed to the smaller dealer who comes in with the idea that, 'hey, the guy down the street is doing it, I'm not really sure I want to, but I have to.' The large dealer says, 'I want to, and I have to.'"

Mike Lennon, manager of C&H Rentals in Bristol, Virginia, explains why his company got into furniture two years ago. "We needed something that would stay out, that wasn't a constant turnover, and furniture seems to do it. It's something that we're able to get the three turns out of." C&H Rentals also has a second store in Kingsport, Tennessee, and will soon open stores in Abingdon, Virginia, and Johnson City, Tennessee, all with furniture.

Al Dietz, marketing and merchandise director of Eastern States Distributors Inc., of Amesbury, Massachusetts, sees furniture as a good addition for dealers because it can add capital that a grow-

ing business needs. Alan Appel of Philip M. Bell amplifies that thought, saying, "Furniture seems to be the best way to increase BOR at this time. The electronics industry is fairly flat."

Mike Herschman describes furniture as "a whole different animal than appliances and electronics, and it really takes a different mentality to a certain extent. I think it's a good profit center, and a good addition to rental stores that are already in existence, but furniture is a different animal. Electronics and appliance rent-to-own dealers have to understand that going into it."

Adaptive Approach

Ben Nielsen, vice president and owner of Elegance Furniture and Manufacturing of Gardena, California, cites one area where some new rent-to-own furniture dealers are likely to make buying mistakes. They get "wrong fabrics, fabrics that don't have wearability. They listen to a furniture rep who is used to selling to a retail furniture store that just has to sell the piece once, whereas a rental dealer has to sell it two and three times, if it comes back. So they get fabrics that don't clean up well.

"Another mistake new dealers make is that they don't set themselves up to refurbish the merchandise when it comes back," says Nielsen. "They just put it right back on the floor and try to rent it in the condition it's in. They should spend some effort cleaning and refurbishing it. A minimal investment

"We just felt like we'd missed the boat by not going into it earlier."

in cleaning machinery and things like that are very inexpensive investments to make.

"You get a lot more for your furniture if you clean it up before you rent it out the second time," Nielsen says.

Fred Viehweg of Actiontime understands the problem of low-quality mer-

chandise. "I think the biggest problem for us is finding quality furniture that will hold up, at a price our people can afford. We're right on that line. Rent-to-own customers, to a large extent, are basically poor people, and their ability to afford quality is always somewhat limited, so the problem for us is to find furniture that will hold together and give them a reasonable product."

Ron Payne (owner of Shamrock Rentals Inc. of Atlanta, a 65-store chain in Georgia, Alabama, Florida, and South Carolina), one of the most experienced furniture dealers surveyed, remembers

Individual dealers highlighted different problem areas and solutions in furniture rentals, but all report being pleased with the addition of furniture to their BOR.

few problems in getting into furniture rentals.

"I've been involved in retail furniture sales for 17 years, and got into rental in 1982. I'd been in retail furniture, especially in credit retail, and I understood it and saw it as an opportunity to do some things that others were not doing.

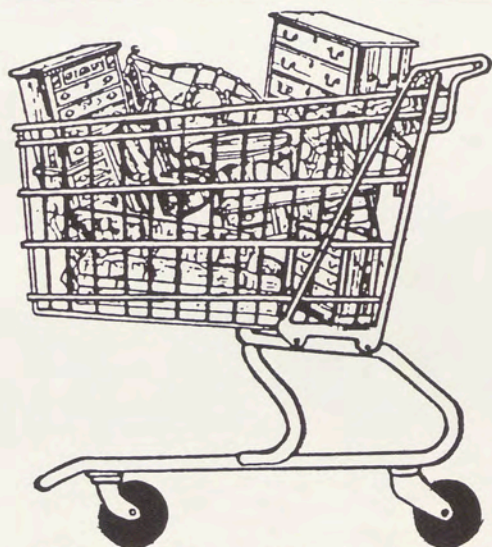
"I think we avoided some of the problems that people with no furniture experience encountered. Our real problem [when we started] was with having to accommodate furniture as a product category in a method that rent-to-own stores and lenders were accustomed to viewing things. It also became apparent that if you had a rent-to-own manager, he usually had no furniture experience.

"We needed something that would stay out, that wasn't a constant turnover, and furniture seems to do it."

"From the accountability experience, we had to figure out how to make a sofa, love seat, three tables, and two lamps mean a unit, or did three tables mean a unit, and a sofa and love seat mean a unit? We had to try to get into that rent-to-own mentality that a TV was a unit, to try to accommodate that for reporting purposes and accountability purposes, satisfying lenders and orienting people to paperwork. It was a difficulty," says Payne.

"We resisted it, but we had to come to some kind of accommodation in the major piece and count a group as a unit. That limited some flexibility that we originally had, in that people wanted to rent parts of groups and then had to rent the whole group."

Mike Lennon of C&H Rentals remembers that an early problem at his store was overzealous application of Scotch-guard protection to improperly cleaned



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"You get a lot more for your furniture if you clean it up before you rent it out the second time."

furniture. Returned products that were not cleaned thoroughly enough came out looking worse instead of better because dirt was highlighted. "So now we just Scotchguard new furniture," says Lennon.

Ohio dealer Gary Ferriman points to shipping damage as his biggest problem, and finds it worse in furniture than in electronics or appliances.

Friendly Advice

As for what they've learned and would pass along to other dealers, Denise Coleman thinks her family's company has made some sound decisions that could benefit new dealers. Executive vice president and general manager of E.M. Rynne Inc., Coleman Distribution Center in Kalamazoo, Michigan, she began working with her father 11 years ago as one of seven employees. Coleman Rentals stores now employ 300 people.

"I think what we're doing is the right way to handle furniture—to have different price ranges to offer to the people, and to give them a good selection, not only in style, but in fabrics, covers, and in styles of the frames.

"We don't have that many problems in furniture. That's partly because we've established our line as being fairly good lines, in the construction of the merchandise as well as the fabric grade. We've upgraded the material. We're not having any deterioration of the fabric or splitting at the seams because the fabric is weak. We're buying a better frame construction and a better fabric."

Gary Ferriman's introduction to furniture bears out the theory that first-hand advice can be the most helpful. He got the benefit of consultation with a fellow dealer in Defiance, Ohio, who handles furniture and appliances, both retail and rent-to-own.

He spent a day at her store, gathering the names of all of her sales contacts for upholstery, tables, and other items. "I contacted each one of those guys and told them to come see me. Then I went to the Atlanta market and picked up a couple of lines in January," says Ferriman.

To other would-be furniture dealers,

he says, "it takes space, it takes inventory. As with electronics and appliances, you can floor plan it. It's a little tough to floor plan furniture—you've got to pay for it—but if you've got the money and you've got the space, there is definitely a good market out there that I can see so far. It should be a good profit producer."

In addition, he suggests that "if you can find a good dependable sales rep with several different lines, they can probably be as much help to you as anybody. I've got a couple of guys who handle four or five different lines of furniture and maybe two or three of the different lines are things that I can use. This keeps down the number of people you have to talk to. It takes up a lot of your time when 55 different salesmen are in here trying to sell you furniture."

"I think what we're doing is the right way to handle furniture—to have different price ranges to offer to the people, and give them a good selection, not only in style, but in fabrics, covers, and in styles of the frames."

"A lot of companies only make one particular item in furniture—they don't make living rooms, bedrooms, and lamps, everything—so if you can find a good independent sales representative with several different lines that you can trust, and only have to deal with fewer people, that might be a help too."

One surprise to Ferriman was the need to be licensed in Ohio to re-rent or to re-sell furniture. In that state, anything upholstered must be treated with a chemical before it can be put back on the floor a second or third time. Other states may require treatment only of bedding and sleeper sofas.

Mike Lennon of Virginia offers straightforward suggestions for a new dealer: "Make sure he's got the room, make sure he understands that he's going to have to have a little more help on the trucks. It's difficult to be a one-man, one-truck operation with furniture. You have to be committed to having the help around when you need it for the furniture."

Ron Payne of Shamrock Rentals believes new dealers should plan their move into furniture with care. "I'd take

One surprise to Ferriman was the need to be licensed in Ohio to re-rent or re-sell furniture."

a very hard look at it if I were starting in furniture now. I wouldn't discourage anyone from doing it because almost everybody is doing it, but I think to do it properly you need a larger location, larger moving vehicles, and a larger staff, so you have to be sure that you can increase your BOR significantly by handling furniture.

"You have to have a larger storage area," says Payne. "You have to accommodate the accountability for all those pieces in whatever system you have. You have to think all that through pretty thoroughly in front before you just jump in."

Denise Coleman stresses the importance of selecting furniture that will be durable. Before Coleman's takes on a new line of furniture, the company orders a piece to be disassembled and analyzed. Is the frame stapled, or glued and doweled? Has it been filled with shredded foam or poly fiberfill?

"There are a lot of furniture companies out there. I would have new dealers look at what's on the inside of a piece. Everybody knocks off everybody else's looks. They can all look the same on the outside. I have found that out. Everybody kept bringing me the same picture. They look the same, but it's what's inside and the construction that counts."

"It's difficult to be a one-man, one-truck operation with furniture. You have to be committed to having the help around when you need it for the furniture."

"It may cost you more for better construction, but in the long run you're not out. It is also important to get good fabric covers to go on the merchandise that are going to wear, and be easy to clean. I wouldn't buy anything unless it has 1.8 density in foam or greater. After a period of time the cushions seem to flatten down (they call that pancaking), the rubber starts to sag and bag, and the customer is dissatisfied. The merchandise will not hold up the term of a

Before Coleman's takes on a new line of furniture, the company orders a piece to be disassembled and analyzed.

78-week contract, or longer," says Coleman.

Alan Appel recommends that dealers make sure their salespeople are educated fully about the new merchandise they will be showing.

"They're renting TVs and VCRs and their people know every feature and benefit about that product, and unfortunately since everyone is so oriented to electronics, when the furniture is initially brought in, most of the time the salespeople do not know as much about furniture as they should. We (as distributors) are willing to help them, but again, that's a learning curve. That would help rent more furniture.

"Every consumer needs to justify the expense, and if all you're saying is, here's a sofa, and here's what it rents, sure you might still get the order, but if you could tell something about the product, you'd be more likely to get the order. Product knowledge" is all-important, says Appel.

"A few years ago, cheap was the name. Dealers wanted price, they wanted the least expensive thing they could get with the most style."

Mike Root of Furniture Sales of Mid-America sounds a note of caution for new dealers to consider. "It's a good time right now, but it's becoming extremely competitive as well," he says. "A person who's looking at getting into furniture should take that into account, because if they're running a very profitable rent-to-own store in stereos, TVs and appliances, they're going to have to ask, 'what exactly is furniture going to add to my bottom line?'"

"Realizing that their margins are falling in TVs, stereos, and appliances because those are very competitive and shoppable items, furniture allows dealers to get a little bit greater margin, and possibly make a little bit more money for a time," says Root.

Looking back, Mike Lennon says that if he had it to do over again, he "would lease a larger store. That's the biggest problem we have with furniture, adding it to an existing store and not really having the floor space to adequately show it."

New Directions

What new trends are emerging in rent-to-own furniture? In Virginia, Mike Lennon reports that his customers approach their rent-to-own contracts with a different attitude now. "We're finding that even as short a time as six to eight months ago people entered into the agreement with the understanding of rent-to-rent, that this was something to get them by until they found something better. Now we're finding that people are coming in with the idea of rent-to-own, and we're having a higher percentage of people enter into it in that way, and buying it."

"The most striking trend of the last four years has been the death of the pine groups."

"The customer was expecting to keep an item for two or three months until they got the money to buy it for cash and turning it back in. We have no penalty for that, it was no obligation to the customer to keep it, so it worked out that way. But more and more of them are coming in the door with the idea that they're going to keep it."

Alan Appel notes that more dealers are "willing to get into additional types of furniture. I would not call it a widespread trend, but we've even had some people interested in waterbeds. That's still a rarity, but it's never happened in the past. Across the board, from tables to dinettes to living rooms, to you name it, there is more willingness to get involved in all the types of home furnishings, whereas originally it was pretty much living rooms and bedrooms. They're even renting sleepers out."

Mike Herschman says, "A few years ago, cheap was the name. Dealers wanted price, they wanted the least expensive thing they could get with the most style. Now, the style is very important, but buyers are also looking for some quality because they realize that it has to stay out there 18 months, or

whatever it may be, and if it's too cheap, it won't hold up. The rental customer is typically a hard-use customer on their product.

"I do see a trend where rental dealers are demanding better quality," says Herschman. "That is unquestionable in my mind. I see it on too many fronts now."

Fred Viehweg of Texas notes, "The most striking trend of the last four years has been the death of the pine groups. You can't give them away now. Upholstery is what people want."

Mike Root sees several trends. "There's a difference in rent-to-own, which grew up in stereos, TVs and appliances, and rent-to-rent, which grew up in the furniture end of things. One of the trends that I see is that those two industries are overlapping significantly. Long range, I don't know if those two industries will remain apart. The reason I say that is you've got a company like Aaron Rents that's just entered rent-to-own because they grew up in the furniture rental, but they see a tremendous profit in offering lower-priced merchandise and stereos, televisions, and appliances.

"So, I see an industry-wide trend that those industries are going to become closer and closer aligned, whether either industry likes it or not.

"In furnishings, the trend is for better quality merchandise. That is where the industry is going because people are going to start demanding a better quality product if they're paying a lot for it," says Root.

Who Rents Furniture?

Gary Ferriman's entry into furniture five months ago relied solely on the conversion of existing customers coming in to make their payments and seeing that furniture had been added. Mike Lennon's furniture customers are also, "somebody that we've dealt with before."

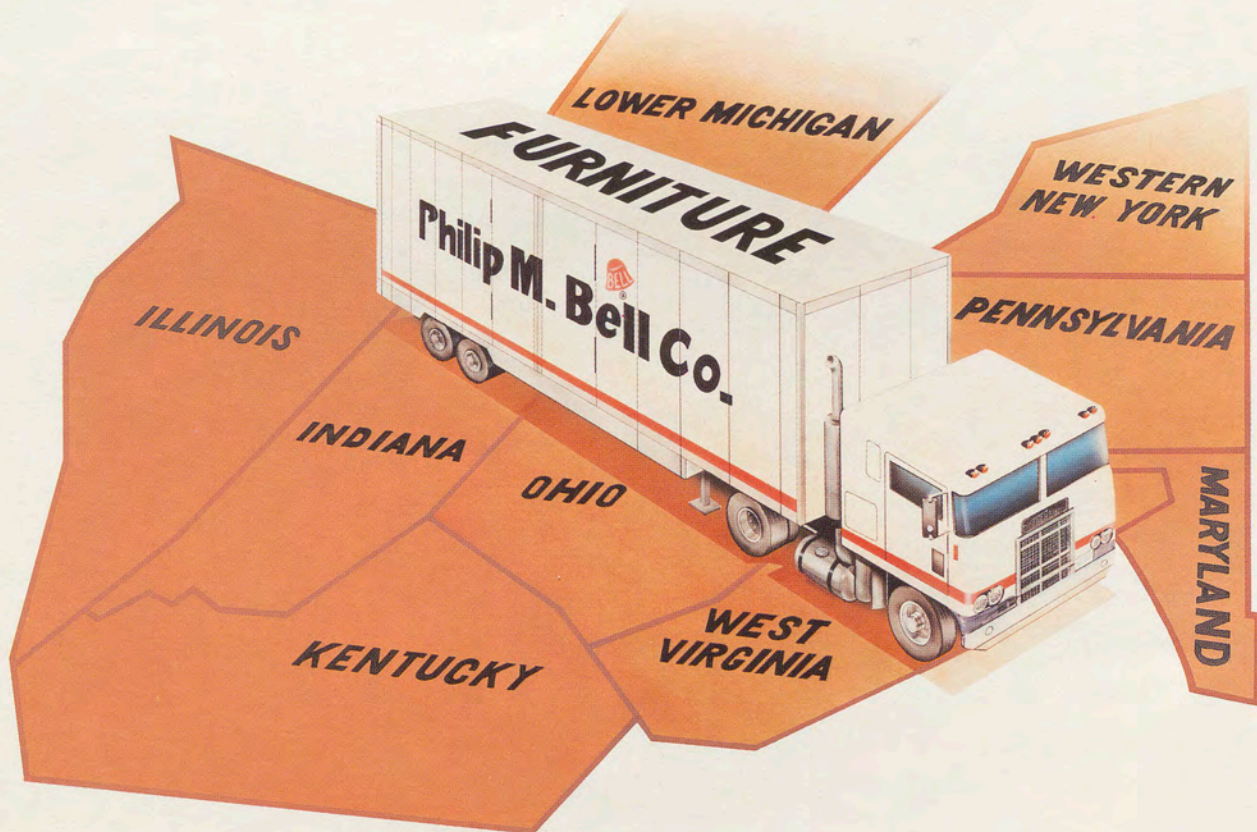
Ron Payne says, "It's a little hard to tell who the average customer is. Probably about half are first-time renters, and the others are people who've had other units on rent, paid them out, and then picked up furniture."

Denise Coleman also has a mix of both first-time and current customers. She keeps an eye on her traffic and rotates displays frequently to catch their attention. "A lot of them are coming in and out each week making their payment, and we are constantly introducing new pieces. We haven't picked just

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one frame with just one cover. I change the covers all the time to what suits the frame, and we are constantly moving merchandise.

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Ron Payne also believes that selection of attractive merchandise is essential. "I think we see the rental customer moving more closely to things the retail customer likes, so that means you have to be a little more fashion conscious than you were six or seven years ago."

Make Displays Homey

Al Dietz of Eastern States Distributors advises new dealers to make attractive display a priority. "On a selfish basis," he says, "the mistakes that I see dealers making are that they start too small, or with not enough display for the merchandise. In other words, if they were able to display the merchandise a little

"If you put a bedroom in a bedroom setting, I think you'll sell it a lot faster than trying to set it up like soldiers."

bit better in the stores, the effect would be much stronger for the developing customer's acceptance. If you put a bedroom in a bedroom setting, I think you'll sell it a lot faster than trying to set it up like soldiers."

Alan Appel says, "It's the same as in retail, display is very important. Set up a home environment, don't just throw the stuff on the floor. Maybe add a few potted plants, anything to give it a more homey look, to set up the environment that it would look like in the home."

Buying Advice With Merchandise

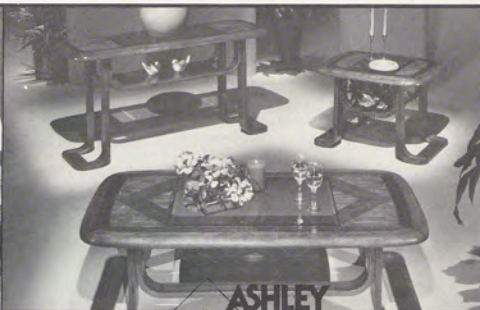
The finer points of what and how to buy can often be passed along to dealers by suppliers, whether factory or distributor. All of the dealers use a combination of suppliers, pointing to their different strengths.

Gary Ferriman says, "Probably 80 percent of our inventory comes from the factory, and 20 percent from a distributor. When I get in a spot, I'll order from a distributor, but there's a definite difference in pricing. I can see where it would be to some dealers' advantage to work with a distributor, especially at first, because some of the distributors' sales representatives work with a lot of rent-to-own dealers, and so they have a good idea what's renting, and what isn't. But you will pay dearly for that information."

Expressing the opposite view is Mike Herschman of Fraenkel Wholesale Furniture, a company that is both manufacturer and distributor. "The biggest mistake I see new dealers make is that after shopping around, shopping for price, they go to a factory. Of course the factory price is less than the distributor's price, and they load up on something.

"They get a truckload of something, or they get hooked into a line, and it's a mistake. It ties up their dollars in inventory where their dollars don't need to be, and it happens time and time again. They go straight to the manufacturers and get overloaded with certain items that don't sell, or a certain

continued on page 38



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NEEDED: State Organizations

A lot has been going on in the rental industry, not much of it beneficial: the new law in Pennsylvania, the U.S. Court of Appeals decision in *Puckett*, the fierce battle over legislation in Ohio, bills pending in another seven states, some favorable and some not so favorable.

Like everything else that I know of, legal attacks on the rental industry seem to come in cycles. We are in the middle of an up cycle after a period of relative quiet. This cycle will not last forever, and when it is over, we should be able to enjoy a period of legal calm in the industry.

In the meantime, there is much to be done, and a few good ways for getting it done. One of those ways is through state organizations, which is the message of this message.

In nearly every state where the rental industry has responded to a legislative attack or initiated a legislative effort on its own, a state association of rental dealers has been organized. I have personally helped organize several of those groups, and APRO has been directly involved in many of the organizational efforts where I have not been present. The Association has been content to work behind the scenes for the most part, and we have stumbled a time or two in helping get state organizations going. But what we all realize at some level is that state organizations are useful and even vital entities that deserve your support.

For several years I have, on behalf of APRO, tracked bills at the state level via a computer hook-up system with trackers in all 50 states. Many of you have gotten memos from me concerning some piece of legislation or other that I thought might have an impact on how you do business. The number of such bills seems to be increasing as employee rights of various kinds are being discussed in state legislatures.

One possible response, of course, is to do nothing and hope that lobbyists for Sears and other major retailers will protect your interests. That is a dangerous response, in my opinion, but not really an unusual one, for a small business entrepreneur.

Another response is to take matters into your own hands and actively try to influence legislation through your contacts in the legislature. I do know a few of you who could certainly get most unfavorable bills killed, and probably could get a bill passed if you pressed hard enough. Most of us do not have that kind of influence.

The rest of us could profitably take part in the life of our state associations and participate as a group in the legislative issues that come up every now and then. For example, already this year, there are the hot issues of drug testing of employees, taxation of rental inventories, and the use of polygraph and other measurement devices for employees. It would not do any good for the APRO board of directors to develop a national policy for these issues, because they are being developed at the state level.

What you could do is have a meeting of the state group and discuss what stance rental dealers as a whole in the state should take toward a given issue. There may, of course, be no consensus. On the other hand, you may well be of one mind on certain issues, which opinion could be communicated to key legislators on behalf of all of the rental dealers and their employees, however many voters that might be. Such an effort need not be enormously expensive—the cost of a meeting or even a telephone poll, and then the cost of calling state representatives or writing them a few letters.

Without a doubt, APRO has not been as active as it might have been in helping state groups stay together after a

state has adopted rental-purchase legislation. The tendency has been for state groups simply to disappear after they have gotten what to them is the most important legislation enacted.

But the story does not end there, and it is time that rental dealers realized it. All rental dealers are still business people in the states where they do business.

Here is a partial list of actual bills introduced in different states, which, if passed, would have a monetary impact on rental dealers doing business in that state. For too long rental dealers have chosen to ignore these kinds of peripheral issues.

Limitations on theft of rental property statutes.

Limitations on Small Claims Courts.

Requiring a business which schedules a visit to a customer's home to pickup/deliver/inspect goods to keep the appointment to within one hour of scheduled time—liable for lost wages.

Additional prohibitions under debt collections practices acts.

Home solicitation application to RTO (licensing/ fingerprinting).

Prohibition of door-to-door advertising.

Prohibition on charging bad check fees.

Prohibitions on promotional give-aways.

None of these issues will put a rental dealer out of business, but they all have an impact on how a dealer does business. I am not suggesting that dealers must have a strong opinion about each one of these issues. I am suggesting that all dealers look very closely at each of the issues as it comes up in their state, and determine where the state rental organization should focus its efforts.

The Georgia and the South Carolina rental organizations have managed to stay viable, thanks largely to the efforts of Jimmy Walker, who represents both groups. The Arkansas dealers got a good rental-purchase bill enacted, but no sooner had they finished celebrat-

continued on page 44

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Half Full or Half Empty

Let's argue for a minute like lawyers. Let's see if we can decide whether a rental customer has any *obligation* to renew his lease. For the sake of discussion, let's assume this is an important issue.

First of all, it is necessary for us to define *obligation*. The easiest source for such a definition is Webster's New World Dictionary. There the definition of the word includes the term *responsibility*. In other words, what one is required to do in the exercise of *responsibility* may be considered as an *obligation*.

There are other definitions available. Among them are the terms *contract* and *legally obligated*. Let's see which of these definitions apply to the rental customer.

Certainly the customer is not *obligated* by *contract*. Neither is he *legally obligated*. Does he then have a *responsibility* to renew the lease?

In the first week there can be no such responsibility. In fact, there is generally a bargain available there due to the special introductory offers that so many companies feature. Later, in the fourth or fifth month, it is difficult to think in terms of having really made a substantial investment in the item.

Consider the fourteenth month. With three months to go on the contract, would it be *responsible* or *irresponsible* for a rental customer to discontinue the renewal of the lease agreement? It all depends on the point of view.

The point of view is the key to our issue here. The glass of water seen as half full or half empty, is the same glass of water. The distinction between the views is irreconcilable. So too are the differing views on the concept of obligation in a rent-to-own contract.

The point of view is the key to our issue here. The glass of water seen as half full or half empty, is the same glass of water.

Courts Don't Always See It Our Way

There are many court decisions that conclude there is no obligation in a terminable lease. Those decisions conclude that in the case where a lessee has the right to terminate the lease before making a payment equivalent to the purchase price of the property, the lessee has not really assumed an obligation. Without an obligation, there can be no security interest. We all understand that point of view.

What may not be so clear to us is the fact that others see these circumstances differently. In particular, the contrary point of view has been articulated by the Sixth Circuit Court of Appeals in the case of *Consumer Lease Network Inc. vs Nancy Sue Puckett et al* (Case Number 87-5398, 1988). There the court considers our point of view and states very clearly that they are "unpersuaded by this line of reasoning." The following is a quote from the court's decision:

As the Bankruptcy Court stated, the argument that a termination clause negates the existence of a real obligation is unpersuasive where the customer's choice is to continue making payments or to forfeit substantial rights and

interests in the collateral. The Bankruptcy Court noted that where the right to terminate involved a forfeiture, the option on paper cannot overcome the substance of the transaction: the termination option has simply been paid for by the Debtor as a part of the underlying sale.

No one who reads this magazine on a regular basis will agree with that point of view. Unfortunately, it is unlikely that anyone reading this magazine regularly, wears black robes on a regular basis. The point of view expressed in that decision is a formidable force all over this country. To be sure, there is a powerful force in the other direction in support of a point of view that we believe to be much more logical and practical. There is no reconciliation between these two views.

Court's Reasoning Is Wrong

This subject and this case are discussed here for two reasons. First of all, it must be understood that this case represents a very unfavorable development. The case is decided incorrectly in my view. It represents reasoning that I consider to be imprecise and illogical. It suggests there is a commonality among rental customers that does not exist. The customer in the third month has a different obligation, even under this view, than the customer in the seventeenth month. It represents judicial law-making for the purpose of obtaining a desired result rather than for the purpose of providing consistent application of established legal principles.

Unfortunately, it is unlikely that anyone reading this magazine regularly, wears black robes on a regular basis.

Equally clear is the fact that this case now serves as controlling precedent for all cases in the Sixth Circuit arising under identical facts. If you are not frightened by that analysis, you should be.

We still have a very large problem. The judges, lawyers, and consumer advocates who oppose our mode of business do not have any need for our rental-purchase services. They identify closely with civil liberties issues, but at the same time, as in our case, fight to deprive our customers of the freedom of choice that is offered by our alternative.

These guardians of liberty and freedom generally believe that persons without cash or credit should not be permitted to attempt to obtain the ownership of property by alternative means.

Recently, in Pennsylvania, the legislature there decreed that cash or credit will be the only means for acquiring the ownership of personal property. Persons without either must hereafter rent without any ownership option.

The authors of the *Puckett* decision and the Pennsylvania legislation believe they have done the right thing. Both instances certainly substantiate the historical notion that tyranny comes disguised as benevolence.

Effort Needs Support

We still have a very big problem all over this country. Any rental dealer who believes otherwise is flirting with disaster. Efforts to obtain favorable legislation in the various states and in the congress of the United States should go forward promptly and vigorously. That effort should be supported by every company engaged in the rental business, large and small, in appropriate measure.

There are substantial companies engaged in this business throughout this country who have not paid their fair share in terms of time and money to support this effort. It is time for some prayer meeting revivals all across this country. This effort needs help from

everybody. You sinners know who you are.

The second reason for featuring this bit of bad news is to arm you to resist the adverse implications of this decision. This case came up first from the Bankruptcy Court for the Middle District of Tennessee. The company involved in the case, Consumer Lease Network Inc., is unlike most rental companies in that they do not own and operate stores. Instead, they finance companies who do operate stores.

The transactions that underlie this decision include a security deposit. That security deposit is forfeited upon termination of the lease. Typically, a rent-to-own transaction does not include a security deposit. In many states, a security deposit is illegal. The Sixth Circuit in its decision noted the forfeiture of the security deposit as an element that worked against the consumer in the case of a termination of the lease.

Any rent-to-own transaction which does not involve a security deposit can be easily distinguished from the facts of this case. Consequently, it can be argued that this case has a very narrow application.

Unfortunately, the language of this case will be lifted for use in briefs and orders in a way so as to obscure the factual distinction between this case and the typical rent-to-own transaction.

Lastly, this case does not take into account the effect of state laws that propose to regulate rent-to-own transactions. While these laws do not specifically define these transactions as true leases, they do tend to distinguish these transactions from credit sales by establishing mutually contradictory dis-

sure requirements as applicable to the two different factual circumstances.

It is easy enough to argue that legislatures, when they speak on the subject, would specify that these transactions were credit sales if they intended for them to be defined in that manner. Instead, it can be argued, the legislatures characterize these transactions differently so as to exclude them from consideration as credit sales.

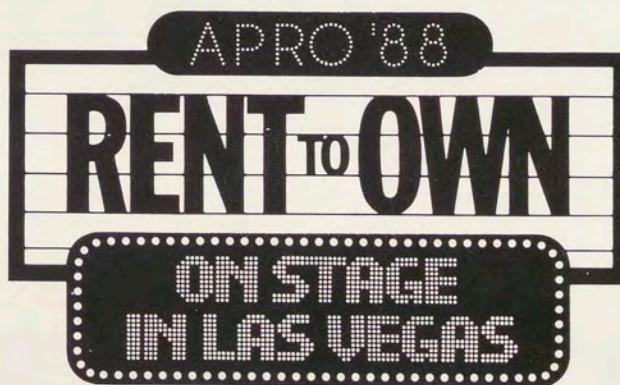
Both instances certainly substantiate the historical notion that tyranny comes disguised as benevolence.

It is not necessary for our industry to be subjected to the vagaries of judicial interpretation. As long as there are legislatures, they shall have the power to have the last word. This *Puckett* decision should serve the purpose of reminding us why we decided several years ago to take our cause to the legislatures and the congress.

We must press on. A battle lost here and there may be the prod we need to stay on our toes. There is work to be done. There are no laurels large enough yet to rest on.

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.



August 3-7, 1988

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The Truth About "Bad" Ad Agencies

The problem could be you, not them

It has been six months since you've hired your advertising agency and all you have to show for it are bills. You can't understand what happened. When you first hired them they seemed so bright, so creative, so eager, so enthusiastic about rent-to-own.

But now it's like throwing money away. The return on your capital just isn't there, and you're beginning to wonder why you got involved with them. You believe that you've been stung by a bad agency. Now you want out—fast.

Before you show your agency the door, ask yourself a tough question: "Am I a good client?"

Bad clients aren't always defined as "slow pay" or "no pay." Nor are they always the ones who insist that photos of their families appear in commercials or ads. Bad clients are also those who aren't open with their agencies; who don't have objectives or a plan for achieving them; or who haven't determined how they will take advantage of the traffic or interest generated by their agency.

No Bad Agencies?

Does this mean there aren't any "bad" agencies? Of course there are. But most of these agencies aren't ad agencies at all. They are outfits that are really peddling something else. Sometimes it's space on a vinyl phone book cover, where your one-inch by two-inch ad appears next to your main competitor's one-inch by two-inch ad.

Before you show your agency the door, ask yourself a tough question: "Am I a good client?"

In other words, the "bad" agency is fundamentally a dishonest operation that has no other talent than a fast sales pitch, usually a product masquerading as an "advertising service," and little else. One month after they take an order and the client is "serviced," they move on to greener pastures.

These kinds of operations are the exception, not the rule. And small businessmen are their normal prey because of the usually cheap advertising costs. Just remember that "cheap" is a relative term. Rather than talk about bad agencies and bad clients, the more accurate terms should be ineffective agencies and disorganized clients. The two usually go together. It's doubly unfortunate when some agencies seem to have a positive knack for taking on disorganized clients and then compound the felony by lacking the courage of their convictions.

Here's an example: Other than the ultimate result of getting more cash on the books, a number of companies haven't the foggiest notion of what they want their advertising to accomplish. In effect they tell their agency, "Just find a new way to say that we are in the rent-to-own business. After all, we've been at the same location for 10 years. They

(the buying public) know where we are and what we stock. Tell it to them again in a creative, fresh way."

Six months later the agency and client will ask each other what went wrong. The answer is inevitably a lack of organization on the client's side of the desk and a failure of courage on the agency's side.

Organization Comes First

Get organized before you see an agency. Before you even consider hiring an agency, get your company organized. First, start thinking in terms of a marketing plan. Of course you're not General Motors, so don't go into a panic about meaningless 300-page plans. An old-time, experienced merchant once gave his simple formula:

- What am I looking for in terms of increased dollars and increased customers, and where would I like most of these to come from in the coming year?
- What am I really selling?
- Who am I selling to?
- How much am I selling my products for?
- How do I sell it? (method of distribution)
- What's my competition doing?

If you can answer these questions to the toughest judge of all—yourself—you are in a good position to do some real marketing, and it's time to call in the advertising agency. If these six ques-

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Does this mean there aren't any "bad" agencies? Of course there are.

tions sound simple enough, remember that the answers won't be. As a guide for your own planning, write them down.

Ask the sales personnel what their answers would be, too. Their response may surprise you.

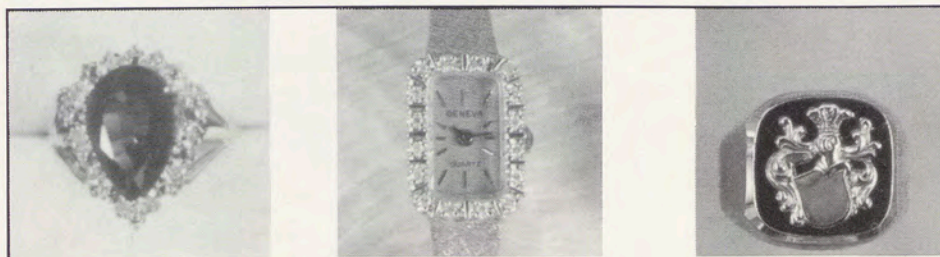
A store owner once asked the sales staff the six questions listed above. Each came up with a different answer, not only different but with a great magnitude of difference. Thus, if internal personnel don't know quite what is being sold, how can the agency be told what to advertise?

Then Comes the Search

Once you've organized for marketing and have your objectives clearly in mind, don't grab the first ad agency you come across. Seek out several. Some are

known by reputation. Others have called on you before. You may have seen newspaper ads, brochures, or billboards that you've liked. Find out who did them, then call the agency in.

But do yourself another favor. Don't make any deals with the first agency you talk to, ask several agencies to make presentations. Give them enough information about your company so that they can do so intelligently. Get some idea of how well they will be able to service your account. Tell them they will be in a competitive situation. Then look and listen to the presentation and come to a decision.



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1. Buy direct from the source
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Once you've organized for marketing and have your objectives clearly in mind, don't grab the first agency you come across. Seek out several.

Good, solid ad agencies won't be offended by knowing they are in competition for your account. If the agency is too big for your company, they will tell you. All of the good agencies welcome head-to-head competition. After all, beating the competition is their business, just as it is yours.

Remember, though, just as in choosing a spouse, there are a good number of subjective factors (for example, your feeling that one particular agency really understands how you want to operate), just as there are objective standards (example, one agency has a media buying specialist for each type of print and electronic medium).

Keep in mind that because one agency is larger than another and has more facilities, it does not necessarily follow that it will be better for you. Advertising is a business like any other. If you're a small account, the large agency will find it unprofitable to devote the time to you that you deserve. A small agency may well feel it worthwhile to see you once a day.

For a long time, many ad agencies were reluctant to be measured in terms of ultimate sales results. To a great extent they were right. The wrong measuring stick was being used when too many other factors interfered. What inevitably followed was a distrust of the agencies by clients, and frustration by agencies who felt they were being unfairly judged.

My own opinion is this: The performance of an advertising agency should

be measured by how well it meets the objectives of the client in terms of numbers of dollars and customers brought to the client. The client should clearly spell out to the agency what these objectives are from the time the agency-client relationship is established.

Some factors prevent easy measurement:

- Attitude of the client's sales management.
- Degree of training of individual salespeople.
- The nature of how the client's product is sold to his buyers.
- The client's view of his company.

Solve the Problems

And the list can go on and on. Certainly one of the problems I've seen again and again is what is called the "infernal triangle": the agency, the owner of a business, and the sales management of a business. The owner measures the agency's results, which may be below the objectives. The agency says that it is bringing leads or traffic to the salespeople who can't close them, the sales management says that the agency is getting the wrong kind of leads for the product to be sold. One of these opinions is always right—that of the owner.

For a long time, many ad agencies were reluctant to be measured in terms of ultimate sales results.

The wise thing to do before the problem gets worse is to bring in a disinterested party with experience in advertising and marketing, one who has the confidence of the owner.

No disinterested party can ever get the "infernal triangle" working smoothly again where the client fails to admit that he is responsible for ineffective advertising. If you throw this responsibility to the advertising experts, you get what you deserve.

The ultimate "expert" in your business is you. If you don't like the advertising that the agency presents for your final approval, say so. If you can, say why you don't like it. Don't "nitpick" the advertising craftsman about the type style or more pictures of your place of business, but explain why you believe it won't help you achieve your objective. The agency will probably come

back with their viewpoint. If the advertising is done to your mutual satisfaction, you as the client are the winner where it counts—increased profits.

There must be mutual honesty. Your advertising and your advertising agency will be ineffective if you aren't open and sharing with them about your aims, goals, and marketing directions.

Similarly, you have a right to expect an agency to be open with you about fees and sources of income to the agency from your account that don't show up in the bills they give you, such as printers and media buying discounts. Typesetting and other services are often marked up by agencies and included in your billing. After all, advertising is a

profit-making business and ad agencies are normally willing to discuss these matters if you ask them. Clients are not being "taken" by these fees or discounts.

If there has been normal business prudence and mutual honesty from the start of an agency-client relationship, and a budget has been established within which the agency must operate, then the agency is entitled to maximize its own profit where it can. There's no reason why they should not, so long as you understand what is happening, and your own best interests aren't being affected.

Effective advertising begins when you as the client set your own objectives for an ad agency. The truth is that "bad" ad agencies and advertising occur when you let it happen. Good agencies and profitable, effective advertising takes place when *you make it happen*. And that is all the difference in the world.

PR

Henry Holtzman is assistant vice president of an international marketing company and has almost 20 years experience as a marketing specialist.

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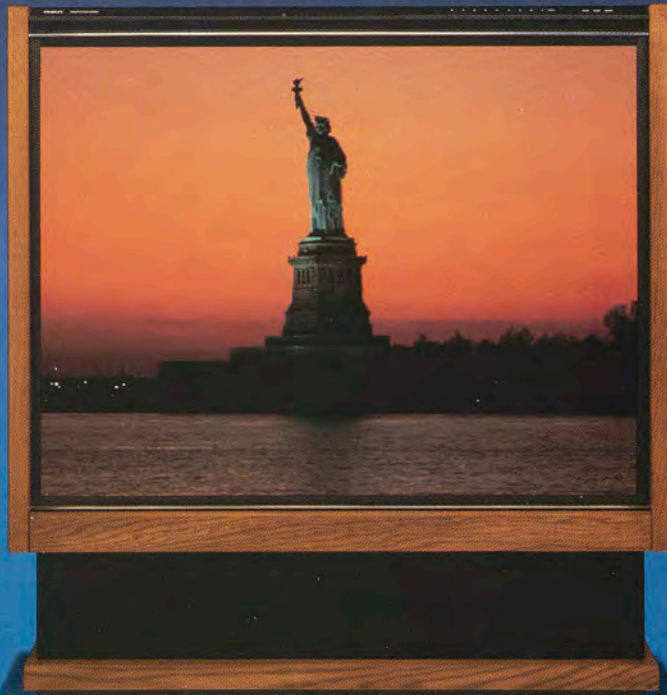
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T A L S

Pennsylvania Legislature Outlaws Rent-To-Own

A sneak attack changes the rental picture

On February 26, Pennsylvania Gov. Robert Casey signed a law doing away with the rent-to-own industry as we know it in his state. The new law went into effect on March 1.

This latest action is the result of an ongoing battle that began in 1982 between the rental industry and consumer advocates in Pennsylvania. The anti-rent-to-own bill was passed in the face of stiff and organized opposition from the state's rental dealers in spite of the fact that the state senate had passed a balanced bill regulating rent-to-own transactions only weeks before.

Prior to 1982, the rental industry existed in Pennsylvania much as it existed in other states. There were concentrations of dealers in the big cities—Philadelphia and, to a lesser extent, in Pittsburgh—and to a still lesser extent in the smaller towns and cities in the state. People outside the business knew little about the industry at that time in Pennsylvania or elsewhere.

Early Attempts

But the industry was not entirely unknown to consumer advocates. In fact, Congressman Frank Annunzio (D-IL) had, as chairman of the House Subcommittee on Consumer Affairs, introduced a bill in 1980 seeking to amend the definition of "credit sale" in the federal Truth-In-Lending Act to include rent-to-own contracts.

His was the first legislative attempt to regulate rent-to-own and his bill at-

This latest action is the result of an ongoing battle between the rental industry and consumer advocates in the state that began in 1982.

tempted to declare there to be no legal distinction between a credit sale and a rental agreement with an ownership option.

No action was ever taken on Annunzio's bill. It died a quiet death in his own subcommittee. This bill would seemingly have been of no further consequence had it not been for the fact that the identical language appeared in a bill to amend the definition of a retail installment contract in the Pennsylvania Goods and Services Installment Sales Act (GSISA) in the early spring of 1982.

Responsibility for the bill goes to Lewis "Woody" Kozloff, executive director of the Pennsylvania State House Committee on Consumer Affairs, who has been active in the legislature since the late 1970s. Kozloff's job is a full-time, permanent position designed to aid legislators in styling legislation to correct consumer abuses in the state. Mr. Kozloff reported at the time that he had been getting lots of complaints about the industry, and felt that corrective legislation was needed.

The simplest solution for stopping

rent-to-own altogether as opposed to regulating it has always been to call the transactions disguised credit sales and regulate them accordingly. That was the intent of the Annunzio bill as well as the 1982 Pennsylvania version, S.B. 306.

Facts Ignored

Proponents of such a regulatory scheme argue that since the consumer has an opportunity to obtain ownership of the property, the pricing and other aspects of the transaction should be regulated just like other sales on time. This argument ignores the fact that there is no obligation to continue making payments in a rent-to-own transaction as there is with a credit sale. It is, of course, the existence of debt in a credit sale that creates the buildup of equity in the goods. Most credit sale laws have been drafted to protect the competing interests of the creditors/sellers making sure that they get their money and consumers/debtors being sure that they do not lose their equity buildup in the property without adequate procedural protections.

Unfortunately for the rental industry in Pennsylvania, the bill introduced in 1982 did not receive any notice until it was too late to stop its passage. There were no public hearings on the bill and no legislators had an opportunity to hear from industry representatives until they had already voted. By the time the industry did get wind of the bill, it was too late to do anything in the legis-

Proponents of such a regulatory scheme argue that since the consumer has an opportunity to obtain ownership of the property, the pricing and other aspects of the transaction should be regulated just like other sales on time.

lature. The only thing left for dealers was to figure out how to do business with the law on the books.

APRO got its Pennsylvania members involved as soon as it learned of the bill and circulated copies of it to all dealers in the state along with suggestions about how to do business under the new law.

Disclosure and Other Controls

When most people think of credit sales law, they think of disclosures. This is so because the federal Truth-In-Lending Act is exclusively a disclosure law. The only requirement under the federal law is that creditors make certain disclosures in their advertising and in their contracts. States, however, also have their own credit sales laws, which, in addition to having their own disclosure requirements, also have substantive limits on creditor behavior.

Disclosure for rental dealers would be possible, although awkward, under the Pennsylvania GSISA. This is so because the definition of cash price, one of the required disclosures under the law, specifically permits inclusion of the price of "accessories and services, if any, included in a retail installment sale." In theory then, a rental dealer could figure the value of the rental service package—no obligation, full service, in-home maintenance, etc.—add that value to the cash selling price of the goods being rented, and then add an interest charge of up to 18 percent on top of that number to get the total cost of the transaction. Such a calculation, even though it does not really portray the transaction accurately because of the artificial interest factor, would keep a dealer's cash flow at a constant level.

This was neither the intent nor expectation of those who originally passed S.B. 306. Rather, the legislators responsible for the new law in Pennsylvania

wanted to force rental dealers to lower their prices to bring them into line with the prices of financed consumer transactions. The results of the new law, however, would not have been to compel rental dealers to lower prices as designed. The results are potentially far more pernicious because of other provisions in the Pennsylvania GSISA that would have to be applied to rent-to-own transactions.

In addition to the disclosure requirements found in the law, there are also substantive controls on creditor behavior throughout the statute. There is at least one important such limitation in the Pennsylvania Goods and Services Installment Act concerning repossession and resale. In order to protect a debtor's equity rights in the property, the Act requires creditors to give debtors written notice when their accounts become past due, and then give them 21 days from the date the notice is received to get caught up on missed payments. Until the 21-day period has elapsed, the creditor cannot repossess the property, accelerate the note, or commence any legal action.

The simplest solution for stopping rent-to-own altogether as opposed to regulating it has always been to call the transactions disguised credit sales and regulate them accordingly.

This restriction may make sense in the typical consumer credit transaction. Before a creditor can go out at midnight and hot-wire the automobile of a debtor who has fallen behind on his car payments, notice must be given to allow the consumer a grace period to find the money and get caught up.

The restriction makes no sense when applied to a rental dealer who is doing business with transient customers on a weekly basis. The cost of sending notice by certified mail, as is required by the statute, could add 15 percent or more to the cost of a weekly rental payment of \$10. The statute does provide for personal delivery of the written notice, but that would add even more to the cost.

Moreover, rental dealers monitor past due accounts very carefully. It is this careful monitoring that has allowed the industry to maintain losses at accepta-

ble levels and remain profitable. Before 21 days have elapsed, a typical rental dealer will have already measured his past due accounts three times—once at 5 days, again at 10 days, and again at 15 days. Dealers know that 15-day accounts are already getting suspicious, and many simply charge off accounts over 30 days past due. It is not unreasonable to suppose that this single restriction in the GSISA will terminate the weekly payment business altogether in Pennsylvania.

The 21-day grace period was designed with monthly payments in mind. On a monthly payment plan, a consumer has a part of the next payment period to get caught up on a missed payment before the next payment becomes due. With a weekly payment—at least one-half of the rent-to-own business in Pennsylvania—the 21-day grace period is simply unworkable. It would allow a customer to fall behind three additional pay periods before the dealer can attempt to recover his merchandise. Rental customers would quickly learn that they can pay for one week and have the merchandise for a month. That might make rental customers and consumer advocates happy, but it would not allow rental dealers to stay in business.

Other Obstacles

There are other obstacles in the Pennsylvania GSISA to the operation of a rent-to-own business as most of us know it—rebate formulas, unreasonable restrictions on other charges—but none as hobbling as the repossession rules. For this reason, when the law was passed in 1982, Pennsylvania rental dealers elected to rewrite their contracts so as not to be defined as a retail installment contract and therefore fall outside the coverage of the Act. The means for doing this was to add a balloon payment to the end of the rental agreement. By the terms of the contract, a customer could not obtain ownership of the rental property until he or she actually purchased the property for the balloon price. By separating the transaction into two parts, a rental part and a purchase part, dealers avoided coverage of the installment sales law.

There was some initial concern about how big the balloon had to be. The law stated merely that it had to be for more than "nominal consideration." There is no precise definition of "nominal consideration" in Pennsylvania, and so dealers were left to their own best judgments and the judgments of their law-

yers as to how big to make the balloon. (See The APPROACH, July 1984, p. 15.)

During some meetings with attorneys from the Pennsylvania attorney general's office soon after the bill was passed, dealers learned that the balloon method would work, but they could not get any real guidance from the A/G's office about how big to make their balloon payments. One of the A/G's office attorneys did indicate that it was unlikely that the A/G's office would elect to litigate that issue all by itself. Rather, they would wait until they saw a clear-cut collection violation case that they knew

they could win and simply add to it the question of whether the balloon was big enough.

Figuring the Balloon

Rental dealers discussed the issue and several set the balloon price at \$100. Others tried to figure the estimated fair market value of used products and set the balloon payment price at the estimated fair value.

One year later, the North Carolina legislature set the definition of nominal consideration in that state at 10 percent

or less of the initial cash selling price. Several Pennsylvania dealers borrowed from the North Carolina statute and started making their balloon payments 11 percent or 15 percent of their cash selling prices, presumably larger than "nominal consideration."

For awhile thereafter, Pennsylvania rental dealers were able to carry business as usual under the new balloon payment system. It was not rent-to-own in its purest form, but customers understood the program, balloon payments were required in several states, and no consumer advocates were attacking the essential validity of doing business in this manner.

Legal Aid Lawyer Opposes RTO

One of the chief opponents to the industry from its beginnings in the state has been a legal aid lawyer named David Scholl. He began practicing law with legal aid in the late 1970s in Philadelphia. Dealers in Philadelphia were used to getting complaints and threats of lawsuits from Mr. Scholl, but managed to avoid any major litigation. Then, in the early 1980s, Mr. Scholl moved to the Bethlehem/Allentown area to work out of the Lehigh Valley legal aid office.

Scholl never accepted the proposition that rental dealers be treated any differently than traditional retailers. He was of the opinion that it was a misallocation of resources to allow his clients—the poor—to rent color TVs and other "luxurious" appliances at all. He continued to threaten dealers in the Allentown area, and at one time in 1983 was able to persuade the attorney for a rental company to agree to take the purchase option out of all rental agreements in exchange for not being sued.

Later, when the dealer had rethought his position and decided that deletion of the purchase option was neither in his best business interests nor required by the law, Scholl filed a class action suit—nothing that rental dealers around the country had not seen before. There were allegations of violations of the state GSISA, the federal TILA, allegations of unconscionable pricing, allegations of illegal collection activities, plus allegations of various kinds of fraud.

The plaintiffs' petition in the Scholl suit begins:

The marketing strategy of the defendants and their class members is to attract low-income consumers, often focusing upon

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This argument ignores the fact that there is no obligation to continue making payments in a rent-to-own transaction as there is with a credit sale.

residents of public housing projects and federally subsidized housing projects who do not have the financial resources to purchase big-ticket household appliances and furnishings for cash and are often unable or believe themselves unable to obtain credit to do so, by offering to them to "rent" such items with an option to purchase the item upon making rental payments, plus a small additional payment.

The Defendants advertise widely that consumers may obtain goods from their affiliates and class members by making a small initial payment, without any sort of credit checks what-

soever. In addition, bonuses such as free watches, rings, groceries, and rental for certain additional periods are offered to customers who respond quickly to advertisements or continue to maintain their contract for certain periods, although such bonuses are often not in fact delivered later to customers.

This was by no means the only lawsuit filed by legal aid lawyers during the period 1983-85. Scholl himself filed a second class action suit against another major dealer store after filing the first one. Dealers in different pockets in the state were plagued with demand letters from legal aid lawyers insisting that they cease all collection efforts against a customer or customers or be sued. For the most part, dealers simply backed off and added another unit to the skipped/stolen column rather than risk the cost and exposure of a lawsuit.

Pennsylvania was identified as a problem state by the rental industry, and dealers generally stayed away. During this period, which saw enormous growth in the industry nationwide, Pennsylvania saw fewer new store openings than most other states.

State Dealers Organize

Due to the increasingly hostile environment, in early 1985, APRO assisted rental dealers in the state to get together to discuss what could be done to protect the future of the industry in the state. Dealers in other states had recently had some successes getting rent-to-own legislation passed, and the group of dealers that assembled for the first time in Harrisburg in February 1985 agreed that it would be a good idea to organize in Pennsylvania for the same purpose. Pennsylvania rental dealers met several times that spring to discuss the progress of several lawsuits going on around the state as well as to discuss the political environment in the capital. The group retained Ralph Tive, a veteran lobbyist, to represent their interests in the legislature.

There was some initial optimism, based largely on the successes in other states, most notably Michigan and South Carolina, that Pennsylvania rental dealers could get a bill passed during the fall of 1985. Such was unfortunately not to be the case. Dealers did work throughout the summer of 1985 to lay the groundwork for rent-to-own

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During this period, which saw enormous growth in the industry nationwide, Pennsylvania saw fewer new store openings than most other states.

legislation, but there was ever the announced opposition to any such plan from the House committee on consumer affairs led by Rep. Charles Laughlin and his executive director, Woody Kozloff.

Former Employees Attack

No one will ever know what might have happened during the 1985 fall legislative session had not the citizens of Harrisburg, the state capital, awakened one September Sunday morning to this headline in the Sunday *Patriot-News*: Police Get Pay to Repossess Rented Items.

The story covered half of the front page as well as two full pages inside, complete with pictures of store fronts,

outraged customers, rental employees, and police officers. Other headlines in the story were equally sensational. Reporter Christopher Quinn had apparently uncovered a huge scandal involving the same rental company involved in the class action suit and the Harrisburg police department.

As it turns out, the story was unearthed from previous employees of the rental company who had recently been fired.

Quinn's story began: "Over the past five years, at least 20 Harrisburg police officers have used the power of their badges to intimidate and threaten to arrest customers of a city rental company who were behind on their payments." The story went on to report that detectives and uniformed police officers were paid from \$50 to \$100 per incident, all without the knowledge or consent of either the mayor or the chief of police.

The story also contained admissions from the former employees themselves that they had broken into homes to recover merchandise and had flashed "special investigator" badges to customers to gain entrance into a dwelling, all such actions, claimed the employees, arising out of the dealer's corporate policy.

The disgruntled employees had first gone to the attorney general's office with their stories before going to the newspaper, but the A/G's office had refused to give them immunity from criminal prosecution. Since the employees with the story had as a part of the story confessions that they themselves were guilty of criminal trespass and breaking and entering, the initial A/G investigation went nowhere.

The story in the Harrisburg paper, however, spurred another year-long investigation by the A/G's office into the activities of the rental company as well as the Harrisburg police force. In September 1986, state Attorney General LeRoy Zimmerman ended his probe and determined that while the company had used questionable business practices, no crimes had been committed. In addition to the A/G's investigation, there was a grand jury probe of police conduct in the alleged incidents. The Westmoreland county grand jury did not hand down any indictments, but did recommend to the Harrisburg mayor that city police officers should be prohibited from moonlighting as collectors for private companies.

The various rental industry "exposés" did not help the reputation of the business in the legislature. Despite the best efforts of industry representatives and lobbyists, legislators cannot help but be influenced by what they read in the newspapers. It became politically unpopular to be on the side of the industry, and far easier to be a critic.

Rep. Laughlin saw his chance to make some headway and announced that he planned on having public hearings concerning the industry in Philadelphia, Pittsburgh, and Harrisburg in early 1986. The public hearings were never held, but Rep. Laughlin expressed his opposition to the industry at every opportunity and announced plans to introduce legislation to curb abuses in rent-to-own.

Judge Rules Against Industry

To add to the accumulating bad press coverage of the industry and mounting pressure from the A/G's office and other consumer advocates, the judge in the Allentown class action lawsuit handed down an opinion in which he ruled that the state GSISA covered the rental agreements in question, even with the balloon payment provision. One of the issues facing the judge in the case was precisely the question of how

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to define "nominal consideration."

The facts showed that the rental company had been charging a balloon of either \$100 or 15 percent of the original cash selling price. The judge relied heavily on a 1982 Pennsylvania Superior Court Case which had held that in a commercial setting, using the uniform commercial code, the term "nominal consideration" meant 25 percent or less of the original cash selling price. Given the nature of the case before him and the precedent of the 25 percent definition of nominal consideration, the judge ruled that under all circumstances, \$100 or 15 percent balloons were too low.

Once again the newspaper headlines in Harrisburg were full of news of the case and the havoc it was likely to create in the industry.

Michael J. Pekula, director of the Bureau of Consumer Protection in the A/G's office, was quoted as saying that the ruling and additional lawsuits that were sure to result would give dollars back to rental customers and might bankrupt the defendant rental company in the suit. Both Pekula and Scholl were quoted in the paper as inviting private attorneys to take the ruling in the Allentown case and file their own lawsuits against the company to seek money damages for their clients.

Shortly after these articles appeared, that is exactly what happened. Three private attorneys from Camp Hill filed a class action suit against the defendant rental company in the Allentown case seeking to make the company refund all finance, collection and late fees paid to it as well as triple the difference between what the company charged and the maximum interest rate. The lawsuit also named as a defendant one of the major finance companies that does business with the rental industry, claiming that it helped collect illegal charges from rental customers. Naming the finance company as a defendant is more an example of looking for a deep pocket to sue than evidence of any wrongdoing on the part of the finance company.

Several months after this decision had been handed down, the A/G's office sent a letter to every rental dealer in the state requesting a copy of their rental agreements and other information about how they did business. In the press, the A/G's office indicated that it was their intent to use the judge's opinion in the Allentown case against all other rental dealers in the state who were calculating balloon payment pur-

chase options like the dealer in that case. Dealers got the A/G's letter in late September 1986.

Dealers Find a Friendly Forum

With an antagonistic attorney general's office, and an antagonistic House committee on consumer affairs, Pennsylvania rental dealers had few friendly corners toward which to turn. One forum that had indicated some willingness to give the industry a fair hearing was the state senate. During the fall of 1986 and the spring of 1987, state

rental dealers were actively working with members of the senate to try to get reasonable rent-to-own legislation introduced and passed through that body.

Borrowing heavily from the recently enacted legislation in New York state, one of the more restrictive rent-to-own statutes, dealers were able to line up sponsors and, through the dedicated efforts of the dealers and their lobbyists, they were able to get a bill passed through the senate in early 1988. This bill was sent from the senate to the house and landed in Laughlin's consumer affairs committee.

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Ambushed

Based on the lawsuit, the adverse publicity, and Laughlin's conclusions concerning how the industry was being run in Pennsylvania, he announced that the bill sent from the senate was an insufficient means of regulating the industry, and that he would not hold hearings on the senate bill. Instead, what he was planning to do in secret was to add a rider to a bill renewing interest rates in the state which had to pass both houses before March 1.

The law permitting lending institutions to charge interest at all and at what rates expires by its own terms every few years. That forces the legislature to consider interest rate levels every few years.

The interest rate ceiling was scheduled to expire March 1, 1988, and there was a push to renew the legislation holding the interest rates at 18 percent. The bill was essentially an amendment to the GSISA and what Laughlin did to the bill when it was in his committee was to offer an amendment deleting seven words from the definition of installment contract: "for no other or a nominal consideration..." The deletion of these seven words from the definition had the effect of making any rental agreement whereby the customer could obtain ownership a credit sale under the GSISA.

Once again, there were no hearings held in either house on this amendment. The amendment was not in print until the week of February 22. It passed both houses on Wednesday, February 24, and the governor signed it into law on Friday, February 26, to become effective four days later.

That makes twice that the Pennsylvania legislature has attempted to do away with the rent-to-own industry in the state without holding a public hearing to ventilate both sides of the rent-to-own issue. The second time they got it right and were successful.

Rental dealers learned during the week of February 22 that Laughlin was going to try to end-run the senate with a bill of his own, but could not stop him. Once it became apparent that Laughlin was going to be successful in getting his bill passed, dealers called an emergency meeting in Harrisburg on Friday, February 26. Dealers at the meeting discussed the options available to them, which were essentially two: comply with all of the requirements of the GSISA or remove the purchase option from their contracts. It was quickly decided that the second option was the only viable one. Compliance with the

Rent-to-Own Prohibition Is a Bad Law

Reprinted from the *Public Opinion*, Chambersburg, Pennsylvania

A system in which buyers routinely pay double for retail items was bound to attract the attention of consumer protection groups. Such a system is the rent-to-own program, in which a customer has the option of purchasing an item after renting it for a period of time, usually 18 months.

The drawbacks of such a practice are obvious.

Should the customer opt to buy the big-ticket household item after the rental period, the total cost is about twice the amount had the consumer paid cash or financed it with a double-digit interest rate loan.

Also fairly obvious is that customers who purchase items in that fashion are those least able to afford them: those with low incomes and/or poor credit ratings.

So state legislators, with the best of intentions, passed a law that prohibits rental companies from charging more than 18 percent interest on any of their products. The new law effectively puts an end to the rent-to-own practice.

Consumer advocates are absolutely right that rent-to-own costs customers more than conventional ways of buying retail items. And certainly this is an appropriate area for lawmakers to investigate and pass legislation.

But in this case, were customers being ripped-off in the classic sense of consumer fraud? Not at all.

Rent-to-own may not be a bargain for consumers, but there is nothing illegal about the practice.

And assuming customers enter into agreements with their eyes open, there is nothing unfair about it, either.

Dave Ginley, general manager of RentAmerica on Lincoln Way East, told *Public Opinion* that the 18 percent interest cap is not enough to cover the cost of a rent-to-own agreement. So his facility, which is Franklin County's only rent-to-own company, will discontinue the purchase option.

Ginley makes a convincing case that the total purchase cost is not outrageous, considering ancillary costs such as free delivery and free maintenance of the items. The system also offered a degree of flexibility and consumer choice.

Again, rent-to-own agreements are not the best way to purchase expensive retail items, especially for those who can least afford them. We recognize the drawbacks and are not advocates of the practice.

However, that is a choice that should be left to individuals—not lawmakers. Barring outright fraud, there was no reason for the heavy hand of government to get involved.

Government has a duty to protect unwary consumers from getting bilked by unscrupulous business practices. Rent-to-own did not fall into that category.

The new law is misplaced paternalism, and should be repealed.

He was of the opinion that it was a misallocation of resources to allow his clients—the poor—to rent color TVs and other “luxurious” appliances at all.

requirement of the GSISA was simply not possible, and politically, removing the purchase option might have the effect of getting some consumer support for responsible rent-to-own legislation. At this point Pennsylvania had nothing to lose. As a general proposition, dealers do not go around making enemies. We seem to have enough as it is naturally. But in Pennsylvania, after the governor signed the bill putting them out of the rent-to-own business, dealers decided to play all of their cards.

Fighting Back

The reason after all that we offer a purchase option is because our customers want it. What happens in the marketplace when there is no purchase option? Do customers stop renting TVs and appliances? The bet in Pennsylvania is that they do not. The hope is that the blame can be placed on the legislators in Harrisburg, where it properly belongs, and that rental customers can be heard to complain. If they make enough noise, it is at least possible that the legislature can be persuaded to change its mind.

There is still pending in the house, albeit in Laughlin's committee, the rent-to-own bill that the senate recently passed. It is not likely that Laughlin can be shown the error of his ways. There are, however, 23 other representatives on that committee, all of whom, presumably, will listen to their constituents.

The plan now is for dealers and their customers to send a strong message to those representatives from the marketplace that there is both a demand and a need for a purchase option in the consumer rental market. If that message gets sent with enough force, it is possible that the committee can pressure its chairman to let the senate bill move.

It will clearly be a long and arduous road for the dealers in the state to get the legislature to undo something that it has already done. It is always easier to stop bills from being passed than it is to get bills amended after they have

been passed. It is nonetheless the most viable option for Pennsylvania rental dealers in the aftermath of these latest developments.

It is too early as of this writing to tell exactly what is going to happen next except that all rental dealers in the state changed rental agreements on March 1 and took out the purchase option. Some dealers had petitions ready for unhappy customers to sign in their stores. At least one dealer was going to have a telephone installed in his showroom to allow customers to call their representatives in Harrisburg to complain about this latest effort to protect consumers from themselves.

One of the issues that has plagued rental dealers in the state over the past couple of years has been some name calling and some failure to cooperate in the overall legislative effort. It has been easy to lay blame since there has been one dealer in the state particularly under fire in the courts. The legislature's latest action, however, has affected all dealers in the state, and it is unfortunate that it took a bill banning rent-to-own to galvanize dealers into a truly organized body.

Pennsylvania is not the first state where dealers have not gotten along among themselves. Tennessee saw similar problems, and other states have seen political infighting among dealers, although not to the extent as in those two states.

To be sure, it might not have made any difference in Pennsylvania. Laughlin was able to take advantage of peculiar circumstances in his state to get an anti-rent-to-own law passed. He was able to do so despite the best efforts of rental dealers to stop him and in spite of a balanced rent-to-own bill that had already passed the state senate.

It does not help the industry's effort, however, for us to present anything other than a united front against our opponents. The industry does not have infinite resources with which to fight these legislative battles, and dissension merely serves to reduce limited resources even further.

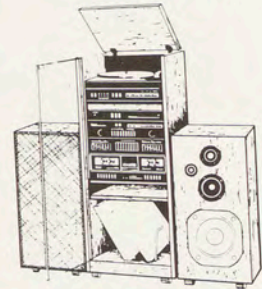
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Edward L. Winn III is general counsel of APRO and a frequent contributor to PROGRESSIVE RENTALS.

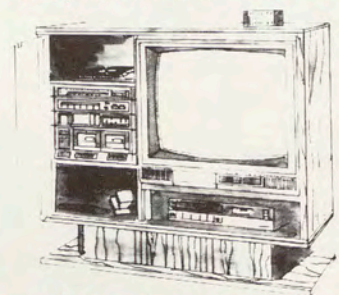
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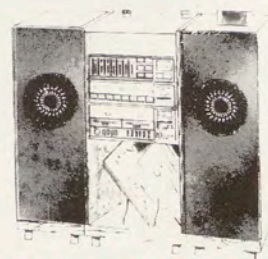
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PRODUCT FOCUS

A compact, portable washer/dryer combination is **Whirlpool's** latest addition to the market. The "Thin Twin" laundry system is 24 inches wide and can be installed inside a standard-size closet. Features on Model LT5000XS include a self-balancing inner basket, a removable transition panel, tilt-out console, six automatic cycles in the washer and a "Dry-Miser" control on the dryer. All connections on the unit (hoses, drain, exhaust) can be made from the front after the unit is in place.

Suggested retail price: \$895. For more information, contact Whirlpool Corp., Tom Kitchens, 2000 N. M-63, Benton Harbor, MI 49022, (616) 926-5000.

Welton/Techwood has a new Euro-style audio/video combination available to rental dealers. Model T1401 BK is a variation of a previous model and includes a 19-inch monitor style TV, an AM-FM stereo, twin cassettes, phono, and graphic equalizer. The unit comes fully assembled with all electronics mounted in place with two 8-inch woofers and two 2-inch tweeters built into the pedestal base of the cabinet. The cabinet joints are held together with both glue and wood screws and is finished in a black matte 7 mil vinyl. Model T1401 BK comes with a 4-year limited warranty on parts and one year on labor (including TV).

Suggested retail price: \$572. For more information, contact Jim Wood, (404) 992-5380 or write Welton/Techwood, 2109 Luna Rd., Dallas, TX 75006.

A popular model for **Orleans Furniture** is a five-piece bedroom set (Model 8530) that includes a triple dresser, jewelry mirror, night table, mirrored bookcase headboard and a door chest. The all-wood set comes in a high-gloss burnished pecan finish or a light pecan finish. Features include built-in tulip lights on the jewelry mirror and headboard, brass-plated drawer pulls, and plank and flower embossing on each unit.

Suggested retail price: \$599. For more information, contact Orleans Furniture, P.O. Box 867, Columbus, MS 39429, (601) 736-9002.

Available from **Bush** is a new audio cabinet with solid oak construction. Model A1665 features a softly shaped, 2½" thick oak frame, multilacquer top-

coat, safety-tempered glass doors, adjustable interior shelves and storage room for records and tapes. Dimensions: 45" x 23" x 16".

Suggested retail price: \$269.95. For more information, contact Bush Industries, One Mason Dr., Jamestown, NY 14702-0460, (800) 228-BUSH.

Soundesign is offering an RTA microwave cart featuring a wine rack, stemware holder, towel bar, spice rack, and open and closed storage compartments. Model WC211MK has a scratch-resistant, oak woodgrain finish and will accommodate nearly every size counter-height microwave oven. The cart measures 30⅞" high by 23⅞" wide by 18" deep and has twin-wheel casters for easy maneuverability.

Suggested retail price: \$64.95. For

more information, contact Soundesign Corp., Harborside Financial Center, Jersey City, NJ 07302, (201) 434-1050.

Soundesign's latest audio rack system features wireless remote control and a built-in graphic equalizer. Model 5871BP5 also includes: dual cassette deck; semi-automatic, two-speed turntable; amplifier/tuner; AM/FM stereo receiver; two tower speakers; and custom-designed, walnut-finish cabinet. The dual cassette deck records directly from the tuner or from a CD, TV or phone/auxiliary inputs, or live with microphones. The unit measures 33⅝" x 30½" x 14⅜".

Suggested retail price: \$199.95. For more information, contact Soundesign Corp., Harborside Financial Center, Jersey City, NJ 07302, (201) 434-1050.



Soundesign Model SC211MK

LETTERS

Music to Our Ears

To PROGRESSIVE RENTALS:

After being an APRO member for six years, and after reading everything that comes our way in the way of rent-to-own information, I must compliment the staff on the current (February/March) issue of PROGRESSIVE RENTALS. It is, without a doubt, the most informative publication we have ever received.

PERRY J. MCNEAL
President
Newtork Rental
Atlanta, GA

Advice From a Pawn Broker

TO PROGRESSIVE RENTALS:

In the past few months, Waco area pawn brokers formed a local association to unite us, help us work out our problems as a group, and to work with our community to better everyone. We feel we can accomplish more as one, rather than as individuals.

One of the problems we have all had in the past has been with taking merchandise in pawn from individuals that had rented it and did not own the items outright. Police often picked up the merchandise, returned it to the rental agency, let the renter go free, and we were out what we loaned. Or often you were the victim, as an item was taken in pawn or bought and if it was unidentifiable, you were unable to locate it and therefore lost it.

We do not like losing our money any more than you do. We would like to see these circumstances come to an end. Many rental stores label their items very clearly, permanently, and with a phone number on them. If we take in an item clearly marked and do not call you to verify ownership, we deserve to lose our money. On the other hand, if the item's markings have been removed or were never marked, we would have no way of knowing who actually owns the item. Needless to say, we appreciate your identification on the merchandise.

We, as the Waco Pawn Brokers Association, would like to work with APRO on this problem to avoid any further incidents. Working together will surely

help us both. Enclosed is a guideline we think will help us to avoid taking in pawn or buying merchandise that belongs to you.

BRIAN GINSBURG
President
Waco Pawn Brokers Association
Waco, TX

Here is the guideline Mr. Ginsburg included in his letter. Although aimed specifically at dealers in his area, the suggestions are valid ones for all rent-to-own dealers. Waco Pawn Brokers Association's mailing address is P.O. Box 1251, Waco, TX 76703-1251.

1. Mark items in a way where numbers cannot be removed.
2. Include phone number on item so we can call you to verify it.
3. Inform renters it is illegal to pawn your merchandise until paid in full.
4. Give customer receipt clearly showing payment in full.
5. Inform us of any customers you believe may be selling or pawning your items.
6. You know your business better than we do. Do anything you can to avoid losing merchandise and let us know what we can do.

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FURNITURE

continued from page 14

category, and it's truly been the downfall of some people. I see that mistake over and over.

"Once dealers have gotten involved in the business and understand it a little better, then they can go to the factories. They can be more selective, they have a better understanding, and they have more clout. They speak more intelligently about furniture, and they do better that way, but when dealers are first starting out it's a mistake to load up from the factory," says Herschman.

Speaking for the distribution firm of Philip M. Bell, Alan Appel says, "We don't let people buy the wrong product. We're so experienced in the field that we can direct the guy to what will work. At least initially, he takes our advice almost 100 percent. Once he gets a better feel for his customers and what they're looking for, then he may individualize a little bit."

Mike Root of Furniture Sales of Mid-America also identifies the urge to buy a truckload of furniture from a factory as a problem for start-up companies. "Although you may be paying a tad bit more to purchase furniture from a distributor, the storage capability that they have, and not tying up your dollars into a lot of excess inventory really makes a lot of sense. That is something worth knowing when you're first getting into the industry.

"There are definite benefits to working with a distributor. It all goes down to the bottom line. You're going to have to pay a distributor a little bit of a markup to cover his expenses, but on the other hand, you don't have storage problems, and in storage you end up with a lot more damage, a lot more wear. You just end up with a lot more problems if you have to store it, versus allowing the distributor to store it and you just pull it on an as-needed basis.

"The other advantage a distributor offers for rent-to-own is that when ordering from a factory, you're looking at four, six, eight weeks for delivery, and a distributor has all those items in stock and can ship the next day if you need it. That is really a tremendous advantage, because if you run out on a particular item, you can just call a distributor up and have it there the next day. You don't miss a beat as far as your business goes."

Although the delivery times Root cites are considered industry averages

for factories, Ben Nielsen of Elegance Furniture and Manufacturing reports that his company caters to the special needs of rent-to-own. Elegance delivers in about two weeks for those in the rent-to-own industry only. "In retail, the normal turnaround time is four to six weeks. We have some special frames that we make for rent-to-own, and those we turn around in two weeks."

The finer points of what and how to buy can often be passed along to dealers by suppliers, whether factory or distributor.

Elegance also puts together packages for dealers, combining tables and lamps with its sofas and love seats, thus cutting down the number of suppliers from whom a dealer must order.

Gary Ferriman observes that he has found the furniture industry overall "much less organized than the electronics or appliance industry. When you deal with GE or Frigidaire, or Zenith or Quasar, what they tell you pretty much comes true, a lot more so than what I've seen so far in the furniture industry.

"We've probably placed six different orders with Plantation for living room groups, and we're getting two-week delivery with those guys, which is fantastic. We're buying ten living room suites at a time, but some of these companies have promised us four to six weeks and it's turned into eight or nine. We had that with recliners, we had that with another one of the living room manufacturers we placed an order with, it just kind of varies there.

"If that happened again where it goes that length of time, I imagine that I wouldn't order from them again, because that's too long."

Ferriman believes that there "are a lot of things more important than price" to be considered in selecting a supplier. "You've got to have merchandise that's in demand, something that has a decent look to it, something that's going to be a durable item." He also looks for "quick delivery, availability, and ease of working with somebody on damages.

"Quick delivery's important because, say somebody orders a suite and it comes in with one piece damaged, if you're getting shipments about every

Working out smooth delivery becomes essential when little or no back-up stock is available to fill orders.

two weeks and turning these goods, you know that within two weeks you can probably get them a replacement if the factory offers to bring you another piece for the bad one. In the case of a manufacturer that you're only going to order from every three or four months, and it takes them seven to nine weeks to deliver to you, the customer's going to be without for a long time."

Ron Payne agrees that slow delivery can be a major problem, but with 65 stores he can't afford to be in short supply for long. "We have our own distributing company. We're able to respond to most stores on a twice-a-month basis; larger volume stores are serviced once a week or every ten days. We sometimes have delays and problems.

"We're usually buying in truckloads, so we're able to hit our target dates fairly easily, but we've seen people who have a great deal of difficulty with case goods, for instance. If they don't buy from a distributor, and they try to buy the items direct, then they sometimes are out four to six to eight weeks even, getting delivery of six bedroom groups. It's kind of hard to project that far out, and the more stores you have the worse it becomes."

Denise Coleman reports good service from suppliers. "Depending upon the company, I can get upholstered goods delivered as quickly as 10 days. I pre-schedule, because we are a stocking warehouse; I schedule shipments in all the time. I have minimum inventory for the warehouse.

"We do have to supply and you can be as much as six weeks out on product coming in. Bedrooms go by cuttings, or some dinette companies go by a cutting, so you have to buy and program in. The best way to do it is if they can program it, because you can always cancel programmed orders. There's always somebody else there, but a lot of people do not program because they don't have the warehouse space.

"Bedroom manufacturers schedule cuttings every so often, so if you know a cutting's coming up and you want to get your order in, and they have to increase their cutting to fill your order,

they will."

Coleman considers a supplier's flexibility as important as "how quick they can deliver, and what they're charging."

Ferriman looks for another factor as well, saying, "somebody who has as little damages as possible, and who has their own company trucks is very nice. When somebody hires out their freight to another company, that's somebody that I look away from unless there's a real good reason that I need their product."

"I would rather buy from somebody who has their own company trucks because that way when Joe Smith, the truck driver, delivers it and it's damaged, I'm talking to the guy that works for the company I'm buying from. Then I can say, 'hey, Joe Smith was the driver who brought this stuff, and it was ALL messed up.' That's one thing I consider important."

Stocking Capacity

Working out smooth delivery becomes essential when little or no back-up stock is available to fill orders. "We keep almost everything that we have on

the floor," says Mike Lennon. "The store started out half-store and half-warehouse and it's gone to all floor space. We have a real problem. That's why I said if I was doing it again, I'd start with a bigger store."

"We have to warehouse merchandise at another location, so we have to buy from someone who can get it to us within a week, and we try to keep our floor stocked pretty heavy."

Larger operations may have central warehouses to stock their various stores, but as distributors point out, they can serve as middleman warehouses for companies large and small.

Alan Appel says, "With our company, the investment is very minimal because all they have to do is put an item on the floor, they don't have to carry any inventory. We deliver every week to every one of our dealers. What most dealers will do is rent an item from the floor sample or out of our catalog, and they're called every week and they order what they want and it's there. So, very few of our dealers have anything even in back-up, unless it's something they know from experience rents like crazy and they need them on hand."

Optimum Floor Space

Al Dietz is one distributor who recognizes that many dealers are shoehorning furniture onto their floors. "We don't advise our customers on how much floor space they should set aside for furniture because every dealer's showroom is different," he says. "Most of them are small, less than 1,000 total square feet, so you might have a couple hundred square feet for furniture, that's it."

"They probably need around 500 square feet so that they can display at least a couple of 8x10 vignettes of merchandise—to at least give them space."

If ideal conditions were available, Alan Appel would suggest that dealers allot a larger area for furniture. "To do a proper display, with all the different types of furniture from bedding to living room to bedroom, I would say a dealer needs 1,000 to 1,500 square feet. This would be the optimum, obviously not everybody can do that."

Ron Payne recommends even more floor space for furniture. "You have to have some degree of selection involved

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"We don't advise our customers on how much floor space they should set aside for furniture because every dealer's showroom is different."

to be competitive. And that means that you typically have to have about 3,000 square feet of show space, or more, and that would mean that you are going to probably end up increasing your idle investment 50 percent by the time you back it up."

At Coleman Rentals' 27 stores, total floor space ranges from 3,500 to 10,000 square feet. "We just wanted to be able to offer more to the customer," says Coleman.

Mike Lennon takes another approach to the question of floor space. "I think that in a medium BOR store, the amount of space devoted to furniture needs to be higher than the BOR, just because of the size of the item. Probably 900-1,000 square feet would be optimum. Our store is about 1,400 square

feet and we're able to give 700 of it to furniture."

Investment Funds

Opinions also vary widely on how much capital a dealer should put into inventory, but most participants say that one can enter the field on a shoestring. Although Gary Ferriman put \$15,000 into his first orders, he cites the case of his dealer adviser friend who started out with only floor samples, re-ordering from whoever would agree to ship a single piece to her when each one rented. Other estimates for initial investment range from \$1,500 to \$20,000.

Viewing the market both as a distributor and as an investor in two rent-to-own stores in Nebraska, Mike Root considers selection an important factor in that investment. "I'd say at a minimum you're probably going to want to have four or five living room sets on your floor, a couple dinettes, a couple of bedrooms sets, and then the ability to have mattresses and box springs, of course. So, you will need an investment in the neighborhood of \$11,000-\$20,000 for in-stock merchandise. It can go up considerably from there."

Marketing Approaches

Once the merchandise arrives, what types of promotions help insure its rental? While some dealers merely include furniture in the mix described in their overall advertising, others take a more targeted approach. In early March, Denise Coleman had just finished planning an April promotion for her company's 27 stores in Michigan and Indiana.

"In April we have a special promotion coming up, for sofa and love seat at \$14.95 a week, and with any two-piece living room group they get a free pair of lamps to use as long as they're renting the merchandise. We have done promotions where customers get a five-piece group made up of two ends and a coffee table, and a free pair of lamps. It's 'the use of' as long as they're renting, so it's not as if they can rent it for two weeks and give it back, and keep the stuff. We fully disclose that so there is no confusion."

Mike Lennon says, "In our advertising we do a great deal of direct mail. We promote furniture and appliances as leader items, since they seem to stay out better. So if we run a flier we may offer



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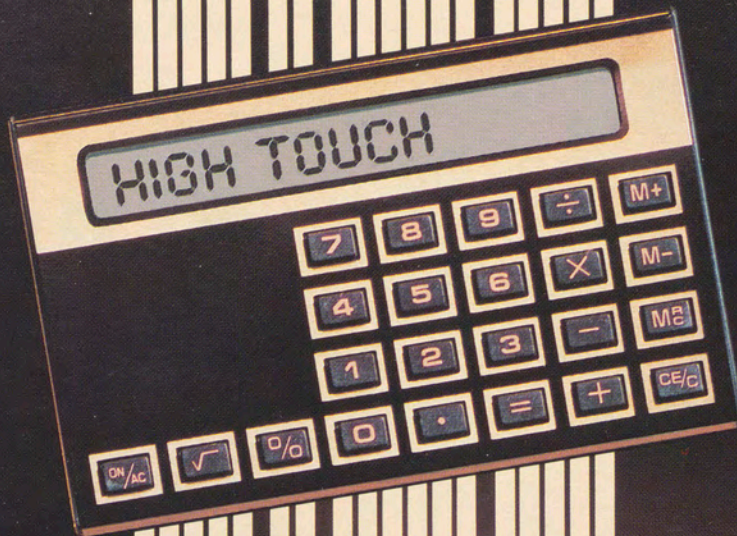
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Who's Who in Furniture

Furniture is a staple item in more rent-to-own stores' product mix than ever before, dictating an increasing need for suppliers to provide those products. The following list of companies represents manufacturers and distributors interested in working with the rental-purchase industry. All are either APRO associate members, advertisers in APRO publications, or APRO Convention exhibitors.

‡**Acacia Furniture**
101 Surveyor
Houston, MS 38851
(601) 456-4271
Recliners

*+**Action Industries**
P.O. Box 1627
Tupelo, MS 38802
(601) 566-7211
Lane recliners

‡**Artmaster Studios**
250 Parkside Drive
San Fernando, CA 91340
(818) 365-7188
Wall decor, prints, and paintings

*+‡**Associated Furniture Distributors**
925 Cleveland St. -279
Greenville, SC 29601
(803) 235-3232
Distributor

‡**Astro-Lounger Furniture**
P.O. Box 336
Houkka, MS 38850
(601) 568-3385
Upholstered living room and den
furniture

‡**Baldwin Dinettes**
P.O. Box 647
Loxley, AL 36551
(205) 964-6204
Dinettes

‡**Beekman Table Co.**
2040 Polk St. -327
San Francisco, CA 94109
(415) 885-6620
Occasional tables

‡**Bozof Dinettes**
6235 S. Cockrum
P.O. Box 806
Olive Branch, MS 38654
(901) 775-1410
Dinettes

‡**Case/Casard**
P.O. Box 2716
High Point, NC 27261-2716
(800) 334-6205
RTA A/V, kitchen furniture

+**D.A.C. Occasional**
1018 Heyburn Building
332 W. Broadway
Louisville, KY 40202
(502) 589-5475
Occasional tables

*+‡**Dencraft Furniture Mfg.**
P.O. Box 1221
Hartselle, AL 35640
(205) 773-1015
Upholstered, wood furniture,
dinettes, lamps

*+‡**Dickson Furniture Industries**
7015 Grand Blvd.
Houston, TX 77054
(713) 747-0341
Living, bedroom room sets, dinettes

*+‡**Dixieland Manufacturing**
Rt. 3, Box 61
Houston, ms 38851
(800) 523-4661
Upholstered sofas

*+**Eastern States Distributors**
P.O. Box 609
Amesbury, MA 01913
(617) 388-4400
Distributor

***Elegance Furniture & Mfg.**
1656 W. 134th St.
Gardena, CA 90249
(213) 321-9195
Living room, sofas, love seats,
sleepers

‡**Elite Lamp**
P.O. Box 591
W. Memphis, AR 72301
(501) 735-1826
Table and floor lamps

*+‡**Fab-U-Gard**
P.O. Box 39430
Phoenix, AZ 85069
(602) 252-3991
Fabric protection

***Fournier Accessory Furnishings**
7301 32nd Ave.
N. Minneapolis, MN 55427
(612) 593-0300
RTA audio/video, computer furniture,
microwave oven stands

*+‡**Fraenkel Wholesale Furniture**
P.O. Box 15385
Baton Rouge, LA 70895
(504) 275-8111
Living, dining room, bedroom furni-
ture, bedding, wall units

‡**Hart Furniture**
141 Eastley Rd.
Collierville, TN 38017
(901) 853-8595
Bedroom groups

*+**Hatley Distributing**
P.O. Box 1546
Fort Worth, TX 76101
(817) 534-1796
Bedroom, living room furniture,
recliners, dinettes, occasional
tables

+‡**Homeline Industries**
3400 N. 6th St.
Philadelphia, PA 19140
(215) 425-6200
Living room, bedroom, dining,
kitchen furniture

***House of Representatives**
1404 Miller Dr.
Los Angeles, CA 90069
(213) 650-5254
Furniture representative

*+**L & M Associates Inc.**
P.O. Box 500
Okolona, ms 38860
(601) 447-3377
Living rooms, sofas

*+‡**LBI/Rental Warehouse**
10829 Millington Ct.
Cincinnati, OH 45242
(513) 793-6566
Distributor

***Lark Sales**
2 Lillian Terrace
Andover, MA 01810
(617) 475-8285
Upholstered living room, bedroom,
recliners

*‡**LeFort Wholesale Furniture**
3070-A Olympic Industrial
Smyrna, GA 30080
(404) 352-8600
Living rooms, bedrooms, dining
rooms

‡**Leftbank Art Studio**
20403 Tillman Ave.
Carson, CA 90746
(213) 603-0475
Rental paintings

*+‡**Lewis & Associates**
P.O. Box 2190
Woodville, TX 75979
(409) 283-8177
Furniture representative

‡**M & S Manufacturing**
Rt. 4, Box 532
Haleyville, AL 35565
(205) 486-7556
Bunk beds

‡**Mapleleaf Industries**
P.O. Box 1248
Hartselle, AL 35640
(205) 773-1561
Coffee and end tables

‡**Mar-Kel Lighting**
P.O. Box 190
Paris, TN 38242
(901) 642-7190
Table, floor, wall, hanging lamps

‡**Monark, Ltd.**
3012 E. 19th
Texarkana, AR 75502
(501) 773-3810
Coffee and end tables, dinettes,
promo goods

*‡**Orleans Furniture**
P.O. Box 867
Columbia, MS 39429
(601) 736-9002
Living, bedroom furniture

*+**Philip M. Bell**
6131 Interstate Circle
Cincinnati, OH 45242
(513) 489-7700
Full line furniture distributor

*+**Rose Hill Company**
P.O. Box 360
Okolona, MS 38860
(601) 447-5425
Occasional tables

*‡**Spradlin & Associates**
16209 Oak Ridge Rd.
Westfield, IN 46074
(317) 896-5933
Furniture representatives, Ashley

‡**Poole Furniture**
P.O. Box 487
Russellville, AL 35653
(601) 844-4220
Family room groups, bunk beds,
dinettes

***Promo Products**
P.O. Box 50345
Mobile, AL 36605
(205) 478-0413
Living, bedroom, dining room
furniture, wall units and accessories

‡**Purse & Company**
1015 Hayden
Carrollton, TX 75006
(214) 416-0444
Full line furniture distributor

*‡**Tampa Wholesale Furniture Co.**
1300 E. 7th Ave.
Tampa, FL 33605
(813) 248-1991
Full line furniture distributor

+‡**Tempo Lighting**
P.O. Box 58751
Dallas, TX 75258
(214) 742-2685
Table and floor lamps: glass, ceramic,
brass

***Walter Terry Distributor**
P.O. Box 230714
Houston, TX 77223
(713) 227-6369
Furniture pads, straps, covers

‡**Wavecrest**
5500 West 83rd
St. Los Angeles, CA 90045
(213) 649-1300
Waterbeds

‡**WEHSCO**
P.O. Box 464
Stoughton, MA 02072
(800) 225-8680
Bed frames, rollaway beds

‡**Woodcrest Manufacturing**
P.O. Box 205
Peru, IN 46970
(317) 472-2866
Dressers, chests, bunk beds

***Associate Member**
+ **Advertiser**
‡ **Convention Exhibitor**

99 cents for the first week, or the first week free. We make this offer on either furniture or appliances."

C&H Rentals recently conducted a saturation direct mail campaign and telephone solicitation "of people that we knew," with outstanding results.

"Our particular situation is a little unique," says Mike Lennon. "We've almost doubled business in a little over four months, but I think it's due to some new personnel and new ideas we've brought into the company. Also, I think that you have to be aggressively after business. You can sit and wait on it, and survive for a while, but not forever. If you're going to grow, you have to go after it, be aggressive."

Al Dietz sees marketing as a weakness for many dealers. "Advertising is one thing that a lot of people do not do in this area [New England and upstate New York]. I'm referring to overall blanket advertising on selling the company, or going with specifics on so much a week per room. It's not really done that well in this area, because it falls back on the individual dealer who does not have this expertise."

None of the suppliers with whom we talked offer co-op advertising, but Eastern States Distributors is working on a

Opinions also vary widely on how much capital a dealer should put into inventory, but most participants say that one can enter the field on a shoestring.

program to do color circulars with dealers where Eastern will co-op some of the cost. Others make available advertising slicks, color transparencies, and color catalogs (Philip M. Bell includes color swatches for every item in the catalog). Fraenkel Wholesale provides ideas for effective advertising.

Several dealers reported that apartment rentals make up a portion of their furniture BOR, but few pursue the market with dedication, generally servicing major local employers who have brought in executives for short-term assignments.

Shamrock Rentals does market to apartments. Says Ron Payne, "I think you have to be aware, especially in metropolitan areas, that your APU is probably 40 percent of what it is in RTO if you go into apartment complexes,

because it is a little bit more upscale market. You're really competing with rent-to-rent companies like Aaron that have a balloon on the end of the term.

"When you market anything, even though you have slightly different animals, you don't always have a chance to explain it all. You need to be aware that the competition in rent-to-rent is renting it on a monthly basis and sometimes for 60 percent or more less than you're paying for it."

Returns

A potential downfall can emerge in handling return merchandise, if a dealer is not prepared for the refurbishing it requires. Says Payne, "One of the things I think the dealer has to address is what he's going to do when he gets furniture back. Is he going to have a facility to clean it or reupholster it, or are you just going to throw it away?"

"Are you going to decrease your margins in your rental price so much to try to compensate for those anticipated problems? Are you going to be able to train people to refinish and do the woodwork and make it presentable to be re-rented, or are you going to accept a far lower APU when it goes out that second and third time?"

WHO'S LEFT?

Who supplies Store Rent To Own Software Systems that have been in use over eight years?

Who's software operates on most major PC's and larger type computer hardware?

Who offers Corporate and Home Office software systems that communicate with store systems at any location?

Who offers Systems for Corporate/Home Office use that track all inventory status or all inventory and agreement status?

Who assists in planning the conversion and implementation of the computer system?

Who assists in the hardware selection and configurations required (including supplying the hardware)?

Who offers General Ledger, Payroll and Accounts Payable systems for corporate use?

Who offers rent to own store Personnel Commission systems for corporate use?

WHO'S LEFT ????

CASS SYSTEMS INC.

17000 Dallas Parkway, Suite 126
Dallas, Texas 75248
(214) 931-5522

APR
Associate Member

After 4½ years of furniture rental, Coleman Rentals has found answers to those questions that work for them. "Right now, when we do get merchandise that has either been picked up or has been a customer return, we clean it. Then, based on its condition and whether it's re-rentable, it goes back out to our floor and the price is adjusted according to its condition," says Denise Coleman.

"If it is not re-rentable, we usually give it to Goodwill, Salvation Army—a non-profit organization that can actually use the merchandise. I'd rather give it to someone who can use it who's not going to turn around and make a buck on it."

Quality Choices

Quality of merchandise obviously affects its condition upon return and the possibility of re-renting. "We are upgrading" was a frequent comment made by dealers, whether they are still at the lower end or have always had more durable selections.

As Ron Payne explains, "We're trying to go just in the middle in terms of quality. Obviously the customer wants the best-looking thing they can get for the money. We try to see if it's substantially made and will hold up, and will require the minimum amount of maintenance and rework when we get it back. In upholstery, that's becoming more difficult to do because we used to have the old ranch and wood arm groups and the customers have gravitated away from that, except in the most rural areas.

"So, it's hard to put just anything out there and it will rent nowadays. People have too many other rent stores they can go to."

The Future

It appears certain that keeping up with, or staying ahead of, one's competitors will be the goal for every rent-to-own dealer in the next five years. What else lies ahead?

Ron Payne anticipates that furniture will continue as an attractive item for rent-to-own customers. "I see margins getting a good deal lower in furniture, and I see demand maybe staying level and maybe increasing a little bit."

Al Dietz would like to see the furniture market "going on the way it is," making everybody happy. "I would hope that in five years furniture would be tripled and even greater than that."

Mike Lennon expects that the only furniture stores selling furniture will be

those with high-end merchandise, a sentiment echoed by others such as Mike Herschman.

Says Lennon, "I see the rental stores getting more and more into furniture, especially for middle income buyers and on down. Rent-A-Center's ability to buy will improve the situation for the rental industry. I also see many of the large chain stores competing with the furniture chains. They're going to make it better for everybody.

"Rent-to-own will not be such a closet industry. I think the larger companies are going to insist on a certain way of doing business; they're going to insist that their stores are neat and clean, and that their people conduct themselves in a professional manner. It's going to give the whole industry a more professional look to the customer."

Says Herschman, "Five years from now I would not be surprised if the rental industry was dominating low- to low-medium-priced furniture sales. The furniture stores are going to have to sell better goods and they're going to abandon lower-priced goods to the rental market. I think rent-to-own dealers are going to get an increasing share of that market.

"Sales may even come into their picture in some degree. Some do it now anyway, but it may not necessarily be strictly rental. Sales will become an increasing part of the picture for rent-to-own dealers as furniture stores tend to abandon that lower market," says Herschman.

MESSAGE

continued from page 16

ing that victory than the legislature passed a rental inventory tax on them. New York dealers, after a bitter struggle in 1985 to get rental-purchase legislation with price controls in it, saw their opponents try to further restrict pricing the very next year.

One important point to recognize is that with the notable exception of Pennsylvania notwithstanding, rental dealers organized at the state level have been able to accomplish great things. Rental dealers have gotten fair and reasonable rental-purchase legislation passed in 13 states in less than three years. That shows great political instincts at the state level and a willingness to get involved in the process.

Getting rent-to-own legislation is important. In unregulated states, there is no more important task that dealers as

Gary Ferriman is one of those dealers who hopes to move more toward retail. "I don't think we ever want to quit rent-to-own, but just as our TV and appliance business is more retail than it is rent-to-own in dollar volume, we would like to see our furniture business grow into a retail business as well. It would be nice to have 50-50 retail as well as rent-to-own."

Mike Root believes that competition will drive prices down, reducing profits, "but for those people who operate realistically there are always going to be profits. Therefore, dealers that aren't as well-managed aren't going to be around."

Ben Nielsen expects to "see people break away from things like packaging as they've been doing before, and go to individual pieces. In the past, you got a living room and that was it. You couldn't rent a sofa and a chair separately from a sofa and a love seat.

"There are a lot of changes going on, a lot of maturity. I think the day will come when furniture for some dealers will be as big as appliances. I think you'll see some companies specializing in furniture, and renting by the piece rather than by the package. In other words, taking the rent-to-rent concept and applying it to the rent-to-own philosophy."

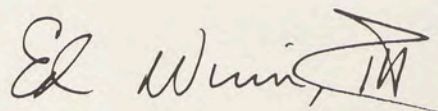
PR

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

a group can undertake. But after that fact, there remain important issues.

Rent-to-own legislation doesn't do away with the need to find and hire loyal and honest employees. There are bills pending which, if passed, will make employee testing difficult if not impossible. It would be a shame to win the rent-to-own battle in a state and sit idly by while the legislature either taxes you out of your business or saddles you with so many unnecessary rules that your business becomes unprofitable.

It takes relatively little effort to keep a state association alive. The rewards of such an effort just might be to keep the government out of your cash register.



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INDUSTRY NEWS

Curtis Mathes, is expanding in a big way into the rental market. Larry Randolph, vice president of franchise development for the Texas-based company, announced that Curtis Mathes is implementing a new rental focus store as part of its franchise system. The new store will carry the Curtis Mathes name and will be merchandised to the rental customer with Curtis Mathes electronics, plus appliances and furniture. The company is offering the rental focus store to its current franchisee base initially as a means for expansion. Later this year, the franchise will be available to outside prospects.

GE and **Whirlpool** are fighting it out on two fronts for the right to purchase **Roper**, the old-line maker of kitchen ranges. Whirlpool sued GE in mid-March, alleging that GE interfered with Whirlpool's definitive agreement to buy Roper. That was followed by two GE lawsuits seeking to stop the Whirlpool/Roper deal. Both are also waging a bidding war for Roper's stock, with GE's offer of \$54 a share or \$507 million topping Whirlpool's earlier offer of \$50 a share or \$470 million. Whirlpool contends that a Whirlpool/Roper merger would be pro-competitive because it would result in a Roper full line that would compete against GE's Hotpoint label. GE's lawsuit seeks an injunction against the Whirlpool/Roper agreement and asks that Roper management negotiate directly with GE.

In the meantime, Whirlpool has restructured its operation into seven decentralized business units. Most will be based in or near Whirlpool's headquarters in Benton Harbor, Michigan. Corporate officers called the reorganization, which went into effect March 1, a necessary step for making Whirlpool competitive in the global appliance market. The restructuring includes three brand-focused units — the Whirlpool Appliance Group, the KitchenAid Appliance Group, and the Kenmore Appliance Group — plus the new Tech-

nology and Group Services; Whirlpool Parts and Service; financial subsidiary Whirlpool Acceptance Corp.; Inglis Ltd., a Canadian appliances subsidiary; Whirlpool Kitchens Inc.; and the International Development Group, which will develop new world markets for Whirlpool.

American Video Association (AVA) is converting from a privately owned corporation to a dealer-owned non-profit buying co-op and trade association. John Power, who was the organizer and owner of AVA, based in Mesa, Arizona, will remain as president of the as-

sociation, which claims 3,000 members.

TDK is raising the wholesale price of its videotape jumbo rolls, pancakes and finished goods. The increase, amounting to approximately 15 to 20 percent, becomes effective with May 1 shipments. VHS-C and 8mm cassettes will not be affected. The continuing decline of the dollar relative to the yen was cited as cause for the adjustment in wholesale pricing. According to a company spokesman, dealer price increases for video products will probably occur in late May or early June, depending on inventories.

CORPORATE MOVES

Canyon Rent to Own has announced the appointment of four new managers. **Andrew Jackus** was recently promoted to store manager of the company's original store on East Lake Road in north Las Vegas. New manager for the second store opened by Canyon, located in a strip center at Nellis and Tropicana in Las Vegas, is **Dan Stromm**. Newly named manager for Canyon's Glendale, Arizona, store is **Mark Tauke**, who was previously assistant manager at the company's third location on Camelback Road in Phoenix.

At Canyon's Las Vegas corporate headquarters, **Rudia "Cookie" Williams** has been promoted from executive secretary to the new post of corporate headquarters office manager. In the seven years since he opened his first store, President **David Manthei** has expanded Canyon Rent To Own to 11 stores in four states, including locations in Bakersfield, California, and Hawaii.

Tom Lauterback has been appointed vice president of communications for the **Electronic Industries Association's Consumer Electronics Group**. Lauterback's responsibilities include media relations for the Consumer Electronics Shows, public relations, and public affairs. Lauterback moved to CEG after seven years with Quasar Company, most recently as manager of communications.

Also at EIA, **Don Hatton** has been named staff vice president of product services for CEG; **Margaret Cassilly** is new director of administration-CEG; **Tom Mock** is new director of engineering; and **Cynthia Saraniti** has been named director of communications. New director of member services for EIA/CEG is **Ronald Senne**.

David Williams has been promoted to division vice president, merchandising, at **KitchenAid**, after nearly 15 years with Whirlpool. **Robert C. Dixon** has been named to replace Williams as director of refrigeration products at **Whirlpool**.

Michael Guida has been appointed eastern zone manager for **Samsung Electronics America**. Guida comes to his new position from Toshiba America.

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