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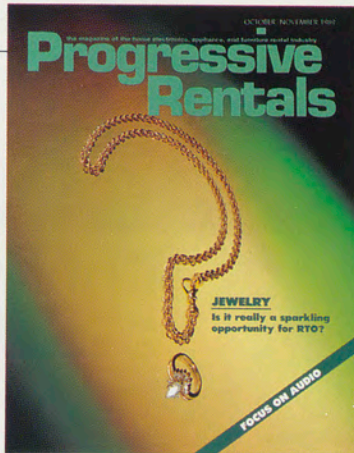
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ON THE COVER: Rent-to-own jewelry. Is it a panacea or a Pandora's box for the industry? Our cover story, which begins on page 18, looks at both sides of this question mark.

COVER PHOTO BY:
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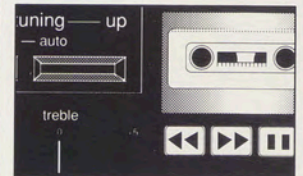
The glitter of jewelry can mean gold for rent-to-own dealers, but they may want to consider the pros and cons before venturing into the uncharted legal waters that come with it.

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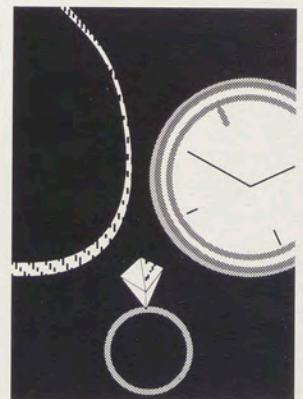
Until recently, this 12-year-old company may have been one of RTO's best-kept secrets. But when dealers need service, more and more find 'Service Solutions' does just what it says.

38 Divorcing your computer

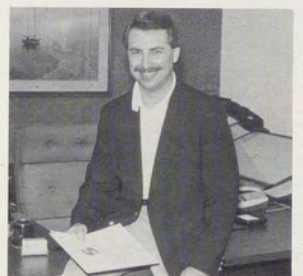
Parting with an existing computer system can be compared to leaving your mate. You should carefully weigh all options, including a possible reconciliation, before filing for 'divorce.'



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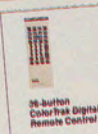
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- 3-jack stereo audio-video monitor panel for direct hookup of a stereo VCR.
- Dual-speaker MT3 broadcast stereo sound system with built-in dual noise reduction and SAP (foreign) capability.
- Automatic ColorTrak picture control circuitry.



G2626STK
 This 26" ColorTrak stereo console is designed to complement country decor. Traditional Oak finish on floorboard and select handwood solids. Concealed casters. H-34 1/2", W-40 1/2", D-19 1/2".



G2626HP
 Traditional styling in Harvest Pecan finish on handboard and genuine handwood solids. Concealed casters. H-31 1/2", W-40 1/2", D-20".



G2626TN
 Contemporary-styled cabinet with Tawny Oak finish on genuine wood solids and floorboard. Concealed casters. H-30", W-38 1/2", D-19".

RCA 26" diagonal ColorTrak Console Color TVs

RCA 26" diagonal ColorTrak Console Color TVs

For truly affordable performance in handsome console styling, these 26" RCA color TVs feature an all-electronic control system with on-screen prompts and displays for simple operation. Other deluxe features: 24-button digital remote control; built-in clock with Sleep Timer; cable-composition quartz tuning; Auto-start Auto Programming with Hi-Con™ screen; and automatic picture circuitry for consistent quality—program to program, channel to channel.



G2613HP
 Handsome ColorTrak console in traditional styling. Harvest Pecan finish on floorboard and genuine wood solids. Concealed casters. H-31 1/2", W-38 1/2", D-19 1/2". (Available Fall 1988)



G2613SPN
 Here's classic Country American style. Pine finish on floorboard and genuine wood solids. Concealed casters. H-31 1/2", W-38 1/2", D-19 1/2". (Available Fall 1988)

G26131TN
 Clean-line Contemporary cabinetry with pine finish on floorboard and genuine wood solids.

Color Television



G2626STK
 This 26" ColorTrak stereo console is designed to complement country decor. Traditional Oak finish on floorboard and select handwood solids. Concealed casters. H-34 1/2", W-40 1/2", D-19 1/2".

Cassette Recorders



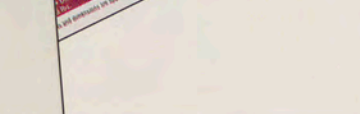
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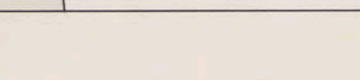
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G26131TN
 Clean-line Contemporary cabinetry with pine finish on floorboard and genuine wood solids.

If you're not part of solution, you're a part of the problem



If you're not part of the solution, you're part of the problem! Since being elected president of APRO, I have talked to more than 100 dealers, trying to get some idea of just what direction the association should take in the coming year and beyond.

As you might expect, I got 98 different answers which, if charted on a graph, would look something like a wagon wheel. Conceptually, though, several general ideas have gelled from these diverse responses:

1. It appears that the dealers want more value for their dues dollar through better and more affordable member services. On the other hand, many dealers are quite satisfied with the services APRO provides for the cost of membership.
2. Some dealers want more educational programs at less cost and on new topics. On the other hand, several dealers complained that APRO was a for-profit "seminar machine."
3. Many dealers want less emphasis on LDIF (Legal Defense and Information Fund) and other legal matters. On the other hand, quite a few dealers believe strongly that not supporting LDIF will sign a death certificate for the industry.
4. Some dealers complain about the "country club" attitude of APRO and believe the "vacation seminars" and trips should be abandoned. On the other hand, an equal number want more of this type of activity.
5. Some members complained about the quality and content of *Progressive Rentals* magazine. On the other hand, some could care less.

As you can see, even boiled down the wants and needs of dealers go all over the board. Which way should your association go to best serve the needs of its members? The answer is clear to me. We must do it all, and do it well. If this sounds like an impossible task, it isn't!

You have probably already noticed a change in the look and feel of *Progressive Rentals*. It is friendlier, more readable, and has more personality, pictures and human interest. In short, it is more fun! This will continue.

The fall seminar program offers new, timely and exciting topics at a nominal cost. (All seminars have been offered on a "break-even" basis for years but we figured out how to trim some of the costs.) They are being held in a central location at a nice hotel that doesn't get an arm and a leg for a room. If this concept is well-attended, this too will continue ("break-even" means not losing money either!").

New member services are being researched which will help keep dollars in members' pockets, and old programs are being reviewed and improved. Participation in the programs will determine whether they are ongoing or not.

If you have not talked to someone at the APRO office for some time, be prepared! They will be calling all members on an ongoing basis for ideas to better serve you. When they call give them hell or give them praise, but please give them input. Your

TED WILSON, continued on page 33

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The positive aspects of change always yield greatest rewards



The rent-to-own industry has undergone major changes during the last decade. Most observers in our industry agree that the rate of change will accelerate in the coming years. Clearly, the one constant we can all bank on is *change*. I'm sure your operations have been and will continue to change.

APRO, your association, is no different. When I became executive director, I told the staff at our first staff meeting that everything we do in our office is subject to change, and that as far as I was concerned, that there are no "sacred cows" in the APRO office. It is my firm belief that change provides us a golden opportunity to grow, learn and prosper. We should not be fearful of change.

I then began a review of all our office procedures and policies. This review will take several months to complete.

Already, we have made major changes in APRO. I have reorganized the APRO staff to better serve you, your needs, and the industry as a whole. A new department has been created . . . the APRO department of member services. I named Debbie Hansen as the new director. Debbie has the experience in the association and the drive and energy to focus on member services. Shelley Martinek and D.J. Thomas are assistant directors to provide the manpower, skills and enthusiasm to help me and Debbie focus on providing you with the services you expect from APRO.

To help us determine those services, I have initiated a program whereby the APRO staff is making calls to all our members to inform you of the latest APRO events and to solicit your comments about APRO and the RTO industry.

Soon, all APRO staff members will begin in-store training to ensure a base level of knowledge and hands-on experience in the rent-to-own industry. Bill White, president of Action TV and Appliance Rental, Inc., and APRO treasurer, has graciously consented to have the APRO staff train in his recently purchased stores in Austin.

Our August-September issue of *Progressive Rentals* has been well received. This issue launches several major changes in the format. You will see even more format changes in coming issues.

RTO Network News has changed. In addition to the latest and best coverage of all legal and legislative efforts by APRO and the state associations, this monthly publication will also include information about APRO, its members and the rent-to-own industry.

We are reviewing all other existing member services to ensure that we are providing the best available. I have spent many hours this last month with our property and casualty insurance people and our group health insurance program working for ways these programs can be improved to be of more value to you and your operations. A new revision of our *Collections Manual* is nearing completion. An excellent two-day seminar on employee issues is scheduled for Nov. 16 and 17 to be held in Arlington, Texas, just a few minutes from the Dallas-Fort Worth airport (see story page 30). A four-day Caribbean cruise seminar is scheduled for the middle of March. And there is much more to come.

Even the location of the APRO office is changing. Our current lease expires in

BILL KEESE, continued on page 33

APRO member services, membership benefits

ANNUAL CONVENTION — An annual trade convention is held every summer bringing rental dealers across the nation to meet and share their experiences and knowledge about the rental industry. The 1990 convention is scheduled for July 22-26 in Orlando, Fla.

TRAINING MATERIALS AND SEMINARS — Seminars conducted by professional consultants and experienced rental dealers cover selected topics designed to aid professional management of rental operations. Seminars highlight major areas of concern for rental dealers, including: legal procedures, collections, finance, personnel, management techniques, advertising and marketing methods and more. Seminar sites have included Dallas, Atlanta, St. Louis, Washington, D.C., New Orleans and London. The next fall seminar is scheduled for Nov. 16-17 in Arlington, Texas.

PUBLICATIONS — *Progressive Rentals* magazine — the "voice of the home product rental industry" — is issued bimonthly and is full of industry news, trends, developments in marketing strategies, sales methods, management policies, legal updates and product display advertising.

RTO Network News — The newest monthly publication headlining current national and state legislative issues. For up-to-date news on regulatory issues, turn to *RTO Network News*.

Who's Who in Rent-To-Own — The most complete national listing of rental dealers available. Published annually, the directory offers alphabetical listings by principal owner, dba and by location of rental dealers and suppliers to the industry.

Administrative aids — Samples of various standard business forms used frequently by rental dealers, including sample rental application forms, rental agreements, vehicle reports, skip-trace control forms and inventory control forms.

Collections Manual — A guide offering preventive maintenance and effective results for the industry's biggest headache — skips and stolens.

Skip-Trace Manual — A comprehensive guide to locating missing persons.

Legal defense packet — This legal packet is available to all members to minimize legal research costs. Topics include usury, repossession, bankruptcy, deceptive trade practice legislation and consumer protection laws with specific case examples.

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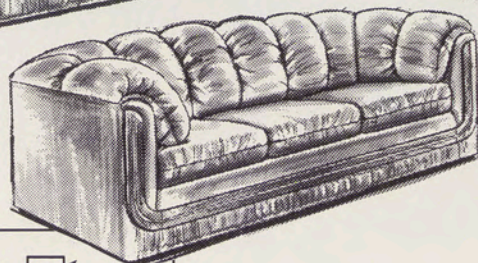
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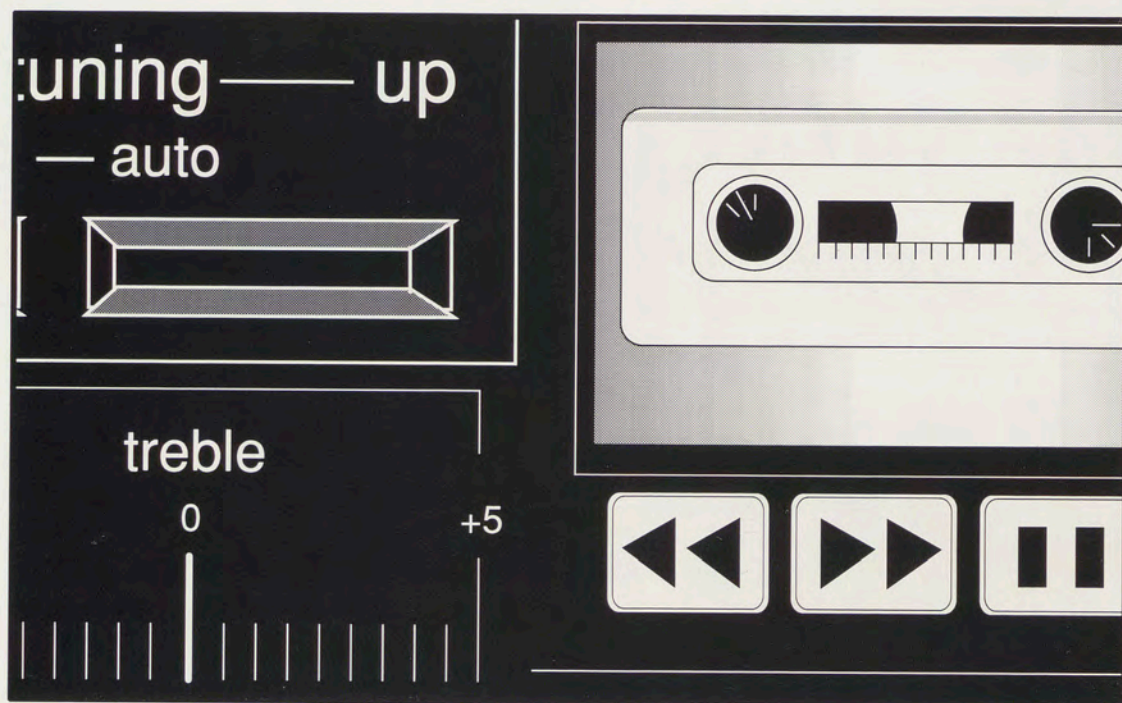
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The 'year of the CD' just got expanded

Compact discs only part of the bigger picture in audio rentals for 1989



Text by John Gormley
Graphic by Joel Mathews

Although 1989 was forecast as the year of the CD, the compact disc player is only a part of the audio rentals big picture. Rent-to-own vendors and dealers confirm that the CD is a hot item, but mostly as an essential component of the larger home entertainment systems.

The trend toward all-in-one systems reflects a consumer preference for hassle-free electronics, industry experts say, and it's no surprise that features such as remote control are now almost standard. Graphic equalizers and high-energy speakers are also — to some consumers — popular ingredients of the audio mix.

Dealers are finding it increasingly difficult to separate the audio and video

product lines, however, since more and more rent-to-own customers want a built-in audio-video system that includes what are now the basics — television, stereo receiver and CD.

Decreasing costs have no doubt contributed to the increasing popularity of turn-key systems. "I'm seeing a great swing to low-end products," says Jim Rives, Soundesign Corporation's national sales manager for rent-to-own. "A couple of years ago everybody wanted the high end — the Fishers, the Pioneers, the Sansuis, the Hitachis. Now, all of a sudden, it's come full circle again."

Rives believes Soundesign's product is particularly suited to the traditional RTO market. "From what I understand,

and I don't want to use the word 'saturated' because you can't ever saturate the market, but there's not that many people who can buy that high end. There's more that can buy the low end. And they all (companies) tried to improve their customer base by getting a higher-type customer. But they found out that's not where the business started from. It started from the low-end customer. Every three or four years it swings."

The advent of the compact disc player several years ago helped usher in a cycle to the high-end product lines. But with

technology improving and costs dropping — both for the units and discs — the CD has become an affordable standard and the pendulum has moved again.

"The software came down the last couple of years and it (now) equals the cassette," Rives says.

When CDs first came out, the discs cost \$14 to \$15. Currently, they're running at \$7 and \$8, according to Rives. "They're looking for sales of the discs to be greater, but the problem is people now understand what a CD is and they understand that a CD can't record; it can play only. This is supposedly the year of the CD but ... I don't think anything (more) is really going to happen until they can record in great volumes."

For that reason, others believe the turntable is not dead — yet. "That's

"They're looking for sales ... to be greater, but the problem is people now understand what a CD is and they understand that a CD can't record; it can play only. This is supposedly the year of the CD but ... I don't think anything (more) is really going to happen until they can record in great volumes."

— Jim Rives, Soundesign

why you're still going to need them because you can take your albums and record on to your cassette tapes," says John Blair, executive director of the Trib Group, a nationwide buying organization for small- to mid-size RTO dealers. "Like myself, I grew up with my records; I'm not going to get rid of them. I still need the turntable. I just think it's kind of there. It's going to take several years to phase out completely."

Others see the demise of the turntable as possibly coming on sooner thanks to improvements under development for the CD. "One of the things we're seeing that the rental customer is looking for ... is a CD changer," says Ken Gay, director of rental accounts, Philips Consumer Electronics. "You can have a single-play changer that is similar to a record player that you manually change one CD to another. Or, you can have a changer that will literally change the disc for you."

Gay adds that the newer CD changers can load and play multiple discs in a fashion similar to the old commercial-quality jukeboxes. "It's not a new product, but Philips invented the CD so we're in the forefront of technology."

A current priority for Philips, Gay confirms, is the all-in-one type of unit, which represents a merging of two traditional markets — audio and video — and is a reflection of consumer trends. "We have two A/V (audio/video) units and we will continue with those for the foreseeable future," said Gay. "It's a high-demand product."

Dealers say the all-in-one solution is popular with consumers because of convenience and affordability.

"We've gotten a lot of requests for them," says Dennis Early, secretary-treasurer of Alpine Rent To Own in Gaylord, Mich., "but we really haven't been able to find a unit that we're happy with at the right price point. We had some ... entertainment centers that had a small stereo with built-in speakers

and a 19-inch color TV; it was all remote. Nothing real great as far as audio went. But it did provide people who needed a stereo and a TV, who didn't have a lot of space, with what they wanted at a fairly decent price."

That type of fairly low-end configuration costs between \$15 and \$25 a week, said Early, depending on the options. Other dealers report a range from \$25 to \$30 a week for a typical system.

Although there is some attraction for high-end features — "the more bells and whistles the more appealing," Blair says — most RTO customers don't ask for too much. They're interested in what they consider essential features at modest prices, for the most part.

"Basically all they want is a home entertainment center," believes Bob Simons, president of All Star Rental, Inc., a 12-store company based in North Charleston, S.C. "Of course they want the TV to be remote control. And they want it all in one piece. They don't want a big, bulky thing; they like the smaller cabinet. But, as far as individual features, we haven't had any hard-core requests."

Some of the features Early's customers frequently ask for include remote control, graphic equalizers and high-wattage speakers — which are subject to blowouts. "As far as warranties, if it's a blown speaker it's not covered anyway. And that's probably the only problem we run in to," Early says. "Occasionally we've had some electronics failures but it's been pretty rare. And we just handle those ourselves

since we have our own in-house service (department). We don't bother with the paperwork (of filing a claim); we just absorb the cost."

Even though most RTO customers don't insist on a myriad of features or even name-brand products, there's still a need for quality, Simons adds. "The problem is there's very few systems out there that are really worthwhile. A lot of them are junk. To find one that I'm willing to buy — that you can still be competitive on — has been difficult."

While all-in-one systems have generally become more affordable — especially for rent-to-own customers — that trend hasn't necessarily been good news for RTO stores, according to Jeffrey Allendorf, owner of Altec, Inc., a Cambridge, Md.-based Curtis Mathes dealer.

"As far as I'm concerned, the electronics industry is killing itself with the low prices," says Allendorf, who owns five stores and has more than 20 years experience in rent-to-own and rental. "I can remember five or six years ago, a 19-inch portable used to run you \$600 or \$700, the console was \$1,000 or \$1,200 at retail level. And now you can get all three pieces for \$1,200 or \$1,500."

But it's not just the lower prices that have hurt RTO, Allendorf explains. It's the fact that three or more components have been distilled into one — or one balance on rent (BOR).

"I think that's one of the big problems. It brings your APUs (average cost per unit) down; you're renting out this

Continued on page 20



Cops and robbers

I have recently spoken to store and regional managers at a major company's annual meeting. In addition, we are planning a two-day meeting in November about employment issues in the rent-to-own industry (see page 30). So, store employees are much on my mind these days. We, all of us in the industry, know that the job of running a rental store is no mean feat.

Among many other responsibilities, store managers often hire and fire the other store employees, with or without the blessing of a regional or someone else higher up. We all know that turnover at the store level is considerable and that store managers do a lot of hiring and firing — more, I dare say, than the managers of other retail stores of comparable size.

One of the reasons for that is because the rent-to-own collections business is a far harder and more complex task than driving a truck or flipping burgers or taking orders. Rent-to-own collections is demanding work and not everyone is cut out to do it.

A problem that I see in the rent-to-own employment marketplace is that exactly the wrong kind of people are attracted to the rent-to-own collections business. All of us who must look for employees occasionally succumb to hiring the next warm body to fill a vacancy. I have done it in the law business and I know it has been done in the rent-to-own business because I and other lawyers have been left with the messes created by these employees.

There is an attitude among some

employees that is dangerous for this industry, and yet the nature of the business encourages this attitude. For lack of a precise term, I will call it "the cops and robbers" attitude. I know that I encountered it first 10 years ago within a week of being introduced to the business when I talked to the "head of security" of a small rental company. This employee, a vice president in the rental company, was a former private investigator who schooled me at length about his in-house systems for chasing down skips and stolens. This man's concern, of course, was the customer who was watching his company's TV for free. He was not an emotional fellow and, in fact, he was quite deliberate and calculating in his efforts. He was not angry at these customers; he bore them no resentment. He, nonetheless, thought it to be his mission on earth to recover those TVs at any and all costs. He would have, without a thought, spent all of his company's money to track leads on long-gone customers who had "beat the system." These customers had broken the law — the rental agreement — and this man's purpose was to bring justice into the world by righting this ongoing wrong.

In my own naivete, I got caught up in the stories of dastardly customers who had made off with the loot. One of my first thoughts was for an APRO skips and stolen hotline — an 800 number to catalog and record every customer in the country who ever stole a TV set from a rent-to-own company.

This employee never gave a thought

to renting product. He never looked at a profit and loss statement. He was, after all, "head of security" by his own designation and "cops and robbers" was the game he was being paid to play.

The game of cops and robbers is being played every day in America at various levels. There are the real cops and the real robbers, of course. They — both sides, unfortunately — get to carry guns and the game is a deadly serious affair. They play the game in prisons across the country and, for the most part, have gotten rid of the guns on one side. In the highly regulated world of secured transactions, the game is played in the middle of the night with repo men reclaiming automobiles and, thereby, righting some wrongs in the world.

There is an attitude in this game which is pretty hardnosed. The "cops" have a hard job and the people they are chasing are, by all rights, "bad people." There must be a profound sense of satisfaction in getting to wear a uniform, carrying a badge and gun, and to be on the side of law and order. It is a dangerous calling, often a thankless one, and we should all feel grateful that there are people of courage who choose this path.

Unfortunately, however, we all see too many such people who find their way into the rent-to-own industry. The kind of people we need in the rent-to-own collections business are patient, clever, persistent types who have highly developed interpersonal skills — people who can collect without resorting to threats and intimidation. The kind of person who applies for the job of account representative in a rent-to-own store often would be happier and more fulfilled if he had a badge and a gun. It is no secret that we have had rent-to-own employees who, unsatisfied with a stack of cards and a receipt book, went out and bought their own badges, presumably so that they could play the game more effectively. This happened in Pennsylvania, the story made the papers and the legislature put the industry out of business. When it happens again, I expect much the same result.

The nature of this industry is such that everyone who rents enough TVs is

Continued on page 44

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Training store managers the cost-effective way

Dealers can implement management development programs with ease

By Wayne Outlaw

Some organizational philosophies hold that it's not worth the time, effort and money to develop managers. Other organizations' leaders wonder if they should. Still others have already made a commitment to their managers.

If you are in the group that's undecided, this article is for you. We will look at how to go about setting up a management development program, outline the benefits it can yield and examine some of the associated costs. Most importantly, you should get a better idea of what it will take to make it a worthwhile investment.

First, let's look at what it takes to set up a management development program. Surprisingly enough, it is much easier than most people think. Almost all rent-to-own organizations have monthly managers' meetings. These sessions tend to be devoted to administrative details, analyzing the numbers, sharing information on product knowledge and similar topics.

Once you've taken the time and effort to assemble the managers, devoting several hours to improve their skills makes sense. Properly structured, this type of session can address areas of need and provide immediate and tan-



agement session, you're well ahead of the game. To provide consistent development, these sessions should be scheduled each month and give the managers an opportunity to practice what they learn. By putting it to use during the month, managers will not only reinforce the skills they've learned

but the company will also be able to pay for the time and effort involved — through increased results and balance on rent (BOR).

For the program to be successful and achieve maximum results, it must be focused on the specific needs of managers. Simply talking to the managers may be sufficient to uncover their needs; or, a more extensive analysis may be needed. One thing is certain, however. Needs change. As managers grow and learn new skills, their areas of need will evolve. For this reason, a management development program must be continuously revised.

Once you have determined the format of the meetings and the needs of the managers, you can create the sessions themselves. The sessions can

Once you've taken the time and effort to assemble the managers, devoting several hours to improve their skills makes sense.

gible results by increasing skill levels, performance and, ultimately, profits.

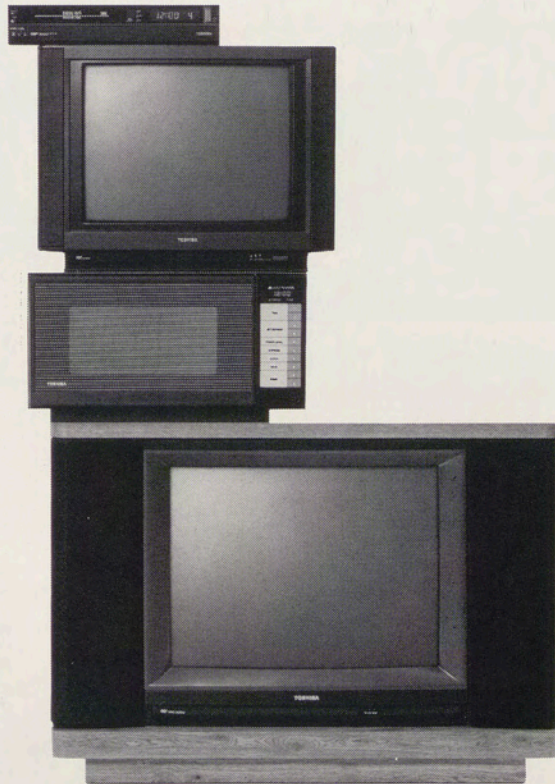
If you already have a format in which you can conduct a management devel-

Continued on page 16

Toshiba announces a rent increase.



1987



1989

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Continued from page 14

range from simply discussing a specific topic to a more structured format designed to teach a skill or ensure that it is applied. Sources of materials for these types of sessions include audio tapes from APRO seminars, audio and video training sessions, articles from management publications or *Progressive Rentals* and sessions designed and presented by outside trainers and consultants.

Development of the sessions doesn't necessarily have to be the responsibility of one person. A talented store manager can develop a session that will provide excellent information, build skills and provide a developmental opportunity for the manager. It is essential, though, to have one individual responsible for the coordination, scheduling and planning of these sessions. By setting aside two to four hours each month, the skills of the manager can be improved. This time frame tends

to work best because it does not take the manager away from the business too long yet provides enough time to learn skills. By having managers examine topics together, they can use this time to resolve problems and improve communications.

Most people wonder what types of subjects or content should be covered. To achieve maximum results these sessions should focus on improving the skill of the manager and working with employees. By increasing skills in the areas of hiring, setting expectations, coaching and counseling, training and improving performance, the organization will achieve the maximum benefits. Most dealers, as evidenced by our study reported in the August-September issue of *Progressive Rentals* (page 16), believe these subjects need more emphasis. Focusing on these subjects is likely to produce better results than reviewing the specific technical or operational parts of the rent-to-own business.

Now that we've covered how to set up the program, let's look at its cost. The total cost of setting up a management development program can vary considerably. It can be as little as the purchase of audio-video tapes or extensive as developing a customized in-house training program.

The price of a session, for example, can be as little as \$10 for an audio tape from the last APRO convention. Most video tapes on key management topics range from \$50 to \$700. Sending managers to public seminars is relatively inexpensive and ranges from \$50 to \$175 per day if travel is not considered. The drawback to public seminars is that while they may be interesting, they generally don't develop the skills that can be easily applied to a specific business or industry. APRO seminars at local state associations and regional sites are inexpensive and provide excellent information and the opportunity for participants to gain a broader perspective from others in the industry.

Even a well developed in-house training program can be very affordable based on the results it produces. The cost for developing in-house programs will vary based on many factors, such as time needed, complexity and degree of customization. Ideally, in-house programs are revised as the needs of the organization change and the skills of the managers improve.

A generic program could be created from a variety of sources — the American Management Association is one example. Programs or sessions cost from \$200 to \$500 each. They usually include the trainer's guide and most of the support material needed. Unfortunately, someone within the organization must take the time to study the material and adapt it before it is presented to their managers.

Outside consultants and trainers can provide focused and tailor-made programs designed to not only build skills but also to assist in specific areas of the business. The cost for this approach is generally more than generic training, but the results are superior and longer lasting. The general cost for creation and delivery of customized training is up to a day's pay per participant (per

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Continued on page 44

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Because jewelry is a topic of great interest within the rent-to-own industry, APRO's leaders sought to publish articles representing both sides of the issue — pro and con. The views expressed here are the authors', and APRO does not endorse or reject either point of view.

The enticement of rent-to-own jewelry

The glitter of this relatively new product line can mean RTO gold



Claudia Filloramo is considered the industry leader in rent-to-own jewelry. She is presenting the 'pro' side of this issue's cover story.



PRO

By Claudia Filloramo

As I entered the hall, I could almost hear the roar of the crowd. The excitement level was high; the electricity of people sharing a common interest assembled under one roof. A hush descended as if a grand secret was being shared ... anticipation mounted.

No, I'm not talking about a rock concert but the 1989 APRO convention in Washington, D.C. (Aug. 9-13). If you missed it, fellow rent-to-own dealers, you missed a turning point in the industry.

Usually one concept captures attendees' imagination at each convention. This year the awareness award goes to jewelry. It seemed to be the topic of the event — "are you doing it yet?" Whenever the answer was yes, a barrage of questions inevitably followed. What percentage of your BOR (balance on rent) is it? What kind of keep rate do you have? How are delinquencies? How does it compare to brown and white goods or furniture?

In 12 short months the focus has changed from "are you going to try it?" to "how many stores are you starting with and can this be accomplished in time for the Christmas business?"

The jewelry industry was certainly well represented this year at the APRO convention. There were diamond houses, import/manufacturers, distributors, a watch marketing corporation and a prime manufacturer — all vying for a share of the rent-to-own business. It was a bit overwhelming

even for the average rent-to-own dealer, who is certainly not faint of heart.

But how and where to start? The beginning is usually a good place. In the beginning there was one portable, two consoles, one stereo and two home entertainment centers. Eventually appliances were added. Not necessarily a big money maker but necessary to expand the customer base while providing new products to rent. And then came furniture.

Talk to RTO dealers coast to coast and one thing rings loud and clear — Murphy's Law applied when adding furniture. Everything that could go wrong did. Every mistake that could have been made was. If only there could have been a road map of do's and don'ts, a pretested and proven method already in use. So instead of pain, profits would be gained.

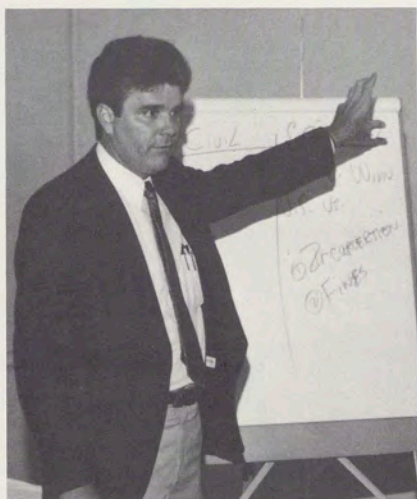
Many of the dealers who experienced the pain of furniture before they got to the profit wanted to avoid the pitfalls of jewelry. Why then are so many aggressive rental dealers embracing jewelry rent-to-own? Profits. But how can maximum profits be coupled with minimum risk? Make a plan. Review your store and marketplace. If delinquency and/or personnel are a problem, jewelry is not the answer. Don't look outside for a quick solution; resolve the existing internal problems first.

Jewelry is the perfect vehicle to recycle paid-in-fulls and pickups. Pull from existing customer base or tap from the segment of the marketplace those

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Jewelry's alluring, but poses potential problems

Product line may not fit legal precedents of rent-to-own industry



Edward L. Winn III is APRO's general counsel and an expert on rent-to-own legal issues. He is presenting the 'con' side of this issue's cover story.



CON

By Edward L. Winn III

Rental dealers attracted by jewelry's promise of increased profits should be advised that they are sailing into untested and unknown legal waters.

This is not because jewelry is small and may be hard to pick up. Jewelry retailers have been repossessing jewelry for years, as needs require. Rather, these waters exist because jewelry rental does not have any legal history upon which to draw, much as the rent-to-own concept applied to TVs and appliances had no legal history 20 years ago.

While the issue of the legality and social utility of rent-to-own TVs and appliances is alive and well today, particularly in bankruptcy courts across the country, much of the furor that existed 10 years ago has abated. But not before numerous dealers were called upon to defend their business practices in court and spend millions of dollars to prove that they offered a legitimate alternative to the retail financing of consumer durables.

The issue today is whether the body of case and statutory law established by considering the TV and appliance rent-to-own industry will transfer to the newest products on the horizon — jewelry. The reason that the issue exists at all is because of the nature of the product itself. No one seriously rethought the issue of the legality of rent-to-own transactions when furniture was added a few years ago. Furniture rental, as a concept and as an industry, has had a long and venerable history. Because

of that tradition, the addition of furniture to rent-to-own stores made the industry more mainstream and probably helped in state legislative battles. Furniture, along with most other items that rental dealers have historically offered, are generally viewed to be the necessities of modern twentieth century life. From a social policy point of view, the industry has successfully argued that citizens ought not be denied access to TVs, appliances and furniture if the marketplace is willing to provide them, although the debate continues in some places about how much those goods ought to cost and who should set the prices.

Jewelry, on the other hand, is acknowledged to be a luxury item. People do not *need* any kind of jewelry like they might need a bed, or a refrigerator, or some sort of TV. The law has long distinguished luxuries from necessities, allowing, for example, minors to disaffirm contracts for luxuries but not for necessities. Likewise, exemption laws in many states make distinctions along similar lines. From a social policy perspective, the argument that low income consumers do not need to be acquiring jewelry is stronger than the argument that these same people, however defined, do not need most of the other items that rent-to-own dealers currently offer. The needs of the poor, beginning with food and shelter, is a huge political issue. Rental dealers need to be aware that these arguments have been made against them and jewelry will

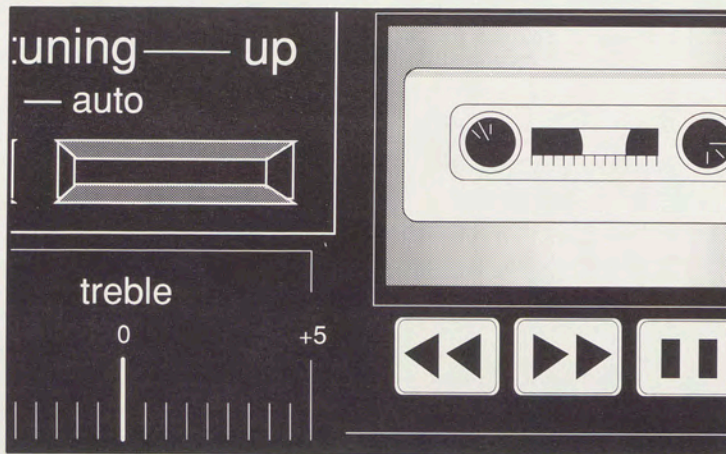
Continued on page 27

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package as one BOR unit when you could have had three over a period of four or five years. And you (used to) continue to keep that customer, where now he comes in and gets the whole package for the same price as he used to get just a console TV."

For Allendorf, at least, it's a cause for concern. "I'm seeing it harder and harder to keep your count BOR up for that reason and to keep a customer coming back."

Since times have obviously changed



for the RTO dealer, Allendorf is changing with them.

"Used to be we'd rent the console

and then we'd rent them the stereo, then we'd rent them the video player. And it was a big advantage back then when the prices were up in the industry because we could keep the customer going for three pay periods. And now they rent the whole package one time. If you don't have anything else to rent them, you lose them. And that's why we're looking into jewelry and some of the other products."

PR

John Gormley is editor of Progressive Rentals. Joel Mathews is a graphic artist based out of Louisiana.

Who's who in audio suppliers

The status of audio rental-purchase is underscored by the number, scope and reputation of audio suppliers working within the industry. The following is a list of current suppliers, and each company supports APRO as an associate member, convention exhibitor or publications advertiser.

* = Associate member
+ = Advertiser
Y = Convention exhibitor

YEntertainment Marketing

P.O. Box 42843
Houston, TX 77242-2843
(713)995-4433
Consumer electronics

YEpsilon Electronics

634 S. Clarence St.
Los Angeles, CA 90023
(213)265-2222
(800)832-4647
Portable audio equipment

*YHitachi Sales Corp.

401 W. Artesia Blvd.
Compton, CA 90220
(213)537-8383
(800)262-1502
Complete audio systems

*YL.B.I./Monitor Electronics

5601 Creek Rd.
Cincinnati, OH 45242
(513)793-6566
(800)543-4433
Audio/video distributors

*Michie Distributing Co.

1408 N. Broadway
Carrollton, TX 75006-3817
(214)245-0006
Audio/video distributor

YPanasonic Company

1854 Shackelford Ct.
Norcross, GA 30093
(404)926-6630
Audio product lines

+Pfanstiehl Corp.

3300 Washington St.
Waukegan, IL 60085
(312)623-1360
Electronics, home entertainment

*+YPhilips Consumer Electronics

P.O. Box 14810
Knoxville, TN 37914-1810
(615)521-4706
Magnavox, Philco, Sylvania

*+YQuasar

1325 Pratt Blvd.
Elk Grove Village, IL 60007
(312)228-6366
Complete audio systems

*+YRES/Raybro Electric Supplies

301 S. 13th St.
Tampa, FL 33602
(813)233-7304
(800)289-2524
Akai audio systems

*+YSanyo Fisher Corp.

21350 Lassen St.
Chatsworth, CA 91311
(818)998-7322
Audio rack systems

+YSears Contract Sales

D/732G Sears Tower, 12th Floor
Chicago, IL 60684
(312)875-6926
Audio rack systems

YSharp Electronics

Sharp Plaza
Mahwah, NJ 07430-2135

(201)529-8200
Audio rack systems

*Shintom West Corp.

20435 S. Western Ave.
Torrance, CA 90501
(213)328-7200
Audio/video manufacturer

YSohnen Enterprises

P.O. Box 2884
Santa Fe Springs, CA 90670-2884
(213)946-3531
Audio rack systems

+YSoundesign Corp.

Harborside Financial Center
400 Plaza Two
Jersey City, NJ 07311-3962
(800)333-3092
Audio rack systems

+YSouthwestern Bell Telecom

1000 Des Peres Rd.
St. Louis, MO 63131
(314)822-6800
Telephones

*Sunbelt Sales

P.O. Box 1570
Plano, TX 75074
(214)422-7176
Audio manufacturers' rep

*+YSymphonic Corp.

100 North St.
Teterboro, NJ 07608
(201)288-2606
Audio equipment, teleorders

+YTatung Company

2850 El Presidio St.
Long Beach, CA 90810
(213)637-2105
Recorders, stereos

*YTeknika Electronics

353 Rt. 46W
Fairfield, NJ 07006
(201)575-0380
Audio rack systems

YThe Zamoiski Co.

3000 Waterview Ave.
Baltimore, MD 27230
(301)539-3000
Audio/video systems

*+YThomson Consumer Electronics

P.O. Box 1976
Indianapolis, IN 46206
(317)267-5838
General Electric, RCA brands

*+YToshiba America

82 Totowa Rd.
Wayne, NJ 07470
(201)628-8000
Receivers, tape decks, equalizers

+YWelton Sound Systems

2109 Luna Rd., Suite 100
Carrollton, TX 75006
(214)243-5602
Electronics, home entertainment

*+YZenith Electronics Corp.

1000 Milwaukee Rd.
Glenview, IL 60025
(312)391-8231
Audio/video systems

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CHANGES IN STATE REGULATIONS: These agreement forms provide you with reliability now and in the future. As current state laws are modified or new laws are enacted, Rental Information Systems will monitor and update our rental agreement forms to keep them in compliance.

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Agreement Number: _____
Renter: _____

Date: _____
Lessor: _____

TERMS OF AGREEMENT

As part of this agreement you and your lessor agree to the terms and conditions of this agreement as stated herein, and your lessor agrees to the terms and conditions of this agreement as stated herein.

RENTAL PURCHASE DISCLOSURE

- RENTAL TERM:** MONTHLY - WEEKLY
Rental payments are due at the beginning of each term that you choose to rent the property. There are no refunds if you choose to return the property before the end of the term.
- DESCRIPTION OF PROPERTY AND RENTAL RATES:**
UNIT # _____
Catag. Descr. _____ Serial # _____ Cond. _____ My Rent _____ Wk. Rent _____
- INITIAL RENTAL PAYMENT:** Your initial rental payment will include the following charges:
Rent _____ Security Charge _____ Sales Tax _____ Other _____
Total _____
- OTHER CHARGES:**
Include: _____
Damage/Water Fee _____ Restocking Fee _____
Accommod. _____ Misc. _____
Total Cost _____
Monthly Rent _____
Weeks @ _____
Total Cost _____
Early Purchase Option _____
% of the remaining Total Cost calculated at that time.
- RISK OF LOSS:** You are liable for destruction, loss and damage to the property in excess of normal wear and tear.

TERMS OF TRANSACTION: THIS IS A RENTAL TRANSACTION. You may use the property for the term of the lease. At your option you may return the property to us at any time. You may also purchase the property at any time. The rental rates are shown above. There is no obligation to purchase the property. If you do purchase the property, you will be responsible for the remaining Total Cost. If you do not purchase the property, you will be responsible for the remaining Total Cost. If you do purchase the property, you will be responsible for the remaining Total Cost. If you do not purchase the property, you will be responsible for the remaining Total Cost.

WITNESSES: _____
LESSOR: _____
RENTER: _____
CO-PRESENTER: _____

SIMPLICITY: The three-part agreement form is printed on 8½ X 11 inch NCR paper with all information on the front side. It is simple and direct with easy to understand language. Spanish and other translations are available.

ON-GOING LEGAL MONITORING: Through our joint venture with C&W Publication, Inc., industry-recognized legal experts, Attorneys J. Samuel Choate, Jr. and James D. Walker, Jr. will update and modify these rental agreements as may be required by court rulings and legislative activities around the country.

J. Samuel Choate, Jr. practices law in Washington, D.C. and for the past nine years has represented businesses in the rent-to-own industry in litigation and legislative matters involving consumer and other business related issues. Since writing the first state law regulating the rent-to-own industry in Michigan 1984, Mr. Choate has assisted other state efforts to regulate the industry in most of the 20 legislated states. He and his firm, Riecher, Choate, Appelbaum and Whippman, actively monitor changes and proposed changes in legislation affecting the industry, bringing industry and consumer needs to the attention of law makers.

James D. Walker, Jr. is a partner in the law firm of Surrett, Walker, Creson, and Coley, P.A., with offices in Augusta and Atlanta, Georgia. Since 1978, Mr. Walker has actively represented rental companies across the country. With his practice speciality in bankruptcy, he has served as a Chapter 7 Panel Trustee since 1977. He also serves as the Standing Trustee in the Southern District of Georgia for Chapter 12 Bankruptcy Cases. Mr. Walker has actively participated in the legislative efforts of several state associations.

Together, these attorneys and Rental Information Systems make up a team of Rent-To-Own Professionals you can rely on with confidence.

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PROFILES

(Editor's note: This is the second in a series of articles profiling APRO members, attendees at conventions and seminars and prospective members. D.J. Thomas, assistant director of member services, conducted the interviews.)

Stan Harper East Greenbush, N.Y.



Stan and Julie Harper have two children, a five-year-old and a seven-week-old newborn. After graduating from State University of N.Y. in 1980, a friend got Harper interested in the rent-to-own industry. He worked for Rent-A-Center for five years out of Rochester, N.Y., and opened up the first store of his own in 1985.

Q. What is your prognosis over the next five years?

For Easy Rental we are going to take a slower growth pattern over the next two years. As a whole in the industry we need

to stockpile cash due to a sluggish buying trend from our customers' prototype; wait and see what type of effect most of us will be going through for the next 18 months and then be able to bounce back because we have stockpiled. If it gets tough — "cash is king." Another reason is we are still experiencing employment problems because of pay scales, age-group problems and poorer work ethics of the majority of younger people. They tend not to work like we did growing up. I think that is going to play a big part with everybody — the employment concerns. If you don't have the right person, you don't know what kind of irreversible damage they may do to you.

Q. Why should dealers attend conventions and seminars?

Dealers should always attend conventions and seminars. Your mind is like a fish tank — water evaporates out of it and you have to constantly replace it with water to keep the water level. Your mind works the same way — you tend to forget a lot of things. You are in a position to learn everyday. When you go to conventions, take advantage of the seminars. If you can understand the topic and context of the subject, you should be able to fill in the blanks.

Q. To what do you contribute your success so far?

I am enthused about the business. With a properly run organization you can have so much fun and still make money. How can you not be happy over that? It is fun; you deal with people every day. You just have to be a good operator and "work skinny."

Q. What do you see as a whole for the industry in the future?

In the next few years, smaller dealers with one to 10 stores will be successful because their debt ratio will be in a better position than most of the medium to large chains that had a leverage buyout. Also, buyouts will average seven to eight times for a decent operation. You can still get out there and make money and have fun despite what the experts say about the industry. There is a place for the smaller stores in this industry.

Q. A final note?

Never turn yourself away from the learning process. You have to learn more to survive. Enthusiasm — I believe the glass is half filled — and discipline, discipline, discipline. Don't let your ego get involved. "Work skinny" and "cash is king."

PR

John and Barbara Keller Rolla, Mo.



John and Barbara Keller, Rental World of Rolla, Mo., have been married 23 years and have three daughters. John is a pharmacist and Barbara is retired from the nursing profession after 20 years. They had a close friend in the rent-to-own business who got them interested. They opened their first store in July, 1988, and Barbara took over the operation in February of 1989. Recently, they expanded their store (this past July).

Q. Why did you get into the RTO industry?

A combination of occurrences, things happening at the right time, realization of the business opportunity in the community and availability of someone to help us get started, along with a prime location for low rent and high vehicle density.

Q. You have already expanded in your first year; what makes you so successful?

Our success is primarily because of our enthusiasm for the business and good personnel. We like to "caress" our customers — work with them. We are dreamers. We like to dream with our customers and see what they want, along with a realization of their financial limitations.

Q. What did you gain from the APRO convention?

We gained a greater understanding and access to a wealth of information — facts and figures; greater depth of knowledge of management and nature of this business. It was great to go and talk to people who are already successful in operating RTO businesses. Problems we have are problems they have had previously. Everyone was willing to share. Very open minded.

Q. Why should dealers attend conventions and seminars?

Other dealers must attend — whether large or small. You don't realize that there are other things impacting on our business. We might be out there fighting dragons in our community or state. The image of the business as a whole nationally is something we all need to talk about and approach. When I saw them working nationally on issues in RTO, I felt there was a very secure feeling for people who are just getting into it. The event allowed all these people to get together and reassess not only their personal goals, but also their business goals. We're new and still excited and change our goals every month. I would challenge the old timers to do that.

Q. How has your other business experience helped you in RTO?

Because we are active in five businesses — and some of them we have been in over 20 years — we have a lot of time under our belt. I can say to people who have been in the business for a long time, "Don't forget why you got into the business 20 years ago; don't ever forget why you had that dream." Rekindle what was your original dream.

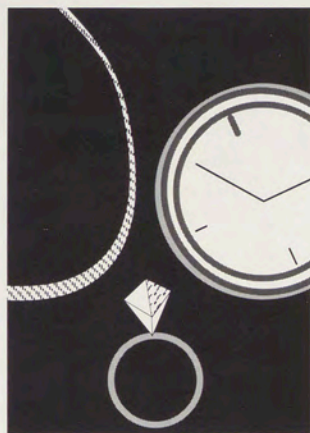
PR

Continued from page 18

people who do not consider themselves rent-to-own customers, but would rent-to-own jewelry because it is not "used" (I prefer the term previously rented). They either have or would purchase jewelry on a layaway program. (Try this: Why put it on layaway when you can wear it home today?) Use it to boost unit yield by pair pricing to an existing account and charge an additional \$9.95 per week.

Because of the low cost, go for the traditional 12- to 18-month agreement; or, the quick six- to nine-month program, still affording an excellent return. I personally do not subscribe to this theory because for once rent-to-own has a product that appreciates, not depreciates. It requires minimal service, and most prime manufacturers offer a refurbishment program for a small percentage of the original cost.

Once the avenue to traditional reve-



PRO

nue is established, addressing these product questions and making the plan is easily accomplished.

Tips for an effective plan

Is price the main or only objective? Before answering, remember high-end stereos have a better keep rate and generate more rental income than low end. And don't forget the low-end upholstered goods that have come back to haunt so many.

Do I need a program?

This depends on how you plan to integrate this product. It is a great money-maker, but only if the front line has the necessary comfort level to make the rentals. Products employees find complicated or cannot talk about do not move — no matter what the income potential.

Parts of a good program

Internal and external tracking abilities. A one-third carat and a one-half carat solitaire — both in tiffany settings

Continued on page 26

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Bright idea gives R.T.O. dealers golden opportunity

Why are so many aggressive rental dealers embracing jewelry rent to own?...Profits! A marriage between Rent-A-Rock, a rental company with

over 20 years experience and Ullenberg Corporation, a prime jewelry manufacturer in business since 1945, is providing RTO dealers easy access to the substantial profits that only jewelry Rent To Own offers.

The Rent-A-Rock Diamond

Rental System, was devised by Claudia Filloramo, a veteran of this industry, with 20 years "hands on" experience and knowledge.

This rental knowledge is complemented by Ullenberg Corporation's renowned reputation as the leader in "Middle America" jewelry, and for quality and consistency of product. Rental dealers unfamiliar with jewelry may not appreciate the importance of access to the services of a prime manufacturer. Diamond houses cannot offer the flexibility of 10K and/or 14K Gold, and while there is a profusion of diamonds, there is a deficit in colored stones. Precious, semi-precious and man made stones appeal to the rental customer and variety is a must.

Distributors have an abundance of discontinued product at very attractive pricing, however, most are one-time purchases. Rent-A-Rock, along with Ullenberg has created an on-going catalog with continued accessibility of the same product, pricing and quality.

Where does the "Buck" stop for a

broken prong, chipped stone, etc.? The Ullenberg Corporation stands totally behind its product and its rental program in a manner which others with 2 or 3 middle men involved simply can not match.

Ullenberg supports Rent-A-Rock and the entire rental industry with accountability for their product, return for exchange policies, factory terms, protected pricing and complete refurbishing of the product.

Being a prime manufacturer enables Ullenberg to completely control production. Designs and models are cast, set, and finished at an ultra-modern 60,000 square foot facility with 160 employees. Ullenberg also has a state-of-the-art gold refinery which helps them offer the best possible pricing.

With complete confidence in the product and supplier, study now the entire program:

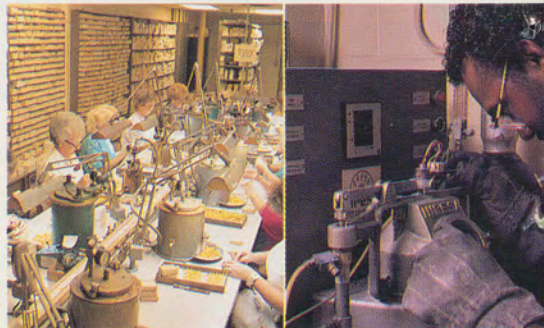
The Rent-A-Rock Diamond Rental System is not just a box of rings. Rent-A-Rock owns and operates two Rent-A-Rock stores that rent nothing but jewelry. Each product offered by the Rent-A-Rock Diamond Rental System is tested and evaluated in the company-owned stores before it is ever proposed

'I have been very pleased with the Rent-A-Rock program and their staff. So pleased, as a matter of fact, that I have invited several contacts to call them. I believe I have a very good selection for my customers, and expect to see a substantial gain.'

— Ray Zajack, Curtis Mathes



Ullenberg Corporation and Rent-A-Rock emerge as an unbeatable team, supplying jewelry to the R.T.O. dealers



Ullenberg Corporation uses the "lost wax" method of casting, wax is injected in to a rubber mold to create a wax ring.

Plaster is poured into a flask, around the wax, forming a plaster mold. The wax is "burned off" and replaced with gold using a state of the art vacuum casting machine.

to Rent-A-Rock clients. The program is devised to make diamond rental so easy it can't help but be profitable. The Rent-A-Rock program removes guess work and risk, allowing profit margins that far exceed those of brown and white goods, a higher keep rate, and virtually no cost to maintain the product.

The profits of jewelry rental have been like the "shot heard around the world". But the question remains "How



From molting gold, beautiful jewelry is created.

do I get into jewelry rental easily, quickly, without getting burned?" The answer, of course, is the Rent-A-Rock staff of rental professionals who are only an 800 telephone number away!

To answer questions, resolve problems, and assure a successful transition into jewelry Rent To Own.

The Ullenberg/Rent-A-Rock program incorporated in its entirety is the equivalent to a good "road map" permitting clients to bypass the pitfalls and proceed immediately to the profits of RTO jewelry.

Benefits of the Rent-A-Rock Diamond Rental System:

- TRACKING - INTERNAL AND EXTERNAL (To the untrained eye, a 1/3 carat and 1/2 carat diamond solitaire in similar mountings, may look identical. If confused the difference will be bottom line profit. Our tracking program negates this possibility).
- COLOR CATALOG/ID CARD/VELOX LINE ART
- LOW COST/HIGH YIELD UP TO 600% RETURN ON INVESTMENT
- MINIMAL COST TO MAINTAIN - NO SERVICE
- A PRODUCT THAT APPRECIATES RATHER THAN DEPRECIATES
- STEP-UP! THE MONEY MAKER
- TOTAL CONTROL OF UNIT YIELD



Diamonds and colored stones are hand selected and set by highly skilled craftsman.

- SIMPLE YET EFFECTIVE 9 PRICE POINT SYSTEM
- EASE OF OPERATION
- DEVELOPMENT OF COMFORT WITH PRODUCT
- FLEXIBILITY OF PRODUCT, COLOR AND STYLES

The ageless lure of diamonds and gold has found a new home in



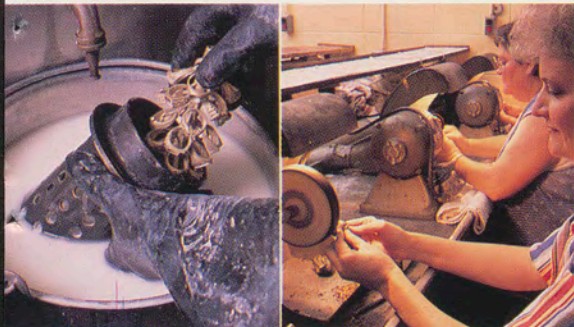
Each ring is carefully polished, from every angle, returning the ring to its brilliant gold luster.

Trained experts carefully inspect each ring before shipping to your store.

Rent -To- Own and the Ullenberg/Rent-A-Rock Diamond Rental System has paved the way for additional immediate profits. If you are currently successful in RTO, expand your business horizons with Rent-A-Rock. If you would like to increase the bottom line with minimal additional overhead, integrate the Rent-A-Rock program into your existing operation.

Only the Rent-A-Rock Diamond Rental System is owned and operated by rental professionals who understand R.T.O. The Ullenberg/Rent-A-Rock program can bridge the gap for a smooth transition into diamonds while increasing your BOR an average of 1 per day per store.

Perhaps this is why so many aggressive RTO dealers have journeyed with Ullenberg/Rent-A-Rock, and why so many more of you should. For more information we invite you to call: 1-800-552-7464.



After the newly cast gold has cooled, the plaster is washed away leaving a gold "tree" of rings.

The rings are clipped from the "tree" then ground and polished before setting the stones.

Ullenberg Corp.

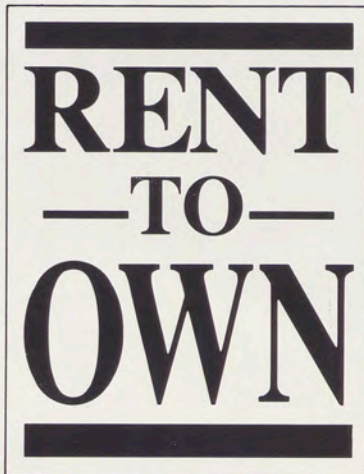
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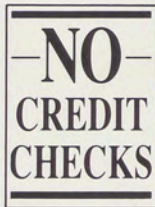
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- ✓ Non-rip plastic "paper"...roll up and use over & over
- ✓ Brilliant red and white non-fade colors
- ✓ Big 38" x 50" size ✓ 100% Satisfaction Guaranteed



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R-4 \$26



R-6 \$26



R-3 \$26



R-5 \$26



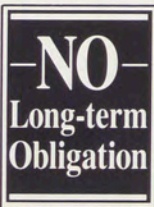
R-2 \$26



R-22 \$26



R-23 \$26



R-21 \$26



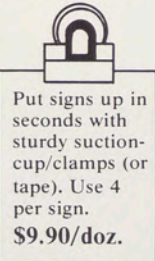
R-26 \$26



R-27 \$26



R-24 \$26



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Continued from page 23

and with similar bands — may look identical to the untrained eye. The difference (if confused) will be bottom-line profit. A good tracking program will negate this possibility entirely by positively identifying each piece.

Color catalogs and identification cards. Taking the internal and external tracking capabilities one step further, matching catalog and ID cards are an absolute bible for the new account manager attempting to collect on or pick up a ring he or she has never seen. The same holds true for the store manager conducting daily inventory as well as an audit team. The catalog and ID cards also help all store employees become familiar with the product, increasing their comfort level and rentals.

An effective program is more than a "box of rings." It must include as many support services as the owner requires. These services should be created for rental and stem from accurate rental knowledge, not recycled retail programs.

How do you choose a product line when jewelry knowledge may be limited? Matching apples to apples and oranges to oranges is difficult in jewelry. If a ring is priced comparatively in both 10- and 14-karat gold, either the gold weight is less in the 14-karat piece or the stone quality suffers. (Diamond houses want to sell their diamonds; gold is the vehicle to do so and most only stock 14 karat.)

While there may be no visual difference between 10- and 14-karat gold, the difference in alloy verses fine gold matters tremendously to the rental life of a product and cost to maintain its appearance. Diamond houses are excellent for diamonds, but are often short suited on flexibility and colored stones. Don't turn away the rental customer who is excited with the warmth of color, whether it be precious, semi-precious or man-made stones.

Importers generally deal in "stamped" product rather than "cast." This process does not meet the demands of our industry and cannot withstand

Continued on next page

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previous page

sizing.

Distributors or wholesalers have an abundance of discontinued product at very attractive pricing. However, consistency of delivery and product styles, coupled with pictures and catalogs, are usually not available.

The buck stops

Deal with a supplier/manufacturer who will give you a guarantee. Jewelry is a labor-intensified product and — no matter who the supplier — there will be occasional broken prongs, chipped stones and loose settings; or, perhaps you'll encounter a problem 10 months after delivery. In short, make sure the supplier you choose is willing and able to stand behind the product.

A prime manufacturer/supplier protects the dealer from the daily fluctuation of gold prices. This type of operation creates the product when ordered at today's gold price. On the other hand, a supplier stockpiling product must hedge the price of gold at least \$50 to safeguard his investment.

A major factor — idle inventory

When contemplating idle inventory think of jewelry in terms of idle dollars rather than idle pieces. While the number of pieces are higher than industry standard, the idle dollars are not.

Perhaps this is why so many aggressive rent-to-own dealers have journeyed into jewelry rental, and why so many more should.

PR

Claudia Filloramo, president of Key Rental of Florida, Inc., Rental Consultants and general partner of Rent-a-Rock, is an active store owner and was APRO's first treasurer.

RTO jewelry coverage available through APRO insurance program

Together with The Insurance Mart, APRO has made jewelry coverage affordable through the comprehensive insurance package offered only to APRO members.

Limits of liability include \$500 per item, \$10,000 per location. A minimum \$100 deductible applies to each loss. Coverage is **All-Risk*, with some exclusions. See your actual policy for more



specifics.

The insurance program also offers a property coverage liability for premises and automobiles, customers' possession coverage and umbrella.

For more information regarding jewelry or any other insurance needs, contact Robbie Bratcher at The Insurance Mart (see

page 23 for phone no. and address).

*Coverage is available for these qualified dealers. Contact The Insurance Mart for details regarding eligibility.

Continued from page 19

likely cause them to continue. In North Carolina proponents for strict rent-to-own regulation argued strenuously that at least certain citizens in the state were "too poor" to be renting washers and dryers and that instead they should be going to the laundromat. In Maine during debates over rent-to-own legislation there, one legislator upon hearing that his constituents could rent-to-own TVs and stereos, expressed his outrage at such a concept by exclaiming, "The next you know, they'll be renting Lincoln Continentals."

The National Consumer Law Center (NCLC), out of Boston, has regularly explained to state legislators who would listen how much better their constituents, "the poor," would be if, instead of renting fancy color TVs, they would simply save one month's rental payment and use the money to buy a black and white TV from the local Wal-Mart. The NCLC concludes by arguing how much better the law and society would be if the rent-to-own option were not available.

These arguments may sound unconvincing to those imbued with an entrepreneurial spirit, but they will almost certainly gain strength when legislators hear that "poor people" are now being "lured" into renting gold chains and dinner rings.

Social policy arguments are most often advanced in the legislative arena, and that is where rental dealers are likely to hear the first serious criticisms of the jewelry rental concept. What those arguments may do is slow the passage of reasonable rent-to-own legislation, such as exists now in 20 states. Obviously, the dealers most at risk are those in states trying for rent-to-own legislation next year. Dealers in all 30 unregulated states are at risk that state legislators will notice the advent of jewelry rental in their jurisdictions, become offended by it, and seek to regulate the industry with the focus on jewelry, which may lead to more rigorous controls than would otherwise be the case.

Beyond the political implications of jewelry rental, there is legal exposure surrounding the rental of certain kinds of jewelry, namely wedding jewelry —

Continued on next page

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engagement rings and wedding bands. It is black letter law that a contract or agreement is what the parties to the agreement intended it to be. The law used to refer to the requirement as one for a "meeting of the minds," but the law today looks for a more objective manifestation of mutual intent. If it is true that the law will look first and longest and hardest at any signed written document as evidence of the intent of the parties, it is by no means true that the inquiry stops there. This is especially so in consumer law. A favorite quote of legal aid lawyers in rent-to-own litigation comes from a 1970s Eighth Circuit case interpreting the scope of the Truth-In-Lending Act:

In interpreting the act, the Federal Reserve Board and the majority of courts have focused on the substance, rather than the form, of credit transactions and have looked to the practices of the trade, the course of dealing of the parties, and the intention of the parties in addition to specific contractual obligations, Joseph v. Norman's Health Club, Inc., 532 F. 2d 86 at 90 (8th Cir. 1976)

Every case that the rental industry has lost cites this or similar language to justify ignoring the words on the page of a rent-to-own contract in order to look at something else and conclude that the transaction was really a sale. Indeed, the Eighth Circuit in 1982 decided a case which questioned the legality of rent-to-own transactions and used this language:

The legislative history of the TILA shows that Congress was aware that "some creditors would attempt to characterize their transactions so as to fall one step outside whatever boundary Congress attempted to establish," Mourning v. Family Publications Service, Inc., 411 U.S. 356, 365 (1973), and that it intended to include within the statutory definition of "credit sales" purported leases "if they are, in essence, disguised sale arrangements." Clark v. The Rent-It Corp., 685 F.2d 245 (8th Cir. 1982).



Examining a rental agreement and the testimony of a disgruntled customer, this court noted three fact issues which it wanted resolved in order to decide whether a given contract was a lease or a disguised credit sale.

1. When the customer signed the contract was he led to believe, and did he, in fact, believe that he was buying the merchandise;
2. Was the rental company's business aimed at low income customers who cannot get credit or afford to pay cash, but who nevertheless desire to purchase merchandise; and
3. Did the rental company enter into "numerous" transactions in which the rental customers did eventually become owner of the merchandise.

None of these questions were ever answered in the case, and the court did not explain what it would have done if the answer to one or two of the questions had been yes. Clearly, however, if the answer to all of those questions is yes then that court would conclude that the transaction is a credit sale in spite of the fact that the written document is a rental agreement.

It is the answer to question number one that changes most when the merchandise is a wedding or engagement ring instead of a TV set. Does anyone ever *really* just rent a wedding ring? Would a husband ever testify in open

court with his wife in attendance that he was just renting the wedding band she was wearing?

The fact is that people have been renting TV sets for as long as there have been TV sets. We are told that the rent-to-rent market for TVs in England is huge and has been as large as two-thirds of the entire TV market. People can and do rent most of the items in a rent-to-own store because of a short-term need.

There is, in fact, a short-term rental market for all of the products that rent-to-own dealers carry, which supports the argument that a number of rent-to-own customers are indeed just renting. This analysis speaks to the Eighth Circuit's second fact question, which is really related to the first, at least insofar as intent is concerned. Rental dealers can argue persuasively that, if they rent to some low income consumers that is not all of their business, depending upon such external factors as store locations, marketing practices and actual customer demographics. Even if dealers are, in fact, renting to large percentages of low income consumers, they can still argue that there is short-term need among all economic classes, including the poor, and then prove up a "modest" keep rate, which exists in the industry as a whole and has throughout the industry's history.

That raises the issue of keep rate, which was the Eighth Circuit's third fact question. For at least the past 10 years, the industry keep rate for TVs, appliances, stereos, and furniture has been between 20 percent and 25 percent measuring the number of new products rented to term by one customer as a percentage of total balance on rent (BOR). That percentage varies depending upon a company's rental philosophy and somewhat along product lines.

It is too early to tell what the keep rate for jewelry will ultimately be. One might suppose that the keep rate for wedding jewelry will be higher than for other kinds and higher when compared to traditional rent-to-own inventory as well. A rental customer with a TV and his wife's wedding ring and only enough money for one payment only

Continued on page 46

Company name didn't come about by accident

RTO dealers across the country finding 'Service Solutions' true to its title

By Bob Bader

Until recently, this company may have been one of the best-kept secrets in the rent-to-own industry. But whenever RTO dealers need service, more and more are finding out that Service Solutions is no misnomer.

Although it is 12 years old, Service Solutions represents a relatively "new" concept that helps rental dealers do just that — find solutions to their service problems.

The company has been providing wholesale electronics service to dealers in the southeastern part of the country — Norfolk to Memphis, New Orleans to Ft. Lauderdale — since 1977. According to Gary Redmond, Service Solutions president, the more he worked with rental stores, the more it became apparent that up to 70 percent of a dealer's service problems came from video cassette recorders and stereo components. The compact size of VCRs and stereo components led Redmond to the conclusion that "cost-effective" repairs could be handled from a centralized location.

Today, Service Solutions is a high-volume servicer using a 60,000 vehicle fleet of package pickup and delivery trucks. Working with United Parcel Service (UPS), Redmond developed an effective and timely way to get dealers' products back and forth to reduce down time and lost rental revenue. A two-day average delivery time coupled with Service Solutions' fast turnaround time — 85 percent of units received are shipped back to the dealer repaired within 48 hours — means that product down time is usually less than one week.



Gary Redmond, president, Service Solutions

Quick turnaround isn't the only distinguishing feature of Service Solutions, though. What makes this company unique is its understanding of — and commitment to — the rental business. As the company grew, so did management's appreciation of rental dealer needs, Redmond says.

Joel Black, the company's service operations manager, has learned to understand rent-to-own service problems. He says rental merchandise service isn't limited to circuit repairs, but includes replacement of trim, knobs, panels and sometimes even complete cabinet. Black knows that out of stock and hard to get parts mean idle inventory and lost dealer revenue.

Service Solutions stocks most replaceable parts for commonly purchased rental merchandise, Black says. The company also provides an attractive program called the "bone yard club" that backs up its normal stock. The "bone yard" is a collection of recondi-

tioned parts from written-off units, offered to club members at low cost, Black explains.

Black says many dealers don't have the resources to make sure all warranty work is properly billed to the manufacturer on a timely basis. Consequently, some dealers wind up paying for work that should be paid by the manufacturer. Service Solutions is a "factory authorized" service center for most popular rental products such as RCA, Quasar,

Fisher and Zenith. Company personnel are familiar with warranty work and bill the manufacturer when appropriate. And tracking is easy, since returning unit invoices show amounts billed for warranty work.

Another area Black sees as unique to rent-to-own companies is a concentration of service problems. Since dealers typically buy the same popular products, when there is a common problem in a model Service Solutions' technicians see it in multiples and are prepared to get the units back into service as quickly as possible. A special computer report showing complaints and repairs, by model, helps technicians get right to the problem. The results — raised productivity and decreased down time.

Finally, one of the most important concerns of rent-to-own dealers is getting reliable service at reasonable rates, Redmond says. Service Solutions ad-

Continued on page 34



The APRO 1990 membership sweepstakes grand prize is a trip for two to Cancun, Mexico.

1990 membership sweepstakes has big prizes for participants

The APRO 1990 membership sweepstakes has some high-stakes prizes, including a trip to Cancun, Mexico; a trip to Orlando, Fla., and the APRO convention; and a \$1,000 savings bond.

APRO members, associate members and their employees are eligible to compete.

The time frame for the contest is Dec. 1, 1989, to March 31, 1990.

Grand prize is the trip for two to Cancun. First prize is the trip for two to the Orlando convention. Second prize is the \$1,000 savings bond.

These top three prizes will be awarded in a drawing of all entries on Monday, April 16, 1990, and will be conducted by the firm of Darrow C. Garner, certified public accountant (CPA).

In addition, four monthly prizes will be awarded — based on number

of new members recruited — for December, January, February and March. Those prizes ...

December — A trip for two to the Caribbean aboard the "Fantasy," the newest cruise liner afloat.

January — A \$500 savings bond.

February — A trip for two to Las Vegas.

March — Full and spouse registration to the APRO 1990 convention in Orlando.

Membership sweepstakes brochures — detailing contest rules — are being mailed Nov. 1 to all active members and associate members. For more information, contact D.J. Thomas or Shelley Martinek, APRO member services department, at (512)794-0095. Or, write to APRO's new address: One Bridgepoint, Suite 305, 6300 Bridgepoint Parkway, Austin, Texas, 78730.

PR

Employment issues focus of fall seminar

Two-day session begins Nov. 16 near Dallas

APRO has come up with a major fall seminar aimed at a highly specific, current need in the rent-to-own industry — employment.

The program is designed to give store managers and mid- and upper-level management in-depth information on employment practices, wage and hour laws, legal employment issues and keeping good, loyal employees, according to Debbie Hansen, APRO director of member services.

"Facing Current Employment Issues in Rent-to-Own" is scheduled for Thursday and Friday, Nov. 16-17, in Arlington, Texas, near Dallas.

Both days — Thursday and Friday — will feature two sessions.

On Thursday, Harry Weisbrod will kick things off with the morning session. Weisbrod, an expert on Internal Revenue Service (IRS) regulations, will address the topic — "What Every Rent-to-Own Owner Must Know About the Wage and Hour Law." Weisbrod's first session will cover overtime pay issues, savings on unemployment costs, employee exemptions for executives, handling time cards, deducting for shortages and child labor requirements. He will also discuss new laws affecting polygraph testing, coping with investigations by government agencies, dealing with independent contractors and more.

Ed Winn will conduct Thursday af-

Continued on page 32

APRO publications serve as a valuable member service

Even though APRO's communications department has a separate spot on the organizational chart from the member services department, its publications are — to a great extent — another member service, believes editor John Gormley.

"Our job is to provide timely information on key issues and cutting-edge trends in the rent-to-own industry," Gormley said. "We'll be working closely with member services and all other information sources of the association, including legislative and legal, to fulfill that role."

Progressive Rentals, the bimonthly, full-color magazine, is APRO's flagship publication. Its editorial focus includes in-depth features on industry topics and personalities. *RTO Network News*, a new tabloid publication, focuses more on legislative and regulatory issues but also includes news — such as seminar and meeting dates — from other association areas. Since it is a monthly, *RTO Network News* will be used to deliver up-to-the-minute information to people in the rent-to-own industry.

On-time delivery of APRO publications is a top priority, Gormley adds, and the recent installation of a Macintosh™ desktop publishing system will make it easier to meet this goal. The reason for the time savings is because desktop publishing eliminates some of the traditional middlemen in publishing, explains Bill Keese, APRO executive director. "We now do all our own typesetting, editing and layout in-house — right on screen. We no longer have to depend on the schedules of three or four different

vendors." The result, he says, is more control over quality and delivery.

The August-September issues of *Progressive Rentals* and *RTO Network News* were the first APRO publications produced entirely from the desktop at association headquarters in Austin, Texas. Because desktop technology cuts production time roughly in half, the benefits can be great.

"The real winners are our readers," Gormley said. "Because we don't need as much lead time, we can respond to events in the industry much quicker." Gormley cited as an example a story on a recent industry transaction (see page 42 this issue). "Under the old system, we would have never gotten that in print until it was already months old," he said.

APRO advertisers also benefit with the assurance of on-time delivery for their messages. And *RTO Network News*, which has just been opened up to advertising, represents an even better chance for advertisers to target their ads month by month.

"Since *RTO Network News* is a monthly and since it is mailed to a wider audience, including APRO members and potential members, we believe it will have a certain appeal to advertisers in this market," said Cindy Ganther, APRO advertising manager. To meet APRO's requirements, advertisers in *RTO Network News* must also run concurrently in *Progressive Rentals*, the association's bimonthly, full-color magazine. *RTO Network News* advertising rates are half those of *Progressive Rentals*.

"It's just another service we're providing for rent-to-own vendors to better market their products and services," Ganther said.



Editor John Gormley, above, and advertising manager Cindy Ganther, below, comprise APRO's communications department. Their chief responsibilities are *Progressive Rentals* magazine and *RTO Network News*, a new monthly tabloid.



MEMBER SERVICES

Continued from page 30

ternoon's session — "A Lawyer Looks at Employment Issues in Rent-to-Own." Winn, APRO's legal counsel and longtime authority on RTO issues, will review cases of sexual harassment in RTO stores, give an overview on the developing law of paternal leave, take a look at drug testing in RTO stores, discuss honesty and personality tests for rent-to-own employees and address record keeping for the Equal Employment Opportunity Commission (EEOC).

Friday morning, Weisbrod opens with a different theme — "Avoiding being Sued for Employment Practices." This session looks at hiring and firing, maternity leave, armed forces re-employment rights, discrimination (age, race, sex or religion), written policies such as employment handbooks, health employment for terminated employ-

ees, unemployment insurance and other topics.

Friday afternoon, Steve Miller, a management training and development expert with extensive experience in the RTO industry, will present the session — "Keeping Good Rent-to-Own Employees." Among other things, Miller will discuss motivation and leadership, the first four weeks of employment and "causing people to be worth keeping."

London Star is sponsor of the Dallas hospitality suite, while Voyager Insurance is sponsoring the refreshment break. Official certificates (something new) will be presented to seminar participants.

The registration fee is \$50 for each half-day session for APRO members and \$100 per half-day session for non-members. Cost for all four sessions, if preregistered, is \$175 for members and \$375 non-members. (If adequate atten-

dance has not been booked by Wednesday, Nov. 1, the seminar will be cancelled.)

For more information — or to preregister — call an APRO staff member at (512)794-0095. Or, request a seminar flyer by writing to APRO's new address: One Bridgepoint, Suite 305, 6300 Bridgepoint Parkway, Austin, Texas, 78730. **PR**

APRO MEMBER BENEFITS, *continued from page 8*

Bankruptcy — An indispensable guide in dealing with a bankruptcy case.

Convention seminars — Casette tapes are available on the seminars given at the annual convention.

BUSINESS PROTECTION — APRO assists state associations in their organizational efforts and in monitoring the legislative process to ensure the right of the rent-to-own industry to exist. Through voluntary contributions by APRO members, APRO's Legal Defense and Information Fund (LDIF) provides an ongoing legislative effort in Washington, D.C.

INSURANCE — APRO offers insurance programs designed specifically for rental dealers to include property and casualty and group health insurance. This program includes various types of insurance rental dealers may need.

RENTAL INDUSTRY STATISTICS — Periodically, members will be asked to participate in a survey regarding the rental industry and their businesses. The information will be confidentially researched, compiled and edited so that general industry statistics are available to all members.

CONSULTATION — Legal and Wage and Hour consultation is available, with the first phone call at no cost to the member.

NETWORKING — A very tangible benefit is the sharing of creative ideas; knowledge of developing trends; and participation in the development and direction of the rent-to-own industry.

COMMUNICATIONS — As active members of APRO will attest, perhaps one of the most valuable benefits of membership is the vast opportunity for interaction with other people in the industry. This is a result of APRO members' willingness to share ideas with others. At the convention, the seminars or informally — in person or over the telephone — ideas are continually being discussed and debated. **PR**

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*TED WILSON,
Continued from page 6*

association will benefit and so will you. (You don't have to wait for them to call you. If you have something you want to say right now, pick up the phone and call them! They are paid to serve you.)

We are working on a program to recognize various levels of rental dealer education and experience in the rent-to-own industry. This program should serve to highlight those who want to be the best they can be.

The LDIF effort will continue. If you believe in it or if you feel a sense of responsibility to this effort then I strongly encourage you to support it both with your dollars and your time and personal contacts. If you don't agree with the concept or methods of LDIF then voice your opinions! They will be listened to and considered by the government relations committee. (In answer to many objections that LDIF is run by the "big boys," I can only say that it is rightfully directed by those who have invested huge dollars and many hours into this effort and are interested in seeing those dollars spent wisely.) If you don't care enough about LDIF to voice your opinions, or otherwise support it, that is your personal decision, and no one is going to try to make you feel badly about that decision.

Most of the above-mentioned changes are not plans or pipe dreams; they are happening now, a result of input from members who were willing to share their ideas with me and the APRO staff. If you have complaints about the association or suggestions on how to make it better and haven't recently shared them with us, you are doing yourself and other members a great injustice. If you're not part of the solution, you're part of the problem!



Ted Wilson
APRO president

*BILL KEESE,
Continued from page 8*

November. Our present office is too small for our needs. After an extensive search of the Austin market, we located a new office. The new APRO offices will be 700 square feet larger and cost

\$250 less per month. Our move will take place on the first of November.

Personally, I welcome the challenge of a changing environment. Great opportunities exist in this type of environment. Your association is poised to successfully meet the challenges of the

Continued on next page

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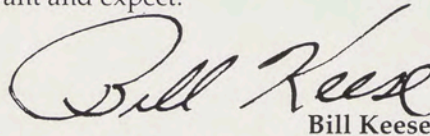
MEMBER SERVICES

BILL KEESE,

Continued from previous page

present and the future. This is not to say we won't make some mistakes along the way. We will. Not everyone will agree on all APRO does. But I want to encourage anyone who has a disagreement to voice their opinions. Only

through open dialog will your association be the type of organization you want and expect.



Bill Keese

APRO executive director

Continued from page 29

dresses this issue by offering wholesale labor prices. By specializing in rent-to-own repairs and being more productive than the average servicer, Redmond's company can save the dealer service expense dollars.

John Jason of Adams TV Rentals in Connecticut says he decided to try Service Solutions because he wanted a dependable alternative service facility. Through the years he noticed that some retail servicers began cannibalizing his units — taking parts off for their retail customers — once they felt they had a lock on doing his service. But Jason wants a service source he can trust; one that understands his business.

For the dealer with an in-house service department, one of the ways Service Solutions helps is by handling peak period overflow, according to Redmond. In this case, the dealer doesn't have to find qualified technicians and provide equipment, benefits, etc., for a temporary backlog.

For RTO dealers without their own service departments, Service Solutions provides support tailored to their business. The smaller store can have the same level and quality of service larger companies get — at wholesale prices. Redmond, referring to a recent NASD (National Association of Service Dealers) survey showing that average VCR and stereo repair costs are \$88, says average charges are 35 percent less with Service Solutions.

Tom Howard of B&T Concepts in Kentucky can vouch for real savings. After recently reviewing his repair invoices, he discovered he was paying 82 percent more for labor than he had two years ago. Howard called Service Solutions, checked the company's rates and ordered shipping containers. Howard says he's looking for what Service Solutions provides — economical service, documentation and support.

A custom-designed computer system tracks every unit received through repair and shipment back to productivity, recurring problems with specific models and parts inventory. It also helps the company inform dealers of where their product is with "current status" and "returned unit" reports.

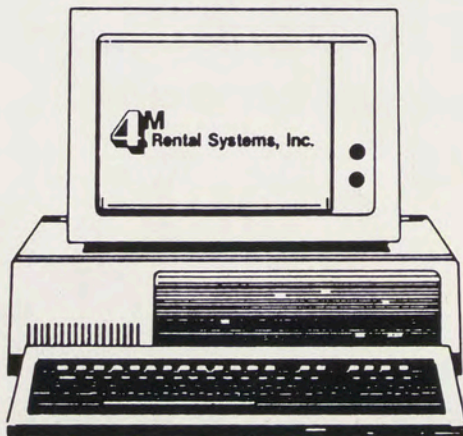
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Contracts and Customers: The *DiffRent*® Rent to Own System prints contracts and maintains customer and reference information for mail outs and marketing. *DiffRent*® also produces a variety of customer and agreement master reports to replace bulky contracts and expensive posting equipment.

Marketing and Sales: The *DiffRent*® Rent to Own System also incorporates a variety of marketing programs to allow users to mail promotional material, send out billing and notices, analyze customer and point of sale information within minutes.

Reporting: Realizing that properly designed reports are a major tool for the Rent to Own dealer, The *DiffRent*® Rent to Own System produces comprehensive reports on all system information.

Management and Security: The *DiffRent*® Rent to Own System utilizes a high tech security program that allows management to effectively control internal theft and prevent unauthorized users from deleting, editing or adding information without proper access. It also allows management to adjust or change system configuration.

Having the right part when it's needed helps reduce down time and improve efficiency. Service Solutions' computer keeps tab of all parts inventory and restocking levels. Parts are reordered before they run out. With the volume of repairs the company does — more than 100,000 units have gone through the service facility — Redmond says he gets excellent cooperation from manufacturers and suppliers.

Turning units around quickly has become Service Solutions' trademark. Parts and organization are elements of this speed, but so is experience. Rental companies buy large quantities of the same model and provide service on these products for 18 months or longer. Repairs concentrated in one center help get each unit repaired faster because the technicians know what to look for — and what to fix — with less diagnosis.

Black believes that having the right equipment is as important as having the right parts. All Service Solutions technicians work in their own "labs." This environment is another key ingredient to providing quality service, along with factory training and the latest in diagnostic and repair equipment.

Aside from providing quick, quality, wholesale repair services, Service Solutions does advance diagnostics. Technicians will tear down and analyze any new electronic product for a dealer before the dealer purchases the item in quantity. Besides providing a written analysis, Black says they put the unit back together and send it back to the dealer.

Service Solutions expanded its service area nationwide last July. Support is now available to any store in the continental United States using UPS. When repairs are needed, Redmond will ship an empty box with reusable molded foam packing to the store. The dealer packs the unit and ships it to the service center where it is diagnosed, repaired and returned.

Service Solutions is no run-of-the-mill company. Its employees under-



Service Solutions technicians each have their own 'lab,' where they can diagnose and repair a wide range of electronics products used by RTO dealers.

repair and found the problem with a quick functional inspection. No work was needed and the unit was shipped back "no charge" within four hours after its arrival.

That's finding a quick solution to a service problem.

PR

stand the rent-to-own business and help dealers cut service expenses, reduce down-for-service time and help dealers make more money. More important, its people have integrity, as Bob Fishman of Rentown, Inc., recently found out. Service Solutions received a stereo amplifier from Rentown for

Bob Bader is president of ADMINCO, Inc., and of Insurance Marketing Services, Inc. He has 17 years' experience designing, marketing and administering warranty, credit and group insurance products products for rent-to-own dealers, financial institutions and retailers.

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By James D. Walker Jr.

How to be a good client

There is a dearth of interesting new questions nowadays. This is not to say that all of the old questions have been answered. We have tried here to present some useful legal advice to rental dealers about matters such as collections practices, corporate structure, personnel policies, contract drafting, bankruptcy and assorted other small business topics. If there are unchartered legal waters to be discussed in this column, it would help if I could be pointed to them. Otherwise, I shall avoid the temptation of retracing my steps through oft trodden ground and, instead, do what the journalists do when they cover the national political conventions.

Things are not always lively in the life of a journalist, particularly during a lull in a long-running event such as a national political convention. When this happens, the journalists take to looking at each other to try to make news. They turn their cameras around to view things behind the scenes. They interview each other and analyze the business of journalism. So, in that spirit, rather than focus on the needs of the client and the problems of the industry, I shall address myself to the needs of the lawyers and the problems of the legal profession. In particular, I propose to supply a few thoughts on a seldom discussed topic, "How to be a Good Client."

First of all, the question may be asked, "Why would a client want to try to be a good client?" After all, you may say, whether a client is good or not, he will pay for the services which are rendered to him. The more difficult and expensive those services, the happier the lawyer, right? Not right! (My clients are never wrong, only right to a greater or lesser extent.)

It is true that lawyers always need clients. On the other hand, lawyers work very hard to have the luxury of representing the clients they like to represent. The better a lawyer, the more selective he or she is going to be

about the type of clients they represent.

Money is not always a decisive issue with lawyers (usually, but not always). A successful lawyer has turned his attention from the money (which he takes for granted) to the quality of life thing. He wants to be happy (along with being prosperous).

If you are persuaded that you should try to be a good client so you can have a good lawyer, how can you do it? Lawyers (maybe everybody) hate emergencies. Despite the fact that it gives them the forum to display their immense skills, emergencies are inconvenient, tedious and sometimes unnerving. Emergencies disrupt schedules and cause lawyers to have to disappoint expectations they may have created with other clients (a bad chain reaction).

Your lawyer will appreciate anything you can do to give him as much time as possible to respond to your needs. Your lawyer can easily recognize when you have neglected the opportunity to do this. He can tell when you have postponed calling until the last minute, hoping that the problem will go away so you can avoid a fee. In an effort to save yourself money, you may be costing the lawyer money and goodwill with other clients. If you can plan for your use of a lawyer to be orderly, you should. It is noticed and appreciated.

The kind of lawyer you want to represent you will always have plenty of work. It is not necessary for him to do extra work for you in order to earn the fees he needs. Instead, he is very likely to be conservative in his work for you so as to charge as small a fee as possible. He wants you to be happy. He knows that you will pay a smaller bill more cheerfully and promptly. You can count on a good lawyer to never make extra work.

For all these reasons, it is not dangerous to your pocketbook for you to brief your lawyer on potential problems as soon as they appear. If a lawyer is tuned into a

problem early, he will feel some sense of responsibility for trying to avoid its consequences. You may be surprised to learn that your lawyer has some good ideas for avoiding problems as well as for solving them.

Another way to build goodwill with your lawyer is to share some good news. If you stay in regular touch with your lawyer, you are bound to have some good news to share along with the discussion of legal matters which might be problems. Your lawyer does not need to have an image of you as someone who is always in trouble. A lawyer who is proud of his client can be a better lawyer.

A good lawyer is not always sitting by the telephone waiting for your call. In fact, the opposite may be true. On the other hand, a good lawyer will try to return all of his calls the same day, or the next day at the latest. Remember that your lawyer probably has a full schedule of appointments, court hearings and meetings outside of the office to occupy the working day. If your call is routine, it is helpful to say so when you leave a callback message. If the call is urgent, you should likewise indicate that status in your message. Everyone (you and your lawyer) has a stack of messages with telephone calls to return. We all give priority to the messages that ask for priority. If you need priority, ask for it. If not, accept the routine priority which would normally be assigned to your message.

Most lawyers work long hours (just like you). Many times it happens that lawyers are willing and able to return calls after hours. It is helpful if you would indicate whether you would like for the call to be returned to you at home. If so, you should leave your home number as well as your office number.

A lawyer always appreciates your willingness to work with his secretary or other assistant. You should always identify the person in your lawyer's office who has the closest contact with your lawyer. When-

ever your lawyer is out, you should ask to speak to that person. Often it happens that this person can help you determine the best method for getting in touch with the lawyer, including, possibly, interrupting the lawyer.

It is very unlikely that a good lawyer will be working alone. He is regularly in touch with someone in the office. You should know who that person is and develop that person's awareness for you and your business.

Most lawyers are paper driven. They are accustomed to receiving and dealing with problems through letters and court pleadings. They are (most of the time) also capable of talking on the telephone. In fact, this is one of the things they do a lot. Unfortunately, telephone conversations do not always result in the kind of followup which a problem might need. After the telephone conversation, it is necessary for the lawyer to either immediately deal with the problem (unlikely) or reduce the problem to some written memoranda which can be referred to later. Some problems can be best presented by a letter or by sending the lawyer a copy of something that has raised the client's concern. Once reduced to written status, the project or problem will exist in a form which is difficult to forget or ignore. Think FAX, not phone.

It is also true that written memoranda are more convenient. They can be read and considered during off hours, over lunch in the office and at home at night. Telephone conversations, on the other hand, generally take place during prime time. They are sometimes difficult to work into the schedule. Lastly, they require a level of social energy which may have been exhausted by the events of a hard day.

Another difficult problem faced by many lawyers is the reluctance of a client to work with another lawyer in the firm or one of the firm's legal assistants. Some clients are offended at the suggestion that their work may not be important enough for the lawyer to handle personally. This can make the representation of a client difficult and unpleasant.

It should be remembered that the delegation of responsibility in handling a client's affairs will always be determined by the type of work and not the importance of the client. For example, the formation of a simple corporation can be very adequately handled by a legal assistant. On the other hand, the

preparation of a complicated buy-sell agreement between shareholders must be performed by the lawyer who is most familiar with the client and the business.

A law office should be thought of as an organization which exists to support its clients as well as its lawyers. A good lawyer-client relationship should involve multiple direct contacts between different persons in each organization. It can be a very difficult relationship when the only contact point is between the client and the lawyer responsible for the client. A client's insistence on that type of relationship (without good cause) can cause unnecessary stress to the lawyer.

Your conclusion from all this may simply indicate that you would not want to have me for your lawyer. If I were your lawyer I would never say any of these things to you. In fact, I would continue to represent you despite your failing in one or more of these areas.

This is not a list of qualifications you must fulfill to be represented by a good lawyer. It is instead, a formula for enhanc-

ing or complementing your relationship with your lawyer. Think of these suggestions simply as grease if you like. They make the relationships flow more smoothly. It is impossible to calculate with mathematical precision how this will make more money for you. On the other hand, if you think of your lawyer in the same way you would an employee, you can more easily see the need for managing the relationship so as to motivate the employee (lawyer) to do the best possible job at all times.

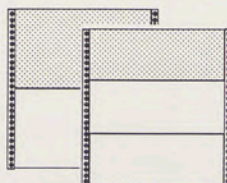
Lawyers are no different from employees in that they are neither robots nor slaves. They work best when they work happy. As with your other employees, treating your lawyer with respect does not in any way undermine the fact that you are the boss and that the accomplishment of your objectives is the sole purpose for the relationship.

PR

Legal is a regular column written by James D. Walker Jr. of Surrent, Walker, Creson & Colley law firm. Questions should be directed to Walker at: Box 1497, Augusta, Ga., 30903.

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'Divorcing' your computer akin to agony of leaving a mate

Question of whether to junk present system shouldn't be taken lightly

By Rita Wallace

Selecting and purchasing a computer system for your rent-to-own business has been compared by both the novice and the expert to the process of selecting a mate and preparing for marriage. Living with the computer system after your choice has been determined is very much like a marriage. It is a marriage between your rent-to-own store and the software/hardware support commitment that you receive from your vendors. That is, if living with a computer system really can be compared to living with a spouse.

Chances are, before divorcing your husband or wife, you might first attempt to salvage that long-term relationship based on the amount of time and energy invested. You might seek marriage counseling in hopes of learning various things that might be done to restructure and rebuild a solid marriage.

Perhaps alternatives exist for you if you're considering "divorcing" your computer and software system. But with all of the time, energy and money you've invested in the equipment and the software, it would probably be worth your while to attempt to salvage your long-term relationship with your automated system.

Much has been written and taught about what systems will and can do for you, the benefits and features contained and how to implement and understand computer systems. Fewer resources

exist, however, to help you determine whether or not your existing software and hardware systems are salvageable.

If you were visiting a marriage counselor, he or she would probably advise you to sit down and develop three lists — the things that your spouse does to annoy you, the characteristics you like and appreciate in your mate, and the



needs you have that you wish your partner would fulfill. This is a good beginning for evaluating your current software, hardware and vendor relationship.

First, list four or five things that your computer system does to annoy you. Call this the "fault list." Secondly, list the characteristics of your system that you really do like and appreciate. Call this the "features list." Then develop the list of needs you feel your system should be providing — those things that could make your life easier.

A marriage counselor would then advise you to sit down and talk these

things over with your spouse in a calm, even tone of voice. Technology has come a long way, but vocal conversations with most computers still seem to be somewhat one-sided. However, you can discuss with the experts who provided you with your software and hardware system the faults and features that you would like to see bettered or added to your system.

First, evaluate your fault list. Look at each item on the list and make a note about whether it is software, hardware or vendor related. If you are uncertain about its nature, note your uncertainty with a question mark. Follow the exact same procedure for each of your other two lists.

The next step is to call your software vendor. Discuss each item that you have labeled as a hardware problem with your software vendor. Your software vendor understands how the software is supposed to function and should be able to discuss hardware options that could provide solutions to your problems. Ask him to explain any terms you do not understand. Discussing hardware options with your software vendor will prepare you for your next call — to the hardware vendor.

Call your hardware vendor and discuss the items on your list that you believe to be software-related problems. He may not understand your software, but he may be able to confirm that the problems are indeed software related. Consider the answers offered to you by the hardware vendor. Ask him to explain terms you do not understand.

When you have adequately discussed your software problems, verify the hardware-related problems and options you previously discussed with the software vendor.

The next step is to return to the software vendor and discuss all software and hardware recommendations. You now have two opinions on all of your problems.

Discussing your software options with your hardware vendor and your hardware options with your software vendor may suggest objective alternatives that can be more cost-efficient than new complete software or hardware systems.

Discuss openly with your software vendor your "lists" and determine if timely updates and enhancements will eliminate or improve the situation. Coordinate these updates and enhancements with hardware changes you may also be considering.

You are still not yet ready to make a decision about whether or not to "file for a divorce." Before you file, one of the things your marriage counselor will advise you to do is to stop and think what your new "single lifestyle" might be like. Before you divorce your computer, you must consider what your new life without it will be like. For example, you might write your own software — which could take years of time and deeper investments than you might possibly imagine. Secondly, you might purchase another system. How will you convert your existing system to the new system? What will a second marriage be like? Another alternative is to go back to a manual system and "live life as you once did." The smart rent-to-own dealer will consider all three alternatives when making a decision with his existing computer system.

Before throwing away everything and going back to a manual system or before writing your own software package, consider the price and investment of purchasing a new system.

Chances are, before divorcing your husband or wife, you might first attempt to salvage that long-term relationship based on the amount of time and energy invested ... Perhaps alternatives exist for you if you're considering divorcing your computer and software system. With all the time, energy and money ... invested ... it would be worth your while.

Call and visit with other software and hardware vendors and determine approximately what amount of investment would be incurred to change from your existing system to a new system. This is one way to set a "ceiling price" on your decision.

Also, after visiting with your software and hardware vendor about the likes and dislikes of your current system you should have some idea of the cost to add or change the system. You might not want to spend more to add or change your existing system than you would spend to convert to a new system or to write your own package. If it will cost more to throw away or write your own software than it will to purchase a new system and convert, then perhaps you should consider purchasing a new system.

After considering all that, it's time to decide which route you will take. In addition to the actual layout of cash that will be required to improve or change your system, consider the amount of time that will be involved in retraining your employees and in converting to your new system. Make sure you understand the structure and nature of support fees and service charges.

Remember — your goal is to achieve the rewards and benefits of eliminating the problems on your "fault list," to keep the advantages you have listed on your "features list," and to meet the needs you have detailed on your need list. If a "divorce" will not accomplish these results, then restructure your current relationship.

Some common problems with software and hardware systems in rent-to-own stores are listed below. Also listed are some hardware alternatives and some software alternatives for each of the major areas pinpointed.

Keep these suggestions in mind as you attempt to save your existing computer system.

Speed

Perhaps your system is just not as fast as it used to be. This could be either a hardware- or software-related problem.

Hardware:

- Your existing machine could possibly be upgraded or replaced from 8 mhz (megahertz) to 12 mhz or more.
- Perhaps you could replace an ST machine (8088 processor) with an AT machine (286 or 386 processor), or 286 machine with a 386 machine.
- Consider replacing a 20- or 30-megabyte (meg) hard disk drive with a larger hard disk drive.
- Shop for a hard disk drive with faster access time.
- Consider expanding your random access memory (RAM) from 512K (kilobytes) or 640 K to 1 meg or more.
- Evaluate faster printers to increase the speed of printing certain reports and other materials.

Software:

- Determine what language your software was developed under and

Continued on next page

Continued from previous page

consult programmers for alternative programming.

- If your programs use sequential files, investigate special compilers to speed up the amount of time required to read a file from top to bottom.

- Consult with programmers about the way the software handles primary memory to speed up processing time.

- Ask programmers about rewriting the software to read files differently or to read different files or even to eliminate unnecessary file handling.

Garbage data or bad records

Hardware:

- Promptly replace faulty hardware parts to cut down on the number of garbage records created in files.

- Restoring backups containing good data can erase and replace garbage records.

- If the garbage records are caused by frequent brown outs or power outages, consider adding an uninterrupted power supply (UPS) or battery backup to the hardware configuration.

- Properly rotate backups and set aside older backups that might be used to rebuild files containing garbage records because of a hardware-related problem.

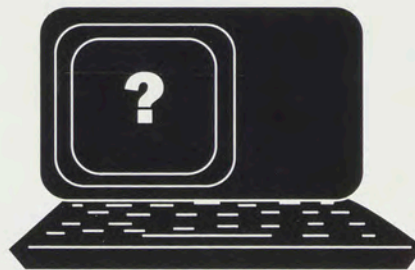
Software:

- Location of software bugs can help determine and facilitate reprogramming to fix software bugs.

- Promptly report software errors to your software vendor along with keystroke patterns, sample and highlighted reports and other helpful information to speed up the correction time of errors such as these.

- Notify employees who use the computer of "work-around" options for software bugs or try to avoid running programs with known errors until software bugs are fixed.

- Using optional and flexible software features to track transactions when those software features were not de-



signed for that purpose may cause inaccurate or insufficient information (also true for reports).

Reports

Hardware:

- Review suggestions to increase the system's speed to accelerate the processing of reports.

- Add a modem to machines to allow telephone communication between home office and store locations. This will provide you the ability to process reports from remote locations.

Software:

- Draft samples (handwritten or typed) of reports you would like to see and submit them to your software vendor or programmer. Written requests (as opposed to verbal requests) are often included as enhancements much sooner.

- Generic "report generators" can now be purchased over the counter from various software and hardware vendors throughout the country. These "design-your-own-report" programs can easily be added to existing computer systems using file specifications that your software vendor or programmer can provide to you.

- Spreadsheets, graphics packages and other database systems can be purchased over the counter and added to your existing software with file specifications that are provided to you by your software vendor.

Bad backups or no backups

- Floppy diskettes are not as reliable as tape cartridge backups.

- Coffee, cokes, dust and cigarette

smoke will erase data stored on magnetic media.

- "Spot checking" or auditing stores to assure their compliance with your backup policies can provide extra protection.

- Off-site backups should be kept and rotated to guard against losses from fire or employee tampering.

- Adequate supplies of diskettes or tapes will encourage employees not to take shortcuts during backup procedures.

Operation

Here is some additional helpful information and suggestions to improve the operation of your existing computer system:

- Your telephone transmission time can be reduced with a faster modem.

- Cost of long distance transmission may be reduced by selecting evening or night schedules to perform data transmissions.

- Evening or nighttime transmissions can insure a better quality transmission because there is less traffic on the phone lines.

- Keeping as much as a two-month- or one-month-old backup can prevent the re-keying of data that might possibly result from an undetected hardware problem.

- Reviewing and testing for unauthorized software access can also eliminate and cut down on garbage records.

- Minimizing employee access to operating systems and commands (such as DOS) can reduce problems.

- Visiting frequently with employees to determine computer knowledgeability (include questions about the software, about DOS, etc.) can help determine if manipulation outside your software package can be causing data error problems.

- Frequent problems within one particular store, whether apparently hardware or software related, could be indicative of several things including faulty electrical lines, employee theft

and employee experimentation.

- Some add-on software packages are "memory hogs" that will use up necessary memory required by your rental software package.

- Maintaining and cleaning your hardware system is crucial to the performance of the parts of the machine. It is advisable to on occasion remove the cover from the machine and "blow" the inside out for dust. Also "blow out" the printer(s).

- In rental stores, an all too common occurrence is a problem with bugs and pests that migrate from "warm stereos and televisions" into "warm computers." Keep the computer area free of food, drinks, etc. that may attract roaches.

- Keyboard covers and other dust protectors are available and highly recommended. Keeping the computer free from everyday dirt and grime will improve its performance and contribute to its extended life.

- Never try to clean or move the machine while it is on. Always turn the power off first.

Although it is an unhappy fact of life, divorce does happen. Substantial investments in hardware and/or software are scrapped every day. The good news is that often qualified counselors can actually help you salvage at least part of your relationship. Thorough investigation will help, but once you have come through counseling, decisive action must be taken. Delays and procrastinations will only prolong the agony. Give it your best shot and move forward. Once you have been to the "marriage" counselor, you have consulted with the experts and you have compromised in every way possible, you will come to realize the choice is difficult, but clear — divorce or renewal to your original commitment?

PR

Rita Wallace is a certified public accountant and president of Rental Information Systems in Texarkana, Texas.

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(See instructions on reverse)

Aaron Rents, Grantree strike major RTO deal

ATLANTA — Aaron Rents' top executive recently announced the purchase of certain Texas rental agreements from Grantree Furniture Leasing and the sale of some of his company's own west-coast rental contracts to Grantree.

Aaron Rents purchased Grantree's approximately 2,000 residential and commercial rental accounts in the San Antonio and Austin, Texas, areas with gross monthly rental revenues of \$150,000.

At the same time, Grantree Furniture Leasing purchased the approximately 1,000 Aaron Rents rental contracts in Seattle, Wash.; and Santa Ana, Carson, Fullerton and San Jose, Calif., with gross monthly rentals of \$100,000.

"This transaction follows our strategy of reducing the number of markets served by Aaron Rents and increasing concentration on the remaining markets," said R. Charles Loudermilk, Aaron Rents chairman and chief executive officer.

"Our company is more profitable in markets where it is the leader in rental contracts volume," Loudermilk added. "Our strategy also calls for continuing review of all existing profit centers and opening a number of new profit centers in the near future."

"In addition, with our five manufacturing facilities in Georgia and Florida producing much of our rental merchandise, we will realize significant savings on freight costs as a result of the sale of west coast-accounts."

This latest move is one in a series of changes that have taken place in Aaron Rents since the company initiated a restructuring plan in December, 1988, designed to position top-level operational management closer to the stores.

Aaron Rents, Inc., the nation's largest furniture rental and sales company, now operates 164 stores in 51 metropolitan areas of 30 states for sale and rental of both residential and office furniture.

Source: Aaron Rents



APRO vendor relations committee meets

ORLANDO, Fla. — The APRO Vendor Relations Committee met Thursday, Oct. 12, at the Peabody Hotel here — the site for APRO's 1990 annual convention and trade show, scheduled for July 22-26.

The committee discussed the 1990 convention schedule and trade show hours. The results from the exhibitor survey, mailed Sept. 5, were reviewed, along with other important aspects of the convention, according to Debbie Hansen, APRO director of member services.

Immediately following the meeting, the committee toured APRO's exhibit area at the Orange County convention and civic center, directly across the street from the Peabody.

Members of the vendor relations committee include:

Dick Clark, WCI Major Appliances; Don Crawford, Voyager Insurance Companies; Tim Fages, RCA Sales Corporation; Les Feldser, Rental & Sales Software Systems; Claudia Filloramo, Rent-A-Rock; Don Linskey, General Electric; Jim Rives, Soundesign Corporation; Norm Smith, Zenith Electronics; and John Steeb, Whirlpool Corporation.

APRO president Ted Wilson also attended the meeting, calling it "one of the best" vendor relations gatherings to date.

Source: APRO member services

Congress may change employee benefits law

Section 89 of the Internal Revenue Service (IRS) Code includes complicated provisions for employers to prove that they are providing comparable

health and life insurance benefits to all employees.

As a result of heavy pressure, Congress is currently in the process of drastically modifying or repealing section 89.

"In the meantime, we suggest that APRO members make no changes in their benefit programs until Congress finally acts," said Harry Weisbrod of Harry Weisbrod Associates in Dallas. "It definitely will not be applicable in 1989 as originally enacted."

Weisbrod, an expert on IRS employment regulations, will conduct two sessions at APRO's fall seminar — scheduled for Nov. 16-17 in Dallas — where he is expected to provide more information on the section 89 Congressional changes. (For more information on the seminar, see story on page 30.)

Source: Harry Weisbrod

Spring seminar cruise of Caribbean planned

A Caribbean cruise seminar — scheduled for March 12-16, 1990 — is open to all APRO members and associate members.

The cruise will depart Miami at 4 p.m. Monday, March 12, travel to Freeport and Nassau and return to Miami at 7 a.m. Friday, March 16.

"Mark your calendar now," said Debbie Hansen, APRO director of member services.

More details will be issued soon, Hansen said.

Source: APRO member services



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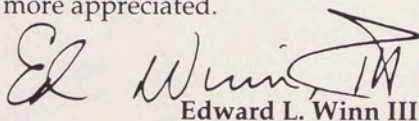
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ED WINN,
continued from page 12

going to lose a few over time. The consistent statistical history of the business has shown that losses from skips and stolens averages about 2 percent of revenues. That compares, incidentally, with national bank credit card losses over four times higher in some cases. You can put armed guards at the front door and chase down 30-day accounts with bloodhounds and the losses won't change much. It appears, 25 years or so into the deal, to be one of the built-in costs of doing business.

I am aware of efforts to set up rent-to-own skip trace hotlines of various types in more than a few cities and states. None, to my knowledge has proved successful. Nor do the large chains have an integrated program set up in-house. The reason is that those companies are trying to make money. They do the former by remaining focused on renting product and giving good service to their customers. They spend only as much time, money and effort as is absolutely necessary to keep losses at acceptable levels. They know also that would-be policemen doing rent-to-own collections work create risks far beyond the value of lost merchandise.

It is my hope that store managers will ponder these truths the next time they have to hire in their collections department. Let the cops-in-waiting practice their skills in other jobs where they will be more appreciated.


Edward L. Winn III

APRO general counsel

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Continued from page 16

month or session). In many cases, though, it can be done for less.

A management development program does not have to be complicated or expensive. It can be accomplished in-house by your current staff — or with help from outside organizations.

Full-O-Pep is one rent-to-own company that is committed management training. "By developing our managers, we can improve our employees' performance and increase the level of service to our customers," says Full-O-Pep's David P. David, who serves on the APRO board of directors. "This means more satisfied customers."

Regardless of the need and commitment levels, RTO dealers can improve their bottom line by investing in their managers. Investment in managers, unlike other areas, is a long-term proposition that will continue to pay off.

One way to decide if it is really worthwhile to set up a management development program is to determine potential value compared to cost. For example, say that as a result of attending a training session a store manager increases BOR by only five units per month at an APU (average cost per unit) of \$50. The value of that training session to the store over the life of the (18-month) contract for the BOR unit is ultimately \$4,500.

Make a realistic estimate of what level the better-skilled managers would cause the organization to grow by and you can get an idea of what the long-term revenue and profit can be. Once you've determined this, it's easy to see

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the kind of payoff an investment in manager training can yield.

Many ask, "Where will we get the funds even if it is a good investment?" More and more dealers are realizing that if advertising dollars are spent to generate traffic and the store personnel don't have the skill to take advantage of the opportunity, the money is wasted. These dealers are diverting funds from advertising budgets to train and develop their employees to ensure that the money spent on ads is well spent. Even if advertising is effective, its effect is only temporary. Competent employees are the ones who build long-lasting business relationships with customers.

Is it worth it to set up a management development program? If improving the skill of a store manager improves BOR, the answer is yes. The investment in developing and training managers is not just for today. It is for the future — your future.

PR

Wayne Outlaw is president of The Marcon Group, a business consulting and training firm in Mt. Pleasant, S.C.

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will likely return the TV and keep his marriage. If the keep rate for wedding jewelry soars, as jewelry rental proponents predict, that will put rental dealers at greater risk of recharacterization.

The point here is that intent matters the most in contract law, but keep rate is a huge issue in rent-to-own contract law. It is an expression of intent. It is clear that a rental company with a 100 percent keep rate — all merchandise is rented to term — is not in the rental business at all and, rather, is selling product on an installment basis. A bankruptcy court in Illinois has recently ruled that a rental dealer the "great bulk" of whose customers actually rented-to-own would be a credit seller and not a lessor. (*In re Hanley*, No. 89-80262, U.S. Bk'y Ct., Ill. Cent. Dist., Sept. 26, 1989.) The court did not define "great bulk" statistically, and one might suppose it means more than 50 percent; perhaps a lot more.

One issue to be resolved is whether courts considering jewelry rent-own cases will examine a defendant rental dealer's overall keep rate, measuring total BOR, or whether they will segregate out the keep rate for luxury items and examine it separately. If courts look at a store's total BOR, wedding jewelry may not have a material impact on overall keep rate. If a court looks just at the jewelry and the dealer has a large percentage of his BOR in jewelry rental and the keep rate, as has been predicted, is high then the dealer runs a substantial risk of having those transactions called disguised sales.

The issue may be different for rental dealers in states with rent-to-own legislation on the books. All of the 20 statutes, which have been enacted, define rent-to-own transactions as agreements for the use of property, personal property or merchandise by an individual for personal, family or household purposes. The intent of this language was to distinguish consumer transactions from commercial transactions. No distinctions were made concerning the kinds of goods that would be covered under these acts. They were, in fact, written to include all kinds of personal property, excluding only real estate and intangible property. Accordingly, deal-



CON

ers in those states may have a safe harbor in which to rent anything they choose, including all kinds of jewelry. All of these statutes carefully distinguish rent-to-own transactions, as defined, from credit sales under state law.

Even in these states there remains the political issue, of course. If politicians find the concept of renting wedding jewelry to be offensive, then they may well revisit their rent-to-own statutes and clarify that certain categories of goods are to be excluded from coverage, or worse, amend the statute for all goods in a manner unsatisfactory to rental dealers.

There is one aspect of the jewelry rental concept that may help dealers in future legal and political battles — pricing. Perhaps the greatest criticism leveled at TV and appliance rental dealers over the years has been that the total rent-to-own price is too high. This argument found strength because it is so easy to make price comparisons in electronics. Moreover, dealers are only too aware of the deep discounts electronics retailers have made for years. In this regard, the advent of jewelry for rental dealers is more like adding furniture. Retail margins and pricing are higher and precise price comparisons are more difficult. Just as there are \$300 and \$3,000 sofas which look similar, so are there \$300 and \$30,000 diamond rings which look similar — at least to the untrained eye.

If rent-to-own jewelry pricing remains close to retail pricing, so that

consumer advocates cannot accuse dealers not only of renting jewelry to "poor people" but also at unconscionably high prices, then dealers may be able to escape some of the apparent legal risks associated with the product.

Besides the threshold question of whether the advent of jewelry will alter the legal status of rent-to-own transactions in this country, there are other peripheral, yet compelling, legal issues surrounding this new product.

There is the issue of how dealers can ensure that the stones in a ring they rented are the same stones they get back when they have to pick up the product. Another issue is that all 20 state rent-to-own statutes require that dealers disclose whether the property they are renting is new or used. How marketable is a "used" engagement ring or a "used" gold chain. Jewelry retailers use the term "estate jewelry," and dealers in unregulated states may choose to adopt this terminology. Dealers in regulated states, however, are stuck with the moniker "used." Incidentally, failure to make this disclosure in some meaningful fashion is probably a deceptive trade practice in all states.

The laws of repossession do not change when the product changes, but its application might. Briefly, that law states that dealers cannot "breach the peace" when recovering merchandise. But the industry overall has shown itself proficient at recovering property *without* breaching the peace and should be able to incorporate jewelry into its collection procedures.

The issue of rent-to-own jewelry can perhaps best be compared to Columbus setting sail west across the Atlantic. Because the legal status of rent-to-own jewelry is literally unknown, there may be a safe harbor of untold profits for the courageous few willing to take the risk. There is also the chance that instead of new business and great profits, these courageous few will spend their fortunes on lawyers defending class action lawsuits and trying to prove that people really do rent wedding rings.

PR

Edward L. Winn III is APRO's general counsel and a veteran writer on rent-to-own issues.

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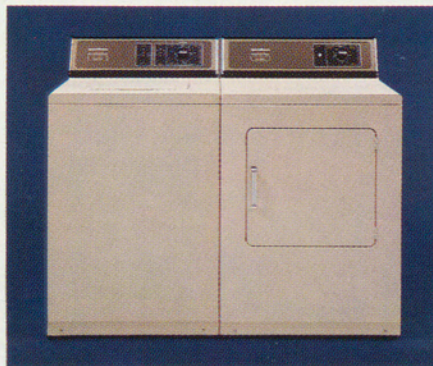
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