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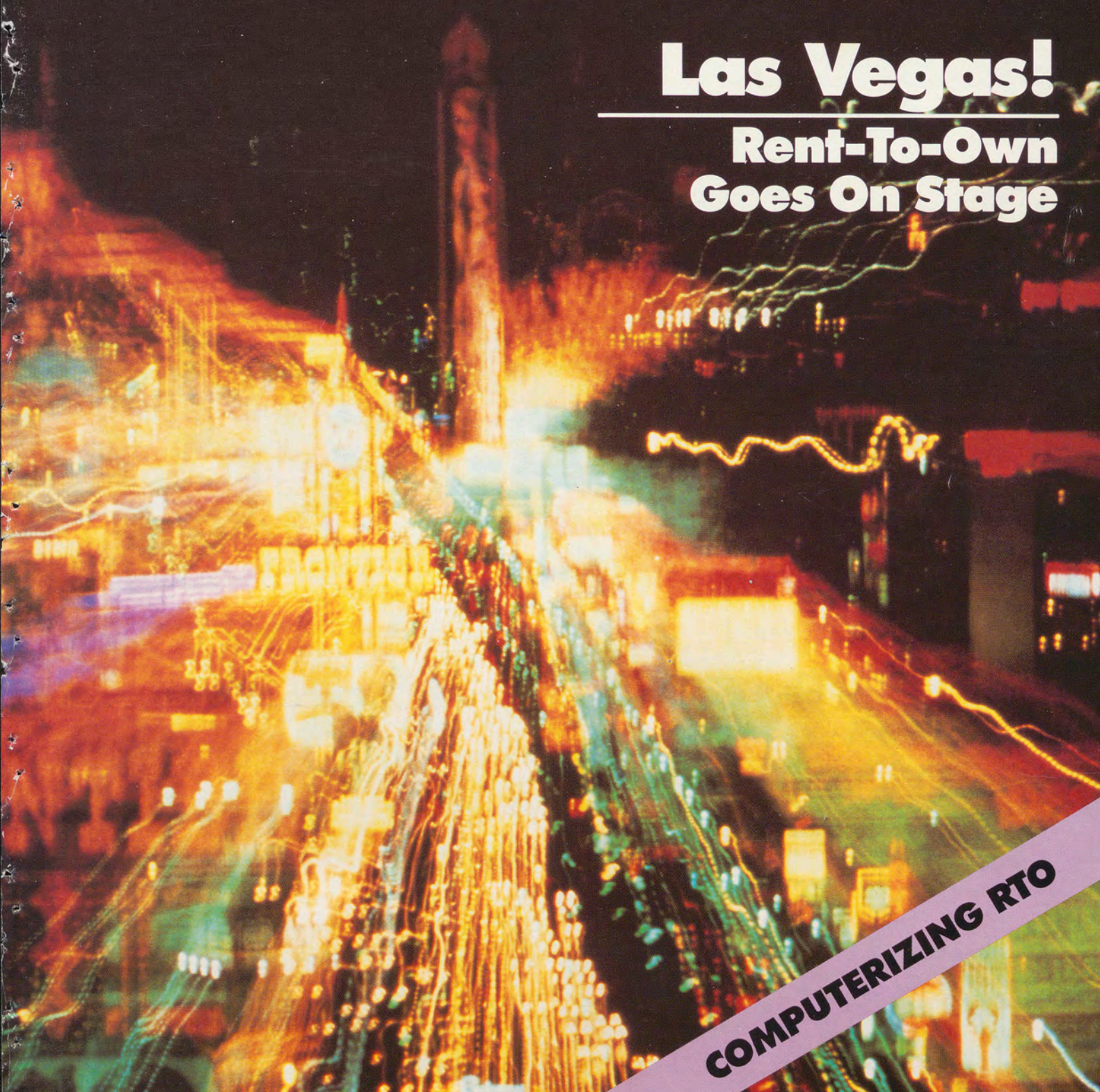
the magazine of the home electronics, appliance, and furniture rental industry

Progressive Rentals

Las Vegas!

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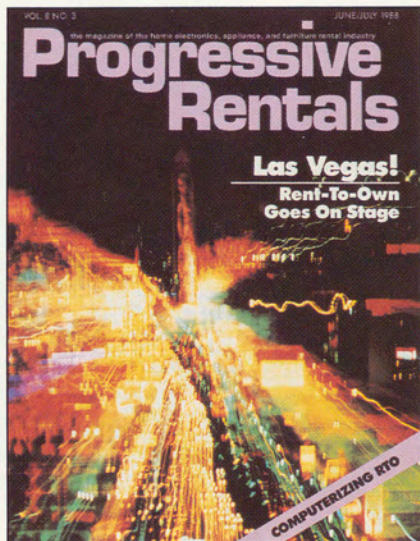
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ON THE COVER: Education, business discussions, association reports, and socializing are agenda items when APRO returns to Las Vegas for the annual convention in August. Story begins on page 50. A comprehensive look at computers and rent-to-own begins on page 8.

COVER PHOTO:
*Courtesy Las Vegas Convention
And Visitors Authority*

FEATURES

8 COMPUTERS AND RENT-TO-OWN

Should a one-store operation consider computerizing? Will computers affect hiring practices? This article answers those questions and others in our annual look at computers in the rental industry. A sidebar updates one company's venture into the computer rental business.

10 WHO'S WHO IN COMPUTERS

A handy list of computer companies that provide hardware and software, especially those that cater to the rental-purchase industry.

20 COMPUTERS PAVE THE WAY TO PERSONAL SERVICE

This feature takes a look at how one rent-to-own company uses their computer system to improve customer service and handle other aspects of their business.

30 RENT-TO-OWN STATUTES: 16 STATES AND COUNTING

Five states have enacted legislation affecting the rental-purchase industry in the past 12 months. Check this update for complete details and charts listing all of the state requirements.

46 RTO ON STAGE IN LAS VEGAS

Las Vegas will again be the site for APRO's convention, the only show of its kind held exclusively for the professionals in the rental-purchase industry. Read what is planned for this annual mix of business and pleasure.

DEPARTMENTS

6 DIRECTOR'S DESK

18 MESSAGE

24 LEGAL

55 WASHINGTON REPORT

62 CORPORATE MOVES, INDUSTRY NEWS

RENT A MASTERPIECE. Degas would approve.

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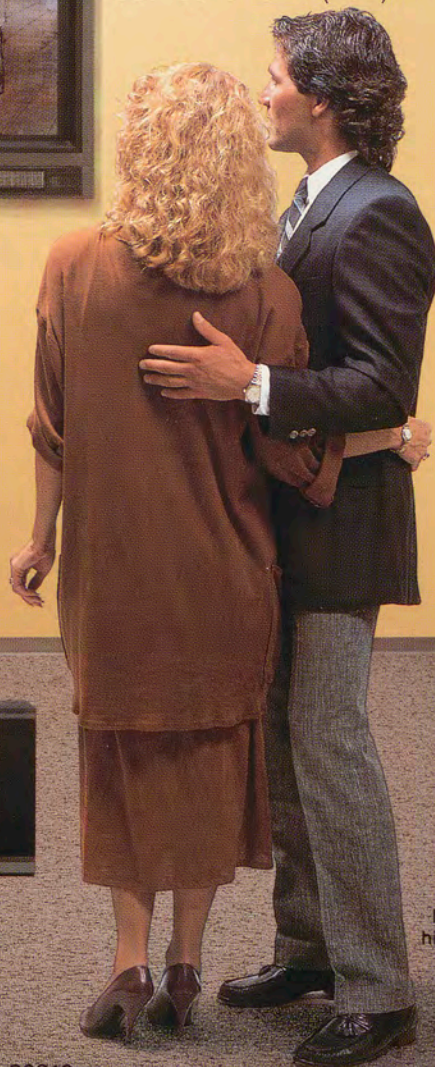


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THE DIRECTOR'S DESK

Recent meetings of the APRO Board of Directors, the Executive Committee, and the Government Relations Committee have concentrated on emphasizing the legal and legislative responsibilities of APRO. One of the basic purposes of the Association is to provide legal and legislative monitoring, information, representation, and protection for its members. These efforts have always been a high priority for APRO. The Association's legal counsel is available to members for advice on legal matters and to help organize state associations for the purpose of passing favorable legislation or defeating bills that would be harmful to the industry.

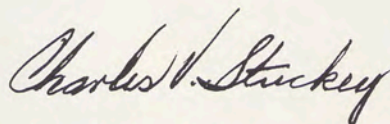
A new Government Relations Committee has been formed to increase APRO's involvement and visibility in the legal and legislative arenas. Meetings of APRO's Government Relations Committee have focused on developing a plan to provide assistance to state rental dealer associations. The plan now being developed includes help for existing state rental dealer associations as well as providing resource materials and staff assistance to states wanting to organize associations. Presidents of state associations are encouraged to contact the APRO office if administrative assistance is needed. A detailed explanation of the APRO resources and staff assistance available to state associations is being prepared for state presidents.

A brief survey of rent-to-own dealers is being designed to provide facts about the industry that will be beneficial to dealers, lobbyists, and attorneys in their efforts to describe the rent-to-own industry to state legislators. The survey will provide information on the size and impact of the industry, including dollar volume of purchases, total industry revenues, and the tax impact. The survey will show the cost of doing business in rent-to-own versus retail and rent-to-rent. The total number of people employed in the rent-to-own industry and the total taxes paid by the industry will also be included in the survey. The survey information will provide valuable tools for use in lobbying at both the state and federal levels.

The Government Relations Committee also reviewed progress of the efforts to pass federal legislation recognizing the rent-to-own industry. Reports indicate that chances of passing a federal bill this year are the best they have ever been, and APRO'S Government Relations Committee is renewing efforts to get the bills passed before the elections next fall. As this issue of PROGRESSIVE RENTALS goes to press, meetings of rental dealers are being arranged in Atlanta and Dallas to update APRO members on the status of federal legislation of critical importance to the industry.

Work at APRO headquarters is now focused on the 1988 APRO Convention and Trade Show. Rent-to-Own On Stage in Las Vegas promises to be the biggest and best ever. Your APRO staff is busy with final plans and arrangements for the event. The convention and trade show will feature outstanding speakers, entertainment, education sessions, and a trade show with more than 200 booths exhibiting goods and services available to the rent-to-own industry. A special convention welcome and orientation session for first-time attendees will kick off the convention this year. The purpose of the welcome and orientation session is to help dealers attending the APRO convention for the first time to make the best use of their time while at the convention.

The convention will be headquartered at Bally's Hotel in Las Vegas. Convention schedules and registration forms are in the mail. Mark your calendar and plan to be with APRO in Las Vegas, August 3-7.



—Executive Director

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Computers and Rent-To-Own

They're made for each other



Photo courtesy of Compuadd Inc., Austin, Texas

Just as a child gives up crawling once he becomes proficient at walking, rental dealers have left computer infancy behind. As they prepare to run headlong into advanced computer competency, many dealers report that the technology is moving too slowly for them, not the other way around.

The base of dealers who have computerized all their rental activities (and may now be on their second or third systems), continues to grow, providing a pool of expertise from which smaller, newer, or more cautious rental dealers can benefit. More experienced dealers can check their efficiency against others.

Dealers surveyed for this article ranged from those who are still preparing to computerize to those with more than a decade of experience; with those who own and operate a single store to as many as 31 locations scattered through multiple states. Their operating systems include the Rental Manager from Rental Information Systems; Les

Feldser's RSSS system; High Touch; Great Plains; D-Base III with an in-house programmer available for modifications; the NEC system designed by Remco; and several custom systems. One dealer is debating between selecting Rental Manager, Ideal Rental Manager, or modifying his "friend's 12-store system."

As they prepare to run headlong into advanced computer competency, many dealers report that the technology is moving too slowly for them, not the other way around.

All of the dealers have embraced computerization as a boon to their productivity and profitability, and in some cases can hardly remember what procedures were like B.C. (before computer).

Jump in, the Water's Fine

APRO board member Stephen L. Grauel says, "I think getting your feet wet and getting in there fairly quickly is important to really understanding what a computer system does. I would advise anyone to take a little schooling on computers. It doesn't take long and it certainly opens up a lot of doors to you. I love to play with mine."

Grauel, who owns 31 Mr. sTVE's stores in Georgia, Louisiana, Texas, and Oklahoma, has an advantage over most computer owners because he and his son understand programming and have been able to shape and refine their own system.

As Grauel explains, "We've been evolving our current system for the last five years. When we started, we bought a turnkey system that had been bought by a developer and marketed. It was designed for a multistore system, and for our store it just didn't work. You

couldn't afford to put it into a single store.

"I've been working at this for probably about 10 years now, computerizing the home office before our first venture into store computerization." Grauel went through two sets of programming teams before he got a workable program.

"I would advise anyone to take a little schooling on computers. It doesn't take long and it certainly opens up a lot of doors to you." —Steve Grauel

"We installed it in our stores, then upgraded it and completely rewrote it for another system, but it's the same program. So we've been involved in developing this program quite a bit, and I believe in it.

"If you have your own system, you're able to adapt to the changing times. You're not relying on an outside firm to do it for you, but you have to be large enough to absorb that cost. Obviously, that isn't revenue bearing," says Grauel. He describes his system development costs as "a significant amount," but cannot quote its exact price.

"Don't Make Me Change"

Roger Sharp of Huntington, West Virginia, feels frustrated about the lack of software available to fit his business operations. He expresses a common user sentiment about the computer's place in his business.

"I've got a nice, smooth operation here, and I don't need to change my business just because I buy a computer and software that does something a little bit differently." Sharp and two partners—Greg Thomas and Mike Hill—own Appalachian Rentals with locations in Ohio, Kentucky, and West Virginia.

"If I had all the computer people in front of me and could tell them one thing, it would be let me have your blueprints so I can adjust the system to my business, and not have to adjust my business to the software package."

"It's like they say, if it's not broke, don't fix it."

Kirk Kaye, senior vice-president of operations for Georgia-based First

A Conversation With Mike Sheriff On Renting Computers

A pioneer in computer rentals, Mike Sheriff has seen this highly specialized niche of the rental world explode in the last few years. Founder of First National Computer Rentals of Dallas and Houston, Sheriff had only two or three competitors in 1983. Now there are at least 250 companies renting computers nationally, not counting the numerous companies who handle a few systems as an adjunct to their retailing. Dallas alone has 15-20 rental firms specializing in computers.

According to Sheriff, "About 95 percent of all our business is to corporations. Probably 40 percent of our revenues come from Fortune 500 firms, another 40 percent from the Fortune 2000, and the balance from your small mom and pop organizations.

"We're probably the largest computer rental firm in the southwest, so the demand has certainly kept pace with the growth of our inventory. Our revenues have continued to grow, even in spite of more competitors in the market, so I think that shows the industry itself is growing.

"I don't think most people view renting as an alternative to purchase. Usually there are specific reasons that people rent: for overflow or short-term projects, budget constraints, or it may be a government project where they're precluded from buying. It may be that a company doesn't want to use existing credit lines and they want a true operating lease; they want a true expense item, so they look to rental," says Sheriff.

"I don't really think the lowering of cost of computers has in any way affected rentals, other than maybe hurting that one end of the market segment that was trying products out, or using rental as a way to test-drive computers. That may have been affected somewhat, but I think the normal client we have still rents.

"Although we only handle Apple, IBM, and Compaq computers, keeping up with all the model mixes of just those three brands is our biggest problem, as well as properly matching our inventory to needs. As you get bigger, trying to keep an adequate inventory on hand, and not have a lot of idle inventory is a pretty difficult balancing act.

"We do some very short-term rentals for shows, then we do as long as 12-month rentals. I would say most of our units go out on a month-to-month rental. Some typical prices would be: a Mac Plus for a week, \$180, including delivery, installation, set-up and on-site service; or with a three-month lease, \$170.

"Right now, the most popular IBM (since the company has been slow delivering the new PS/2s) would probably be the ATs with a 20 or 30 megabyte hard drive which would rent weekly for \$267; and at \$378.25 per month. A Compaq 286-based machine would be priced at about the same as an IBM. Some of the Compaq portables are popular, like the Portable 2, the Portable 3.

"Most of our clients know exactly what they want when they come in. We do not require a security deposit, but do perform a credit check. A couple of years ago we were probably doing more rent-to-own business. We're 100 percent rent-to-rent now. We do very little rent-to-own.

"We will sometimes rent components, but not as a general policy. We prefer renting systems, although we do rent the larger laser printers as individual items. A Hewlett Packard Series II, which is a pretty popular unit, is \$300 a month with a new toner cartridge, and a big new Apple Laserwriter 2NT is \$525 a month. Laserwriter Plus is \$495 a month.

"We're also an authorized Apple and Compaq dealer, with maybe 15-20 percent of our revenues coming from sales. This is not an area that we aggressively pursue.

"We sell software only as a courtesy to a client. If we have a large company call us up and order three IBM ATs and they want Lotus on them, we'll purchase the Lotus for them. Maybe somebody is leasing a Macintosh with a Laserwriter and Pagemaker. We'll buy the Pagemaker for them. But typically, we don't rent software.

continued on page 58

Who's Who in Computers

Searching for the right computer equipment can be stressful for the computer literate as well as the novice. Experienced, knowledgeable sales personnel can ease your way through that stressful task. Here, then, is a list of computer hardware/software sales and service companies that work with rent-to-own. All are either APRO associate members, advertisers in APRO publications, or APRO Convention exhibitors.

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+‡**Rental & Sales Software Systems**
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Software, hardware, videotape rental management

*+‡**Rental Information Systems**
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‡**Shelton Software**
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Software for rent-to-own

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*+‡**Unique Business Systems**
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(213) 396-3929
Software, hardware, videotape rental management

"If I had all the computer people in front of me and could tell them one thing, it would be 'let me have your blueprints so I can adjust the system to my business.'" —Roger Sharp

American Rental Center, whose company uses the High Touch system, echoes Sharp's complaint. "There are times that we feel some of the most practical business solutions could be made by the smallest change in the system, and looking at it from a businessman's point of view, it seems simple, but when you go back to software programming, it becomes more complex. I think that's where the real frustration sets in."

Although he says he understands the difficulty for a software company such as High Touch to make modifications in

a program for some users and not for others, Kaye still finds the limitations frustrating.

Update on Systems

According to Ted Wilson, APRO board member, "The different types of systems available really haven't changed much in the last two years. The machines have gotten faster and more elaborate, and to some degree cheaper. Every year when we go to the convention there seem to be more software vendors, so there's a wider variety for most people to choose from."

Wilson, vice-president of finance for Alrenco, based in New Albany, Indiana, wrote about the various types of systems available for a PROGRESSIVE RENTALS feature two years ago (see June 1986). With his previous experience in management consulting in data processing, his first task at Alrenco was to computerize the company.

"I found that it was quite confusing for me in going out and selecting a system, and I had a helluva lot of experience. I was really concerned about the people out there who didn't have the experience I did."

Be Satisfied with 80%

Wilson points to unrealistic expectations as the biggest problem for rental dealers preparing to computerize.

"I think the biggest downfall is that dealers believe, wrongly so, that when they buy a turnkey-type system for their rental business, it's going to do everything that they want it to do, and it's going to solve every problem they ever imagined they could have, and it just ain't so.

"They've got to be prepared to accept about 80 percent of what they want, or they're going to be disappointed. That's been the rule of thumb for a number of years, and I don't see where that's changed any," says Wilson.

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"Rental dealers, or anybody, should be aware that what you hear in the sales pitch isn't always the way it works. I'm really surprised that rental dealers are so gullible in things like this.

"I think one of the things is that rental dealers on the whole are a fairly tight bunch of people. They like to squeeze their nickels together and if they were smart, rather than going out and buying and blindly investing \$100,000 or whatever in a computer system, they should hire someone with some expertise to give them a hand," says Wilson.

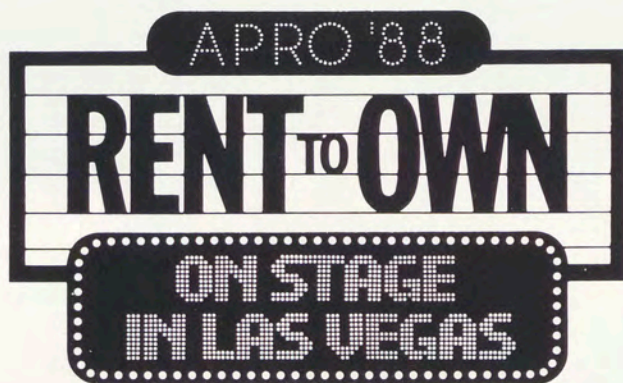
"There are times that we feel some of the most practical business solutions could be made by the smallest change in the system, and . . . it seems simple, but when you go back to software programming, it becomes more complex." —Kirk Kaye

What Can a Computer Do for Me?

Increasingly sophisticated systems are handling everything in rental stores from drawing up customer contracts to keeping track of inventory. Roger Sharp especially likes his Great Plains software because it is point-of-sale based. "At the point of sale, everything is triggered. If you don't make a rental, nothing happens, so that's a good place from which to start."

Harry Krause, owner of seven Options III Ltd. stores in the Indianapolis area, is looking forward to the completion of his new custom-designed system using IBM-compatible hardware in the next few months.

Although pleased with the NEC system he selected five and a half years ago, Krause believes that dealers would be wise to select systems that are compatible with IBM hardware.



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George McPherson, ACP, Owner

Member: APRO and DPMA

Increasingly sophisticated systems are handling everything in rental stores from drawing up customer contracts to keeping track of inventory.

"You almost have to have an IBM-compatible system to survive because of the many programs that are available through IBM software writers. They're very common, and many, or most, of the lenders in the rent-to-own business use spreadsheets and models from IBM-compatible systems. We can get information from those lenders, and it gives us a better opportunity to model our business after those numbers that the lenders are looking for.

"There are also just a lot more people out there, more software, systems, and more hardware available in the IBM-compatible configuration."

Krause describes his new system as "100 percent automated. All collectors will be one-on-one in front of a terminal. The computer will do the dialing, it will keep track of how many calls each collector makes within a given period of time; of those calls, how many were busy or disconnected; promises they took from collectors; of a given collector base, how many are now promised versus how many are left to call.

"I think their one-on-one relationship with that terminal gives me a lot more

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information about the productivity of my collection personnel.

"I hope to have this system in place within a couple of months, but when you're designing systems, that's an unknown, unfortunately," says Krause.

By designing his own system, Krause can incorporate features that off-the-shelf software might not include. "Another feature that is somewhat unusual, but that I believe strongly in, is bar-coded inventory. When you have a chain operation, I don't want to depend solely on someone telling me an inventory item is there or not. By using a portable bar-code reader, we can confirm whether or not an item is

"The computer is a tool for me. It does a great job for my corporation and I couldn't live without it right now." —Curtis Pearsey

there. If the computer says it's there, it's there."

In addition, Krause's system will track "everything from customer payment histories to customer promise histories, collector productivity records, all of our accounting records, and inventory depreciation records. Financial projec-

tions will tie in and P&Ls will be run right off the system.

"It will be a completely integrated system with everything from purchase orders to renting TVs to P&L balance sheet at the end of the month," says Krause.

Tell Me About Benefits

"More information, faster" is the major benefit described by dealers who computerize. As Curtis Pearsey, owner of a string of Pearsey's Magnavox stores located throughout California says, "The computer is a tool for me. It does a great job for my corporation and I couldn't live without it right now. No way could I run my organization without it."

John Cleek of Columbia, Missouri, is in the process of opening his second rent-to-own store after 11 years of dabbling in the field. He plans to computerize after the new store opens.

"Our business has grown dramatically in the last year," says Cleek, "and we've increased our BOR by over 50 percent because we're really, really concentrating on our rent-to-own business. Taking that kind of increase in BOR in one year, the paperwork's getting to be ridiculous. I'm wanting more and more information."

With 25 stores to oversee, First American Rentals' Kirk Kaye reports major benefits to computerization. "In remembering that far back to when we used to have posting cards, the computers cut a manager's time in half and the information it can give you is much more precise.

"We've found immediately that it's freed up the manager's time so that he can do what he should be doing, and that's managing the rental store, and selling on the floor, as opposed to sitting back counting posting cards and things like that.

"Being computerized has definitely allowed us to grow faster," says Kaye. "The accuracy of a person with the computer system versus manual is so much greater. When you're getting wrong numbers, be it monetary or just actual accounts, that can be pretty much your basis for making decisions on whether to expand in a market or not."

Steve Grauel also credits his computerization with major contributions to his businesses' efficiency. "The job of getting those books to match could sometimes run until 2 in the morning. It was literally a nightmare. You had one person and all they did was try to keep

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"... it's freed up the manager's time so that he can do what he should be doing, and that's managing the rental store, and selling on the floor, as opposed to sitting back counting posting cards . . ." —Kirk Kaye

up the numbers on those books. In the bigger stores they sometimes had more people than that, but it was a real chore to keep them balanced, and auditors had a nightmare trying to dig back through the numbers.

"The computer just generates them all and then it prints out something called an exception report that tells you what doesn't balance. You set a guideline on what you should be doing, and it tells you what is an exception to that.

"It helps the store manager too," says Grauel, "because it tells him what he should be doing, and the auditor also. What we mainly send the auditor in to

do is retrain, because we don't have that many people who are basically that dishonest when they get to the position of manager."

He describes most mistakes as "basically a training problem. Sometimes they're trying to cover up something that, although it happened to them, was a mistake. The computer tells you that. It saves them so much time."

Grauel also points to the delays caused by mistakes made with a manual system that the computer eliminates. "When stores would send in their receipts, let's say for some reason the receipts didn't match because they would have to send a copy of receipts, a copy of deposit, and then a copy of receipts that they had done. Then we would do another calculator run of receipts and that bottom line should match.

"Well, if it didn't match, you had to call them and let them know they had made a mistake. Then they had to verify they had made that mistake, and change all their paperwork. Now you're three days behind; they've got to go back three days, change that, bring that forward, then make the deposit different. Then they have to send back in the

change. Now you're six or seven days back. Suppose they didn't do it right the second time?

"Things just compounded so rapidly when you had this delay of mailing and actual verification at the home office level.

Most computer owners agree that they have not cut their workforce, but they may have redistributed the job responsibilities of their staff.

"Inventory was a real nightmare," says Grauel. "Suppose the clerk put the wrong stock number down when they rented a piece out, and they sent it in and that stock number wasn't assigned to them. We would catch it and we would then inform them that they had rented the wrong stock number. They've got to rewrite the contract that is now four or five days old, get ahold of the customer, have them re-sign the contract and have them send that back in.

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—Ted Wilson

"Now you're maybe as high as two weeks behind before you get that caught up. The computer won't let them

rent the wrong piece. If you didn't have it in your store you can't rent it. These were just two real obvious areas where we always had problems," says Grauel.

Changes in Personnel

Most computer owners agree that they have not cut their workforce, but they may have redistributed the job responsibilities of their staff. During the process of adding computers to a business, even more people may be hired until the system is up and running.

Some of these people remain on staff, maintaining the computer system, running reports, and perhaps even writing program changes on a regular basis if a company is large enough to support such expenditure.

APRO board member Curtis Pearsey explains, "I see that we do not any longer have that much bookwork to do. It took a long time—four, five, six years—before I noticed that we had moved out of needing that position. You didn't do it the day you bought the computer." In addition, Pearsey has found that an old-fashioned "secretary" is no longer adequate for his needs in the home office.

"At the corporate level, I can't hire just a secretary. I've got to hire one who knows computers, knows programming, knows accounting. In other words, she's got to be efficient at a much higher level. In fact, I made the mistake of advertising for a secretary and found out real quick it wasn't a secretary I needed."

Should Small Stores Computerize?

Dealers expressed mixed opinions regarding the necessity of computerizing for small operations with only one or two stores.

Roger Sharp suggests that the distance between the owner and additional stores would be an important criterion. "If I was retired down in Florida and had two stores up in Ohio, computerization would be a necessity. If I was operating one of the stores, and one of them's only 20 miles from the other one, a computer wouldn't be all that essential to running them."

Grauel cites the nominal investment in equipment and off-the-shelf software now available as compared to the cost of setting up a store as reason enough for a small owner to computerize.

"If you open a second store and you've got employees running that store, a computer is a must. It will discourage the loss of equipment and cash far exceeding the cost of purchasing and maintaining that computer.

"When you only have two or three stores you have a tendency to let the bookwork slide, not require it to be done because you can be there in a few hours, and then it doesn't get done. If (a store does) the bookwork, it's far cheaper to let that computer do it for you, and it does it for you whether you want it or not. It doesn't care. You've got

continued on page 60

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We at APRO are finally faced with exactly what some of you have been complaining about for years—competition. APRO has a rival these days for the attention and dollars of rental dealers and suppliers to the industry in the form of *Rental Dealer News* and its trade show "Rentex."

There is a part of me, of course, that wishes the competition would simply go away and let us do our thing unhampered by anything as unpleasant as a ready comparison with someone else doing the same thing. Those feelings are there, but they are not very productive, and so I will lay them aside and try to get down a level or two into this thing called competition.

I know that it is good for us. I know that it will make APRO a better business—more responsive to its customers—in this particular case, our members. At least that is the clear choice we have. An alternative is that we do not rise to meet the challenge and thus flounder as an association. Then we can look around, as I have heard dealers do, for someone or something to blame for our own shortcomings.

I know what I, personally, am going to do, and I think that I speak for all of the staff and board at APRO. We will rise to the challenge and do everything that we can to bring to our members the services that they want and to do so efficiently and economically.

We do occasionally suffer from what appears to us on the staff as a lack of enthusiasm about the affairs of the association, but such ebbs and flows of energy about association matters are inevitable. And, besides, it is our job, finally, to keep the members enthused about what we are doing.

Our competition is giving away magazines to anyone who wants one and has flung open the doors of its trade show. Let's face it, it doesn't take a lot

of enthusiasm to get a free magazine, nor much more to go to a free trade show. That is tough competition. And you thought you had it bad when the guy down the street dropped rates by a dollar. At least he's not giving away TV sets.

Of course, without a membership base to respond to, our competitor would be happy to see *everybody* get into the rental business. The more rental dealers there are, the more magazines they can give away, and the more advertising they can sell. They are in it for the money and that is how they make it. That is, incidentally, why they proclaim at every opportunity that the rental industry is a \$10 billion industry with 11,000 stores. If that were even close to the truth, every single store would be generating nearly \$1 million in rental revenues a year. That's \$83,000, per store, per month, folks.

What I really want, if I cannot have the marketplace all to myself, is what you want—good, responsible competition. I do not think it helps our industry to invite retailers to open up rental counters (see *Rental Dealer News*, "Why Retailers Should Get Into Rentals," Dec. 1987, p. 26). There are more than 40,000 electronics retailers in this country. If you thought the competition was bad before, wait until half of the retailers have rental programs and there are four times as many rental dealers after your customers as there are today.

I also want some recognition from my competitor that we are in a legally sensitive business. Since I am a lawyer, I am going to be more sensitive to this sort of thing, but it makes me very nervous for this industry to read—and I have done so more than once—about 100 percent keep rates, and the implications for us all legally. I have learned that if you are going to run a printing press, you must be careful what you print.

Irresponsible journalism does us all a disservice.

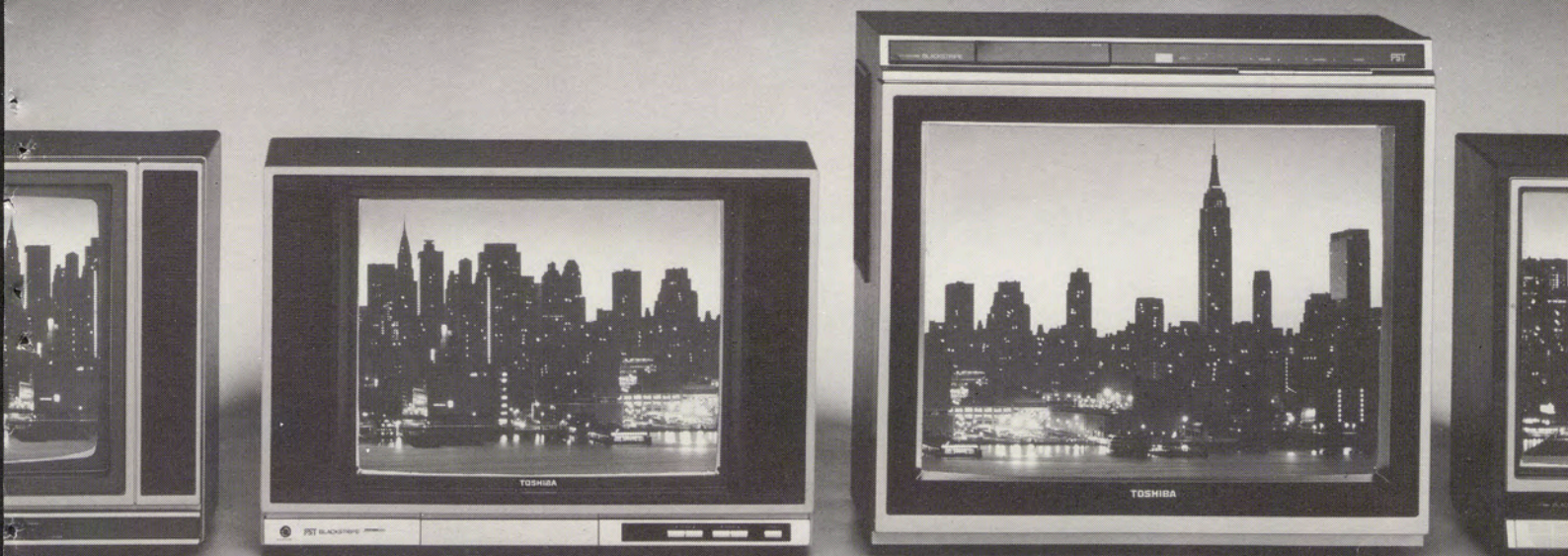
We at APRO have long resisted the country club image that some trade associations adopt. We want all of the good and professional rental dealers in the country to be members and learn and grow with us. We want the industry to grow and prosper, but we have never been in the business of actively soliciting people to start into the business. It is not that simple to begin with, and running a sloppy business hurts us all. Retailers with a few rental contracts under the counter can do perhaps the most damage of all.

To those of you out there who do care about this association and what it has done and what it can do for the industry in the future, we want your support. We want your involvement in association activities. We want your praise when we do things right. We even want your criticism when we miss things. Without your involvement, we cannot develop the keen edge we need to compete successfully with our rival.

Those of you who are reading this belong to a good association now faced with the challenge of getting better. We are going to work hard to bring you the level of service that you deserve and demand. We are going to do with our competition what all of you must finally do with yours—face it, meet it, and do our damndest to beat it! I trust that all of you will let us know how we are doing.

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"Much of the business world is being depersonalized by the use of computers, so we have found a way to use a distributive data processing system as a tool for cementing relationships with our customers," says Fred Richardson, controller for McKenzie Development Corp., in Cleveland, Tennessee.

McKenzie Development, headed by APRO member Tobe McKenzie, operates stores in Michigan, Ohio, New York, Indiana, and Pennsylvania under the National Rentals name. Total number of stores stood at 36 in mid-April, but the company plans to add considerably to that number during the year. McKenzie previously operated stores in the South as Quality Rentals, Southern Rentals, and Holiday Rentals, but sold those stores to James Archer last October.

"Many businesses treat their customers like numbers," Richardson says. "When you walk up to a bank window, the teller isn't interested in your name; she wants to know your account number. We never ask a customer for an

"Much of the business world is being depersonalized by the use of computers, so we have found a way to use a distributive data processing system as a tool for cementing relationships with our customers."

account number. The account number is in the system, but all searches are conducted by customer name."

Each National Rentals store operates its own personal computer that interfaces with a central minicomputer used to monitor all aspects of store operations, including inventory, merchandise on rent, merchandise being serviced, rental agreements, and individual customers' payment history. A file of all unposted daily transactions is uploaded from each store's PC into the central database via unattended communication each night.

Richardson describes how instant access to customer information gives

store managers an edge in providing personal service: "Someone pulls up in front of a store. As the customer gets out, the store manager remembers the customer's first name. I have seen store managers race to the PC and pull up a list of all customers by first name. After deciding which surname is correct, he pulls up the customer's file. When the customer enters the store, the store manager says, 'Good afternoon Mrs. Brown. How are you enjoying the stereo system you rented?'"

Satisfying the Customer

That kind of attention encourages customers to come back, Richardson stresses. "We want satisfied customers. Every communication a retailer has with a customer creates an attitude. They either feel their business is appreciated and tell all their neighbors, or they never want to do business with you again."

Finding out how customers view the service they get is the goal of a current McKenzie's massive bulk mailing program. The company sends letters to customers who have just opened an account, have paid off a purchase, or have returned merchandise. These letters often include a customer response card for feedback.

"Our integrated relational database makes it easy for us to compile these personalized letters and customer response mailings," notes Richardson. "Each rental agreement is related to the customer master file, which is related to a product list. It is easy to set up a mailing that pulls information from these sources. The relational database enables us to create specialized mailing lists by date of purchase, type of product, or geographic location, in minutes. Otherwise it would take twice as long."

He says the company mails about 5,000 pieces of correspondence a month. "We are trying to communicate that we appreciate our customers and we are also trying to find out how they

"We want satisfied customers. Every communication a retailer has with a customer creates an attitude."

like our service. That's why so many of our letters include preprinted customer response cards that report if customers are satisfied with the way our delivery people explain equipment operation, if the employees verify that the equipment is working before they leave, and if store personnel are helpful and informative."

Satisfying Company Needs

While effective customer communication is an attractive byproduct of automating information management, its primary function is to track all aspects of each store's operations. Headquarters personnel use 19 online terminals to access the computer. The computer has 1MB of main memory with a 300 megabyte virtual hard disk storage; however, it is modular and can easily be expanded to satisfy changing needs.

The system is designed so that the head office can monitor any store's activity and can dictate price changes or other policy changes. "We maintain absolute control from this office. The mainframe is a mirror image of each store's activity," says Richardson.

The distributive system gives McKenzie access to physical inventory and complete control of cash and merchandise. "For example," says Richardson, "at any moment we can pull an up-to-



Customer service is the name of the game at McKenzie Development Corporation. Here employee Lonnie Jones discusses merchandise with a customer, whose name and account he had earlier called up on the computer.

date list of idle merchandise in any store and conduct an on-site audit. We create reports that indicate how much of each type of product a store is leasing out. We can transfer idle merchandise from one store to another store that has a demand for it."

"The whole purpose of operating a computer is to allow you to see and process information in order to run a business more effectively."

The home office tries to keep reports, and paper in general, to a minimum, Richardson stresses. "The whole purpose of operating a computer is to allow you to see and process information in order to run a business more effectively. A key to generating helpful reports is to keep them short and only include pertinent data."

Two main reports summarize almost everything that goes on in the system, he continues. The regional managers' report shows daily and month-to-date figures for each revenue category and incorporates balance on rent and the percentage change of BOR from the

The company sends letters to customers who have just opened an account, have paid off a purchase, or have returned merchandise.

previous month. Data is organized by region, broken down by store, and summarized by region.

The daily activity and card count report includes some of the same information and shows the number of accounts that have payments pending, according to how many days they are delinquent. Each category shows the percent increase over the previous month.

Each report runs only two to three letter-size pages with condensed type, Richardson adds.

Pricing and special promotions are communicated to stores electronically. "We may decide to push a particular type of product with special pricing over a weekend," he reports. "We enter that information into a file and send it with our regular daily communication. Each store file is automatically updated."

Easing the Load

System backup and nightly communications are efficiently handled with this type of data management system, Richardson notes. "We backup our computer files each night after we have updated the database. Individual stores do not have to do their own backups. It only takes four to five hours to create backup copies of the database. This is about five to six times faster than doing backup at the store level."

The system is designed so that the head office can monitor any store's activity and can dictate price changes or other policy changes.

The data processing manager takes a duplicate copy of mainframe files home each evening to create off-site storage protection.

The computer's user-friendly software includes an English-like inquiry

language. The system allows employees with little computer experience to compile reports and lists with basic commands.

Richardson says the entire vocabulary necessary to compile information "is probably only 20 words and computer buzzwords are kept at a minimum. It's a great tool because it allows people who are not computer wizards to pull together information we need to run the company and make accurate decisions."

McKenzie also makes use of a software sub-system that provides a word processing program used in McKenzie's bulk mailing. The sub-system also contains a financial and accounting spreadsheet program.

"Creating spreadsheets can be a time-consuming process if you have to rekey information and make calculations on a calculator. (Our program) allows us to insert information from any file directly into the spreadsheet. The program also allows us to do all calculations on the numeric pad of the keyboard. We can insert the data into the program and store the formula in the system."

Most specific business applications are handled by customized software,

The system allows employees with little computer experience to compile reports and lists with basic commands.

RMAX, created by Computermax, also located in Cleveland, Tennessee. The software maintains McKenzie's rent-to-own management system. An optional companion software program, a financial management system, is used for accounting for McKenzie's rent-to-own companies and other corporate interests.

In an age where computer programs and communications often replace human interaction, McKenzie has found a way to use its computer capabilities to personalize contact with customers.

PR

Gayle Mestel is a California-based freelance writer.

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Do you have a lawyer? Not a corporate lawyer, a collection lawyer. Not a tax lawyer, but someone who goes to court for you to recover your property and collect your money from deadbeat customers. Well, it's time to trade him (or her) for a computer.

If this advice seems a little extreme, read on. There is a place for lawyers and a place for computers in a rental store operation. Some thoughts are offered here for the respective roles of each.

When All Else Fails, Call the Lawyer

If you need a lawyer because you have a collection problem, you have already made a dozen mistakes. Every one of your administrative procedures—including customer screening, application verification, customer education, route managers follow-up, and home office supervision—have failed. All the easy, economical remedies have been exhausted.

The prospect for the collection of a delinquent account is not good. The story of the account is usually one that is marked by grim determination to avoid payment or surrender of the property. If there is anything that is universally true about the rent-to-own business, it is that store managers work the dog out of accounts before they are turned over to lawyers.

What follows here is a brief summary of the various scenarios. The financially faint of heart would be well advised to skip the next two paragraphs. Others, comfortable with self-abuse, can consider here the account in its various forms.

The merchandise has been sold. It has been stolen. It is hidden. It has been

If you need a lawyer because you have a collection problem, you have already made a dozen mistakes.

stolen and sold. The merchandise is not worth having when it is finally recovered. The merchandise is safe and sound, somewhere, and the customer won't talk.

The customer is liable for the value of the merchandise. The customer has no job. The customer has a job at a very low wage that makes him virtually exempt from garnishment. The customer has seen the advertisements for bankruptcy lawyers on our television. The customer's lawyer thinks we are a disguised credit sale. The customer agrees to pay \$5 per month. Sherlock Holmes could not find and serve this customer with our lawsuit. The customer is in jail, so service is no problem, for what that may be worth. Bankruptcy, another world.

These are difficult accounts. It is unlikely that the law or the lawyer will be able to help. There is the matter of court costs, good money after bad. There is the time, almost forever, before the case reaches anything like a conclusion.

Better Yet, Prevent the Problem

If the conclusion is drawn that neither the law nor the lawyer will be any help to the rental dealer in collecting the account, what then can be done? The answer, hire a computer. A computer

system should be, among other things, a valuable ally in the control of delinquencies before they ever occur.

What steps does the rental dealer follow to try to insure that the customer will pay the account or return the merchandise? Most of the companies in this business have a very ready answer to that question. There are steps to follow in taking the application, in verifying the information contained in the application, in preparing the contract, in delivering the merchandise, in closing the deal, and following the account.

Every rental store owner believes that procedures, followed properly, will result in an acceptably low level of delinquencies. The difference between profitable stores and unprofitable stores is usually the degree of adherence to established systems.

Up to now, our only hope for adherence to these systems has been training and continuous supervision. Our only tools have been charts, forms, and procedural handbooks. Help is on the way.

Our new ally, the computer, is ready to help us. It was easy enough for us to imagine that it might print a contract or track inventory. It knows on Monday who didn't pay on Saturday. But, is that all we know about running a rent-to-own store? Not likely!

We have numerous procedures developed through years of experience. We know exactly how we want each transaction to be handled. We know what we want our salesperson to say. We know what we need to hear before we will rent the merchandise. We know what to look for when we make the delivery. We have criteria that we expect our store personnel to use at all times in the handling of every account.

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suiting to the computer. Yet, we shun the machine as a management tool and continue to think of it as a number cruncher and document generator. It is so much more. It is a management tool. In particular, it is more productive than any collection lawyer will ever be in controlling delinquencies.

It was easy enough for us to learn how to monitor and control overhead with home office computers. Inventory, our most costly overhead item, is easily given to computer controls. By analyzing marketing information, the computer helps us to target advertising for greatest efficiency.

The only unruly child is delinquencies. We continue to think that personnel management is the key to that item. Careful screening and follow-up, we believe, are our only defense. Sometimes, even a lawyer is helpful. What help can the computer be?

Make the Computer Fit Your Needs

You already have the answer to that question in your policies and proce-

dures materials. If you can write it down, the computer can make sure it happens. If you know anything about preventing delinquencies by the application of criteria, a computer, not your store manager, is your best guarantee of compliance.

It seems we are always headed into a new generation of this or that. More powerful machines and more sophisticated systems applications clamor for our attention. Still, the vendors offer up what they hope dealers will buy. The demand determines the product. We should demand more from these computer systems.

We should demand management assistance. We should demand systems that anticipate delinquency and screen prospective customers for us. We should demand systems that identify delinquent customers with whom we have had adverse experience. We should demand systems that predict delinquency trends by customer, by category, and by other criteria.

In short, we should demand systems that utilize the full measure of experience we have gained in the management of the rent-to-own store.

We should demand that our computers assist us in training store personnel on a daily basis. If we can conceive of the management technique, the computer can implement it for us.

The technicians and programmers are eager to implement any system we can devise. The only real limitations of the computer are in the concept, not in the technology.

If you are developing an in-house system, try to incorporate ALL of your procedures into the system. If you are buying a system, choose the one that seems to be offering the most management assistance. In particular, focus on the management assistance that might help to avoid delinquencies.

PR

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

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Rent-to-own Statutes: 16 States and Counting

State groups aren't waiting for federal action

The June/July 1987 issue of PROGRESSIVE RENTALS reported on 11 states which had, at that time, enacted different versions of RTO legislation. The article was titled "State Rent-to-Own Statutes Revisited." Since then, five more states have enacted RTO legislation—Illinois, Virginia, Ohio, Oklahoma, and Missouri—bringing the total number of states to 16.

As of this writing, active rental-purchase legislation is pending in at least six states—Florida, New Jersey, Kentucky, California, North Carolina, and Wisconsin. And despite the recent recharacterization of rent-to-own transactions as credit sales under Pennsylvania law, an RTO bill has passed the Senate in that state and is awaiting action in the House.

Prior to the effective date of the Michigan statute in March 1985, there was no rental-purchase legislation anywhere in the country. It is a tribute to the remarkable efforts of the industry that, in a scant three years, 16 states have rental-purchase legislation on the books and similar legislation is pending in another six states.

Since 1983, federal legislation concerning our industry has been pending. The federal bill has gone through many modifications during the past five years. It began as the simplest of disclosure bills, with the Federal Reserve Board recommending that the industry make six disclosures in its contracts. Since that time, because of the different rent-to-own statutes that have been enacted around the country and because of the compromises that the

It is a tribute to the remarkable efforts of the industry that, in a scant three years, 16 states have rental-purchase legislation on the books and similar legislation is pending in another six states.

political process necessitates, the federal bill now pending has 13 disclosures and goes into substantive regulation of the industry in many areas covered by the state laws.

While the federal bill has not passed either House, there is some indication that the bill is better positioned than it ever has been. In the industry's favor is the existence of the state statutes that seem to be working and the numerous compromises the industry has made to satisfy critics and to position the bill for hearings in both Houses.

Working against the bill is the fact of the new Pennsylvania recharacterization statute and the argument that die-hard consumer advocates make—that the federal bill, and for that matter the state statutes, merely legalize an industry that ought not to exist, and that the proper role of government is to protect the poorest and most disadvantaged citizens from themselves, including preventing them from renting consumer goods that they simply cannot afford. To date, the consumer advo-

cates' position has won the day in Washington, but the industry has reason to hope that day may be coming to an end.

This article will bring readers up to date on the latest statutes that have been enacted in the five states showing how they compare with the other 11 statutes. In addition, the federal bill will be analyzed alongside the various state statutes.

What's in a Name: The Scope and Coverage Of the Statutes

Interestingly, the industry still does not have a common name. Even the federal bill, which in 1983 referred to the industry's business as "rental-purchase," now reads "lease-purchase."

The five new states are split with Illinois, Oklahoma, and Missouri calling the transactions rental-purchase, and Virginia and Ohio calling them lease-purchase. That brings the total to 11 of the 16 states calling the transactions rental-purchase and four of the states calling the transactions lease-purchase. Massachusetts continues to call the transaction simply a consumer lease. As a legal matter, all of these terms encompass what is most commonly referred to in the marketplace as "rent-to-own." This means most often a contract for the use of consumer goods by consumers that provides for short term, no obligation rental or lease of products with an opportunity to

continued

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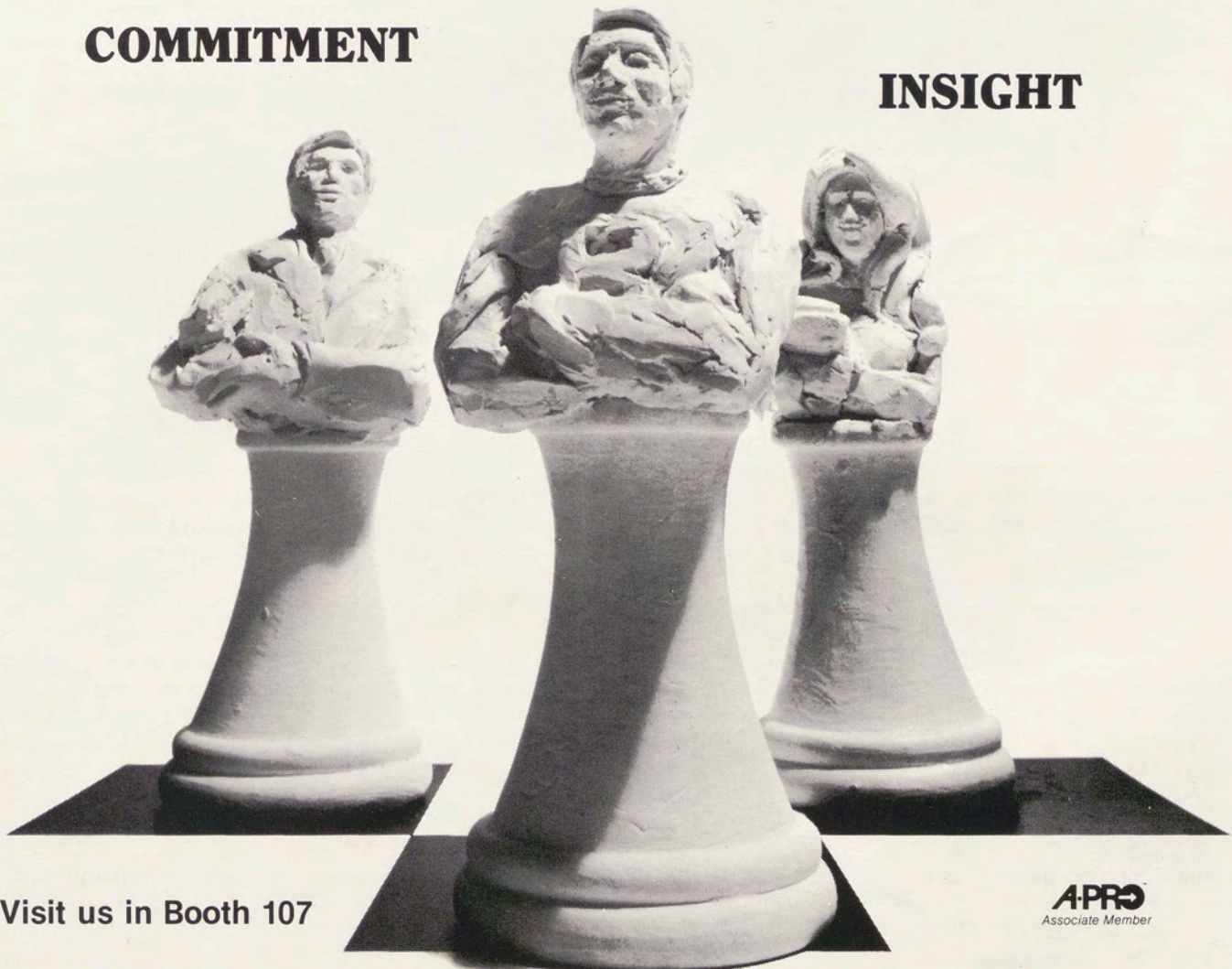
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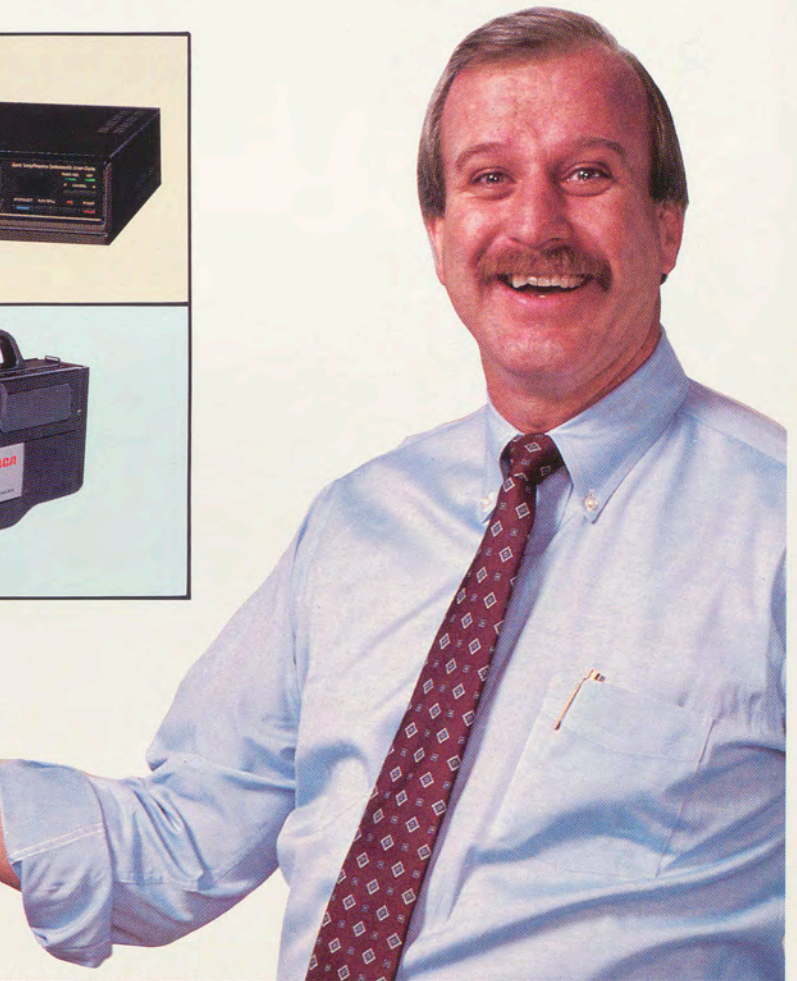
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	\$5 max.	Lesser of 5% or \$5	\$4/monthly \$2/weekly	\$2-\$5			Greater of \$3 or 10% weekly or Greater of \$5 or 10% monthly
Grace Period on late fees, etc.							
Monthly			5 bus. days	7 days			7 days
Weekly			3 bus. days	7 days			3 days
2. Separate Reinstatement Fee permitted Statutory Fee Limits:							
3. In-Home Collection Fees permitted Statutory Fee Limits:	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Monthly			\$7 per trip (limit 3 trips per 6 months)				
Weekly			\$7 per trip (limit 6 trips per 6 months)				
4. Processing Fees permitted Statutory Fee Limits:	Yes	No	Yes* \$5 per agreement	Yes	Yes	Yes	Yes
5. Delivery Charges permitted Statutory Fee Limits:	Yes	Yes	Yes* \$15-5 items or less \$45 — more than 5 items	Yes	Yes	Yes	Yes
6. Redelivery Fee after Repossession permitted	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7. Fees or Penalties for Return of the Merchandise or Termination of the Agreement permitted	No	No	No	Yes	Yes	Yes	No
8. Security Deposit permitted	Yes	Yes	Yes	Yes	Yes	Yes	Yes
9. Final "Balloon Payments" permitted	Yes	No	Yes	No	Yes	Yes	No
10. Requiring Insurance to be Purchased from RTO Dealer	No	No	No	No	No	No	No
11. Limits on Rent-to-Own pricing		RTO price cannot be greater than 2.22 times cash price					RTO price cannot be greater than 2 times cash price

*Option of processing fees or delivery charges, but cannot charge both.

Rental-Purchase Regulation Comparison State by State

	Orig. FRB Proposal* (SB 1152)	HR 2537**	GA**	MI*	SC*	TX*	AL*	MA***	NY*
RTO Contract Disclosures									
1. Description of the leased property (VA requires a description of any damages to property)		X	X	X	X			X	X
2. Whether the property is new or used (GA, MI, AL, and OH allow "new or previously rented/leased")	X	X	X	X	X	X	X	X	X
3. Initial payment (compare with down payment on installment sales)		X	X	X				X	
4. Amount and timing of payments (weekly or monthly rates)	X	X	X	X	X	X	X	X	X
5. Amount of "Other Charges"			X	X	X	X	X	X	X
6. Explanation of purpose of "Other Charges"					X	X	X	X	X
7. Limit on "Other Charges" — must be "reasonably related to the cost"						X			X
8. Explanation of risk or loss during term of agreement	X	X	X	X	X	X	X		X
9. Statutory limit on consumer risk of loss (fair market value, cash price, or other limit)		X			X				X
10. Explanation or notice of reinstatement rights of consumer			X	X		X			
11. Explanation of service and maintenance responsibilities		X	X	X				X	
12. Statement concerning how agreement can be terminated									X
13. Total cost of obtaining ownership via rental- or lease-purchase plan	X	X	X	X	X	X	X	X	X
14. Statement that the total cost does not include other charges	X	X							
15. Disclosure of any early buy-out options or formulas		X	X	X	X			X	X
16. Early buy-out required by statute			X	X	X				
17. Disclosure of manufacturer's warranty coverage after ownership		X‡	X‡	X‡				X	
18. Cash price (or fair market value)		X	X	X		X			X
19. Cost of lease service (difference between rental- or lease-purchase price and cash price)			X						
20. Statement that the transaction is regulated under state law				X					
21. "No Equity" statement	X	X			X	X	X		X
22. Statement of any fees or taxes payable by lessee								X	
23. Statement of amount of any lessee liability at end of lease term (compare with termination penalty in long-term lease)								X	
24. Description of any insurance required of lessee								X	
25. Description of any security interest retained by lessor		X						X	
26. Statement that consumer may terminate at any time without penalty		X							
27. That consumer not be required to purchase insurance from merchant									
28. Any in-home collection charge must be disclosed and separately agreed to									
29. Description of any insurance paid for by lessor		X							

*Rental-Purchase Agreement

**Lease-Purchase Agreement

***Consumer Lease

‡Statute requires the warranty to be passed on to consumers

AR*	TN*	IN*	IA*	IL*	VA**	OH**	OK*	MO*
	X	X	X			X		
X	X	X	X	X	X	X	X	X
	X		X		X	X		
X	X	X	X	X	X	X	X	X
X		X	X	X			X	X
				X			X	
X	X	X	X	X	X	X	X	X
X		X	X		X			X
X				X		X		X
	X				X	X		
						X		X
X	X	X	X	X	X	X	X	X
					X			
	X	X	X		X	X		
	X‡				X‡	X‡		X
	X		X	X	X	X		X
X	X	X	X	X	X	X	X	X
		X						
	X	X			X	X		
				X		X	X	
						X		

obtain ownership of that product.

There is in every definition of the covered transaction the "four month" rule. This language is designed to separate state-regulated rent-to-own transactions from federally regulated consumer leases. This means that if a dealer, for any reason, is unable or unwilling to comply with a state RTO statute, he can write contracts for an initial term of longer than four months. Then the transaction is not covered under state law, but is covered by the Federal Consumer Leasing Act, which has its own set of disclosures. Dealers electing to do business in this manner are cautioned to have balloon purchase options at a price always greater than "nominal consideration."

Federal law is written so that a long-term lease might be covered by the Consumer Leasing Act and the federal Truth-In-Lending Act as well. Moreover, such transactions might also be covered by some states' retail installment sales and usury statutes.

For reasons unknown, no state legislature has adopted the moniker "rent-to-own" in a statute.

For reasons unknown, no state legislature has adopted the moniker "rent-to-own" in a statute. Despite the lack of uniformity in the state statutes, that is the name by which the industry as a whole recognizes itself. It is the term dealers themselves use to advertise their concept to the public, and it is the name consumer advocates use to refer to the industry.

Whatever the name, the concept of rent-to-own is spreading beyond its consumer base. There is advertised from time to time, in Texas and elsewhere, RTO real estate whereby tenants can apply their rental payments to the purchase of housing. The term lease-purchase regularly appears in commercial transactions for copiers, fax machines, and other office equipment and furniture. There are rental yards that use the concept for much of their merchandise, including durable medical equipment.

The legislative diversity in name-giving does allow the industry a certain flexibility and room to evolve. Credit sales are, for example, credit sales. It is not possible for a merchant to call them something different in order to carve out a market niche for himself. Rental

Advertising Disclosures

Orig. FRB
Proposal
(SB 1152)

HR
2537

GA

MI

SC

TX

AL

MA

I. **Triggering Term(s)** — If an advertisement contains these items, then the disclosures listed below must also appear in the advertisement:

Reference to or statement of a rental rate	Reference to or statement of a rental rate	Rental rate due of a specific item	Rental rate due at start of lease	Reference to or statement of a rental rate	Reference to or statement of a rental rate	Reference to or statement of a rental rate	Reference to or statement of a rental rate
	OR			OR	OR	OR	OR
Reference to a rate to acquire ownership	Reference to RTO of a specific item			Reference to RTO of a specific item	Reference to RTO of a specific item	Reference to RTO of a specific item	No down payment

Disclosures — must make *all* of the following disclosures:

(A)	ID transaction as an RTO agreement	ID transaction as an RTO agreement	Amount of initial payment due	Amount of initial payment due	ID transaction as an RTO agreement	ID transaction as an RTO agreement	ID transaction as an RTO agreement	ID transaction as a lease
(B)	Total of payments necessary to acquire ownership	Total of payments necessary to acquire ownership	Amount of periodic payments	Amount of periodic payments	Total of payments necessary to acquire ownership	Total and number of payments necessary to acquire ownership	Total and number of payments necessary to acquire ownership	Total initial payment due
(C)	No equity statement	No equity statement	All other charges	Cost of lease service	No equity statement	No equity statement		Security deposit, if applicable
(D)			Total of all payments necessary to acquire ownership	Total of all payments necessary to acquire ownership				Number, amounts and timing of payments

II. **Triggering Term(s)** — AND, if the advertisement also contains the following items, then the disclosures listed below must also appear in the advertisement:

							Amount of lease payments and rate necessary to acquire ownership of a particular item
Disclosures							
(E)							Total of payments necessary to acquire ownership
(F)							Early buyout formula rental-purchase agreement
(G)							No equity statement

NY	AR	TN	IL	VA	OH	OK	MO
Reference to or statement of a rental rate	Rental-purchase agreement	Reference to or statement of a rental rate	Reference to or statement of a rental rate				
OR		OR	OR	AND		AND	OR
Reference to RTO of one item		Reference to RTO of a specific item	Reference to RTO of a specific item	Reference to RTO of a specific item		Reference to RTO of a specific item	Reference to RTO of a specific item
ID transaction as rental-purchase agreement	Transaction as a rental-purchase agreement	ID transaction as a rental-purchase transaction	ID transaction as an RTO agreement	ID transaction as an RTO agreement	Amount of initial payment due	ID transaction as an RTO agreement	ID transaction as an RTO agreement)
Total and number of payments necessary to acquire ownership labelled "total cost"		Total of payments necessary to acquire ownership	Total and number of payments necessary to acquire ownership				
Availability of early buyout ownership options		No equity statement	No equity statement	No equity statement	Total number of payments necessary to acquire ownership		No equity statement
				(Yellow Pages exception)			
Multiple items and rate information							
New or used							
ID transaction as rental-purchase agreement							
No equity statement							

dealers are not so restricted. There may be a marketing term, as yet undiscovered, that conveys the proper concept to consumers.

There is an interesting issue concerning names in Pennsylvania under the new law there. Traditional RTO transactions are defined as credit sales under the state retail goods and services installment act (see *PROGRESSIVE RENTALS*, April/May 1988). For the time being, rental dealers have simply gone out of the rent-to-own business in the state, while attempting to get the legislature to take another look at the issue. Ultimately, however, in the event

that dealers are forced to live under the new law, the marketplace is going to demand an ownership option. There are already dealers in the state who are trying to figure out ways to offer ownership and remain within the law.

Even though rent-to-own transactions are credit sales under Pennsylvania law, apparently the term can be used in the state as long as the transaction itself complies fully with the GSISA. Rental dealers wishing to offer purchase options may be credit sellers as a legal matter, but they may still be able to hold themselves out as RTO dealers to the public if they ultimately choose to do so.

Contract Disclosures

Little new has been added to the contractual disclosures that rental dealers must make to consumers before the contract is signed (see chart, page 36). For the most part, dealers are incorporating the contract disclosures into the contract itself, which the state statutes allow. This is different from certain kinds of regulated financing, which require the creditor to give the debtor a separately signed disclosure document. Among the new statutes, Oklahoma requires the fewest number of disclosures—seven—and Ohio requires the most—14. The federal bill, originally containing six disclosures as proposed by the Federal Reserve Board, now calls for 13 disclosures.

Multistate dealers are beginning to take a careful look at consolidating disclosures in different states and using one contract form to do business in several states. The most difficult area of disclosure in a multistate agreement concerns reinstatement because the terms of reinstatement vary so much from state to state. Dealers are beginning to use contract forms with footnotes stating that certain paragraphs only apply to the residents of a certain state. This concept works for a while, but ultimately runs the risk of confusing not only customers but store personnel as well.

There are other issues involved in using one contract form in several states. For example, is it legal to use an agreement titled "Rental-Purchase Agreement" in a state whose statute bears the name "Lease-Purchase"? Is it legal to make a "new/used" disclosure when the statute calls for the disclosure "new/previously rented"?

Most likely, if a court were called upon to look at the issue, it would decide that a dealer using either of the terms was in substantial compliance, barring other material errors and omissions. Nonetheless, dealers who feel more comfortable with strict compliance with the literal words in a statute are going to continue to use separate contract forms in each regulated state.

Importantly, states that have specific regulatory bodies in charge of overseeing the rental industry may well insist upon stricter compliance than states without such oversight.

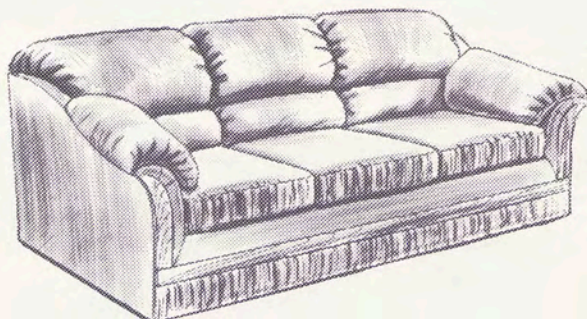
For example, in Indiana, it is the Department of Financial Institutions that is charged with the responsibility of ensuring compliance with the Indiana Rental-Purchase Statute. That

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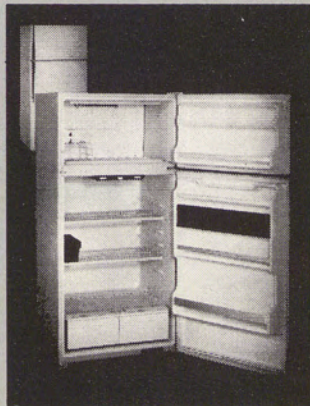
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Reinstatement Rights

"Cure Period"

Item	Orig. FRB Proposal (SB 1152)	HR 2537	GA	MI	SC	TX	AL
1. Weekly Payments	None	2 days then 21 or 45 days depending on number of rental payments made	21 days	21 days	60 days	7 days then 30 more days if returned	2 days then 30 more days if returned
2. Monthly Payments	None	5 days then 21 or 45 days depending on number of rental payments made	90 days	90 days	60 days	15 days then 30 more days if property returned	5 days then 30 more days if property returned
3. Statutory "Cure Period" after notice before suit can be filed							
Monthly							
Weekly							

MS	NY	AR	TN	IL	VA	OH	OK	MO	IN	IA
None	7 days then, if property returned, 30, 60, or 180 more days depending upon rental payments made	3 business days then 30 more days	2 days then, if property returned, 30, 90, or 180 more days depending upon rental payments made	7 days then 30 more days if property returned	2 days then 21 or 45 more days depending on rental payments made	21 days	2 days then 30 more days if property returned	21 days	60 days	60 days
None	15 more days then if property returned 30, 60 or 180 more days depending upon rental payments made	5 business days then 30 more days	5 days, then if property returned, 30, 90, or 180 more days depending upon rental payments made	15 days, then 30 more days if property returned	5 days then 21 or 45 more days depending on rental payments made	90 days	2 days then 30 more days if property returned	90 days	60 days	60 days
										5 bus. days
										3 bus. days

department has developed a three-page audit form and has a staff prepared to go over dealers' contracts in the state virtually line by line. Any divergence from the literal language of the statute would appear to be a violation of the statute according to the department. Whether a court would ultimately uphold the department's strict reading of the statute remains to be seen.

Other states with similar oversight bodies include the other Uniform Consumer Credit Code states with RTO legislation: Iowa, South Carolina, and Oklahoma. Moreover, since the UCCC administrators meet on a regular basis

to discuss matters of common concern, it might be expected that the RTO industry will be more closely looked at in those states than in others where enforcement of the rental-purchase statute is left to the states' attorneys general or to private action.

Other disclosure items of note include a provision in Ohio that, like Michigan and Iowa, adds a boldface disclosure requirement as follows:

NOTICE: This lease-purchase agreement is regulated by state law and may be enforced by the Attorney General or by private legal action.

There is apparently some sentiment among consumer advocates that boldface warnings of this sort will make customers more alert to the nature of the transaction they are entering into. In some state credit regulatory schemes, there are as many as four separate notices that must appear in every installment sale. Obviously, if all of the terms in a contract must be written in 12-point boldface type, the highlight loses all effectiveness. One might well wonder how many notices a customer can or will pay attention to in a contract before signing.

In any case, for the moment at least, rental agreements are only beset with one "warning" provision, and that only in a few states. No dealers have reported any difficulty with making such a disclosure in states where it is required.

The Virginia statute has a new disclosure concerning the description of the property as follows: "a brief description of any damages to the leased property. . . ." It is unclear exactly how dealers are to make this disclosure. The disclosure is presumably designed to protect consumers from having to pay for damages done to the property before they rented it.

In the moving industry, this kind of disclosure has led furniture moving companies to create formulas and symbols for all manner of damaged property so that they, the movers, can label every piece and avoid liability for claims that the property was damaged in transit. Rental dealers may or may not be willing or able to make disclosures of all the nicks and blemishes on products before they are rented.

Price Controls and Early Buy-out Formulas

Add Ohio to the list of states that have enacted price controls on the rental industry. Ohio has followed the New York lead by requiring dealers to charge no more than twice the stated cash selling price as the total rent-to-own price.

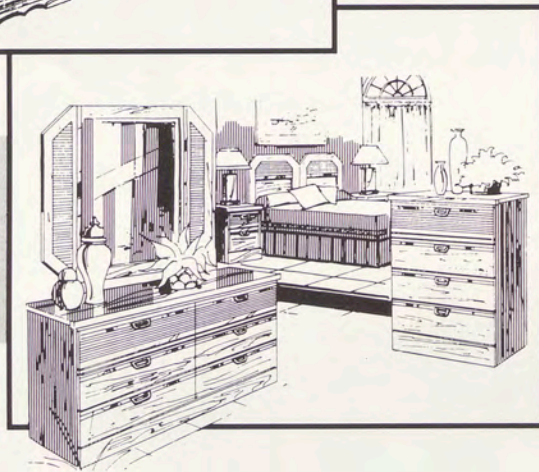
Ohio also mandates an early buy-out option. The option formula is that consumers get 50 percent credit for each rental payment made off the original cash selling price. The price control feature in New York and Ohio, at two times the cash price, is in sharp contrast to the Pennsylvania restriction, which is the cash price plus 18 percent per year. North Carolina has a bill pending that would limit dealers to the cash price plus 48.67 percent per year.

continued on page 52

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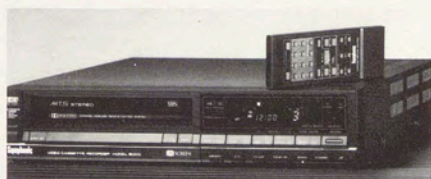
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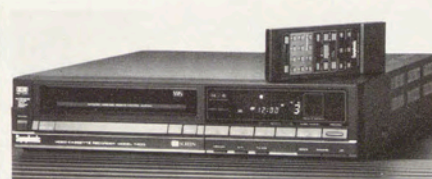
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RTO On Stage In Las Vegas



Photo courtesy of Las Vegas Convention and Visitors Authority

Showgirls and extravagant stage productions are just part of the attractions that make Las Vegas an exciting convention city.

Glitzy. Glamorous. Gamblers' paradise.

Las Vegas is all of that, and more. But for a brief period in August, Las Vegas will become the capital of the rent-to-own world. For the fourth time, APRO will return to the "diamond in the desert" for its annual convention. A balanced program of education, exhibits, meetings, sports, and social events is planned for APRO members and exhibitors at the only show aimed exclusively at rent-to-own dealers.

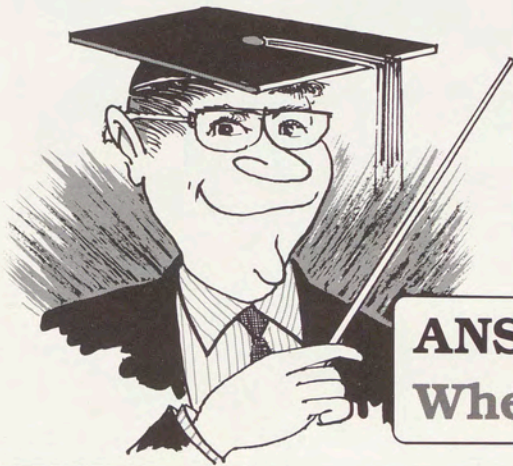
The latest in legislative happenings will be discussed in the opening session and later in a legislative update seminar. Eight new directors will be elected to the APRO Board at the Friday business meeting. Store owners and buyers will have the opportunity to negotiate with product and service suppliers to the industry. And the after hours parties will give everyone a chance to discuss business in a relaxed atmosphere, or just to unwind and get better acquainted with fellow members.

In a departure from previous years, APRO '88 is scheduled to begin on Wednesday and end on Sunday. Convention dates are August 3-7. Location is Bally's Hotel.

Same City, New Setting

Formerly the MGM Grand, Bally's is located on The Strip, on the opposite corner from Caesar's Palace, where previous APRO conventions have been held. Bally's was chosen for this year's event because the trade show had outgrown the exhibit space available at Caesar's.

With six restaurants, 40 shops and



QUESTION:

When does a Rental Store Become an Electronics Accessories Dealer?

ANSWER:

When it Rents Electronic Equipment

Think about the accessories you use: replacement needles and styli for turntables; cables, connectors and jacks to hook-up VCRs, video games, headphones or speakers; dust covers and cleaning kits to protect the customers' — er, your — equipment.

Here Are Four Simple Facts to Consider:

1. The electronic accessories business is a \$10 billion business in this country, annually.
2. If you rent audio systems, VCRs, televisions or other electronic equipment, you're already in the accessories business.
3. Whether or not accessories are a profit center for you probably depends on how you buy them . . . and from whom.
4. Pfanstiehl dealers typically enjoy margins of 50%, 60% and more!

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Answer: When it becomes a *Pfanstiehl* dealer.

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As for Audio, Video, Telephone or Computer accessories, our slogan says it all: "Follow the Leader". From telephone cords to audio jacks; from dust covers to blank audio tape; from cleaning fluid to earphones; in short, we've got any accessory you could possibly want for your customers.

■ **SERVICE** — Our nationwide network of in-store professionals is there for one purpose: To be successful by making you successful. It's a philosophy that has built Pfanstiehl for over 65 years!

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stores, swimming, tennis, a complete health spa, a movie theatre, and the largest casino in the city, Bally's will provide everything one could possibly want in a Las Vegas hotel. Two large showrooms provide night-time entertainment. International superstars appear in the Celebrity Room, and the Ziegfeld Theatre features Donn Arden's spectacular "Jubilee!" with a cast of more than 100 performers.

To learn who will be playing in the Celebrity Room in early August, call (800) 634-3434. That information was not available at presstime.

About Las Vegas

APRO members know Las Vegas not only as the site of previous conventions, but also as the location for the Winter Consumer Electronics Show, one of the largest trade shows in the country. Although winter visitors to the city know that foul weather and cold temperatures are possible there, it's a safe bet that August will be sunny, dry, and hot.

Entertainment, gambling, sports events. Las Vegas has it all. It also claims to have more churches per capita than

A balanced program of education, exhibits, meetings, sports, and social events is planned for APRO members and exhibitors at the only show aimed exclusively at rent-to-own dealers.

any other city in the world plus a surprising number of museums and outdoor recreational areas within easy driving distance.

Las Vegas is the home of the Liberace Museum as well as a Museum of Natural History and the Southern Nevada Zoological Park.

A short drive away are Spring Mountain Ranch State Park at Red Rock Canyon, Valley of Fire State Park, Lake Mead, and Hoover Dam. Day trips to the Grand Canyon are available. And if the heat becomes unbearable, drive 36 miles northwest to Mt. Charleston where the summer temperature averages 30 degrees cooler than Las Vegas.

For more information about any of these attractions, call the Las Vegas Convention and Visitors Authority at (702) 733-2323.

General Session and Business Meeting

Football star Rocky Bleier will be keynote speaker for the general session. The former Notre Dame football captain survived crippling leg wounds in Vietnam to become a Super Bowl hero, playing halfback for the Pittsburgh Steelers. Bleier now travels the country telling his story of determination and courage, "Be the Best You Can Be."

Federal and state legislative action reports and reports on association activities will also be reviewed at the Thursday session.

Nominees for the Board of Directors will be presented at the Friday business meeting. Each will speak briefly, detailing their qualifications and outlining their goals for the association.

Directors whose terms are expiring are: Maribeth Duffy, Alan Dobzinski, Dave Egan, Steve Grauel, Mac Hennigan, Larry Tinney, Bill White, and Bob White.

Holdover directors are: William Coleman, Dick Grauel, Wendell McNeal, William Morgenstern, Ronald G.



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- Extraordinary space and energy savers.
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SANYO Microwave Ovens

- The industry's most comprehensive line engineered and designed to fit every consumer need and budget.
- Choose from portable and compact, to mid-size, full-size and auto-cook models.
- SANYO Microwave Ovens . . . There's a highly profitable future in them for you.



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APRO
Associate Member

APRO'S annual convention provides many benefits, but some members say the most important is simply the chance to meet others in the same business . . .

Payne, Curtis O. Pearsey, Terry Washburn, and Ted Wilson.

Ballots will be cast at the meeting and successful candidates will be announced Saturday at the awards luncheon.

Start-up Activities

Even before general registration begins on Wednesday morning, APRO golfers and tennis players will be competing for trophies. Those sports events will get under way at 7:30 before registration begins at 8. Golfers will play at the Dunes Emerald Green Country Club and tennis players will hit the courts at Bally's.

Two new seminars are scheduled for Wednesday afternoon. First-time attendees can learn how to make the best use

of their time at the convention in an orientation session from 1:30 to 3 p.m. A seminar geared especially for new store owners will begin at 3:15.

The traditional early bird cocktail reception that night will be a combination sock hop and beach party. Dress will be '50s and '60s attire, or cool, casual, and comfortable.

Seminars

The full slate of seminars will begin Thursday afternoon with more sessions Friday and Saturday mornings. Aimed at rent-to-own professionals, all seminars will be conducted by knowledgeable speakers familiar with the rental-purchase industry.

Some of the subjects to be covered are: advertising and marketing; accounting procedures for rent-to-own; use of financial information to increase your profits; tax planning; rental customers in bankruptcy; how to save on insurance; franchising rental-purchase; policies and procedures for store personnel; computerizing rental stores; making sure your rental agreement is legal; update on legislative actions; and many more. Sessions will last 1½ hours and none will conflict with exhibit hall hours.

Exhibit Hall Trade Show

Buyers and store owners will have plenty of products and services vying for their attention in the exhibit hall. Booth space is selling at a steady pace and even more exhibitors than last year are expected. Mergers and acquisitions during the past year mean some companies will be exhibiting under new names, and some previous exhibitors will not be present at all. However, others new to the industry will take their places.

The exhibit hall will open Friday morning at 11:30 and remain open until 5 p.m. It will be open again Saturday afternoon and Sunday. Lunch will be available for purchase Friday and Saturday. A complimentary champagne breakfast will be served in the exhibit hall Sunday morning.

Other Events

Spouse programs and after hours activities are special events at an APRO convention. Anyone who was in New Orleans for APRO '87 will confirm that. And this year's show will be no exception.

Two very special daytime spouse
continued on page 56



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"But Kids"*

WHY YOU SHOULD USE Fab-U-Gard®

A Fluorochemical protector which repels alcohol, oil and water based stains.

Does not attract dust, dirt, oil and grime like some protectors.

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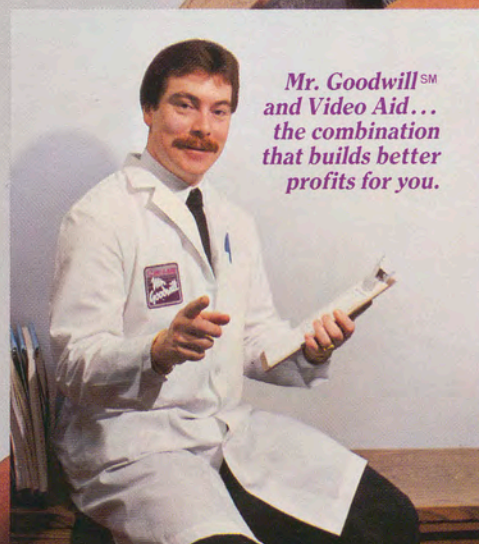
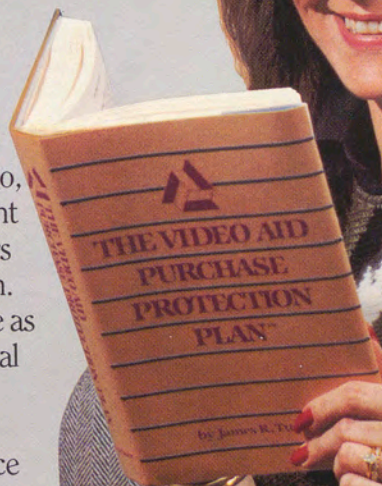
Even seven years ago, we knew how important it was to provide dealers with liability protection. We did it then the same as now, with a "Contractual Liability" policy. It's written between the dealer and our insurance underwriter. This policy remains in force,

keeping you protected, regardless of what happens to the administrator.

Taking care of the dealer is only half the story. Our Purchase Protection Plan™ provides the consumer with all the benefits they want and all the benefits they need. It covers everything. They'll never have to pay for repairs again for as long as they maintain a service contract.

We haven't rested on our successes, either. We're continually developing new programs to keep our Purchase Protection Plan™ the best in the business.

That's why Video Aid Corporation is a leader in administering service contract programs. So, if you'd like to relax with a bestseller, contact us today.



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the combination
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STATUTES

continued from page 44

A practice that is spreading in the industry is for dealers to remove the early buy-out option in the final months of the rental agreement. This is due in part to the percentage formula that has become widespread throughout the country. Dealers in many markets will offer an early buy-out option as follows: the rent-to-own price less the total of rental payments made times 50 percent.

As an example, on a unit with a \$1,000 RTO price and a cash price of \$500, if the customer has paid in \$55 per month for 15 months, he would have paid in \$825 and his buy-out option at that time would be \$88. As customers exercised these options late in the contract, some dealers were suffering a substantial decline in cash flow without sufficient BOR growth to make up for it in the current soft market.

Dealers need to be aware that, in several regulated states, the statute dictates that there must be an early buy-out option during the entire length of the contract. In those states, removing the early buy-out during the final months of the agreement may be a violation of the statute. Dealers need to pay

particular attention to this issue in the following states: Georgia, Michigan, South Carolina, Iowa, Indiana, Ohio, and Virginia.

Theft of Rental Property Under The New Statutes

For the most part, the rent-to-own statutes are silent concerning criminal liability for a customer's refusal to return rental merchandise. Dealers pursue criminal sanctions against customers in different jurisdictions with greater or lesser success depending upon how the criminal statutes are written and the level of cooperation of local law enforcement officials. However, two of the most recent state statutes have adopted contrasting positions concerning rental dealers' use of the theft statutes against customers who refuse to return rental merchandise.

The Ohio statute states that "no lease-purchase agreement shall provide that mere failure to return property constitutes probable cause for a criminal action." This seems to say that rental dealers may not put a notice in their agreements that failure to return rental property may constitute a crime in the state.

For the most part, dealers have voluntarily elected not to threaten all of their customers with criminal penalties since only a tiny percentage of customers actually steal merchandise, and the common feeling among dealers is that such a threat made to everyone is bad public relations. In Ohio, there was no amendment to the criminal statute, and if a rental customer commits a crime, this clause should not prevent its prosecution.

On the other hand, the Oklahoma statute does amend the criminal code by including in the theft statutes specific reference to rental-purchase agreements. This will make it easier for dealers in that state to get criminal activity prosecuted, although dealers are urged to use extreme caution when invoking criminal penalties and to attempt to do so only rarely.

The South Carolina legislature has previously amended its criminal statute to state specifically that rental-purchase transactions are not included within the theft of rental property provisions. South Carolina dealers report no higher incidence of theft of merchandise than other states. Similar legislation is pending in North Carolina and Georgia.

The issue of whether rental dealers can or should use the theft statutes and the criminal judicial system as a part of their efforts to recover merchandise remains a philosophical question within the industry. At the same time, it is apparent that state legislatures are as divided on the issue as the industry itself.

Registration and Licensing of Fees

Oklahoma joins South Carolina and Indiana in requiring the payment of annual fees in order to do business in the state. The Oklahoma statute calls it a licensing fee, although there are no requirements for the license other than the payment of \$100 per store location in the state. Doing business without a license subjects the dealer to criminal penalties.

Price Tag Disclosures

Ohio joins New York and Michigan in requiring that all property displayed in a rental store have price tags with the following information:

- (1) the cash price of the property;
- (2) the amount of the lease payments; and
- (3) the total number of lease payments necessary to acquire ownership.



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Dealers in New York and Michigan report that the price tag disclosure is manageable, although on busy Saturday afternoons, it is occasionally difficult to keep up with all the merchandise coming on and off the showroom floor.

Reinstatement Rights

All of the new state statutes have reinstatement provisions. They vary from two days (Oklahoma) to 90 days (Missouri).

The latest version of the federal bill has mandatory reinstatement rights that are staggered to reflect an increased

grace period as the consumer gets farther into the contract. This is the law in New York, Tennessee, and Virginia, although the specific time periods vary (see chart).

Relation of Federal Law to State Law

An interesting question is what effect the federal statute will have on the existing civil statutes in the event it is enacted. The early industry drafts of the federal bill proposed to preempt the states from enacting statutes governing rent-to-own. This would have been the

simplest solution and would have given uniformity to the statutory framework for regulating the industry.

Unfortunately, preemption is not a popular political philosophy in Washington. Rather, the move seems to be to give power back to the states rather than to take it away from them. Accordingly, the current version of the federal bill states specifically that

This title does not annul, alter or affect the laws of any state regarding the disclosure of . . . lease-purchase agreements, nor does this title exempt any person subject to the provisions of this title from complying with the laws of any state with respect to lease-purchase agreements. . . .

The only exception is when state laws are inconsistent with the federal law. Inconsistency is defined as being when a person "is unable to comply with them [the state laws] without violating a provision of this title." The bill goes on to allow the Federal Reserve Board to give written determinations upon request as to whether such inconsistencies exist.

It is clearly not inconsistent to make additional disclosures. One of the results of the passage of the federal bill will be for dealers everywhere to make all of the disclosures that appear in the federal bill, even though many of the disclosures are not currently required under state law.

An example of that is the disclosure of the cash price. Likewise, all dealers everywhere will have to make price tag disclosures on their merchandise in the store even though most current state statutes do not require such. Likewise, all dealers will have to comply with the reinstatement provisions of the federal law, which can extend up to 45 days if the customer has paid two-thirds or more of the RTO price.

One beneficial result from passage of the federal bill will be to standardize advertising disclosures across the country. That will make life much easier for multistate dealers who wish to run the same ad in several states.

Summary

The industry continues to prove itself an effective lobbying instrument in the state political process. The five new rent-to-own statutes are balanced pieces of legislation that give consumers valuable information by way of contract and advertising disclosures,

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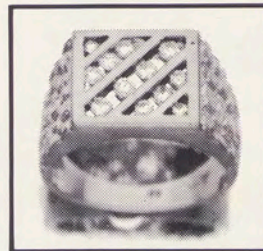
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and substantive rights by way of such things as limits on fees and reinstatement rights.

At the same time, these new statutes, like their predecessors, clearly set forth the legal nature of an RTO transaction and clarify its existence in state law. This gives rental dealers a safe harbor in which to operate and gives them the certainty that the business they are in is, indeed, legal. Even as this article is being written, however, dealers in Pennsylvania are struggling with the new law there which makes rent-to-own transactions "illegal," and dealers in North Carolina are gearing up for a similar battle in their state in June.

Despite events in Pennsylvania and

the tense situation in North Carolina, the momentum seems to favor the industry and these new statutes give comfort to dealers, suppliers, financial interests, and, indeed, consumers and most of their advocates. The state legislative bodies that enacted these new statutes as well as the industry representatives and those representing the consumer interests are all to be congratulated for shaping responsible legislation, which can only have a beneficial impact on the consumer marketplace.

PR

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

The Washington Report

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

We would like to thank all of the APRO members who responded to our request to send letters to the senators and representatives on the respective Banking Committees regarding HR 2537. This office sent out 1200 legislative packages to APRO members across the country. Out of the 1200, approximately 400 APRO members responded. The letter writing campaign generated considerable interest in our bill.

Since that time we have spent the months of March and April conducting constituent fly-ins with dealers from the states of New York, Texas, Pennsylvania, Ohio, Indiana, Florida, and North Carolina. We conducted approximately 50 meetings with members of the Senate and House Banking committees and elicited support for the bill, added co-sponsors, and got commitments for supportive votes on the bill.

We will continue these fly-ins with dealers from the District of Columbia, Maryland, Virginia, California, and Illinois. If you would like to participate in a meeting with Representatives from these states, please contact our office in Washington. As a result of the constituent meetings, 17 House members have signed on as co-sponsors of HR 2537. More are expected as we continue to strive for our goal of 40 total co-sponsors.

On the Senate side, we have had additional meetings with the Senate Banking Consumer Affairs Subcom-

mittee staff who advised us that we are third on the list for hearings in June.

Before those hearings begin, we will meet with the representatives of the Consumers Union, Consumer Federation of America, the American Association of Retired Persons (AARP), and the United States Public Interest Research Group (US PIRG). We are hoping these consumer groups will have a positive response to our legislation and that they will be interested in participating in the hearings in June.

We are also pleased to have the support of the Furniture Rental Association of America (FRAA). This Association, through their general counsel here in Washington, have been conducting similar constituent fly-ins and have been very helpful in generating interest and support for hearings on the bill.

We ask those APRO members who have not responded to the first request for letters to senators and representatives that you please write soon. Also, mail copies of any correspondence that you send or receive to our office here in Washington: Choate, Filler & Nehf, Attn: Laura Nehf, 1101 Connecticut Ave., NW, Suite 405, Washington, DC 20036.

PR

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

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LAS VEGAS

continued from page 50

tours are planned. One will include a mini-tour of Las Vegas en route to visit two artists' homes and studios. A gourmet luncheon and fashion show will follow and shopping at the new Inter-Expo mini-Epcot Center will end the day's program.

A behind-the-scenes look at the "Jubilee!" show at Bally's is the second big spouse event, scheduled for Saturday. At least two of the showgirls and a stage manager will be on hand to conduct the tour and describe the special effects

used to stage the extravaganza. Bally's claims the only two stages that can rival their Las Vegas stage are Bally's-Reno and the Metropolitan Opera in New York.

In contrast with the casual atmosphere of the first night cocktail party, Thursday night's gala cocktail party will be a dressier affair. It's Hollywood Be a Star night, which means you can dress as your favorite movie star, or go semi-formal. Or pretend it's a Hollywood premiere and dress to fit the occasion.

Saturday night it's boots and jeans for a trip to a ghost town, where we'll fill

up on finger-licking barbecue and dance the two-step to a country-western band. It's a trip back in time to Old Nevada, but travel will be by modern buses, not stage coaches.

No events are scheduled for Friday night, which leaves you free to find your own fun.

A complimentary champagne breakfast in the exhibit hall will get Sunday off to a good start. That day will be your last opportunity to talk with suppliers and place orders for new inventory and services.

APRO's annual convention provides many benefits, but some members say the most important is simply the chance to meet others in the same business, talk over similar problems, and perhaps find a solution to those problems.

See you there? **PR**

Frances Knight is APRO director of communications and editor of PROGRESSIVE RENTALS.

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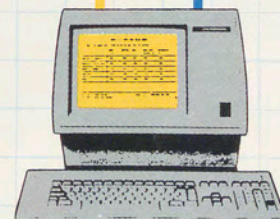
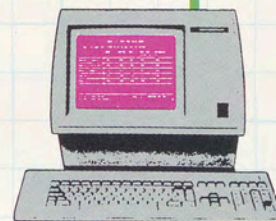
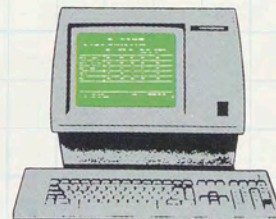
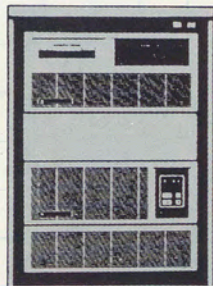
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MIKE SHERIFF

continued from page 9

"After five years the industry has matured to the point now where I heard an estimate the other day that the revenues were pretty close to \$900 million amongst the computer rental firms I know of. It's difficult to get a handle on the size of computer rentals. I've got a friend in Chicago who keeps trying to put together a trade association for computer rental companies, but the industry is just not old enough.

"This segment of the market won't vanish five years from now, but it's like anything else, you're going to have larger players, and fewer and fewer individual players. We're investigating sites for two more stores to open outside of Texas, and the amount needed just to finance equipment becomes a pretty healthy number.

"As the economy shifts gears, it has a tendency to affect rentals, but when the economy settles down, it's going to level out, like Dallas is now. It may not be a good economy, but at least it's settled down where people are used to it.

"The biggest change we have noticed in difficult times was that we began to attract more clients for whom we ended up being their last source of financing for personal computers. So, we're subject and have to be a little more careful of bankruptcies, collecting money, that type of thing.

"You just have to be a little more sensitive to the fact that client companies you're dealing with, large and small, may be having cash flow problems.

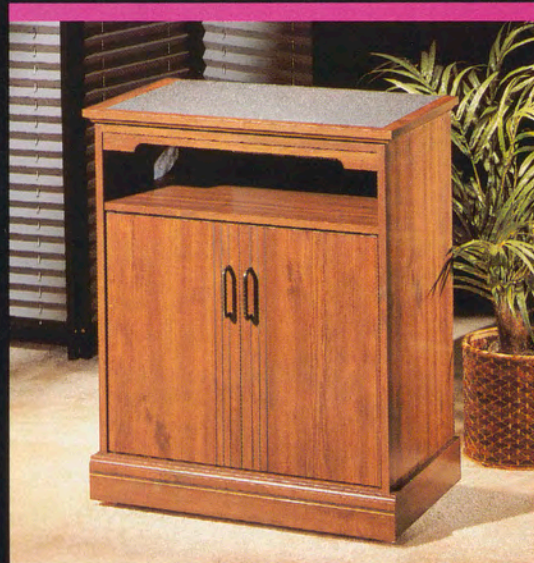
"We've never lost any equipment in a bankruptcy or that type of situation, but when somebody declares bankruptcy, it's still a hassle getting our equipment back. It takes sometimes 60 days, and we lose the money for the lease, and then we lose the opportunity during that time to re-rent the equipment to somebody else."

Sheriff suggests that becoming an authorized dealer would be important to any dealer thinking about entering this specialized market area, then in the next breath explains that in most areas of the country major computer makers such as Apple and Compaq are cutting back dealerships rather than adding them.

"It helps to be an authorized dealer. I think we're the only authorized Apple dealer in the United States as a rental company."

PR

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COMPUTERS

continued from page 16

to ignore it, because it's going to do the work."

Ted Wilson is another advocate of the computer, even for small stores. "If a guy has only one store with only 200 accounts or something like that, maybe not, but if he's got one store with 500 or 600 units, it will take him a long time to manually go through and get the information he needs to run that store well.

"I don't care how much money a store makes, if it's not running efficiently, it could always make more. And that's why we're in business, I suppose. That's the key, allowing you to make better use of your resources, be it people or merchandise, or your own time, and the computer does that. The cost of the computer now is so low that it doesn't make sense not to do it."

Curtis Pearsey added computers when his chain had grown to seven stores and believes that dealers should "stay with the cards until you have to change."

Harry Krause sees no reason for small

Dealers expressed mixed opinions regarding the necessity of computerizing for small operations with only one or two stores.

operations to delay computerizing. "There are some significant numbers that are difficult, not impossible, but difficult to accurately monitor manually. First would be lost rental income. Second would be accurate delinquency. It's certainly possible to keep those records accurately, but you can save a lot of money by going on computer and do a much more efficient job.

"The computer doesn't lie. If you put bad information in it, you get bad information out. But if you monitor what's going into the computer, then you don't have to audit to make sure it's giving you accurate information when it comes out. You can pretty much count on that information. The computer performs its tasks exactly the way you program it, and only responds exactly how you put formulas into it.

"I think that you get a lot more consistent information out of a computer, and even a one-store operator can concentrate his efforts on doing more business and training his people, rather than having to stand over their shoulder all the time wondering what they're doing.

"Just the savings in lost rental income on a one-store operation would more than pay for the computer system—just about any computer system that I'm aware of on the market," says Krause.

"The computer doesn't lie. If you put bad information in it, you get bad information out. . . . The computer performs its tasks exactly the way you program it. . . ."—Harry Krause

What about Obsolescence?

Krause cites a computer maxim that every buyer should remember, and then makes a convincing argument for ignoring it. "Every computer system is obsolete the day you install it. It's a rapidly growing technology. Although I'm replacing the investment of \$30,000 that I made five years ago when I had one store, I feel that I've more than gotten my money back on that particular investment.

"Now I'm making an investment of approximately \$100,000, and as best as I can guess, I'll get my money back in a year or less. I think a computer system can add enough to an operation to make your operation considerably more profitable, and it pays for itself very quickly.

"I'm simply not concerned that my computer system will be obsolete next year. I know it will be. But I also know that if I didn't invest that money last year I wouldn't make as much money as I did this year," says Krause.

PR

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

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CORPORATE MOVES

David Buck has been named regional manager for **Canyon Rent-To-Own** stores in Arizona, Nevada, and California. Buck joins the Las Vegas-based company from a Texas rent-to-own chain. Also new at Canyon is **Richard Pisano**, a Seton Hall graduate who has joined Controller Martin Raucher's staff as internal auditor.

Moving up within the ranks at Canyon are former store managers **Robb Lipsey** of Phoenix and **Ramon Lim** of Las Vegas. Both are filling newly created positions of operations representatives and will be working under Buck and operations manager Mark Bartholomew.

Mark Seward, a member of the Management Information Systems Department at **Aaron Rents** since 1981, has been named director of that department. Seward began his career with Aaron Rents as a programmer/analyst and was promoted to manager of systems and programming in 1984. **Larry Jones** has been named to replace Seward in that position. Jones joined the Atlanta-based company in 1984 as a programmer/analyst and had most recently been project leader for home office financial and inventory applications at Aaron Rents.

Aaron Rents has expanded their Florida operations with the purchase of the Fort Myers locations of Powell Furniture Rentals and the Clearwater and Tampa locations of McGregor Enterprises. The Fort Myers buy gives Aaron Rents its first showroom in that city. They will be renting and selling both residential and office furniture from that location.

The acquisitions were for cash. The Fort Myers purchase included all outstanding lease and rental contracts and all showroom and warehouse inventory. The Clearwater and Tampa acquisition included all outstanding lease and rental contracts as well as the furniture and equipment underlying those agreements. Contracts were to be merged into the existing Aaron Rents stores in Clearwater and Tampa. Aaron Rents now operates 41 stores in Florida.

J.E. (Joe) Ringer has moved to Atlanta to become RTO division manager at **Charles S. Martin Distributing Co.** He was most recently with another furniture distributor, Philip M. Bell, in Pennsylvania.

Network Rental has added three new



Fike



Berman



Walding

staff members to its management team in Atlanta. **David Fike** is new company controller, coming from a similar position with Async Corporation. New director of marketing is **Irwin Berman**. Previously vice president of Southeastern Marketing, Berman is responsible for advertising, product selection, and new market selection at Network Rental. **John Walding** is new construction manager and will be in charge of store maintenance and construction. He was most recently in charge of

remodeling the Target department stores.

Network Rental has opened three more stores in Chicago, the company's primary expansion market. The addition of the South Halsted Avenue, North Broadway Avenue, and South Stony Island Avenue locations brings to 43 Network's total of company-owned and franchised stores across six states in the southeastern and midwestern United States.

PR

INDUSTRY NEWS

Staying profitable in the wake of increasing competition was the theme of the annual **NARDA (National Association of Retail Dealers of America)** convention in late March. Commenting on retailers' concerns following the show, NARDA Executive Director John Shields said, "Never in the 45 years that NARDA has been helping the nation's independent retailers has the competitive environment been so intense. Locally owned consumer electronics and home appliance stores are becoming increasingly threatened by the publicly held retailers entering their market." Elly Valas, elected to her second term as NARDA president at the convention, added, "The number of independent retailers is fewer in number than in years past." That reduction was reflected in the attendance of 900 plus, down from previous years.

Among those attending the NARDA show in Phoenix were regional and national buying groups, service warranty companies, vendors of services to retailers, and most of the industry's brown and white goods manufacturers. Several buying groups held meetings for their members, and attending service warranty companies met to discuss forming their own association and possible creation of a code of ethics and recommended business standards.

Rent-to-own was the subject of a seminar at the **American Rental Association (ARA)** convention, held in Houston in February. Seminar moderator Ned Graham, an equipment rental operator from Delaware, expressed concern over the consequences of rent-to-rent businesses getting into rent-to-own and said he would prefer not to get into rental-purchase agreements. *Rental Age* magazine quoted Graham's comments as follows: "I don't like it. My personal bias is based on the impact it has had on my company. I don't think there is any question in this room or at this convention that the rent-to-rent business is a much more profitable business. It (rental-purchase) gives our customers a great deal of control over our business. To structure an open-ended, free-flowing, 'buy it any time you like' attitude put our customers in the driver's seat." Three other panelists in the seminar agreed with Graham, advising caution in structuring any rental-purchase agreements and care in making sure the transaction is profitable.

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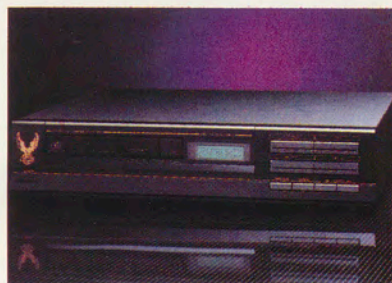
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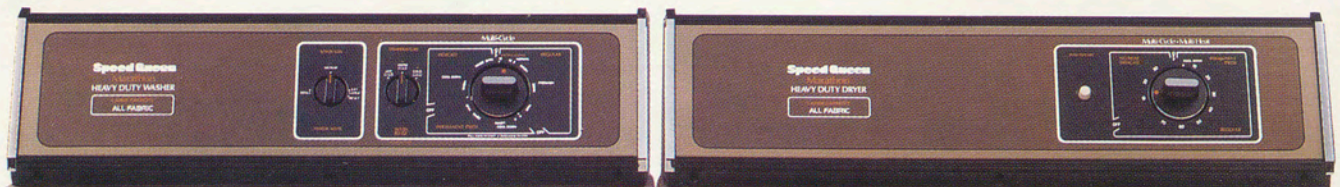
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