

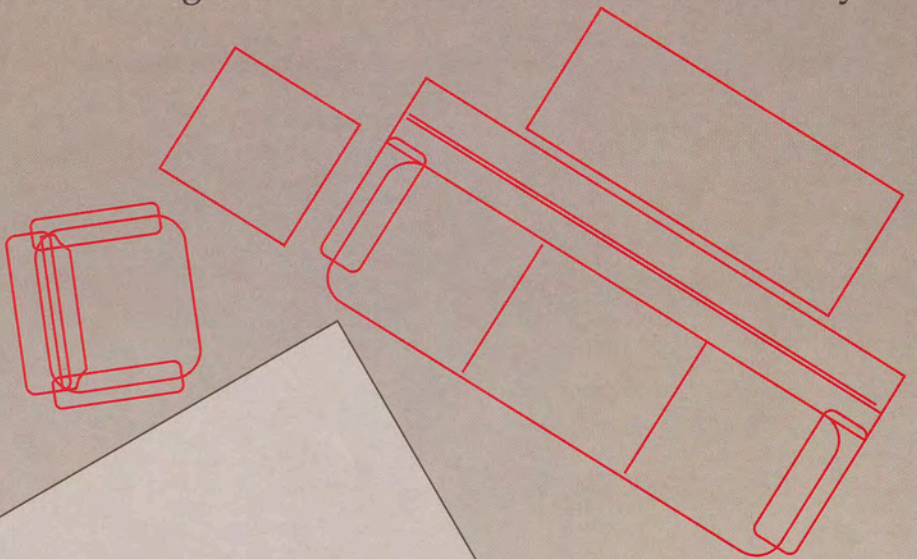
Progressive

April/May 1991

Rentals

The magazine of the rent-to-own industry

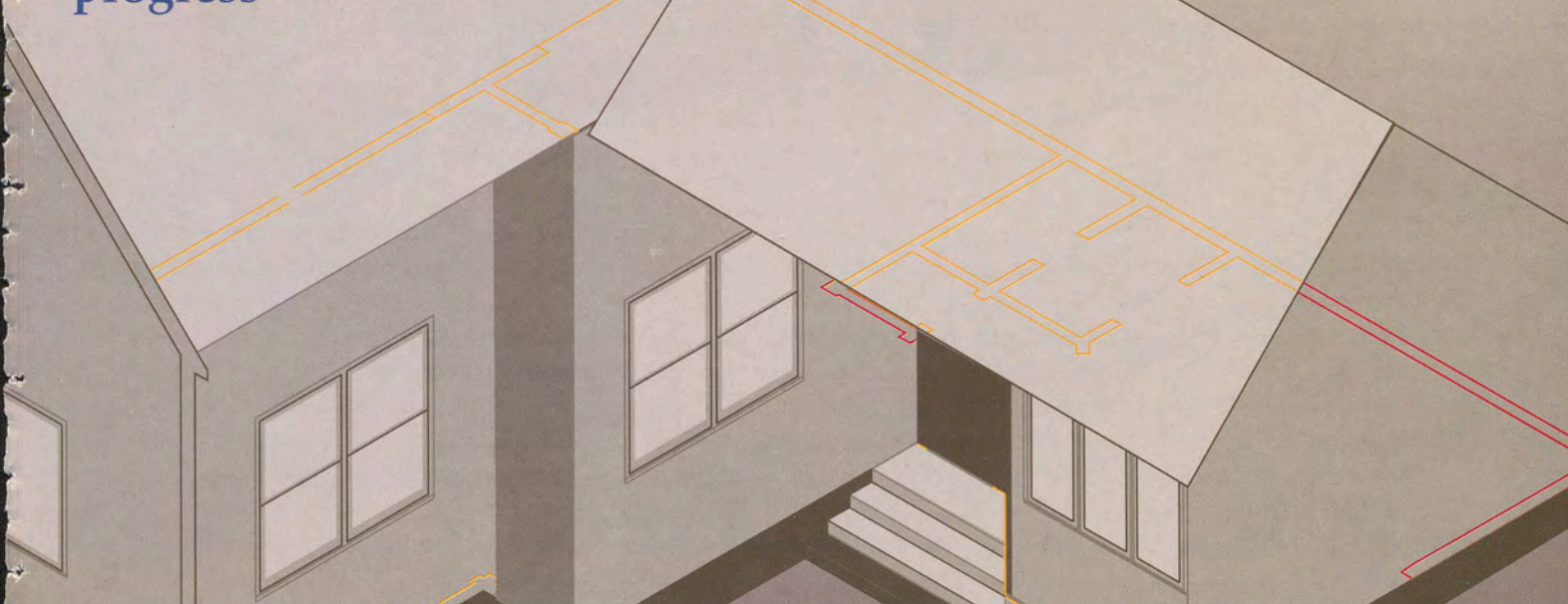
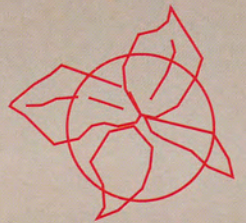
**RTO furniture:
Selling a lifestyle**



**RTO finances:
When credit gets tough**

**Rent-to-own cars:
They'll drive you crazy**

**Survey says ...
Participation means
progress**



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APRO

PR

Progressive Rentals

April/May 1991

The magazine of the rent-to-own industry

Volume 11, Number 2

Features

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They will drive you crazy

Rent-to-own cars have long been a dream product for dealers, but practical pitfalls have kept them mostly just that — a dream. Here's a look at why.

24

Selling a lifestyle

With the current financial squeeze in rent-to-own, dealers have to maximize every dollar. Furniture is one way to better returns, partly because customers see it as a good deal.

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Lady Luck and Las Vegas

Do you feel lucky? If not then perhaps that will change, at least by the time August and APRO's annual convention roll around. Participants will have a good time in Las Vegas.

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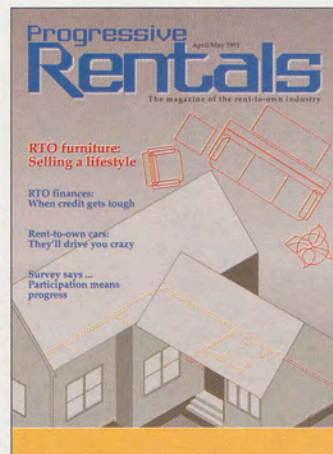
Fun at Fraenkel

John Vasta already had 15 years of rent-to-own experience on his resume when he left the jewelry side of RTO to take on another challenge and another product. Furniture.

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Better statistics for RTO

Having accurate data on rent-to-own can help achieve important goals. However, more industry players will have to respond to APRO-conducted surveys before the numbers begin to become valuable.



ON THE COVER: They call it visual imagery or visual merchandising. The display and marketing of furniture as a lifestyle setting appeals to rent-to-own customers. Furniture also appeals to dealers, since it has increasingly come to represent profit potential.

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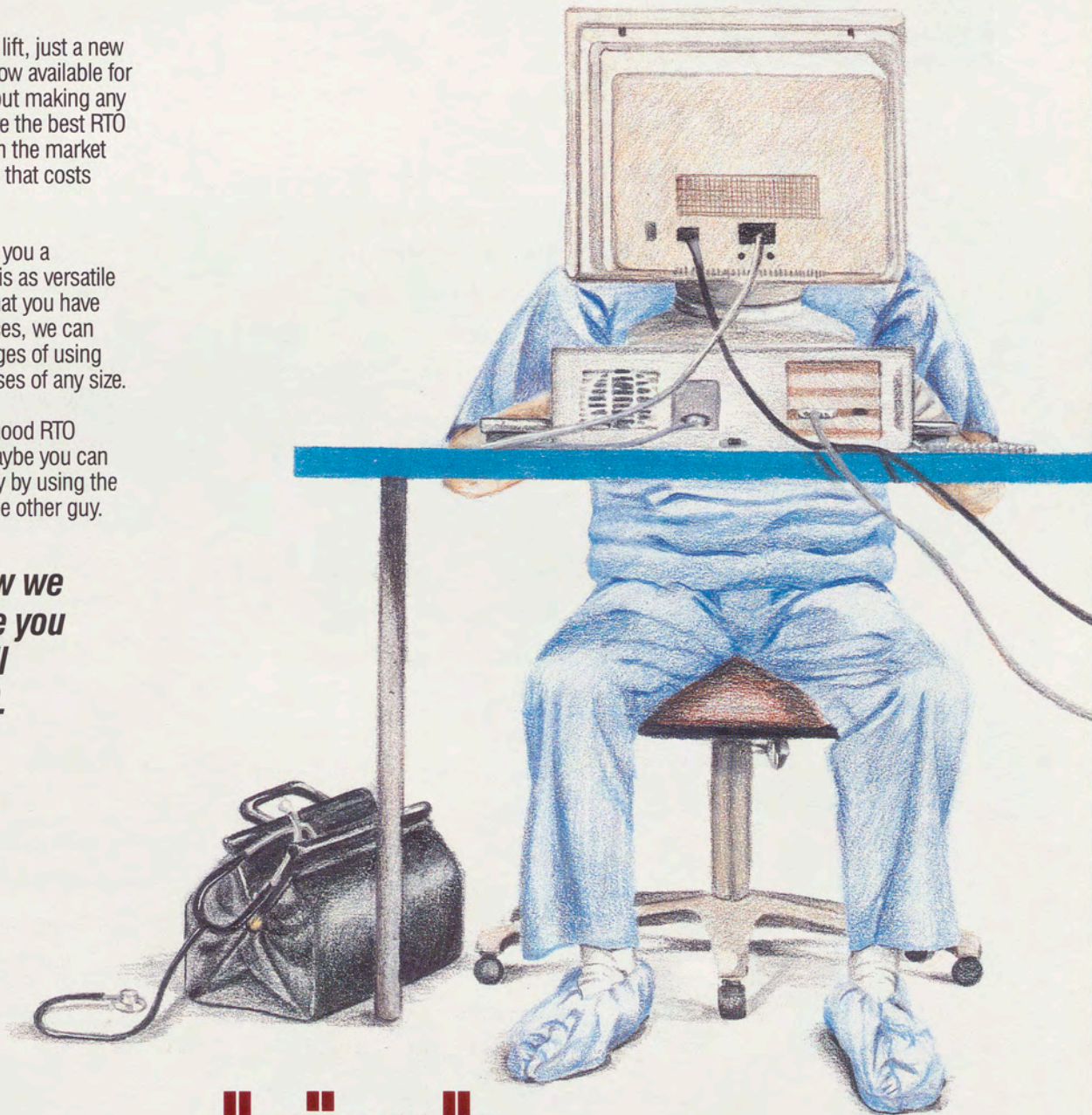
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words written by Charles Swindoll:

Attitude

The longer I live, the more I realize the impact of attitude on life. Attitude, to me, is more important than facts. It is more important than the past, than education, than money, than circumstances, than failures, than successes, than what other people think or say or do. It is more important than appearance, giftedness or skill. It will make or break a company ... a church ... a home. The remarkable thing is we have a choice every day regarding the attitude we will embrace for that day. We cannot change our past .. we cannot change the fact that people will act in a certain way. We cannot change the inevitable. The only thing we can do is play on the one string we have, and that is our attitude. I am convinced that life is 10 percent what happens to me and 90 percent how I react to it. And so it is with you, we are in charge of our attitudes.

These words need no further commentary by me. We will survive these troubled times, and go forward. You can bet on it!

PR

LATELY, A LOT OF RENT-TO-OWN DEALERS ARE COMPLAINING. COMPLAINING ABOUT THE LACK OF BUSINESS; COMPLAINING ABOUT THE LACK OF FINANCING; COMPLAINING ABOUT THE TRADE ASSOCIATION; COMPLAINING ABOUT THE WEATHER; COMPLAINING ABOUT THEIR EMPLOYEES; COMPLAINING ABOUT TAXES; COMPLAINING ABOUT THE GOVERNMENT; AND COMPLAINING ABOUT ALMOST ANYTHING ELSE YOU CAN THINK OF.

.....

Granted, there are some serious problems out there in some of these areas. But, to me, it seems useless to spend your every waking hour worrying about something over which you have no control. I used to do that, and before I learned better, I lost a full head of hair and gained a very delicate stomach. Several years ago, I attended an APRO seminar where the speaker said that "being a successful RTO dealer required 10 percent aptitude and 90 percent attitude." This didn't have a lot of meaning to me then, as the industry was booming, financing was plentiful and everyone that didn't just screw up completely was making money. Nowadays, when things are tougher, it means a lot more.

The other day I came across a plaque which had inscribed on it the following

.....

BY
TED WILSON

If you're not already a *Progressive Rentals* reader, why not start?

This issue of *Progressive Rentals*, the bimonthly magazine of the rent-to-own industry, is going out to all known locations in the RTO universe.

Normally, *Progressive Rentals* is only mailed out to members of the Association of Progressive Rental Organizations (APRO) and a small group of subscribers.

Here's your chance to become a part of *Progressive Rentals*' select readership — at half the normal subscription rate.

If you haven't seen a *Progressive Rentals* lately, you might have done a double-take, since this is only the second issue of a brand new redesign for the magazine.

In these pages, you'll find interesting features, such as the one on rent-to-own cars; and new and timely departments, like RTO Finances.

Progressive Rentals is produced with the busy RTO dealer and manager in mind. Stories are more concise, tables and charts bring clarity to the numbers, and there's more news on industry people, events and products than ever.

Take a look for yourself. If you like what you see, there's a handy tear-out subscription card that will ensure you won't miss out on future issues. At \$15 a year instead of the normal \$30, it's well worth it to stay on top of cutting-edge topics in rent-to-own.

Better yet, if you're not an APRO member, join now. You'll receive *Progressive Rentals* six times a year as part of your membership — plus literally thousands of other member benefits that can positively affect your bottom line and help preserve your livelihood in RTO.

If you've got any questions about APRO or *Progressive Rentals* magazine, feel free to give me a call at (512)794-0095.

I'd like to hear from you.

— *Bill Keese, executive director*



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Responding to the call

RECENTLY, I WAS INTERVIEWED BY A REPORTER FROM THE HARTFORD (CONN.) COURANT ABOUT THE RENT-TO-OWN INDUSTRY IN GENERAL AND THE BUSINESS PRACTICES OF RENT-TO-OWN DEALERS IN PARTICULAR. THE NEWSPAPER HAD BEEN CONTACTED BY ONE OF THIS INDUSTRY'S LEGAL AID OPPONENTS IN AN ATTEMPT TO DERAIL THAT STATE'S PENDING RTO LEGISLATION.

• • • • •

For an hour and a half, I responded to the various erroneous allegations that we have all heard from our opponents. I also had the opportunity to detail the various business expenses incurred by RTO dealers that cause RTO prices to be greater than retail.

• • • • •

BY

BILL KEESE

The reporter also contacted and interviewed Alan Dobzinski, president of the rental dealers' association in Connecticut. Alan, who serves on the APRO Board of Directors, did a fine job of enlightening the reporter on the business aspects of rent-to-own.

In addition, the APRO office helped arrange for the reporter to tour a rent-to-own store in the state. Robert Standley, vice president of operations for the New Haven Colortyme franchise, did an excellent job of showing this reporter the real-

ities of a rent-to-own store's operations.

The resulting article that appeared in the *Courant* a few days later was well written and, all in all, a fairly balanced piece. It was apparent in the article that the reporter later contacted this out-of-state legal aid attorney to respond to the RTO industry's cost of doing business. In a surprising moment of candor, the attorney acknowledged that "the prices charged by the industry may, in many cases, accurately reflect business costs."

This is the first time in my memory that one of RTO's opponents has acknowledged this truth about rent-to-own. This is a milestone in this industry's quest to educate RTO opponents.

Perhaps more importantly, this event illustrates several other issues that are critical to the well being of rent-to-own.

Networking within our industry is vital so information can be quickly gathered, disseminated and a proper response generated.

Cooperation among dealers, state associations and APRO give us our best opportunity to combat RTO opponents with the facts about our industry.

The media must be dealt with in an open, honest and respectful manner. We must look at their questions as opportunities to tell our story: How we provide millions of Americans with perhaps their only avenue for acquiring a piece of the

Making the effort at practicing timely, thorough and honest media relations constitutes only one of the literally thousands of services APRO and its board of directors provide for the rent-to-own industry every year.

So if you've ever questioned ... what APRO, or perhaps a state association, does for you, please think about the consequences of having no one available to advance the rent-to-own story.

American dream.

Making the effort at practicing timely, thorough and honest media relations constitutes only one of the literally thousands of services APRO and its board of directors provide for the rent-to-own industry every year. The "structure" of your national and state associations allows for the pro-

cessing of literally thousands of services to this industry.

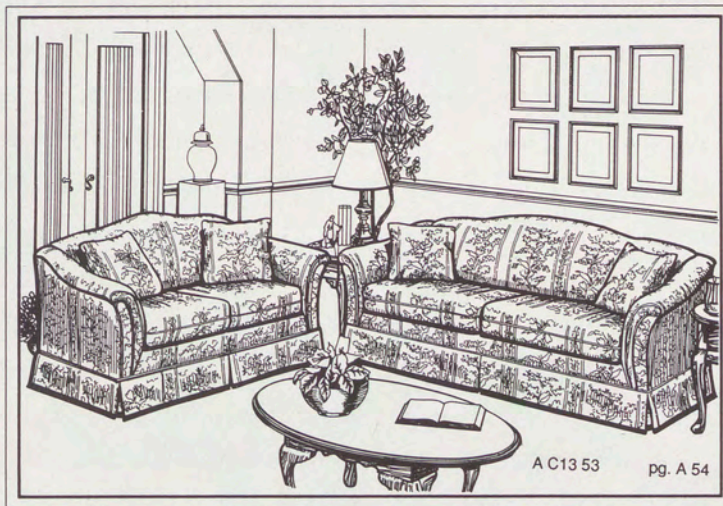
Even though my interview with the reporter was only an hour and a half, by the time I networked with others about the story, provided written backup information to the reporter, and followed up with telephone calls to everyone else involved in this effort,

seven or eight hours were invested. In addition, Alan and Robert had even more hours of their time invested in this story.

Certainly, the time was well spent even if we had not received these results.

So if you've ever questioned — or if you've ever heard any other RTO dealer question — what APRO, or perhaps a state association, does for you, please think about the consequences of having no one available to advance the rent-to-own story. You might also consider the thousands of other services generated by active, involved RTO dealers, APRO Board of Directors and staff, and all the state associations representing this industry. **PR**

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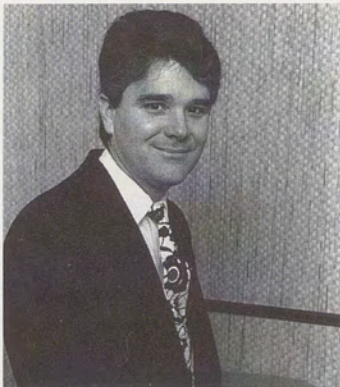


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Critical mass

It's human nature to find fault, so let's not for once

THERE IS A TENDENCY IN ANYTHING THAT ONE IS INVOLVED WITH TO CRITICIZE THE THING, OCCASIONALLY TOO MUCH. THERE ARE DOUBTLESS SCORES OF THINGS YOU DO NOT LIKE ABOUT YOUR OWN INDIVIDUAL BUSINESSES.

.....

We at APRO are often critical of the industry, generally, the association, in particular, and certain members, more particularly still. We lament their lack of participation or cooperation. We bristle and get defensive when people call to complain, all the more so when those very people under-report revenues to avoid paying dues or otherwise try to take advantage of us. However, an honest and objective appraisal of the thing, whatever it is, usually yields a more balanced perspective. When I stop to look at the industry, generally, and the association, in particular, with an aim at being balanced, not all I see is bad.

Rent-A-Center just opened its 1,000th store. That is a monumental accomplishment which speaks volumes about that organization, certainly, but also of the industry as a whole. If rent-to-own had not proven itself in the marketplace over the years, Rent-A-Center wouldn't

have 1,000 stores. Free enterprise is good, over time certainly, at laying bare faulty economic ideas for everyone to see and then ignore. Unscrupulous businesses simply cannot stand the test of time in the American economy. They tend to flourish briefly, get uncovered, die out and then resurface later on. If we offered the bad deal to consumers suggested by various consumer advocates, we would have run out of customers by now. All of our former customers would either be carefully shopping for credit to finance major household purchases or dutifully doing without while they saved up enough money to go pay cash. Instead, they continue to come and do business with us — and they come by the millions — because they have concluded that we offer them value for their money. We, of course, have known that all along.

If the Connecticut papers are to be believed, even our most ardent detractors are acknowledging the truth of what we have been arguing for years — that ours is a different business from traditional retail credit sales. David Ramp, a legal aid lawyer from Minneapolis who is one of the current anti-RTO champions, told a Hartford newspaper reporter “that the prices charged by the (RTO) industry may, in many cases, accurately reflect business costs.”

.....

BY

ED WINN III

An honest and objective appraisal of the thing, whatever it is, usually yields a more balanced perspective. When I stop to look at the industry, generally, and the association, in particular, with an aim at being balanced, not all I see is bad.

As of this writing, 25 states have enacted RTO-specific legislation that the industry supports and that dealers can live with ... The first law appeared in 1985. That is not a bad legislative record — 25 statutes in six years.

So much for “bloated profits” in RTO. That leaves Mr. Ramp with his public policy argument about how people ought to spend their money. Happily, in this country, the government tries not to get too involved in telling people how to do that, as well it should not.

As of this writing, 25 states have enacted RTO-specific legislation that the industry supports and that dealers can live with. That is 25 state legislatures where the public policy arguments against an industry have been fully ventilated with the consistent conclusion drawn that we need to be regulated, but that we should not be regulated out of business. The first law anywhere appeared in 1985. That is not a bad legislative record — 25 statutes in six years — for a legislative program that dealers have been criticizing for at least that long.

We have 40 states with some form of dealer infrastructure to conduct industry business at the state level. We’ve made considerable progress at figuring out how to mesh a national association with state groups to the mutual advantage of both.

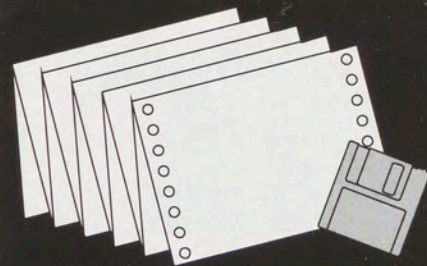
Social policy and politics aside, we talk to a lot of dealers who, despite tough financial times, are bullish on rent-to-own and are out looking for opportunities. Some are opening new stores; some are looking for stores to buy.

We are not devoid of problems as an industry. We could list a dozen or so, any one of us. But we aren’t exactly facing extinction either. Change is painful and recent changes have cost the industry some players whom we worked with and liked, and who, but for a break here or there, might be celebrating the opening of their 1,000th store.

But that is the nature of the entrepreneurial game we are playing. At every moment in this risky business there are companies on the rise and companies in decline. As long as the former outweigh the latter, even by a little bit, we have a successful industry. And that is what we have. It is important, I think, not to forget that, even in the midst of the myriad challenges around us.

PR

Ed Winn is APRO’s legal counsel and a veteran writer on rent-to-own issues.



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APRO



What to do *when credit gets tight*

AS THE ECONOMY WRESTLES WITH RECESSION, ACCESS TO CREDIT COULD BECOME A MATTER OF LIFE OR DEATH FOR YOUR COMPANY. HERE IS SOME ADVICE ON DEALING WITH BANKERS IN TOUGH TIMES.

•••••

Negotiating a loan

Be prepared. Know how your company's performance compares to that of others in our industry. If your ratios stack up well compared to the industry, lending institutes will look more favorably upon the credit in terms of pricing, collateral and the way the credit is structured.

One source of comparable figures is a publication called *The Annual Statement Studies, 1990*, available from Robert Morris Associates (215-815-9100), a national nonprofit association of bank lending officers based in Philadelphia. The publication tracks five years' worth of key financial data for 360 industries. The publication shows, for example, that the upper quartile of machine tool companies with up to \$1 million in sales has a median debt-to-net-worth ratio of about .7, or 70 percent. If your machine tool firm boasts a better ratio, say about 50 percent, your chances of getting a loan are improved. Unfortunately, rent-to-own is not rated. However, APRO leaders are making this a priority, and they believe accurate financial statistics on the RTO business are the key to securing an industry-specific rating.

Learn what incentives your bank offers to loan officers, suggests Hugh D. Frisbie, a partner with McGladrey & Pullen, a business-consulting firm in Schaumburg, Ill. A bank may reward officers financially for bringing in deposits as well as loans. Or it may have a campaign to attract the deposits and loans of small

business owners as well as their company accounts.

Show commitment and cash flow. The two major things paid particular attention to when considering lending to a small business are commitment. This is reflected in the owner's knowledge of the business, the expertise of the firm's management and the effort put into running the company.

The second are the financials. The company's cash flow must be adequate to cover both the interest and principal payments.

Beware of compensating balances. As part of loan agreements, banks often require compensating balances, which means you must leave part of the loan on deposit earning no interest. That works against you by raising the real cost of borrowing. "You should price out the entire banking relationship, not just the cost of the loan," Frisbie advises.

If your lender requires compensating balances, it may agree to "double dipping," or allowing the compensating balance to count toward, for example, monthly checking-account maintenance fees or charges for wire transfers.

Be prepared to offer personal assets. Try first to use as collateral the company's assets, such as real estate, equipment or accounts receivable. "When that's not adequate, a personal guarantee or signing over the owner's home may be the next step," notes Frisbie. This act also demonstrates to the lender that the borrower is committed to the company's success.

Take a close look at loan covenants. All banks require covenants. Make sure the ones in your loan are not vague or over-reaching, advises Russell E. Zimmermann, partner in the Chicago office of Deloitte & Touche, a Big Six accounting firm. Restrictive clauses or covenants are intended to protect the bank's interests. During the term of the loan, the covenants may, for instance, limit sales of important assets, increas-

•••••

BY

CLAUDIA
FILLORAMO

Know how your company's performance compares to that of others in our industry. If your ratios stack up well compared to the industry, lending institutes will look more favorably upon the credit in terms of pricing, collateral and the way the credit is structured.

es in dividends or raises in the owner's salary.

The covenants may also require the company to meet certain financial benchmarks, such as a minimum debt-to-net-worth ratio, and set out the bank's remedies if the borrower fails to live up to the terms of the loan. The more specific the covenants the better, says Zimmermann. "Be wary of vaguely worded covenants that say things such as 'or anything else the bank may deem necessary,'" he warns. "That could result in restrictions on how you operate your business." (Especially ours if they don't understand rent-to-own and when title is passed over to the customer.)

Don't expect leeway on rates. The average interest rate for a typical small-company loan is now 2.5 to 3 points above the prime rate (that is, a total of 12.5 to 13 percent). "Though there is competition among banks," reports Frisbie, "you'll find they are not going to move much on rates unless, perhaps, there's a change for the better in the company's financial position.

After you've got your loan

Keep your loan officers happy. Make your payments on schedule, and file financial reports with your banker at least quarterly. Be sure you don't wait until after you close the books for the quarter to tell the bank about important changes in your business. If there's anything banks don't like, it's surprises.

Trying to withhold or sugarcoat bad news can backfire. There's nothing gained long-term on the part of the borrower by not telling the bank what's happening. You don't want to go in for a loan renewal or for more money and have the lender discover at that point that all is not going well as you had led him to believe.

Don't forget your banker's boss. Employee turnover is high in the banking industry. A new loan officer who

takes over your account is apt to be conservative just because he or she isn't familiar with you or your company. If there are serious problems with the loan officer or with your business, it's nice to have a relationship with the next person up the ladder.

Meet with your banker's supervisor at least once a year. If you don't already know the supervisor's name, ask your loan officer to introduce you.

A word to the wise

Spread your business around. It used to be that small businesses relied on a local bank for all banking services, personal and professional. Nowadays, that small institution has probably been acquired by an out-of-town holding company, so it's best to have relationships with several banks — particularly now that credit is tightening.

Frisbie tells of one client company looking for a certain type of loan. At first, one of the firm's banks was interested in the deal. But it later balked when bank examiners criticized similar loans already on the bank's books. "Our client would have been in a tough situation if he had not had relationships with other lenders," Frisbie recalls.

Some bankers, such as Schaffer, don't like the idea of a small client doing business with other banks. If the client develops financial problems, the bank's claim to collateral could be jeopardized by claims from the other banks.

Other bankers say it can make sense to use different banks for particular financing. If an owner needs financing to buy a building, for example, it makes sense to find a bank that has a strong appetite for making loans in commercial real estate.

Acquisitions require action. Telephone your lender immediately if it's acquired. You need to know if the new owners are going to continue lending to your type of business and under what conditions. Banks

acquired by larger holding companies, for example, may raise their minimums on new commercial loans, say to \$50,000, and demand that smaller borrowers take their business elsewhere.

If, for some reason, you think the new bank won't stay with you, ask for a grace period to allow time to negotiate with another bank.

Watch out for participations. Banks normally share, or participate, loans with a bitter correspondent institution, particularly when a loan exceeds a single bank's legal lending limit (generally no more than 10 percent of a bank's capital can be loaned to one borrower). Though loans to small businesses rarely exceed such lending limits, lenders may want to share them nonetheless to help protect themselves during economic downturns.

The business owner would be wise to know if his loan is being participated. In this situation, you are doing business with two lenders. And the correspondent bank may have stricter lending and reporting standards than your own bank.

A final note

All too often it's really who you know. I've just negotiated a \$1 million loan to finance inventory and use the inventory as collateral. Because of my relationship and the confidence I have with my banker, when he changed banks so did I, making three times in 10 years. We have an excellent lending relationship from cars to rental property, SBA to inventory loans. After a decade my banker still admits he doesn't understand what I do or how it works. It's my bank balances and track record that count. This is flattering but not comforting. We need standardization, which will help us achieve an industry rating.

PR

Claudia Filloramo is general partner of Rent-A-Rock and president of Key Rental of Florida, Inc. She also wrote the first of a three-part series on RTO Jewelry, which begins on page 20 this issue.

(Editor's postscript: Accurate statistics on the rent-to-own industry can address both short- and long-term needs, but the level of participation in APRO-conducted surveys isn't yet adequate. If you're interested in the subject, see Ed Winn's story on RTO statistics, page 46, this issue.)

*They'll drive
you crazy ...*

RTO cars

SOMETIME DURING THE 1970s, AS SOON AS RENTAL DEALERS DISCOVERED THAT THE RENT-TO-OWN CONCEPT COULD EXTEND BEYOND TELEVISIONS, A FEW OF THEM BEGAN MUSING OVER THE NOTION OF RENT-TO-OWN CARS.

WHAT A PRODUCT! THE FANTASY WAS A CAR LOT WITH 500 UNITS OUT ON RENT, AND CUSTOMERS DRIVING THE PRODUCT IN EVERY WEEK TO MAKE TIMELY PAYMENTS OF \$50. WITH REVENUES IN EXCESS OF \$100,000 PER MONTH PER LOCATION, THESE DEALERS DREAMED OF BIG BUSINESS WITH EQUALLY BIG PROFITS.

To date, although dealers have successfully expanded the rent-to-own concept far beyond TVs, the rent-to-own car reality has fallen short of the fantasy. The concept has been tried on both coasts and in the Midwest by independent used car lots offering rental cars as an alternative to traditional financing. So far, however, no one has found the secret to a truly successful rent-to-own car business capable of sustained growth.

Of course, both the short-term car rental business and car leasing business have been around for a long time and are well established. The theory of rent-to-own cars is to draw some customers from both of these industries and to capture traditional TV and appliance rent-to-own customers as well. No one suggests that there are huge numbers of potential rental customers doing without automobiles in the absence of the rent-to-own option, any more than rent-to-own TV customers are doing without TVs, or rent-to-own furniture customers are doing without sofas.

In fact, dealers estimate that 80 percent or more of their customers own cars and that, market by market, rent-to-own customers own cars in the same percentage as the general population. The rent-to-own option for automobiles would offer the same advantages to car customers as TV, appliances and furniture rental offers to

customers of those products — a better quality product that works reliably and no long-term obligation with all or a portion of the rent applying to ownership. If it is indeed true that the rent-to-own concept is making available the necessities of modern twentieth century life to customers, what could be more necessary than an automobile?

If demand were the only issue, there would surely be one or more rent-to-own car lots nestled among used car dealers along every motor mile in America. Supply is the other, inevitable, side of the issue, however. To date, the supply part of the equation has kept the rent-to-own concept from moving beyond an embryonic stage in this country.

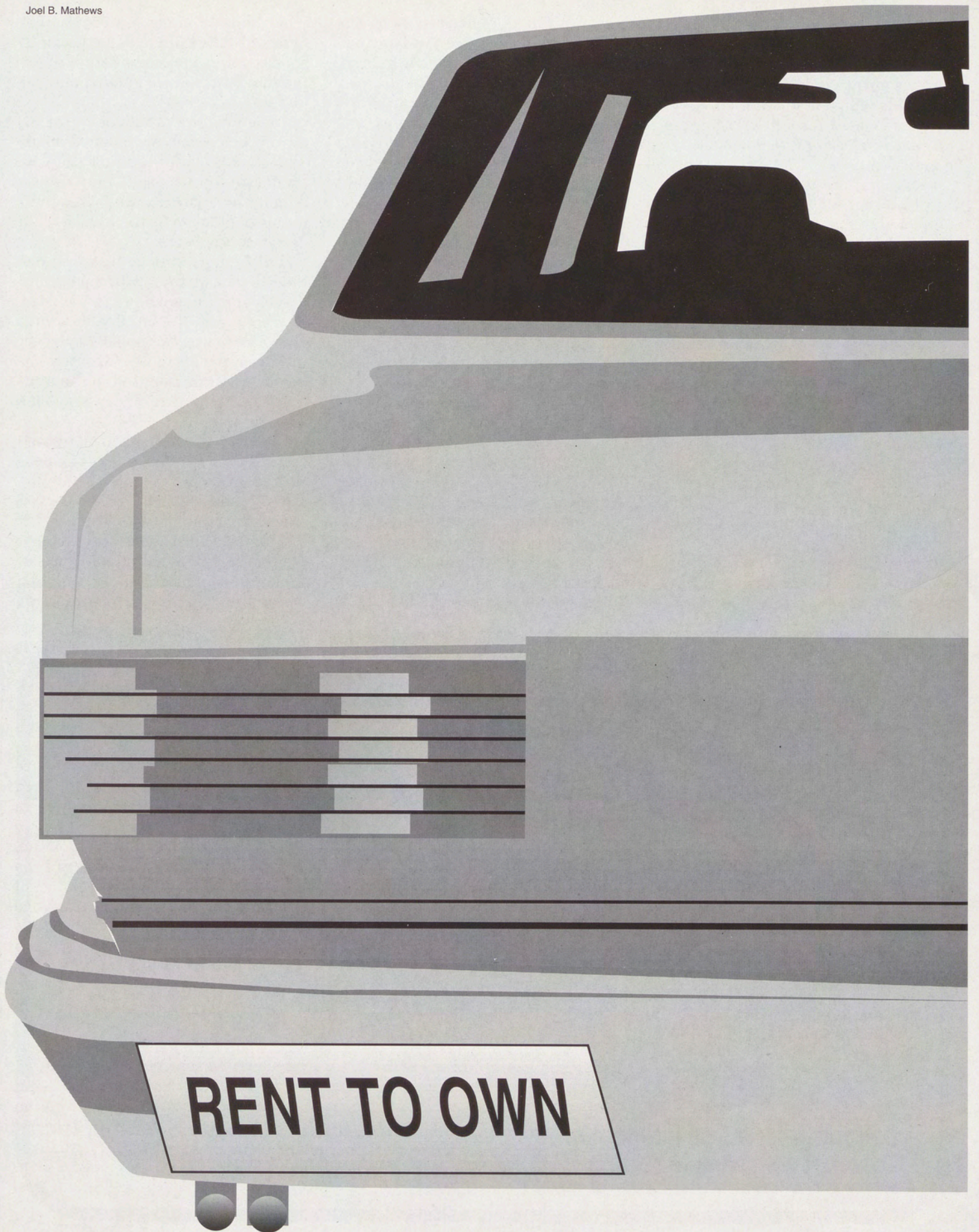
Despite the unfounded allegations of a few consumer advocates, running a TV and appliance rent-to-own business is considerably more expensive than running a retail operation. One need only compare labor costs to get a sense of the difference. In a typical retail electronics showroom, payroll runs 6 percent to 9 percent of revenues. There are sales people on the floor, some bookkeeping and secretarial help to balance the books, and that's about all. Rent-to-own needs an equivalent number of sales people, more or less,

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BY

ED WINN III

CONTINUED ON PAGE 16



Continued from page 14

but has greatly increased paperwork demands since, instead of one payment as in retail, the rent-to-own store will take in 78 or more payments on a given unit.

Moreover, those payments do not magically appear on time but must be collected, either on the phone or in the truck. It takes people to perform those tasks. Finally, new TVs come back to rent-to-own stores 80 percent of the time. They have to be picked up, refurbished and ultimately re-rented — all of which requires additional labor.

Small wonder, then, that rent-to-own dealers regularly report store payroll as 20 percent to 26 percent of revenues, and this doesn't include any home office payroll or owner compensation. It's not unfair to argue that rent-to-own labor is four times as high as for retail. That number is as bad or worse for rent-to-own cars.

The few dealers who have tried rent-to-own cars have not been successful to any notable degree. Thus, we

must confine ourselves more to the theory than the practice. And the theory is beguiling. One of the bugaboos for buyers of used cars, after all, has always been repair. Used car shoppers, even knowledgeable ones, are never sure that they aren't buying someone else's problems. If a way could be found to solve the repair problem for used car buyers ... How about a rent-to-own ad that proclaims:

"We maintain your rental car 100 percent — from tires to brakes, to oil changes, to lubes, to tuneups. Everything. It is truly the no-hassle alternative. What's more, if the car you are renting is in the shop for more than 24 hours, we will gladly provide you a loaner car to drive around at no additional charge."

Sounds too good to be true, doesn't it? Well, it is. Vehicle lessors — new car dealers with leasing programs — have known for years that they cannot keep their own manufacturers' cars running without charging customers for service, parts and labor beyond the initial warranty coverage, and that's

what they do in car leases. Lessees have the obligation to keep the car in good repair, a major marketplace distinction between car renting and car leasing.

If a new car dealer cannot keep a relatively few leased cars repaired on his own nickel, small wonder that the small rent-to-own used car lot cannot either. This issue remains a huge and unsolved problem for the whole notion of rent-to-own cars.

Daily car rental companies do, indeed, pick up the tab for repairs, but they charge for one day's rental nearly what a rent-to-own dealer would charge for one week's rental. Moreover, these companies most often are renting new cars as opposed to the rent-to-own concept which contemplates used cars.

There is not much practical experience in the rent-to-own car business to draw from, but there is a little. The statistics gathered can only be viewed as anecdotal, and it cannot be said that the numbers must be this way, nor that they ought to be this way. Nonetheless, from the scant information available, we've put together a revenue-and-

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expense breakdown for an actual dealer who at all times had a few more than 100 cars on rent. (For a 12-month average, see chart entitled **RTO cars: Revenues vs. expenses.**)

Average BOR was 115 units and average idle was 10 percent of BOR. The average rental payment, including excess mileage and late charges, was \$69. Average monthly revenue per unit was \$298. Customers were on an 18-month rent-to-own plan and nearly all made weekly payments. Late charges and excess mileage charges did not apply toward ownership. Average rental rates were \$60 per week, which did apply toward ownership. Rental rates varied from \$40 to \$70 per week based on model, make and year of car.

The dealer tried to pay about \$1,500 for the used rental cars, generally purchased at auction. The dealer attempted to peg the total rent-to-own price, including all of the service, at 3 to 3.3 times his cost at auction. The keep rate for rent-to-own cars was low. More than 90 percent of the vehicles were returned within four months. Roughly two-thirds of rent-to-own customers drove in excess of 250 miles per week and had to pay an excess mileage charge. One-third of customers returned cars with a balance due which was later written off as uncollectible. More than 50 percent of these customers owed more than \$200 in lost rental income.

The rent-to-own lot whose numbers are reflected here had cumulative losses of more than \$50,000 in a 12-month period during a time of stable BOR. Obviously, the theory as practiced in this case is flawed. The expenses do include a full time on-site mechanic, but he was operating at full capacity servicing 100-plus cars. The dealer did not believe that substantial service expenses could be saved by increasing the units on rent.

Part of the service expense included a general checkup of the car — brakes, fluid levels, fan belts, exhaust system, etc. — each week when the customer came in to make a payment. The dealer offered this service as a benefit to customers and as a preventative maintenance technique to try to hold down expenses and liability. This service was included in the price and was intended to take no

longer than it would for the customer to make a payment.

The dealer theorized that a higher quality product might be a solution to allow the business to succeed. There is clearly a relationship between the wholesale cost of vehicles and the future repair rate. The dealer thought that a vehicle costing \$3,000 wholesale would pull down repair costs significantly. The problem, of course, with more expensive cars is the amount customers are willing to pay per week for rent-to-own vehicles at retail.

The original plan was to charge customers \$50 per week, although because of late charges and extra mileage charges, the actual cost each week was nearly \$70. The dealer was uncertain how high he could push rental rates without losing customers. Even pushing the rental term from 18 months to two years would result in a weekly rate of more than \$90 if the dealer needed a markup of three times more than a wholesale price of \$3,000.

An important issue raised by sev-

eral dealers actually in the car rental business or dealers who had looked at the business involves the nature of the product. One rental dealer who has sold used cars cautioned that renting-to-own cars is not merely an issue of adding a new product to an existing rent-to-own inventory. He thinks it's an entirely new and different business altogether.

Nowhere is this point more crucial than when acquiring product. Used car dealers typically acquire inventory at car auctions open to the trade only. Auctions may run two to three cars at a time and the vehicles move quickly in \$25 increments. With literally thousands of makes, models, years and colors of automobiles, the array of choices can be bewildering. The dealer will have to know both what will run and what will rent. One rent-to-own dealer who has bought and sold cars says that there are 20 to 30 decisions that must be made about each vehicle. The ability to make

CONTINUED ON NEXT PAGE

RTO CARS: REVENUES VS. EXPENSES

REVENUES

Rental revenues	\$25,261
Deposits	3,130
Late charges	530
Excess mileage charges	3,786
<i>(\$.10 per mile over 250 miles per week)</i>	
Gain/loss from car sales	1,398

Total Revenues **\$34,105**

EXPENSES

Advertising	\$ 1,664	5%
Payroll (including taxes)	8,515	25%
Car lot operations	6,236	18%
<i>(including rent Q \$1,200/mo)</i>		
General and administrative	1,428	4%
Repairs to vehicles	9,307	27%
Including:		
Detailing and cleanup	561	
Parts	3,162	
Painting and bodywork	5,360	

Depreciation of rental vehicles	8,238	24%
Interest	651	2%

Total Expenses **\$36,039**

Net gain/loss <1,935>

As a
percentage of
total revenues

<6%>

Kim McBride

Continued from previous page

those decisions intelligently often comes only with years of experience.

Insurance is a huge issue for the rent-to-own car business, both theoretical and practical. The rent-to-own lot we studied for the accompanying chart carried a \$1 million umbrella policy at a cost of approximately 2 percent of revenues (part of the store operations in the revenue-and-expense detail). The dealer feared that he didn't have sufficient coverage since all of the cars were still titled in the lessor's name. This particular dealer was not equipped to sell insurance to individual drivers. He did require all customers to provide proof of insurance. He required that the company be named as an additional named insured with a notice provision to the lot in the event of cancellation.

In theory, all customer drivers carried at least the minimal amounts of insurance required by state law. The issue of insurance, while serious, is

solvable, although it may be expensive. The traditional car rental companies have tens of thousands of cars in their names and have managed the insurance issue satisfactorily. In theory, a rent-to-own car agreement resembles a rent-to-own agreement for household durables in many ways. There is still no obligation beyond the minimum term of one week or one month. The nature of the business might allow a dealer additionally to establish a significant daily rent-to-rent business at competitive rates. The customer's payment is for the use of the property — in this case a car. There may be some restrictions concerning use, which would not be an issue for TVs and appliances.

An example of use limitation language in an agreement might be as follows:

"As lessee, you may not use, operate or drive or allow it to be used, operated or driven (1) for transportation of persons for hire, express or implied; (2) if you are less than 21 years old or if you have given us a false or fictitious name, age or address;

(3) in any competitive event; (4) to push or tow any vehicle or trailer; (5) outside the state without our prior written consent; (6) by any person except you or a qualified licensed driver at least 21 years old named in this agreement and with our prior consent. All of these restrictions apply to you and to every use, operation or driving of the rented vehicle."

Cars have removable accessories — radios, spare tires, jacks, antennas, etc. — which must be accounted for and for which the customer must be held responsible upon return of the vehicle. The rental agreement needs to inventory the accessories. They are a part of the deal and the dealer needs to ensure that the accessories rented are the same as those returned.

Car lessors typically require rental customers to indemnify them against any losses as a result of tickets the rental customers may collect:

"As lessee, you are fully and solely liable for all fines, penalties and forfeitures imposed under any federal, state municipal or other statute, law ordinance, rule or regulation. You

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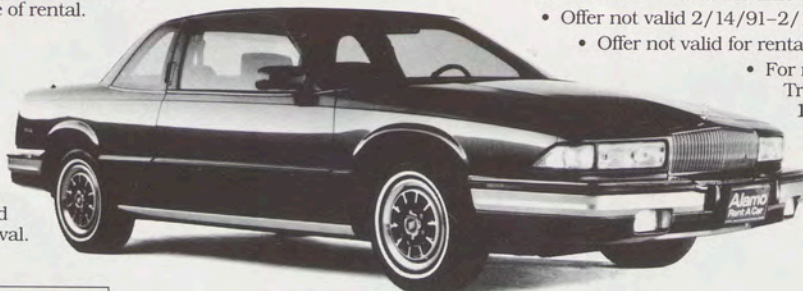
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- A 24-hour advance reservation is required.
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- Certificate must be presented at the Alamo counter on arrival.



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- This certificate and the car rental pursuant to it are subject to Alamo's conditions at the time of rental.
- Offer not valid 2/14/91-2/16/91 and 3/28/91-3/30/91.
- Offer not valid for rentals over 21 days.
- For reservations call your Professional Travel Agent or call Alamo at 1-800-327-9633. Be sure to request **Rate Code BY** and use your Membership I.D. number.



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Competition is a real issue for the theory of rent-to-own cars. It comes in the form of used car lots which exist in all shapes and sizes in all communities. The used car market is well-developed and is thriving.

agree to indemnify and hold us harmless for any loss we incur from any such fines, penalties or forfeitures."

Additional clauses cover other aspects of a rental customer's potential liability arising out of use of the car:

"You agree to report any accident to us immediately and to deliver to us every process, pleading, notice or paper of any kind received by you or any driver of the vehicle relating to any claim, suit or proceeding connected with any accident or event involving the vehicle. You agree that neither you nor any driver of the vehicle will aid or abet the assertion of any claim, suit or proceeding and, further, agree to cooperate fully with us in investigating and defending any such claims, suits or proceedings.

"You agreed to defend, indemnify and hold us harmless from and against any and all losses, liabilities, damages, injuries, claims, demands, costs and expenses arising out of or connected with the possession or use of the rental vehicle during the rental term, including but not limited to any and all claims of or liabilities to third parties arising out of the abandonment, conversion, secretion, concealment or unauthorized sale of the vehicle by you or any driver, agent or employee of you, or the confiscation of the vehicle by any governmental authority for illegal or improper use."

Because vehicle mileage is crucial to the economics of the rental transaction, the following clause is typical in car rental agreements:

"We shall not be liable for any loss or damage to any property owned by you or any other person which may have been in or on the vehicle either before or after its return to us, whether or not related to our negligence or the negligence of our agents, servants or employees. You agree to assume all risk of any such losses or damage, and waive all claims against us and agree to defend, indemnify and hold us harmless from any and all claims arising

out of such loss or damage.

"The number of miles over which the vehicle has been driven under this agreement shall be determined by reading the standard mileage recording device attached to the vehicle by the manufacturer. If the odometer, seal or any part thereof is broken or missing, you agree to pay us a minimum charge of \$150 to cover repairs of the odometer, seal or any part thereof and agree further that the remainder, if any, shall be applied to mileage charges."

Competition is a real issue for the theory of rent-to-own cars. It comes in the form of used car lots which exist in all shapes and sizes in all communities. The used car market is well-developed and is thriving. Particularly well-developed are the small, independent lots which will

carry the buyer's note. These "tote the note" lots are already doing much of the business that rent-to-own car dealers would typically go after. These lots will do business with non-credit worthy customers who can establish having a job and/or an established residence. "Your job is your credit" is a sign often seen on such lots. Car customers without credit do business on a regular basis with these lots.

These dealers have solved the repair cost dilemma by selling the car and shifting repairs onto the customer. It is unknown how many cars are abandoned by customers who can't pay repair bills, but it's probably a lot.

The rent-to-own concept has established a certain panache in the marketplace, and the promise of a reliable car kept in good working order would be an undeniable lure for hundreds of thousands of car customers. For the moment, the concept works best in theory only.

But this is 1991. Who can say what the future may hold?

PR

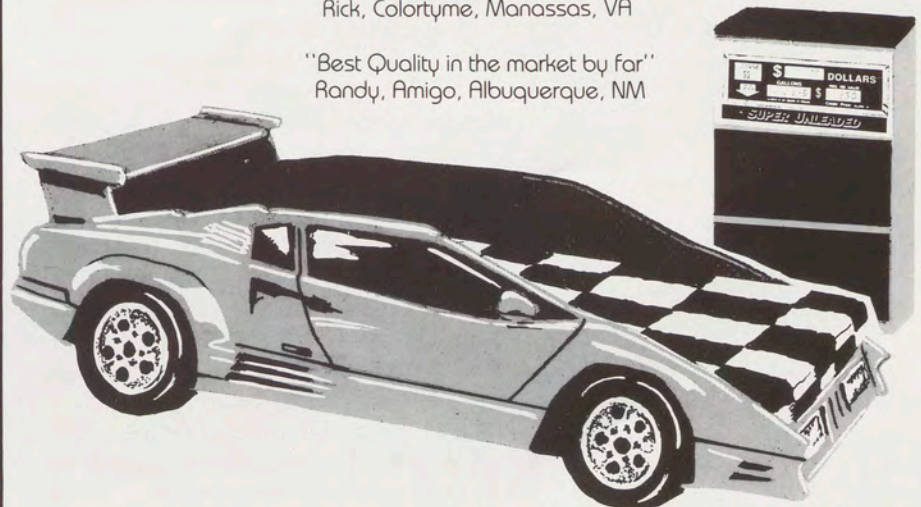
Ed Winn is APRO's legal counsel and a veteran writer on rent-to-own issues.

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How to discern quality in *Gemstones*

JEWELRY WILL MAKE YOU MONEY IN RENT-TO-OWN. FOR A GROWING PERCENTAGE OF DEALERS, JEWELRY HAS ASSUMED A POSITION AS THE FOURTH FUNDAMENTAL RTO PRODUCT LINE. MARKETED PROPERLY, IT IS THE MOST PROFITABLE OF RENTAL PRODUCTS.

•••••

The full beauty of gemstones is realized when art and science bring them together with precious metals to create jewelry.

This, the first part of a three-article series, is intended to supply basic information so you, as a buyer, can match apples to apples — and know apples from oranges.

The series is intended to give you a base of knowledge from which you can effectively buy and sell jewelry. Much of the information presented is cold text. It is not necessary to commit it to memory. However, it is helpful to know it exists and where to find answers to specific questions. Product knowledge converted into verbal tools helps your front-line sales people make sales. And that equates to more bottom-line dollars for your business.

When a vendor tells you he can get you the same diamond ring you are presently purchasing for 20 percent less, what do you do? You realize that in today's competitive market the same diamond couldn't be 20 percent less. More likely, it's a lesser quality or poorly cut stone, in a lighter mounting.

Become knowledgeable. Jewelry, just like electronics, white goods and furniture, must be understood in order to be a viable profit builder. Remember your own beginnings. Quite often we came into the rent-to-own business with product knowledge from one or possibly two of the fundamental lines. The third-line information was gained by trial

and error; the "I'll never buy any of those again, I swear!" realizations; or research aimed at attaining the insight necessary to make an informed decision.

If white goods or electronics were your background, then furniture likely became your learning experience.

There is a comfort level in a product that plugs into the wall. It either works as specified, or it does not. The worth of such products is readily apparent even to the unskilled buyer. Even the proverbial salesman who sells ice to Eskimos would have a hard time convincing you that there is a compact disc in a stereo where there is none, or that a black-and-white television is really color. Such is not the case with jewelry. The unwary and the less-than-knowledgeable are at far greater risk.

Jewelry and furniture share a common link. They have both been around as long as civilization itself. Both jewelry and furniture are conceived as function and art. Even so, jewelry and furniture are built and sold conforming to standards and convention. The fact that a diagram or schematic does not accompany the product shouldn't keep you from investing in it, as long as you seek the power of knowledge. And exercise that power with the same wisdom and confidence used in the purchase of your other fundamental products.

Gemstones

True gemstones are rare. Of the 2,000 minerals discovered and cataloged over the centuries, no more than 100 are considered gemstones. And, of this small number only some 20 possess the special characteristics that have set them apart throughout history as precious gems most valued for use in jewelry.

For one of these "stones" to be accepted as a gemstone, it must have three essential qualities — beauty, durability and rarity. One quality may be more prominent than another, but a true gemstone must possess all three to some degree.

•••••

BY

CLAUDIA
FILLORAMO

Jewelry and furniture share a common link. They have both been around as long as civilization itself. Both jewelry and furniture are conceived as function and art. Even so, jewelry and furniture are built and sold conforming to standards and convention. The fact that a diagram or schematic does not accompany the product shouldn't keep you from investing in it, as long as you seek the power of knowledge.

Beauty. It is in the eye of the beholder, but it arises from characteristics of the gem — color, luster (the way it reflects light) and transparency, and the way it is cut and polished. Gemstones in the rough are usually not attractive until cutting and polishing reveal their true beauty.

Differing shades of color, from deep to light, are attractive to people according to their tastes, but certain gradations are generally more appreciated than others. These preferred shades are usually considered more beautiful and, because they are in greater demand, of higher value.

Durability. A gemstone must be hard to resist normal wear and tear; resistance to scratching is essential to its durability. A gemstone's hardness allows it to retain its polish and luster and, therefore, its beauty.

By nature of their chemical and physical structure, gemstones are stable. Unlike metals that rust or woods and fabrics that decompose, gemstones endure.

Diamonds are the hardest of all gemstones, followed by rubies and sapphires.

Rarity. Diamonds, rubies and emeralds of gem quality are most rare and are always in demand, especially those of larger size. Because of their special rarity, rubies and emeralds of highest quality can be more costly than the finest diamonds of similar size. Some gemstones are so rare and of such exceptional quality and size that they are not available commercially and tend to become historic and known as "collector" gemstones.

Many gemstones are relatively common, such as garnets, amethysts and citrines, but their special beauty places them in demand. Larger specimens of gem quality are more rare, and therefore, more costly.

Other factors. In addition to the three essentials of a gemstone, other factors contribute to their value — demand or vogue, traditional nature and portability.

Demand. There are certain times when a certain variety of gemstone is in high demand. Fashion or a trend can cause a demand for large stones, for example, or for settings of many small stones. These trends have a strong effect on the value and price of gemstones.

Tradition. Symbolism is an important factor in the value of gemstones. Religion has special uses for some stones and everyone is familiar with the desire for gems in engagement and wedding rings, and for birthstones. Tradition has long viewed ownership of a rare object as a sign of special achievement. Some synthetics and imitations may approach the appearance of natural gemstones, but ownership of the "real" thing carries a special meaning. Ownership and wearing of fine jewelry traditionally have been a way to demonstrate achievement and success.

By popular request, we have (see chart on page 22) listed birthstones, zodiac stones and season stones, which are different. So, if your birthday is July 9 and you don't care for ruby, you can use your zodiac stone of emerald. Upon checking the lists you would find a multitude of differences. Therefore, your birthstone can be whatever you want it to be.

Physical properties. Most gemstones are inorganic minerals, which means they are not derived from any living thing; they are, literally, "stones." A few are organic, such as pearls (from oysters), coral (from tiny sea creatures) and ivory (from elephant



Claudia Filloramo is general partner of Rent-A-Rock and president of Key Rental of Florida, Inc. She pioneered the rent-to-own concept in Washington, D.C., more than a decade ago and more recently the program of RTO jewelry nationally. She is also one of APRO's charter members and was the first treasurer of the association.

CONTINUED ON NEXT PAGE

Continued from previous page

or other animal tusks). Generally, because they are more rare and durable, mineral gemstones are the most valuable.

Inorganic, or mineral, gemstones are found in the earth where they are formed in prehistory by heat and natural chemical processes. They are crystals made up of small cells arranged in specific patterns that can be pictured as orderly arrangements of small "bricks." The size, shape and composition of these unit cells add up to the characteristic physical properties of the various kinds of gemstones.

Within each type or species of

Both physical and optical properties of gemstones must be taken into consideration when determining their value. These factors range from beauty (color, reflection, refraction, cut, luster, transparency) to durability (hardness, toughness) to rarity (demand, tradition, size, weight). It's not an easy task.

mineral gemstones, all physical properties are basically alike, with small variations in the combinations and, often, some impurities. For these reasons, gemstones can be compared according to such qualities as hardness, toughness (cohesion), weight and reaction to light (optical properties).

Hardness. Hardness is a primary factor in evaluating and comparing

gemstones. Standards of hardness were established in the early 19th Century by Friedrich Mohs, a German mineralogist, and they are still known as the "Mohs Scale of Hardness" (MSH).

Here are the standards, from hardest to least hard: 10., diamond; 9., sapphire and ruby; 8., topaz; 7., quartz; 6., orthoclase; 5., apatite; 4., fluor spar; 3., calcite; 2., gypsum; and 1., talc.

Within the scale, the highest numbers can scratch any of those with a low number. Hardness makes possible a better and more lasting polish. The harder gemstones, usually transparent, are polished with flat surfaces (facets). Softer stones are usually cut with curved surfaces (cabochons).

Toughness (cohesion). Hardness, or resistance to scratching, should not be confused with toughness or cohesion. Toughness refers to resistance to breaking or splintering. Diamonds, for example, are the hardest of all minerals, but not the toughest; they will fracture or split when sufficient force is applied.

Weight. The weight of a gemstone compared with an equal amount of water determines its specific gravity. The unit for measuring the weight of gemstones is the carat (abbreviated CT; not KT, which is used to indicate gold content). A carat is further divided into 100 parts called "points."

Color. What we generally know as "light" is actually made up of a spectrum of colors ranging from violet to blue to green to yellow and orange to red. When these colors are fully mixed, we see "white" light. But, when this light is transmitted through a gemstone, the color we see is the part of the light spectrum not absorbed by the gemstone. The same is true of light reflected from the gemstone; we see the color that is not absorbed within the stone.

Kim McBride

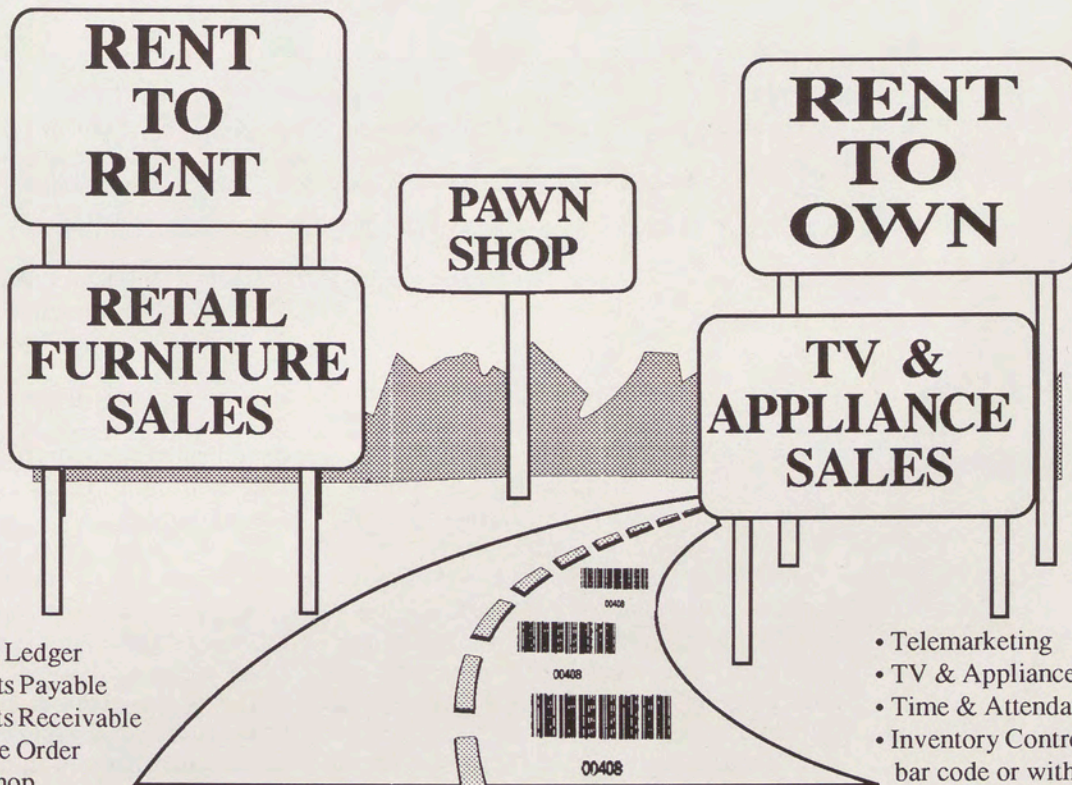
MONTH	BIRTHSTONE	ZODIAC STONE	SEASON STONE
January	Garnet	Garnet (Jan. 21 - Feb. 20) Aquarius	Diamond
February	Amethyst	Amethyst (Feb. 21 - Mar. 20) Pisces	Diamond
March	Aquamarine	Bloodstone (Mar. 21 - Apr. 20) Aries	Diamond thru March 21 (Emerald from March 22)
April	Diamond	White Sapphire (Apr. 21 - May 20) Taurus	Emerald
May	Emerald, Jade	Chrysoprase (May 21 - June 20) Gemini	Emerald
June	Moonstone, Pearl, Alexandrite	Emerald (June 21 - July 20) Cancer	Emerald thru June 21 (Ruby from June 22)
July	Ruby, Moonstone	Black Onyx (July 21 - Aug. 20) Leo	Ruby
August	Green Tourmaline, Peridot	Red Agate (Aug. 21 - Sept. 20) Virgo	Ruby
September	Blue Sapphire	Olivine (Sept. 21 - Oct. 20) Libra	Ruby thru Sept. 21 (Sapphire from Sept. 22)
October	Opal, Pink Tourmaline	Aquamarine (Oct. 21 - Nov. 20) Scorpio	Sapphire
November	Topaz	Citrine (Nov. 21 - Dec. 20) Sagittarius	Sapphire
December	Turquoise, Lapis Lazuli	Ruby (Dec. 21 - Jan. 20) Capricorn	Sapphire thru Dec. 21 (Diamond from Dec. 22)

Besides birthstones, people have other stones related to their month of birth.

CONTINUED ON PAGE 50

ATTENTION
APRO MEMBERS

WHICH SIDE OF THE ROAD
ARE YOU ON?



IT DOESN'T MAKE A DIFFERENCE....
 ALL ROADS LEAD TO

RSSS

Rental & Sales Software Systems
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Rent-to-own furniture:

Selling a lifestyle

IT'S 1991 AND TIMES ARE TOUGH FOR RENT-TO-OWN, AS FOR MANY OTHER BUSINESSES. THAT'S WHY SMART RENT-TO-OWN DEALERS ARE TAKING A HARD, CLOSE LOOK AT FURNITURE — AND FURNITURE MANUFACTURERS ARE LOOKING BACK, SEEING ADVANTAGES FOR BOTH INDUSTRIES TO WORK TOGETHER FOR SUCCESSFUL BUSINESS FUTURES.

With the current financial squeeze in RTO, the dealer has to maximize every dollar he or she invests in inventory to stay profitable. Idle inventory, as you well know, does nothing but sit and drain money from the business.

Although furniture has been part of the rent-to-own business for years, its stable performance through good times and bad has many dealers rethinking the percentage of their businesses they give over to furniture.

Figures compiled by RTO dealers themselves support the notion that furniture is consistently the last rent-to-own item to be returned, and it is the one most likely to reach the end of a contract. Thus, dealers reduce their multiple, and it becomes easier to borrow more money for new inventory and growth.

Looks like a good deal

Furniture has many things going for it. Unlike buying electronics and other consumer products for which ads for comparable makes and models are in abundant supply, furniture is difficult to comparison shop. Comparing furniture is usually like comparing apples and oranges, with no standardization of models and fabrics, no suggested list prices, and few manufacturers who distribute nationally.

Another significant point in its favor is

that retail markup is considerably higher on furniture than on most other merchandise, so RTO furniture compares favorably with retail in the perceived value to the customer.

Bud Holladay, a vice president at Alrengo and former RTO dealer himself, points out that furniture is something every household must have — it is not a luxury item. Even when a customer moves, he or she will probably need to take their furniture with them to be assured of having good quality furniture in their new home.

Furniture is a cosmetic-driven item, says Holladay, and when styles, designs and colors change, this stimulates the desire for newer, more fashionable furniture. Newspaper and television advertising by retail outlets piques the interest and desires of the viewer/reader, and many may choose rent-to-own as the means by which to have what they want in the latest furniture fashions.

What you see

In furniture, most of what determines value is hidden from view. The quality is in the construction of the individual piece, the framework of the sofa, the quality of the hardwood, the joints of the frame. What the customer sees is the fabric, and

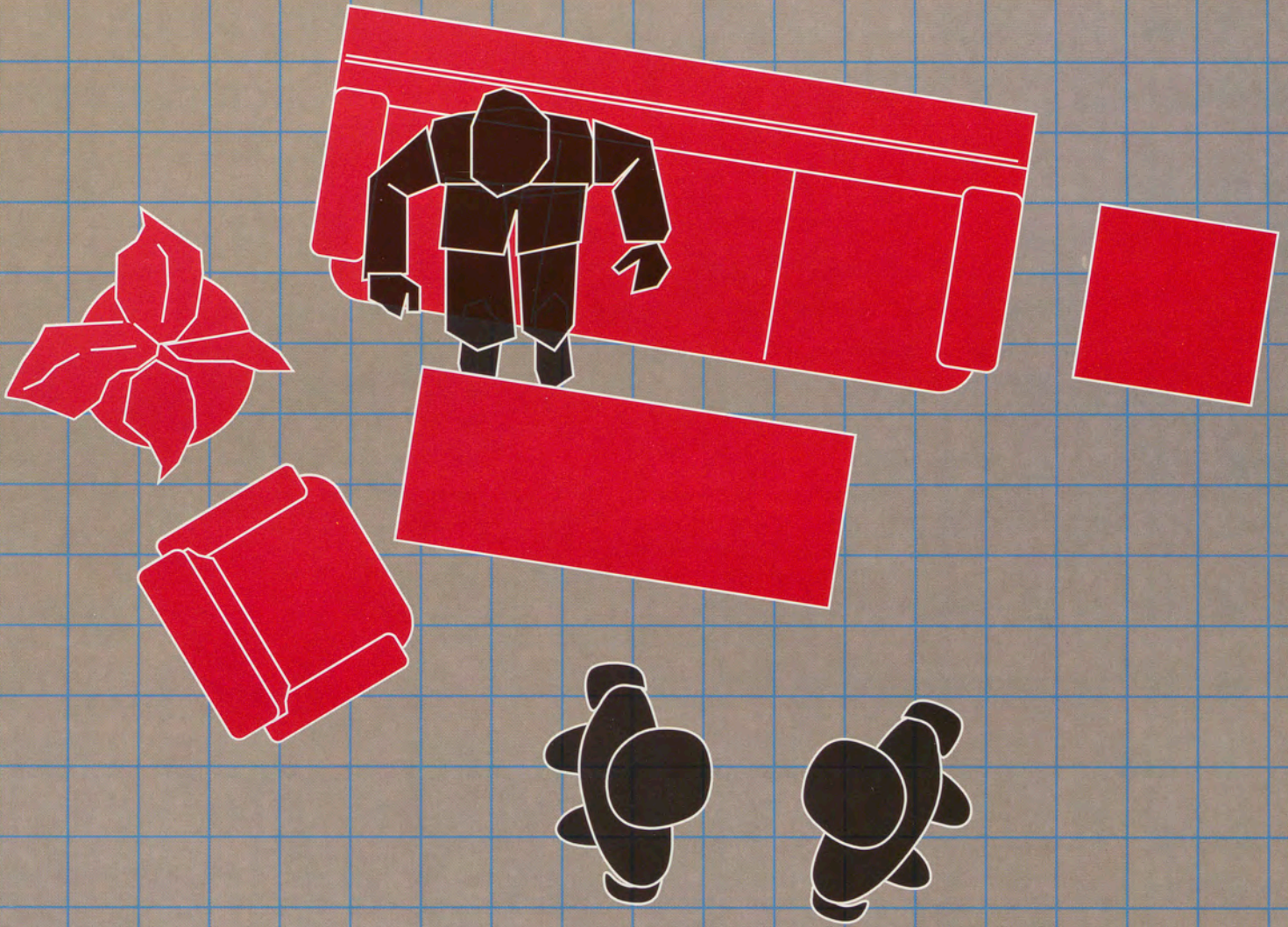
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BY

BARBARA C.

STOOKSBERRY

CONTINUED ON PAGE 35



*APRO
convention '91:*

and Lady Luck Las Vegas

DO YOU FEEL LUCKY? IF NOT THEN PERHAPS YOUR LUCK WILL CHANGE, AT LEAST BY THE TIME AUGUST ROLLS AROUND. THE 1991 APRO CONVENTION WILL BE HERE BEFORE YOU KNOW IT, SO GEAR UP FOR A FUN TIME AUG. 11-15 IN AMERICA'S GLITTER AND GLITZ CAPITAL, FABULOUS LAS VEGAS.

Always a favorite with APRO convention types, Las Vegas offers that perfect atmosphere for business during the day and pleasure in the evening. The new attitude prevalent there — the one that says, "bring the family because we have something for everyone" — can make it all the more attractive.

Let the good times begin

APRO registration actually begins a day before the official start of the convention, at noon on Saturday, Aug. 10. Registration continues through Wednesday. But you'll probably want to arrive in Las Vegas early, since you can save on your airfare by staying over a Saturday night. The savings are always significant for those who do.

Arriving early will also give you time to familiarize yourself with the city and with our luxurious convention headquarters hotel, Caesars Palace, available to us at the bargain price of \$88, single or double. Caesars is the essence of elegance, a "palace" in every sense of the word. Luxuriate in the glamorous surroundings, eat, swim, gamble, shop — it's all right there at Caesars.

All convention activities will be at Caesars, and the best news is, the preferred dress for the entire convention is casual, really casual — no sports coats; no ties. Shorts and T-shirts are fine for

just about everything on the 1991 convention agenda.

Tee times

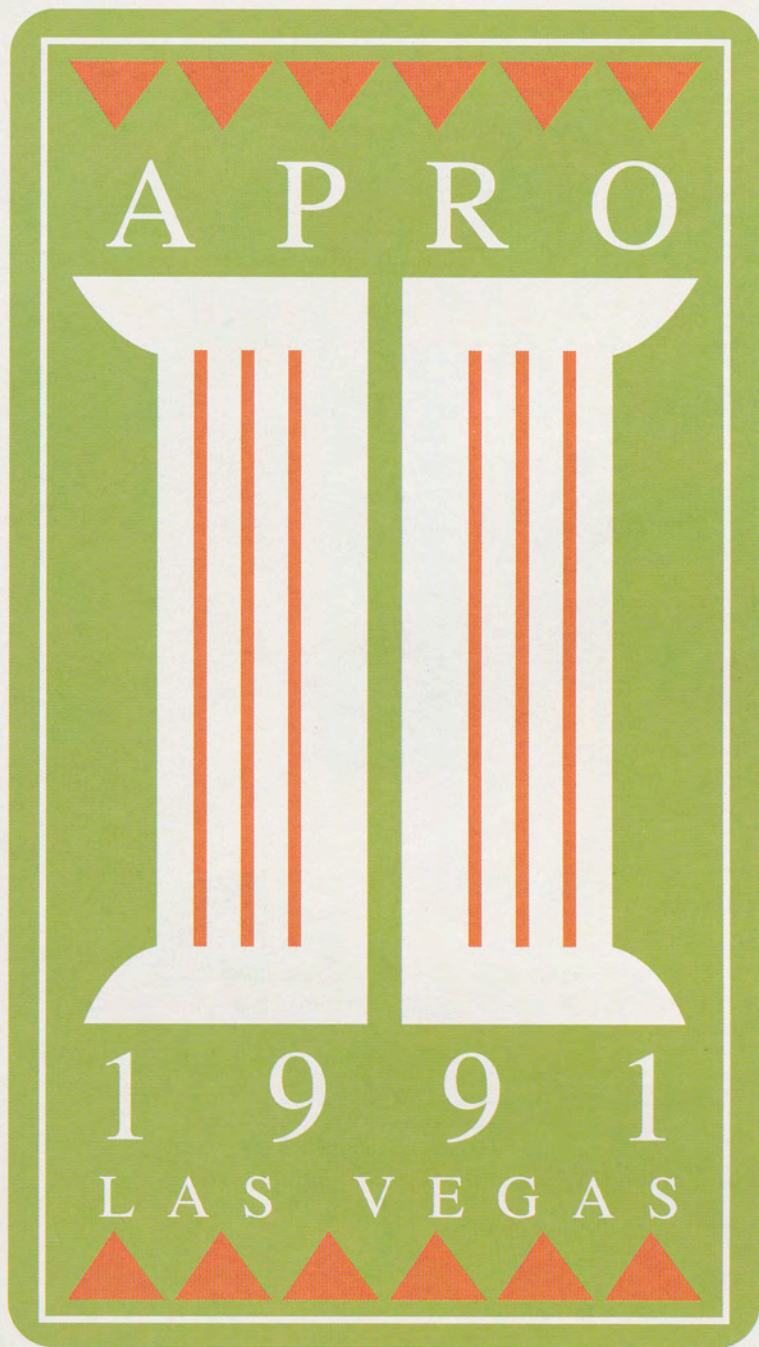
APRO golfers will want to arrive on Saturday so they'll be bright-eyed, or at least awake, for tee times — which begin at 7:30 Sunday morning. The second annual APRO/Joe Eason Invitational Golf Tournament, sponsored by Whirlpool Corporation, will be played at the top-rated Legacy Golf Club and Resort.

The beauty of the Legacy is enhanced by such native features as love grass and lava rock, and the course boasts several holes rated among Las Vegas' best. Designer Arthur Hills is famed for his ability to design a courses that are both beautiful and challenging, and the professional management by O.B. Sports further adds to the pleasure of playing there.

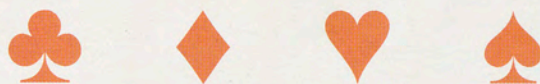
This year's format will be a four-person, best ball mixed scramble, rather than individual playas in years past. The team versus team competition will allow more members to participate, regardless of skill level.

Teams will be made up of A, B, C and D players handicapped against each other by the skill levels of the A and B players. By handicapping the tournament this way,

CONTINUED ON PAGE 30



BET



ON



IT!

Joel Matthews

.....

BY

BARBARA C.

STOOKSBERRY

Rent A
Prestigious
Impression

RCA





THOMSON CONSUMER ELECTRONICS

For more information write to: THOMSON CONSUMER ELECTRONICS Rental Marketing Dept.
600 N. Sherman Drive, Indianapolis, IN 46201

ANNUAL CONVENTION SCHEDULE — APRO '91: BET ON IT!

(All events at Caesars Palace, unless otherwise noted.)

	SATURDAY, AUG. 10 Noon-6 p.m.	SUNDAY, AUG. 11 7:30 a.m.-9 p.m.	MONDAY, AUG. 12 8 a.m.-9 p.m.	TUESDAY, AUG. 13 8 a.m.-6 p.m.	WEDNESDAY, AUG. 14 8 a.m.-midnight	THURSDAY, AUG. 15 8 a.m.-noon
MORNING	<ul style="list-style-type: none"> Attendees arrive early to tour on their own 	<ul style="list-style-type: none"> 7:30 a.m., Tee times begin — Golf tournament — Legacy Golf Course (sponsored by Whirlpool Corp.) 8 a.m.-10 p.m., Exhibitor setup 	<ul style="list-style-type: none"> 7:30-9 a.m., State presidents' breakfast (Sponsored by Voyager Insurance Co.s) 8 a.m.-5 p.m., Registration 8-9 a.m., APRO members pick up ballots for board election 9-10:30 a.m., General session and business meeting 9 a.m., Spouse program: "Glamour Shots Makeover and Photo Session" 10:30 a.m., Government relations 11:15 a.m., Exhibitor orientation Noon — Exhibit hall ribbon-cutting ceremony Noon-4:30 p.m., Exhibit hall opens Noon-1:30 p.m., Cash lunch 7-9 p.m., Gala cocktail reception — "Back to the '50s Party" 	<ul style="list-style-type: none"> 8 a.m.-5 p.m., Registration 9 a.m.-1 p.m., Exhibit hall opens 9-10:30 a.m., Cash continental breakfast — Exhibit hall 	<ul style="list-style-type: none"> 8 a.m.-5 p.m., Registration 8 a.m.-1 p.m., Seminars 9 a.m.-2 p.m., Spouse program 	<ul style="list-style-type: none"> 8 a.m.-4 p.m., Exhibitor teardown
NOON	<ul style="list-style-type: none"> Noon-6 p.m., Registration 	<ul style="list-style-type: none"> Noon-7 p.m., Registration 		<ul style="list-style-type: none"> 11 a.m.-12:30 p.m., Cash Lunch — Exhibit hall 		
AFTERNOON		<ul style="list-style-type: none"> 5-5:30 p.m., New attendee orientation 		<ul style="list-style-type: none"> 1-6 p.m., Seminars 	<ul style="list-style-type: none"> 1-5 p.m., Exhibit hall 1-2 p.m., Cash lunch — Exhibit hall 	
EVENING		<ul style="list-style-type: none"> 7-9 p.m., Welcome cocktail reception — "It's A Hat Party!" (Sponsored by Voyager Insurance Co.s) 		<ul style="list-style-type: none"> Evening — On your own 	<ul style="list-style-type: none"> 7-8 p.m., Reception (Sponsored by Thomson Consumer Electronics) 8 p.m.-midnight, Awards banquet and dance — "Puttin' on the Ritz" 	<ul style="list-style-type: none"> 10 a.m.-noon, APRO full board meeting

(APRO's daily convention newspaper is being sponsored by Philips/Magnavox/Sylvania.)

Continued from page 26

no team will have an advantage over others, and everyone can have fun and still be in contention.

Don't let this chance to challenge the Devil's Triangle pass you by. If golf is your game, you'll need to sign up early to ensure your place in this not-to-be-missed tournament. Special thanks go to Whirlpool and Tom Kitchens for sponsoring and planning this top-notch event.

Getting oriented

RTO folks attending the APRO convention for the first time can pick up tips on maximizing their convention and trade show experience during a brief orientation beginning at 5 p.m. Sunday.

The day's not over yet, though. Sunday evening you'll renew acquaintances and make new ones at APRO's "It's a Hat Party!" welcome cocktail reception.

You'll have to have a hat to get in the door, but not to worry — hats of many descriptions will be available there if you don't bring one from home. What they're made of (paper? balloons?) may be your biggest surprise. There'll be an open bar and light hors d'oeuvres. Casual dress, of course.

This is a perfect opportunity to chat with your rent-to-own colleagues and get in that Las Vegas frame of mind for the busy week ahead.

Getting down to business

On Monday, we get serious (but never for too long). Register from 8 to 5, if you haven't already, and pick up your APRO election ballots between 8 and 9, then head into the general session and business meeting to elect your new board members and officers.

While you're getting down to serious business, spouses can take advantage of a Glamour Shots makeover and photo session, a special treat designed especially for our guests. For

a special low fee of \$45, Glamour Shots will give a beauty makeover presentation and demonstration during a continental breakfast, then book each guest for an individual makeover and photography session.

During the individual sessions, you'll be pampered to perfection. Each participant will begin with a makeup and hair-styling makeover, followed by a photography sitting, with 12 to 15 poses that include three looks and accessory changes.

After the photo session, each guest will have the opportunity to view proofs on a color video monitor before making selections. A gift certificate included in your package buys an 8-by-10-inch photo or applies toward a larger photo package. Photos are mailed directly to your home. This is your chance to achieve the glamour of a Hollywood movie star, and it's all grand fun.

Greatest bargain of all

The trade show is always one of the



Besides its first-rate hotel rooms, restaurants, and meeting and exhibit facilities, Caesars Palace is also known for its casinos.

big draws of APRO's annual convention, and you'll want to be the first inside the exhibit hall for the best show yet. Ribbon-cutting on this year's trade show is at noon, and this is the place to be on Monday. Julius and Cleopatra have it on their calendars, as do all your rent-to-own colleagues and suppliers.

The cash lunch from noon to 1:30 will cost you very little. Admission to the exhibit hall will be even cheaper. It's free. (You do have to get a badge at the registration desk, though.) This is your once-a-year chance to rap with suppliers, give them what for, or provide the feedback they need to serve you better in the future. Tell them what you need and/or want from them — by this time next year, you may well have it.

Exhibitors from every corner of the industry will be strutting their wares for you, displaying a panorama of contemporary products in every line in which you do business — furniture, electronics, appliances, jewelry and

more. It will all be there for you to look at, try out and ask questions about. Let manufacturers and their representatives demonstrate the selling points of their merchandise to you and your employees and make your job of selling easier, too. In addition, you'll find out what's new in doing business, whether it's the hottest software, most reliable insurance policy, or sellingest signs.

Stay until closing this first day, and you'll still have plenty of time to unwind with a dip in the pool, a productive interface with a few one-armed bandits, or a little snooze back in the room before the quintessential "Back to the '50s" party Monday night. Nobody throws a party like APRO.

Greasy kid stuff

Rock to the oldies from 7 to 9 in your rolled-up jeans and bobby socks, letter jackets, and/or poodle skirts and penny loafers as Elvis fills you in on what's happened since his baby left him in his blue-suede shoes at

Heartbreak Hotel, where you were, no doubt, always on his mind.

It's a night for greasy kid stuff, Fonzie combs and red-hot lipstick and hair ribbons — if you don't bring your own, we'll have it there for you. The Pep Squad and Senior Hop Committee have been blowing up balloons for days, so gear up for lots of fifties fun.

The American Grandstand Dance Contest, Bubble Gum Blowing Contest, and Hula Hoop Endurance Test are only part of the fun. A Fabulous Chocolate

Sundae Scarf-Down and Blue Moon contest are also possibilities.

Your mouth will water at the smell of burgers "all the way," chili dogs, Alley Oop rings, and Boom Boom fries at Hamburger Haven, or pizza at Mel's. Call it supper and wash it all down with cherry cokes and root beers at the varsity diner. We don't want to spill all the (jelly) beans here — more details to come.

CONTINUED ON PAGE 33

INSTANT DINING!

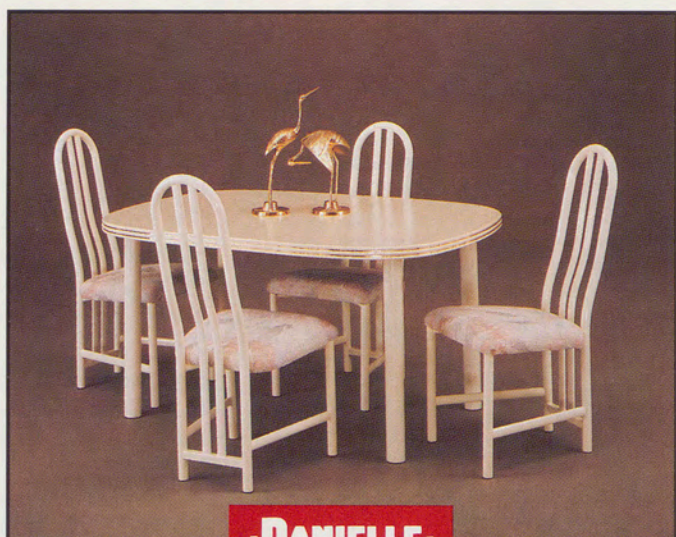
Buy Direct From Daystrom, A Proven Dining & Casual Furniture Manufacturer
For Over 60 Years With A Superb In-stock Program.

-DAYSTROM'S INSTANT DINING PROGRAM-



-JULIANNA-

- To ensure quick delivery to you, we've created a special Rental Services department that will process your order and have it ready for shipment in 72 hours.
- Beautiful 12-set in-stock program lets you and your customers choose from a wide array of proven best sellers.
- Attractive pricing and Daystrom's high standards for quality and dependability ensures you of the most profitable rental program in the business.
- Call or FAX Today! Our knowledgeable Rental Service staff will send you a full color, 12-set brochure, price list and order form.



-DANIELLE-



-GWENDOLYN-

Daystrom

Phone: 804-572-3981
FAX: 804-572-9331

A LADD Furniture, Inc. company

Continued from page 31

Moving right along

Tuesday starts off with the state presidents' breakfast, sponsored by Voyager Insurance Companies, from 8 to 9 a.m. At 9, the exhibit hall reopens with a cash continental breakfast from 9 to 10:30 and cash lunch from 11 a.m. to 12:30 p.m.

Tuesday afternoon will be devoted to rent-to-own seminars. The most popular seminars from conventions past will be back by popular demand, and we'll offer new ones on topics suggested by our members. Learn how to make your business more profitable, get ideas from the experts on everything from financing to merchandising, and sharpen your business acumen. APRO seminars are always first-rate, so you and your customers are sure to benefit.

Seminars will be presented in hour-and-a-half sessions between 1:30 and 5 p.m., with a half-hour refreshment break.

Tuesday evening you are on your own to try your hand at serious gambling, see a show on the Strip, or take in a lounge act in a quiet, intimate setting. Help in making restaurant and show reservations will be available at the APRO registration desk.

On Wednesday, participants can take in another morning of seminars and the final afternoon in the exhibit hall, again with cash lunch available. That day's spouse program includes a city tour, visit to downtown casinos, lunch and trip to Fashion Show mall for some shopping fun.

Puttin' on the Ritz

On Wednesday night, Thomson Consumer Electronics sponsors a reception before APRO's Awards Banquet and Dance. The banquet is where we'll announce election results, present awards, enjoy a delicious meal and dance until midnight to the top tunes of then and now. To be in the proper spirit for "Puttin' on the Ritz," you'll need to pack your favorite flapper, gangster or gun moll costume, or rent one after you reach the convention.

The scene is set. The date, sometime in the 1920s. The place, somewhere on Chicago's southside ...

Guests mingle in a Prohibition-era speakeasy as police sirens wail, spotlights search surrounding buildings and a drunken bum sleeps under a pile of newspapers ...

Intrigued? You should be. We're keeping secrets here, but rest assured, the secrets only add to the fun of the evening. Be advised, though, that if your Charleston is a bit rusty, you may want to brush up.

Just three months

That's right — you have just three short months of prime Charleston-

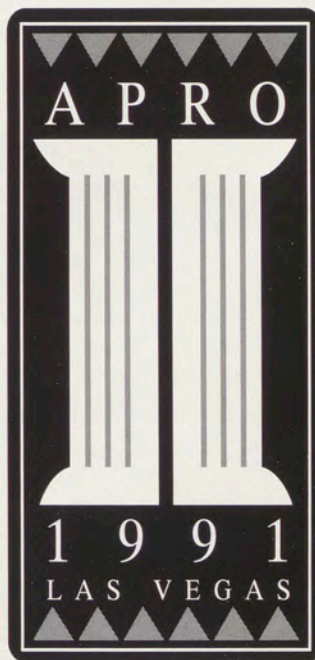
practicing time left before convention. Registration packets should have reached you by now, full of information on convention activities and nitty-gritty details like fees and deadlines. It will also include information on discounted airfares and auto rentals.

If you want a sure bet, register early for the 1991 APRO convention. It's guaranteed to be a winner.

PR

Barbara Stooksberry is a freelance writer and frequent contributor to Progressive Rentals.

.....
**Convention fun in '91: Mark your calendar for
Aug. 11-15**



**BET
ON
IT!**

at
Caesars Palace

(APRO members should have received their convention registration packets in the mail this spring. If you didn't get one, or need more information, call 512-794-0095.)

.....

ASSOCIATION OF PROGRESSIVE RENTAL ORGANIZATIONS

APRO '91: BET ON IT

ANNUAL CONVENTION & TRADE SHOW

AUGUST 11-15, 1991
CAESARS PALACE
LAS VEGAS, NEVADA



Joel B. Matthews

Registration Form

Please print or type, one form per registrant & spouse/guest. (Please note: Personal guest is defined as "significant other" or immediate family member.) You may photocopy this form. A written confirmation will be sent to you from the APRO office prior to convention. If your registration is received in our office after July 31, it will be treated as an on-site registration, and no confirmation will be sent.

(Please make a photocopy for your records.)

Last name: _____ First name (for badge): _____
 Spouse/Guest last name: _____ First name (for badge): _____
 Company name: _____
 Company mailing address: _____
 City/State/Zip: _____
 Business phone: _____ FAX: _____ First-time attendee? yes no

Registration Fees

Please check appropriate categories:

Full Registration

(Includes seminars, general session, meal functions and complimentary entrance to Exhibit Hall)

APRO Member
 Non-Member
 Spouse/Guest

Postmarked

	By July 22	After July 22
APRO Member	\$275	\$325
Non-Member	\$375	\$425
Spouse/Guest	\$175	\$225

Daily Registration

	Member	Non-member
<input type="checkbox"/> Sunday (Sunday night Welcome "Hat Party" _____)	\$25	\$25
<input type="checkbox"/> Monday (Registration Fee: General Session, "50s Party" Gala Cocktail Reception and complimentary entrance to Exhibit Hall) _____	\$125	\$150
<input type="checkbox"/> Tuesday (Registration Fee: Seminars and complimentary entrance to Exhibit Hall) _____	\$75	\$100
<input type="checkbox"/> Wednesday (Registration Fee: Seminars, "Puttin' on the Ritz" Awards Banquet & Dance and complimentary entrance to Exhibit Hall) _____	\$150	\$175

Meal Functions

If you or your spouse/guest do not sign up for full, spouse/guest registration but wish to attend a meal function, individual tickets must be purchased for admission. ONLY THOSE WITH FULL REGISTRATION BADGES, SPOUSE/GUESTS REGISTRATION BADGES, DAILY BADGES FOR DATE OF FUNCTION, OR TICKETS WILL BE ADMITTED TO MEAL FUNCTIONS.

Welcome "Hat Party," Sunday\$25
 "50s Party" Gala Cocktail Reception, Monday\$40
 "Puttin' on the Ritz" Reception & Awards Banquet\$70

Spouse/Guest Programs, Golf

If spouse has purchased Spouse/Guest Registration, the cost of these programs are included, but we need a count on those planning to participate. You must preregister to participate!

"GLAMOUR SHOTS"

Please check here if you are attending the Spouse Program, "Glamour Shots," Monday and are purchasing Spouse/Guest Full Registration above.

Check here if you are NOT purchasing Spouse/Guest Registration and wish participate in "Glamour Shots." Please enclose \$55 to register for this program only.

DOWNTOWN CASINO TOUR/LUNCHEON/SHOPPING

Check here if you plan to attend tour and are purchasing Spouse/Guest Full Registration above.

Check here and enclose \$55 if you plan to attend tour and are NOT purchasing Spouse/Guest Full Registration.

GOLF TOURNAMENT

\$70 per player, Sunday 7:30 a.m., beginning teeoffs (Please note: Each player must fill out APRO Convention Registration Form). Golf Tournament is NOT included in Full Registration.

Name of Player: _____ Handicap or Average Score _____

Requested Tee: Time Early Middle Late

Requested Team Pairing (if possible): _____

Add all fees due and enter total here ... Total \$ _____

My check is enclosed and made payable to APRO

Charge my VISA MasterCard American Express

Acct. # _____ Exp. date _____

Signature _____

Print name as it appears on card _____

Mail, with payment, to:

APRO, 6300 Bridgepoint Pkwy.,
 Suite 305, Austin, TX 78730-5016
 Phone (512)794-0095;
 FAX (512)794-0097

Registration

Non-family members of the same firm must complete a separate registration form. You may photocopy this form.

Badges

Only individuals registered and badged may attend convention events or meetings. Your name and company will appear on your badge exactly as you indicate on this form.

Fees

Save by signing up for full registration and take advantage of early registration for additional savings. Fees must accompany completed registration form. Credit card registrations will be accepted by phone or fax until July 31. No phone or fax reservations will be accepted after July 31. If mailing your registration, please allow time for form to be received in the APRO office by July 31. REGISTRATIONS WILL BE TAKEN ON SITE.

Inquiries

Any questions, call (512)794-0095; fax registrations to (512)794-0097.

Cancellations

All cancellations or changes must be received in writing in the APRO office, postmarked by July 22. A processing fee of 20 percent of the total registration will be charged for all cancellations. After July 31, no fees will be refunded.

Hotel Reservations

DEADLINE, JULY 10! Make your reservations by mailing enclosed card or by calling (702) 731-7222. PLEASE NOTE: Hotel reservations must be received by Caesars Palace by July 10, 1991 in order to guarantee the special APRO rate of \$88 single/double. Be sure to mention you are with APRO to get the special convention room rate.

Airline/Auto Reservations

Delta Airlines, in cooperation with APRO, is offering discounted rates to Las Vegas. Call Delta, or have your travel agent call, at 1-800-241-6760. Refer to File #PO457. Auto rental: Alamo Rent-A-Car, 1-800-732-3232; ID #77274, Rate Code G5.

FOR OFFICE USE ONLY:

MID# _____

Date rec. _____ Date ent _____

Ck.# _____ or Chg.# _____

Amt. paid \$ _____

Chg. comp. _____ Conf. sent _____

the relative quality of the fabric isn't always obvious. Thus, two sofas of vastly different quality can look virtually the same to the customer, which enhances the customer's perception of value.

Mike Walts, owner of Alrenco and a veteran of many years in this business, looks for "come-and-get-me" fabrics and colors that attract the attention of the customer.

Quality in rent-to-own furniture is important, of course, to both customer and dealer. The customer wants serviceable furniture that will hold up well and still look good at the end of the contract. It's also in the dealer's best interest for the furniture to hold up well because that will mean it is more likely to stay out longer and less likely to come back for repairs.

RTO stores do make necessary repairs, of course, as part of the service package provided the customer. Furniture keep rate, says APRO President Ted Wilson, is similar to other RTO products — at least in the company he works for, Alrenco.

One potential down side to furniture rental is that you could buy a \$500 dealer-cost living room suite, only to have it soiled or damaged so it's unrentable. With soft goods, you have to protect your investment with fabric protection, but these products are available and in widespread use in rent-to-own. The occasional something that is returned so badly soiled or damaged that it cannot be restored is the exception to the rule, and the advantages of putting more eggs in the furniture basket far outweigh the disadvantages.

Customers who are serious about having a nice home, Wilson says, will end up keeping high quality furniture that looks good. This trend is causing RTO dealers to carry fewer promotional items of lower quality and to seek, instead, the right combination of quality and affordability to the customer.

Gary Beavers, director of rental services for Daystrom, a member of the LADD manufacturing group, believes RTO customers aren't looking for the cheapest thing available.

Displays lend themselves to the promotion of such add-ons as artificial plants, pictures and tables. The customer sees the picture-perfect room and envisions it in his or her own home. This phenomenon creates the perfect atmosphere for the skillful salesperson.

They have discriminating tastes and want good quality furniture. Since the RTO dealer has come to recognize this, the dealer has enjoyed a high keep rate in furniture.

Bedroom furniture, observes Wilson, is the most-kept merchandise his stores handle. "Bedroom furniture is a very personal item," Wilson said. "It becomes a part of them (the customers) and their households."

Bunkbeds make good rent-to-own items, too, and are durable and profitable. In fact, juvenile furniture tends to be sturdier and can be offered at lower price points than retail.

Sturdiness has a lot of appeal to both the rent-to-customer and dealer. Danny Bozof of Bozof Dinettes believes the RTO customer wants good quality and good service at a moderate price, but that price is not the most important factor. Rent-to-own dealers who carry dinettes gravitate to those sets with heavily welded chairs — an industry-wide trend, he believes.

RTO buyers purchase a lot of glass and look for chairs with nice, good-looking fabrics that will hold up well. But most shy away from imports because they are generally not as sturdy as American-made furniture. Bozof is finding that the rent-to-own segment of his dinette manufacturing business is growing rapidly.

Pretty as a picture

Furniture lends itself to full-room displays, made more possible by today's typically larger rent-to-own store. In turn, displays lend themselves to the promotion of such add-ons as artificial plants, pictures and tables. The customer sees the picture-perfect room and envisions it in his or her own home. This phenomenon creates the perfect atmosphere for the skillful salesperson to increase the sale.

"Right now the leading edge, and it's something so basic, is visual merchandising," said John Vasta, director of sales — rental division, for Fraenkel

Company, a furniture wholesaler and manufacturer. "Lifestyle settings ... When you walk into a showroom, you can visualize this in your own house, and the customer's perception of the dealer is greatly enhanced."

Looking back at you

Plagued by slowdowns in retail markets, furniture manufacturers are showing renewed interest in the rent-to-own market. Gary Taylor, vice president of sales and marketing at Hart Furniture, said in a roundtable discussion reported in the April 1991 issue of *Furniture/Today*: "We don't see furniture stores opening every day. But we do see a lot happening in the rent-to-own segment."

"More and more of these dealers are expanding their mix into furniture, and they are capturing the old credit customer that the independents used to have."

Terry Furr of Florida Furniture observed in that same roundtable discussion that the "wholesale and rental markets are growing hand-in-hand. In fact, the emergence of rent-to-own is stimulating wholesale activity because of their emphasis on smaller accounts."

"The ability to deliver instant gratification is an important consideration with rental customers — and with dealers."

A cottage industry grows up

Availability has historically been an area of potential difficulty for the rent-to-own dealer carrying furniture. Because of high freight costs, most furniture manufacturers are small businesses with regional markets. Even major factories usually serve only a small geographic area. Few ship nationwide, especially across the Rockies.

Because using commercial carri-

CONTINUED ON PAGE 37

Who's Who in furniture

Furniture is a mainstay of most rent-to-own stores' product mix, and its percentage of total BOR is on the increase. The following list includes manufacturers and distributors interested in working with the rental-purchase industry. All are either **APRO Associate Members (*)**, **advertisers (+)** in **APRO publications**, or **APRO convention exhibitors (X)**.

+Yamarillo Hardware

501 S. Grant St.
Amarillo, TX 79172
(806)376-5311
Furniture

+YAmerican Furniture

Resources
820 Kingridge Dr.
Roswell, GA 30075
(404)993-2053
Furniture

*YArtmaster Studios

250 Parkside Dr.
San Fernando, CA 91340
(818)365-7188
Furniture accessories

YAshley Furniture Industries

350 Madison St.
Arcadia, WI 54612
(800)327-4539
Furniture

*+Associated Furniture Distributors

164 S. Main St. #404
High Point, NC 27261
(919)887-8162
Distributor

+Atlanta Furniture Market

240 Peachtree St., NW
Atlanta, GA 30303
(404)220-2305
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YBeechbrook

6140 Purdue Dr.
Atlanta, GA 30336
(800)229-1804
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YBeekman

2040 Polk St., #327
San Francisco, CA 94109
(415)885-6620
Furniture — tables

*+YBerkline Corp.

157 Lynnwood Dr.
Longmeadow, MA 01106
(413)567-9645
Furniture

YBill Cardecha & Associates

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(813)248-1991
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YBoyd Flotation, Inc.

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St. Louis, MO 63125
(314)894-4477
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Olive Branch, MS 38654

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(319)753-2811
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*+England Uph. Mfg. Co.

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+Fab-U-Gard

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(602)944-8862
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YNatural Trees Inc.

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Memphis, TN 38122
(901)327-8818
Furniture accessories

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(601)736-9002
Furniture

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Consolidate/Carlton Mfg.
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Mt. Vernon, TX 75457
(214)537-4591
Furniture

*Peoploungers

P.O. Box 429

Nettleton, MS 38858
(601)963-7301
Furniture

*+YPhilip M. Bell Co.

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Loveland, OH 45140
(513)683-6300
Furniture

+Pieces of Dreams

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Albuquerque, NM 87102
(505)243-8803
Juvenile furniture

*Pilliod Cabinet Company

105 Woodland Ave.
Swanton, OH 43558
(419)825-1163
Furniture

YQuality Dinettes

P.O. Box 197
Arley, AL 35541
(800)223-4041
Furniture

*Spradlin & Associates

16209 Oak Ridge
Westfield, IN 46074
(317)831-2552
Furniture

YStoneville Furniture Co.

P.O. Box 15
Stoneville, NC 27048
(919)573-3751
Furniture

+YSwindal-Powell Co.

P.O. Box 24428
Jacksonville, FL 32241-4428
(904)739-0100
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*YTampa Wholesale Furniture Co.

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Tampa, FL 33605
(813)248-1991
Furniture

YThe Laurel Street Art Club

1961 International Way
Hebron, KY 41048
(606)689-5100
Furniture accessories

YThe Rose Hill Co., Inc.

P.O. Box 360
Okolona, MS 38860
(601)447-5425
Furniture

+YWoodcrest Manufacturing

P.O. Box 205
Peru, IN 46970
(317)472-2866
Furniture — bunk beds

Continued from page 35

ers to ship upholstered goods would mean adding the cost of a carton, most manufacturers have elected to use their own trucks and limit the size of the geographic area they serve. Today's furniture manufacturers, however, are working hard at making arrangements that are more palatable to RTO.

Bozof has found that the demand for dinettes from rent-to-own businesses is a fast-growing segment of his business. To accommodate the demands of rent-to-own dealers, Bozof has developed a five-day ship program.

Hart Furniture's Taylor, according to *Furniture/Today*, thinks distributors are in a better position to serve the needs of the rent-to-own dealer. "Only a handful of the RTO stores can do major truckloads," said Taylor. "Going through distributors gives us regional points of distribution and makes our products available in smaller quantities."

Some dealers are finding that buying from distributors does suit their purposes. Jack Callender, owner of 15 RTO stores, says his stores are small and storage is difficult, but the extra he pays to buy from local distributors is offset by the fact that he has no warehousing costs.

Callender has been in rent-to-own for 26 years and has always done a significant percentage of his business in furniture. In fact, he suggests that furniture may be the main draw of RTO stores of the future because of the difficulty in shopping furniture and because it goes to term more than other rent-to-own items.

RTO dealers are finding that manufacturers are making other efforts to court them. Some are making concessions on minimum purchases; some are making certain groupings available for immediate shipping; others are making drop-ship arrangements to cut costs to the dealer. Still others are offering the RTO market special sales forces and manufacturing representatives.

Beavers believes manufacturers are

more sensitive to the needs of the rent-to-own dealer today than they were five or 10 years ago. Since the small, mom-and-pop furniture store of yesterday is fast disappearing, new customers are coming to rent-to-own. The furniture industry recognizes this and is eager to work with RTO to make doing business with them go smoothly. Dealers, in turn, can help manufacturers by doing some projections of future needs. Buying as a group also gives dealers more clout.

Lea Industries has created a program called Lea I\$ Rental, which offers rental dealers 14-day delivery on six best-selling groups. Such concessions are getting easier to find among the many small, regional manufacturers who populate the furniture industry. Furniture manufacturers are also working to offer other services to rent-to-own dealers.

Bozof Dinettes, for example, works closely with its RTO customers to design programs that suit the particular needs of the individual dealer.

CONTINUED ON NEXT PAGE



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In addition, they provide photographs and other sales tools to help RTO dealers move merchandise quickly and profitably.

APRO to the rescue

Your trade association can play, and has played, a significant role in making the furniture segment of the rent-to-own business work for you. In recent months, APRO staff have attended furniture markets in Atlanta, Tupelo and High Point, and board members have been to home furniture shows in San Francisco. Their purpose is to serve as a conduit for information to and from the furniture industry and you.

APRO, says Wilson, is constantly alert for furniture industry people who can give good, solid, unbiased seminars on various aspects of furniture in rent-to-own, and such seminars are always offered at APRO conventions.

Manufacturers are in plentiful supply at APRO convention trade shows, which offer you another opportunity to discuss needs face to face with those in a position to address those needs.

Manufacturers are also in plentiful supply at APRO convention trade shows, which offer you another opportunity to discuss needs face to face with those in a position to address those needs. Networking with other rent-to-own dealers through APRO can prove invaluable in handling furniture, as well as other merchandise.

Additionally, APRO publications offer manufacturers a ready target audience for promoting their merchandise. Many manufacturers are seeing this as a good advertising resource for them.

PR

Barbara Stooksberry is a freelance writer and frequent contributor to Progressive Rentals.

Having fun at Fraenkel

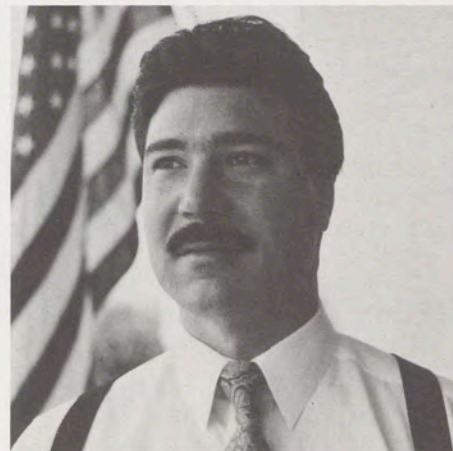
RTO veteran Vasta adapting his expertise to furniture business

FRAENKEL COMPANY ISN'T YOUR AVERAGE FURNITURE ENTERPRISE. THE 32-YEAR-OLD COMPANY, WITH MAJOR FACILITIES IN BATON ROUGE AND MEMPHIS, MADE ITS REPUTATION IN THE FURNITURE BUSINESS AS A WHOLESALE DISTRIBUTOR SERVING A 12-STATE DEEP SOUTH REGION. IT'S ALSO AN EMPLOYEE-OWNED COMPANY.

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Now, Fraenkel also manufactures bedding and upholstered furniture, keeping Fraenkel diversified and giving its sales force entry points in different markets. The company is becoming a vertically integrated enterprise, with a renewed commitment to pursue the \$3.2 billion-a-year rent-to-own industry.

Fraenkel president Harvey Hoffman and vice president Michael Herschman have been aware of the rental market for years and have been selling to the industry for quite some time. But they recently decided to set up a rental division geared to the special needs of RTO dealers, including adapting product lines, where necessary, and developing specialized sales and service programs. The



John Vasta, Fraenkel Company's director of sales — rental division, already had 15 years of experience in rent-to-own when he joined the furniture wholesaler and manufacturer early this year.

ideal candidate would be someone who already had broad rent-to-own expertise, ranging from manufacturing to purchasing to in-store merchandising.

They found their man in John Vasta.

Vasta, former vice president and director of sales for Rent-A-Rock, joined Fraenkel early this year. Vasta, who has 15 years experience in rent-to-own, is Fraenkel's new director of sales — rental division. He is charged with developing and expanding the furniture company's list of rent-to-own clients, and has already begun implementing new approaches and programs with RTO in mind.

"There's no doubt about it: John's going to help us down the road," said

The biggest problem with furniture rental is the rental return, Vasta acknowledges. But he adds that product knowledge, training and the availability of replacement parts help dealers overcome this basic obstacle. "Preventative maintenance on the front side — helping my customer understand the importance of fabric protections — and making available replacement seat cushions, all component pieces and parts, will go a long way,"

company president Hoffman.

During his first five months with Fraenkel, Vasta's been concentrating on learning the nuances of the furniture business. At the same time, Vasta's knowledge of the needs of the rent-to-own industry are already beginning to pay off as the company's sales force is expanding its list of national RTO accounts.

"What I do best is make it easy for the salesmen to do their jobs," said Vasta. "I develop programs that arm them with the tools they need to better serve the rental community."

Because of its diversification, Fraenkel is able to offer rent-to-own dealers many different options. Vasta says the best values are the factory-direct deals on Fraenkel-manufactured goods, including made-to-order shipments. Fraenkel also warehouses product for RTO dealers who don't have centralized warehousing, and handles a variety of quality brands — even imports — at different price points.

"Fraenkel owns its own trucks, warehouses and inventory, so we can deliver on time and at competitive rates," said Vasta.

"The wholesale business got us to this point," Vasta added. "However, to remain competitive in the market and to continue to dominate as we do in our service area, manufacturing has opened up a lot of doors for us." Vasta says company-manufactured goods currently account for "better than 50 percent" of Fraenkel's total sales.

Fraenkel offers a factory-direct warehouse program, which seems at first to be a contradiction. "You've got to think about it," he said. "Most manufacturers don't stock merchandise. We happen to stock a week's worth

of inventory. So if you call us up and say, 'Hey, I need something,' chances are you're going to have it in three to five days. Most of our furniture is available through our quick-ship program."

Today, Fraenkel is the fifth largest independent bedding manufacturer in the United States. Fraenkel began its bedding manufacturing operation in 1978 and will probably become "the largest exporter of bedding in the country" by the end of 1991, according to Hoffman.

"We have a bedding line that is ideally suited for rent-to-own. It's an innerspring, quality bed with a water-resistant cover," Vasta said. He adds that Fraenkel re-covers mattresses and box springs for one rent-to-own client. "It's got to be cost effective or they wouldn't be doing it. It's a great way to prolong shelf life."

On the upholstery side, Fraenkel has an extensive line featuring 14 frames and more than 50 covers that he believes will fit most any rent-to-own use.

It's Vasta's knowledge of the rent-

to-own industry that enhances the total Fraenkel package. "Visual in-store merchandising is important to the success of jewelry and furniture in any rent-to-own operation," Vasta said. When he visits rent-to-own stores, Vasta often helps dealers set up furniture display areas that build around basic pieces and include accessories — a key revenue producer for RTO.

"For you to buy product from Fraenkel, I've got to help you sell it," Vasta said. "Accessories are absolutely vital to completing a lifestyle image — a comfortable setting the RTO customer can visualize in his own home. Quite often they'll buy into the whole package."

The biggest problem with furniture rental is the rental return, Vasta acknowledges. But he adds that product knowledge, training and the availability of replacement parts help dealers overcome this basic obstacle. "Preventative maintenance on the front side — helping my customer understand the importance of fabric protections — and making available replacement seat cushions, all component pieces and parts, will go a long way," Vasta said.

"I want to help my customer increase the income-producing potential of furniture through product knowledge, sales technique using visual imagery, and then get him thinking about the value of add-ons."

The key, Vasta is convinced, lies in a comprehensive furniture program for RTO dealers.

PR



Fraenkel, with major facilities in Baton Rouge and Memphis, owns its own fleet.

Furniture organization gives RTO dealers options

Marketing 2000 offers diversity

A NEW COMPANY HAS ENTERED THE RENT-TO-OWN INDUSTRY, BRINGING WITH IT DECADES OF EXPERIENCE IN RTO AND RETAIL. MARKETING 2000, BASED IN BIRMINGHAM, ALA., HAS ASSEMBLED A UNIQUE TEAM OF SPECIALISTS AND IS MARKETING RENT-TO-OWN FURNITURE PRODUCED BY MANUFACTURERS NEW TO THE RENT-TO-OWN WORLD.

"Our role is to marry the specific needs of the rent-to-own industry with the best, most innovative furniture manufacturers in the country," said John DeBarr, president of Marketing 2000.

DeBarr has 20 years' experience in furniture and home furnishings. A former vice president in charge of furniture and home furnishings at Sanger Harris, a Federated department store chain, DeBarr continued his career with Rhodes Furniture, one of the largest furniture retailers in the country and a chain specializing in medium and high end furniture. Before coming to Marketing 2000, DeBarr also was in furniture manufacturing.

"Although our company is new, we have a rich heritage and offer our customers the service of a long, established company," DeBarr said.

R.P. McDavid is the parent company of Marketing 2000, with Lee McDavid, a third-generation family member, serving as chairman of the 57-year-old distributorship. R.P. McDavid has the distinction of being the oldest Kelvinator distributor in America.

The company has a distinguished and successful history. "The last two years has seen R.P.M McDavid double in size each year — quite a feat in this economy," DeBarr said.

After hiring a consulting firm to review operations, evaluate strengths and assist with the development of a long-range plan

for the company, the consultant concluded that the company is neither a distributor nor a sales representative. Instead, he categorized it as a marketing company. Hence, Marketing 2000 was created.

"We decided to assemble the most knowledgeable team available in order to have a major impact in the rent-to-own market," explained DeBarr. "First, we brought on board Bob Waggoner, with years of RTO experience gained by his tenure with U-Can-Rent as purchasing agent."

The company also needed a national sales manager who understands all aspects of rent-to-own, and who also knows the people in the industry. Their choice was Glen Davis, a former RTO dealer and a past president of APRO.

To carry the load of inside sales, DeBarr brought in Mark Fentress, formerly a general manager for a 40-plus store rent-to-own chain. Marketing 2000 is able to capitalize on the computerized distribution system of its parent company to properly service its customers' needs.

This new company has experienced its share of success already. Marketing 2000 has been named the national sales representative for the all wood, bedroom furniture line manufactured by Johnston/Tombigbee. "This line offers a variety of styles, including contemporary and traditional," said Davis, Marketing 2000 national sales manager.

Marketing 2000 has also been named the

.....

BY

BILL KEESE

national RTO sales representative for River Oaks and River Crest, manufacturers of upholstered furniture. "These products are carried by over half of the top furniture retailers in the country, and we have the right price points for rent-to-own," DeBarr said.

"We're also repping the car bed manufactured by Pieces of Dreams (*see story this page*), which has proven to be a be hit with rental dealers."

Marketing 2000 carries a full line of recliners manufactured by Relax-A-Liner. "At the APRO convention, we will be introducing a totally new line of 'motion' furniture designed specifically for rent-to-own by Relax-A-Liner," said DeBarr.

Other new products Marketing 2000 plans to introduce to the RTO industry at the APRO convention and trade show include metal bunk beds manufactured by Largo (Largo is a major supplier of furniture to such nationally known retail chains as Dillard's); occasional furniture, by Corolla Classics (a \$47 million company specializing in all wood and glass tables); dinettes in contemporary and traditional styles; and a line of wood bunkbeds, lamps and entertainment centers.

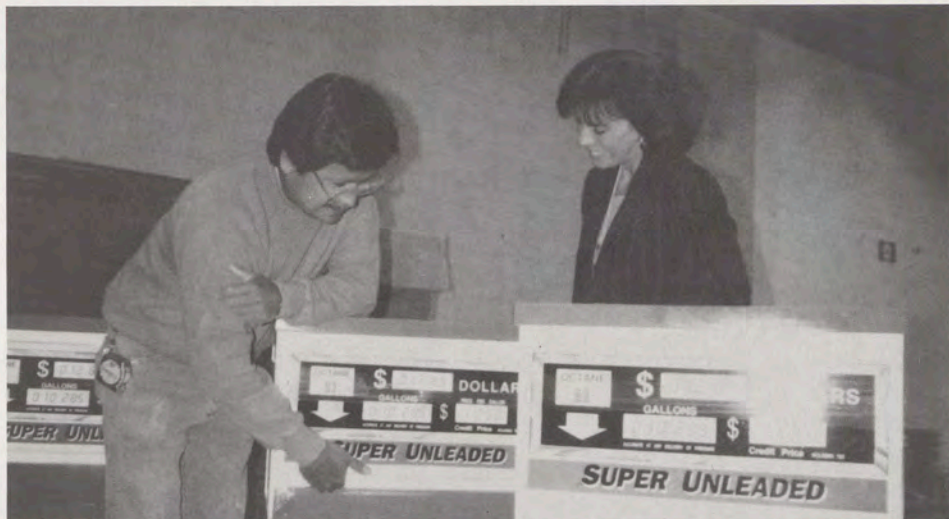
"Some of the most exiting promotional items we'll have for the APRO show will be in juvenile furniture, including children's recliners, Teenage Mutant Ninja Turtles and G.I. Joe TV chairs," said DeBarr.

Service to dealers, along with new and innovative furniture for RTO, is the foundation of Marketing 2000. It's even established an in-house desktop publishing operation to customize print promotional material.

Marketing 2000 has an informal "review board" comprised of rental dealers to assess new products before introduction. "We work with manufacturers and rent-to-own dealers to customize products that are uniquely designed for the RTO market," DeBarr said.

"In the coming months, we'll have new products and new services for rent-to-own dealers," added DeBarr. "We're totally committed to this industry, and are excited about showing many of our new lines at the upcoming APRO convention." **PR**

Bill Keese is APRO's executive director.



Patricia Grebe, conducting a quality check at right, was a member of the APRO board several years back when her last name was Flowers. Today, she's made the switch from RTO dealer to furniture supplier. Her company is called Pieces of Dreams, and her juvenile furniture line is a hit in the rent-to-own marketplace.

This upscale furniture company's no pipedream

If you've been in the rent-to-own business for six or seven years, you probably know Patricia Flowers. In 1984, she owned six Color World TV rent-to-own stores based in Albuquerque, N.M. During this time, she also served on the APRO Board of Directors.

Today, she is Patricia Grebe, a manufacturer of juvenile furniture with manufacturing facilities in Albuquerque. She's back in the rent-to-own industry from the other side, as a supplier. The name of her company is Pieces of Dreams, and her current rent-to-own line is a race car bedding group.

"In 1987, after recovering from a serious illness, I decided to go into manufacturing with a line of specialty products for upscale retail chains," Grebe said.

Some of her national retail customers are Saks Fifth Avenue, Neiman Marcus, Spiegels and JCPenney. "My race car bed has been the No. 1 best selling item in the Neiman Marcus catalog for the last two years," she added. "Because my line is so successful in the upscale retail chains, the perceived value for RTO customers is great."

Grebe embraces the upscale reputation her product line has earned, and she believes rent-to-own is ready for it.

"One thing you can count on: My products will never be found in discount stores, because I don't want that kind of competition for my rent-to-own customers."

Having been in the rent-to-own business, Grebe knows RTO furniture must be good, solid and durable. "We test marketed this bed for 18 months, making sure the price point was right and that the bed would hold up under the most stressful conditions."

Now that everything else is in place, Grebe is gearing up to service rent-to-own dealers on a large scale.

"Soon, I'll have warehouses across the country to better supply rental dealers," she said. "We also carry a complete line of parts and can ship anything a dealer needs within 48 hours. I know the importance of keeping products rented and avoiding idle inventory."

Patricia Flowers began her career when she was 17 years old, working for Bob White. Her entrepreneurial

CONTINUED ON NEXT PAGE

Continued from previous page

spirit soon surfaced and in 1979 she became a Curtis Mathes dealer.

"It wasn't long after this that I heard about the rent-to-own concept and decided that was the route for me," she said. "There are so many wonderful people in this industry, many of whom helped me get started, that I am excited about being back in RTO. My race car group has become very popular with rent-to-own and I am dropping one of my national retail chains to better serve rent-to-own."

With three full time designers on her staff, she says she is planning to expand her rent-to-own line soon with other innovative products.

Glen Davis, a past president of APRO, is now the national sales rep for the Pieces of Dreams line. "It's great to be working with Glen again," Grebe said.

Patricia Grebe and Pieces of Dreams will be a part of the 1991 APRO convention and trade show, Aug. 11-15, at Las Vegas' Caesars Palace.

— **Bill Keese**

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COVER Sidebar

Master magician

At 74, Sid NuDelman's still coming up with tricks in the furniture trade

THE PERSON WHO SAID "YOU CAN'T TEACH AN OLD DOG NEW TRICKS" NEVER MET SID NUDELMAN, FURNITURE ENTREPRENEUR AND MASTER OF A NUMBER OF TRICKS.

HE'S ALMOST A MAGICIAN IN HIS OWN RIGHT, SINCE HE'S BEEN PULLING TRICKS OUT OF HIS HAT SINCE THE LATE 1930S THAT ARE INNOVATIVE TO THE FURNITURE INDUSTRY.

NuDelman's tenure in the industry alone qualifies him as an "old dog," and some of the tricks he's performed refutes the belief that one can't learn new tricks.

Beginning in 1937, NuDelman's career in the furniture industry was interrupted by World War II and a six-year stint in the U.S. Army. Since

then, a period of more than 50 years, NuDelman has been involved in some facet of furniture.

For instance, he pioneered the open-showroom concept for furniture retail as it's known today; he initiated the design and marketing of waterbeds; he introduced mass manufacturing of low-priced goods to the

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6th ANNUAL TRIB CONVENTION & BUYING SHOW

industry; and last, but not least, he was one of the initiators of upholstered furniture manufacturing in north Mississippi.

From a plant consisting of 40,000 square feet, the north Mississippi manufacturing facility includes more than 300 individual factories, making up the largest manufacturing capability of upholstered goods in the United States.

About seven years ago NuDelman, never satisfied with the status quo, started looking for an additional focus. When dealers expressed an interest in the rent-to-own industry, he realized that this new market would require special attention.

Establishing a new operation at the age of 67 with special emphasis on the rent-to-own industry, NuDelman's company currently encompasses worldwide sales. Shipping direct from his factories, he supplies rent-to-own customers coast to coast and retailers internationally.

NuDelman, relating one of his most unusual deals, sold 10 containers to a dealer in Kuwait during the July 1990 Dallas furniture market. Because of the Persian Gulf crisis, however, the transaction was never completed. NuDelman says there just wasn't enough time to complete the paperwork that's involved in shipping to the Middle East.

His goal has been not merely to sell to the rental dealer, but to become part of the RTO industry. Learning that furniture was the fastest growing product category for rental dealers, NuDelman began meeting face to face with them. He found dealers anxious to learn more about the product and willing to provide additional floor space for furniture display. He helped show them how to arrange furniture in vignettes visible from RTO stores' showroom windows, which proved to be a customer grabber.

On one occasion, NuDelman actually left his market showroom after a 12-hour day, traveled with a dealer to one of his showrooms and, together, they set it up as a model for the dealer's other stores.

Enthusiasm in passing on his sales and marketing expertise to younger people is still one of NuDelman's most outstanding attributes.

Once he'd met with a sufficient

number of rental dealers, and his decision to become involved with the rent-to-own industry reinforced, NuDelman developed and finetuned his RTO operation. He focused on four major areas: quality, factory-direct sales, personal goodwill and competitive pricing.

"There are some dealers who buy from middlemen for the most part, without realizing that if they can warehouse a variety of goods, the difference in the factory-direct price paid for the item would give them a more

attractive deal to offer their customer."

NuDelman, who is now 74, never thinks of retirement. But those who are closest to him believe that along with all the other things he's doing these days, he should take time out to write a book on furniture; a manual on manufacturing and marketing, of sorts, that could be used by entrepreneurs entering the industry.

When asked, he merely replied: "Right now, I'm too busy to think about it. It'll have to wait until another day."

PR

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Life in the fishbowl; or training ideas from ...
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I SPENT A FEW MINUTES RECENTLY FLIPPING THROUGH SOME OLD TRAVEL BROCHURES. ONE THAT REALLY STOOD OUT WAS A SLICK, FOUR-COLOR PIECE TOUTING SEAWORLD, A HUGE COMPLEX NEAR SAN DIEGO. IT WASN'T THE REALLY NEAT GRAPHICS OR THE SLICK COPY THAT CAUGHT MY EYE. IT WAS THE DOLPHINS.

.....

About half the SeaWorld folder was devoted to the park's chief attraction, the dolphin show. According to the copy and the pictures, every afternoon about two o'clock some aging hippie in Wal-Mart boat shoes and a snappy T-shirt entices the park's dolphins to perform some pretty nifty feats simply by dangling a few dead fish over the tank. This goes on for about an hour.

Apparently, the dolphins have never caught on to the fact that they're bound to get fed sometime whether they leap through that flaming hoop or not. But they love those little herring snacks. When the dolphins flash through the air and grab that slab of cold fish, the trainer looks good, the fans are thrilled, the park makes a fortune, and the dolphins get fat. I suppose only the herring could complain about this program.

All this started me thinking. I wondered why rent-to-own companies haven't come up with a training system that works this well? All it really requires is somebody who doesn't mind working with warm-blooded mammals and dead fish. Anybody who's been to rental stores lately knows that we have plenty of both out there. What we are in short supply of is guys in snappy T-shirts making the fans (customers) go away happy.

Tricky as it may seem, that SeaWorld act is based on a very simple premise: If

you throw out enough fish, somebody will jump through fire. After giving this matter great thought, I've come up with a variation on this system which I think would work with every employee, even vice presidents (most of whom are used to playing with fire anyway).

Now the first step in this new training plan is knowing what you want accomplished. It's surprising how many folks don't know. Large numbers of RTO owners and general managers preach profit but fail to teach sales and service. And in worrying about how to fill in the blanks on the P&L (profit-and-loss) projection, too many store managers ignore the poor schmuck out front who can't get waited on.

Even worse, some of those owners and most of the general managers never really address Elmer Employee's primary concern: "What's in it for me?" Until that's answered, not much will happen at all. Sorry, Elmer — you get a weekly paycheck, don't you?

But back to the new concept. It's called Diving for Dollars. It's very easy, and quite cost-efficient. The owner staples a whole bunch of money to the showroom floor no more than three feet from the front door. To make it worthwhile, there should be a mix of twenties and tens and even fifties.

The employees stand behind the counter all day (which usually requires no extra training at all) until a customer shows up. Whoever dives over the front counter first and sells the new prospect gets to keep whatever bills they happen to land on. Someone might skid across a few fives but end up spread-eagled on a fifty. It's theirs. Another poor soul might do a three-point landing on a one dollar bill, but another chance might come at any moment. The point is, you gotta do some diving to land in the money. Kind of like SeaWorld.

Of course, with all those bodies flying around the showrooms, there will be a fair amount of potential for injury, especially to anyone caught standing in the

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BY

BUD HOLLADAY

Be warned that Diving for Dollars requires not only enthusiasm but a fair degree of physical coordination, so only the fit are really going to benefit from this program. The benefits are endless. No doubt some are too faint of heart to go this far in building enthusiasm for sales. So an alternate plan has been conceived, the Bird Plan.

same spot too long. But this can become a benefit. Stores that are over-staffed only have to station the least-effective employee nearest the fifty dollar bills. This becomes something akin to making the third spare in a bowling tournament.

Be warned that Diving for Dollars requires not only enthusiasm but a fair degree of physical coordination, so only the fit are really going to benefit from this program. The benefits are endless.

No doubt some are too faint of heart to go this far in building enthusiasm for sales. So an alternate plan has been conceived, the Bird Plan.

To understand how the Bird Plan works, you have to imagine the "3-point line" that runs in a big semicircle around college and pro basketball courts. Shoot from there and make it, and you can go to heaven (or at least to the Final Four).

All you do is paint a big black line about 15 feet out from the sales counter in your stores. Then tell all the employees that whoever sells anything from outside that line gets extra bonus. Stand in the paint (behind the counter) and you get nothing. Those are the easy layups anybody can make.

The Bird Plan will encourage the more timid salespeople to get out from behind those tall counters and do some cutting and weaving on the sales floor. Set a few picks with a couple of folks who want desperately to rent that home entertainment center. Dribble a few deals past the guy whose eyes are glazed over from reading that sales brochure. In other words, play some offense, folks. You can rent the pine or you can ride it. But we pay for points.

Go ahead. Snicker. But when's the last time a store gained 50 for the week? When did your 450-BOR store last deliver 11 on a Thursday? And when's the last time you walked into

a store where they were complaining about slow business and found everyone huddled around the computer screen, apparently waiting for a message from Elvis?

Take it a step further. Imagine you are the guy in the snappy T-shirt and the Wal-Mart boat shoes. When's the last time you threw a few fish to the guys in the tank? When's the last time they jumped through fire for you? See what I mean?

Now some folks have more fish than others. So if you're one of those with only a few sardines, you just have to be more creative. If you want BOR gains, pay only for that — and don't muck things up by devising some complicated formula that requires the resources of NASA to figure out how much a guy made this month. Pay only for the end result you want; don't pay for the tasks or functions required to accomplish it. Some folks confuse activity with production.

And then when your sales people begin jumping through flaming hoops for you and taking home lots of big fish, don't spoil it all by getting greedy. "He's making too much money so the bonus plan stinks." The plan only stinks if he's not making any money at all.

If you were stupid enough to work up a plan that lets him get rich while you get poorer, try to adjust it over time. But don't cancel it overnight. Changing a bonus or commission plan every three weeks tells everybody you really don't want one. But without something of that sort, you won't get much back from all your training.

Remember: A commission plan is a lot like capital punishment; it works best when it's fast, fair and public. And even then you can't be absolutely certain.

With firm goals and a fair bonus plan, you now have to go out and teach others how to be better. This

isn't all that hard. Few employees don't want to improve. Unfortunately, those few are the ones who generally get all of management's time and attention. Meanwhile, too many "Old Charlies" keep collecting pay raises just because they've managed to stay around a long time. Well, who wouldn't stick around if it means more money than you're worth?

But don't think you have to buy manuals and flipcharts and videotapes and convert the sauna to a training center. Try this first. Go out and ask the average store employee how many kinds of training materials are on hand. Odds are, you'll hear about the manual somebody tried to make up months ago. Or maybe a rental clerk will point to a dusty stack of mimeographed sheets all stapled together on a shelf in the backroom, or a few cassette tapes thrown into the same box with the broken remote hand units. Well, that's not it.

There's not a rental store in the country that doesn't have a developed set of training materials already in use. They're just being used at the wrong end of the deal — after the sale. The time to use these materials is before any sales are made (or lost).

What materials? Count them — rental agreements (the concept and the structure of rent-to-own); advertising pamphlets or brochures (the product, the prices, the terms); receipt books (accounting and income production); computer reports and back-up documents (inventory accounting); profit-and-loss sheets, time cards and invoices (financial). What more do you need?

And we haven't even mentioned one of the greatest training tools of all — the customer. This guy is a walking encyclopedia of what's wrong and what's right with nearly every rental store in town. He's seen more managers than Mike Tyson. He's been treated more ways than polyester. He's seen more bad servicemen than an army doctor. He gets more mail from you than he does from his mom. In short, this guy knows rent-to-own. Use the user.

Invite four or five good customers to a roundtable discussion of rent-to-own, throw in some snacks and a door

CONTINUED ON PAGE 52

Results from APRO-sponsored surveys reinforce notion that ...

Accurate data's hard to come by

THE LATEST APRO STATISTICAL SURVEY HAS RECENTLY BEEN PUBLISHED. IF YOU HAVE NOT SEEN A COPY, IT MAY BE BECAUSE YOU DID NOT PARTICIPATE IN THE SURVEY. ALL IS NOT LOST, HOWEVER, BECAUSE WE ARE GOING TO TRY AGAIN WITH ANOTHER SURVEY AND IF YOU HELP WITH SOME NUMBERS, WE WILL SEND YOU THIS LAST REPORT.

I have been studying the numbers looking for trends in the industry. I have taken all three surveys that we have done to see if there are conclusions that can fairly be drawn about the business over time. An obvious conclusion is that we have not always asked questions in the surveys that dealers interpret the same way. When some companies report revenues per company and others report revenues per store on the same line, adding the numbers together isn't meaningful.

We are working hard to finetune the questions and the APRO Board of Directors has been helping us. Dealers can help by being careful when they provide information. Slap-dash answers are not going to allow an accurate synthesis of the data. Incidentally, no one at APRO ever sees any company information. It all goes straight to a certified public accountant (CPA) who compiles the information. It might be a more accurate report if we did see the data because we would be more likely to know if a dealer obviously misinterpreted a question; whereas, the CPA is simply accumulating data and averaging it with no specialized knowledge of how the numbers ought to look in a given category.

In fairness, though, that's the way it must be. This way there can be no gossip, at least none generated by the statistical survey, about which dealers are doing well and which ones aren't.

APRO has actually conducted three statistical surveys. Members realized early on the importance of collecting and comparing data.

The first survey was done in 1981, barely six months after the Association of Progressive Rental Organizations was founded. Twelve companies representing 51 stores sent in data. In 1986, the second survey was conducted. This time 170 companies representing 1,389 stores reported. In 1988, 64 companies with 760 stores reported.

With a scientifically conducted random survey, 10 percent of an industry or so ought to represent a fair cross-section of what is really going on. Survey takers can predict public elections with a much smaller percentage, but it is random. Ours may or may not be random, because we simply receive information from those who choose to send it in. There is the possibility of some self-selection bias with such a system that can only finally be overcome by the bulk of data. If half the industry reports numbers that look a certain way, it is probably safe to assume that the other half look roughly the same. With a 10 percent sampling or less, we are less certain.

Who is likely, then, to respond? Dealers with computers can collect the information requested far more quickly than a dealer on a manual system. That fact almost certainly skews the computer question, which shows 83 percent of home offices

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BY

ED WINN III

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and 89 percent of the stores on computer. Other biases also suggested themselves with such a small sample. Dealers in trouble may have neither the time nor the inclination to retell the tale of how poorly they are doing. Dealers with big profits may want to brag even to a blind survey. The shape of the industry is such that we could not accumulate information from Rent-A-Center and not have it stand out. So, their numbers aren't in the report.

We finally do not know what other biases may exist in the information we have collected. All we can do is share what we have and let dealers make comparisons that have some meaning for them internally and ignore those that are meaningless.

The two most recent surveys do not come together very well. Both surveys comprehend data from 1986, the first treating the years 1984, 1985 and 1986 and the second looking at 1986, 1987 and 1988. One might suppose that 1986 could serve as a standard looking both ways. The problem is that the two sets of 1986 information bear little relation to one another. Average BOR (balance on rent) per store from the first survey was 520 units; the same set of calculations from the latest survey yields a BOR of 480. One might suggest different size companies reporting on the two surveys or a math error somewhere or any one of several other plausible explanations.

None give much comfort and, in fact, reinforce the essential unreliability of all of the numbers except for the most general of comparisons. What has been done for this summary is to average the two sets of 1986

numbers which is now an average of averages and perhaps further from the truth than ever. At least it's a good-faith attempt to synthesize and interpret the data that we do have.

The average number of stores per company reporting in 1986 was 8.2. The average in 1988 was 11.8. One might suppose a growth in company stores of 30 percent during this period. Again, however, the question can be fairly asked: Did larger companies respond to the second survey? Nearly three times as many companies responded to the first survey, and one might logically conclude that some of the non-respondents on the second survey were smaller companies.

RTO dealers report their businesses as primarily stand-alone rent-to-own enterprises. There is no clear trend toward any merger of RTO and retail or RTO and rent-to-rent that can be detected from the survey. This is likely because of the specialized nature of the business and the industry's continuing efforts to identify itself as a separate niche in the retail world.

In the 1986 survey, 8 percent of responses were from brand new companies, less than one year old. In the 1988 survey, no new companies reported. This is consistent with the general belief among dealers that it is increasingly difficult to start up in RTO because of mounting financing and competitive pressures.

Questions concerning numbers of employees did not yield meaningful answers in either survey. We do not know the average number of employees per store or other useful information. For example, we don't know things like BOR per employee, cus-

tomers per employee, deliveries per employee, revenues per employee or stores per home-office employee. We hope to gain more information on this topic in the next survey.

Payroll as an expense item averaged 22 percent of revenues in the 1988 survey. It was lowest in one-store operations at 16 percent and highest in mid-sized chains (11-20 stores) at 24 percent. One might suppose that owner/operators in their own stores do more things and get by with fewer people than larger chains.

Owner/operators also may take relatively smaller draws in exchange for other benefits.

The survey shows the beginnings of some uniformity in how the industry counts BOR. Dealers have begun to realize that counting every end table as BOR destroys unit yield. Larger dealers apparently understand this better than smaller dealers, however. In the 1988 survey, the overall average price per unit, APU (using total revenues and not just rental revenues), was \$50.12. One-store owners — and only five reported results — showed a \$28.26 APU, while large companies (20-plus stores) averaged \$54.96.

While collecting total revenues from reporting companies is useful for some purposes, it does not really give useful information about the industry's size and growth without making guesses about either the number of companies or stores during a given period. Total revenue is useful for determining per-store revenues, which over time appears as shown on the accompanying monthly and annual revenues chart (*see next page*).

The rent-to-own business was almost certainly more volatile during these years than these numbers suggest — a reflection of the averaging process. Average BOR, APU and income per unit on an annual basis for BOR and store income rose steadily from 1986 through '88. Meanwhile, income per unit fell, showing the competitive pressure on pricing during this period. Dealers have had to grow ever larger stores, presumably with increased overhead in order to grow revenues. Breaking out store operations from these averages is

CONTINUED ON NEXT PAGE

Continued from previous page

instructive (see BOR and APU chart).

By all accounts, 1987 was not a good year for one-store operations (see related chart). These numbers, however, stand as testimony to the notion that small stores — those under \$20,000 per month — can be run, presumably, profitably.

In the 1988 survey, dealers broke out revenues from “other charges” and sales. The overall average was 5 percent of revenues derived from other charges plus 6 percent from sales. In 1986, small companies were taking less advantage of these revenue sources than large companies. For example, one-store owners reported only 1.5 percent of revenues from other charges, and one- to three-store owners reported less than 3 percent. For many companies, these days, at least, the revenues from “other charges” is equal to their pretax net profit, in part because of the intense pressure on rental rates. By 1988 companies of all sizes had understood this phenomenon and were maximizing revenues from other charges.

	1984	1985	1986	1987	1988
Monthly revenues per store (all sources of revenues)	27,061	29,317	27,806	28,387	29,520
Annual revenues	325,041	351,934	331,296	340,895	354,270

	1984	1985	1986	1987	1988
BOR	503	504	509	530	589
APU	53.80	54.29	54.24	53.56	50.12
Income per unit per year	\$645	\$651	\$651	\$642	\$601

ONE STORE OPERATIONS	1986	1987	1988
Monthly revenues per store (all sources of revenue)	16,425	14,202	19,307
Annual revenues per store	197,100	170,424	231,684
BOR	534	656	683

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In 1986, fully 25 percent of respondents spent 3 percent of revenues or less on advertising. By 1988, the average of all companies reporting was nearly 8 percent. There was remarkable consistency among companies except for the four- to 10-store chains which spent nearly 12 percent on advertising.

A review of the 1988 expense percentages shows an overall average of 33 percent earnings before interest, taxes and depreciation. Single-store operators had a higher percentage — 37 percent — as did the larger companies, which averaged 39 percent for the 11- to 20-store chains and 38 percent for the chains with more than 20 stores. Companies in the four- to 10-store category fared worse, reporting 24 percent.

There is no accurate way to determine overall industry profitability because depreciation methods still vary widely and the depreciation percentage can skew profits. Moreover, we did not ask dealers how much debt they were servicing or how much interest they were paying as a percentage of revenues.

We can, however, make some educated guesses about cash flows. Average BOR in 1988 was 589 units. Although it does not appear in the survey, most dealers report product replacement costs for skips, stolens and payouts to run 4 percent to 6 percent of BOR per month — 24 to 35 units. Again, the survey did not ask the question, but most dealers in 1988 report an average wholesale cost per unit of approximately \$300-plus.

These numbers speak volumes about the allegations of “bloated profits” that this industry has enjoyed over the years. It also speaks of how tightly businesses must be managed these days to have positive cash flow.

What we hope is that the next survey will have more participants and, therefore, yield more accurate data.

We need to be able to explain how these numbers work to others because only then will we be understood and finally acknowledged in the financial markets, legislatures and other places where it matters.

PR

Ed Winn is APRO's legal counsel and a veteran writer on rent-to-own issues.

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Continued from page 22

Reflection and refraction. When light hits a gemstone, depending on its angle, more or less is reflected and the remainder of the light enters the stone and is refracted internally. Reflected light can be seen directly as it "bounces" off of a facet or the surface of a gemstone. Refracted light is more complicated — and interesting.

Light that enters the stone does not continue in a straight line, but is bent toward the "normal" of the surface, the normal being an imaginary line drawn at right angles to the surface.

It would be ideal if the angles and surfaces of the lower part of the gemstone were arranged so that all the entering light would be reflected back through the crown. This would make the gemstone appear extremely brilliant, seeming to glow and sparkle brightly. However, except for diamonds, most gemstones are sold by weight and are cut or fashioned from the rough to retain maximum weight.

Singly refractive stones do not split the rays of light and their color appears the same from any direction.

Because optical effects are extremely important to the beauty of a gemstone, they are taken into account when the splitting or cut of the stone is determined. Basic types of cuts are round faceted (round cabochon), oval faceted (oval cabochon) and octagon faceted.

Luster. This is an attribute of reflected light.

Transparency. The transparency of a gemstone depends on the quality and quantity of transmitted light. When light can pass through a gemstone, the stone is termed "transparent" or "semi-transparent." When there is great absorption or distortion of light in a gemstone, it is "translucent" or "semi-translucent." When no light passes through, the gemstone is termed "opaque."

Things to think about

It's clear, then, that both physical and optical properties of gemstones

must be taken into consideration when determining their value. These factors range from beauty (color, reflection, refraction, cut, luster, transparency) to durability (hardness, toughness) to rarity (demand, tradition, size, weight). It's not an easy task. All the more reason to deal with an established jewelry house and a representative that cares about you and your business needs — not one that will exploit your lack of knowledge.

Adages such as "buyer beware" and "the buck stops here" come to mind when thinking about jewelry purchasing. Buying jewelry may have seemed like a shot in the dark before. Perhaps the information you've learned here will change that thinking. You can become knowledgeable. You can ask the questions to make enlightened decisions.

In the second part of this series we'll learn more about the jewel most treasured — the diamond. We will also begin to see how this information and knowledge is translated into sales.

PR

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Continued from page 45

prize, and you'll learn more about what's right and wrong with RTO than any 10 store visits will tell you.

They used to call these "focus groups," but don't let that scare you. It's nothing more than talking to the most important person you'll ever run across in managing your company — the paying customer. Everybody else is too full of philosophy, policy statements and anxiety over protecting the latest empire they've built.

Some are just full of it, period. But the customer is the guy who knows where the bodies are buried. Ask him. And then teach what you learn to those who still care. Send the others home. They get in the way of those who can make money.

Maybe Diving for Dollars or the Bird Plan won't turn around your sales operation overnight. Maybe nothing will. But if nobody ever sees the opportunity to grab a few extra fish here and there, all those flaming hoops

Maybe Diving for Dollars or the Bird Plan won't turn around your sales operation overnight. Maybe nothing will. But if nobody ever sees the opportunity to grab a few extra fish here and there, all those flaming hoops you're holding become just more fires to put out.

you're holding become just more fires to put out.

And if you're ever down at SeaWorld, ask the hippie in the Wal-Mart boat shoes what he uses to get that fish goop off his fingers. That's the only part of the plan I haven't

figured out.

PR

Bud Holladay is a former rent-to-own dealer whose current title is vice president of employee development with Alrenco. His humor column appears in Progressive Rentals every issue.

Serious training: APRO/state co-sponsored seminars

APRO and state rental dealer associations are offering one-day seminars to provide rent-to-own employees educational opportunities at reasonable prices and to develop closer ties with RTO state associations.

Topics are geared to different levels of store personnel. Some seminars are specifically directed at management while oth-

ers are more financial in nature.

Revenues from seminars are split between APRO and the co-sponsoring state association, minus the expenses.

For more information on co-sponsoring your own state seminar (Bud Holladay conducts most of them), call Carolyn Fitzsimmons at APRO — (512)794-0095.

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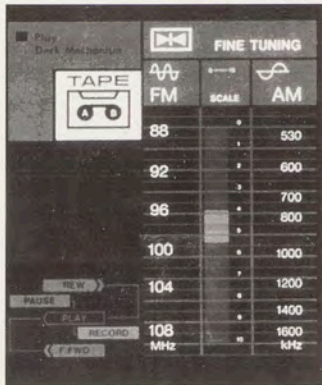


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RAC bats 1,000

Rent-A-Center Inc. reached an industry-unprecedented milestone last month with the opening of company store No. 1,000 in St. Charles, Mo.

St. Charles is a suburb of St. Louis.

"The very first Rent-A-Center store opened up in the state of Missouri, so we think there's a little poetic justice in opening our 1,000th store there," said Rod Learned, a Rent-A-Center field marketing manager.

Rent-A-Center opened its first St. Louis store roughly 11 years ago when company cofounder Tom Devlin was at the helm (*see December 1990/January 1991 Progressive Rentals*).

Mary Calcatara is manager of the milestone store, which opened April 1. The official 1,000th store-opening ceremony was Wednesday, April 10, when CEO Bud Gates and other company officers were on hand. Tom Schrum, manager of the first St. Louis store in 1980, first zone manager in that area and also RAC's first franchisee, was a guest of honor.

Low-cost agreements

The latest service offered by APRO is providing lease agreements to rent-to-own dealers, with a substantial price break to all APRO members.

"In establishing this

program, we wanted to provide lease agreements to RTO dealers that meet each state's legal requirements — at a price that reflects volume buying, even for a one-store operator," said Bill Keese, APRO executive director.

Keese said APRO's initial inventory will consist of three-part contracts that are compatible with the software provided by Rental Information Systems.

"We will seek the help of other RTO suppliers of computer programs to eventually provide contracts for their users, too," Keese added.

The contracts offered by APRO can also be used by those dealers who are not currently computerized.

For more information about the lease agreements and prices, contact Hilde Parker at APRO headquarters, (512)794-0095; or send a written request for information to APRO's fax number, (512)794-0097.

RTO customer club

Steve Owens & Associates conducted an April 10 seminar in Oklahoma City on the benefits of the FORESIGHT Preferred Customer Club.

Steve Owens opened the seminar with a brief history of the FORESIGHT program. After retiring from professional football, Owens formed a company which packaged consumer benefits and services for the finance industry.

Steve Owens & Associates presently provides its services to more than 1,000 banks and financial institutions, and is expanding to other industries. Today, the program has more than 7.5 million members and includes such clients as Discover Card, JCPenney, Citibank and others.

After an overview of the Preferred Customer Club, Owens introduced Danny Wright, who heads the FORESIGHT division of

Steve Owens & Associates. Wright outlined the specifics of the program to a full house of rent-to-own dealers.

A question-and-answer segment followed, and Wright introduced Roy May, president of Yams, an Arkansas-based RTO company. May explained in detail how the FORESIGHT Preferred Customer Club has benefited his customers and his company.

May said the combination of basic club benefits, plus dealer-selected optional benefits, including accidental death insurance, lease property insurance, extended warranty plan and protection against involuntary unemployment, has been popular with his RTO customers.

For more information on FORESIGHT's RTO programs, phone (409)366-8804.

Campanella hired

APRO leaders, under the APRO Special Projects Fund, have secured the services of Stateside Associates, a state issue management firm.

Stateside Associates will help with several projects related to the national network of state rental dealer associations, according to Ron Waters, APRO director of government affairs.

Constance Campanella, president of Stateside Associates, was instrumental in getting rent-to-own's model RTO statute included in the Council of State Governments' Suggested State Legislation book last year. This handbook is often used by legislative bill-drafting offices when state lawmakers request information on a particular subject.

"This important coup has enabled us to urge state legislators to support this impartial third-party reference, instead of just taking our word for what

constitutes good legislation on the rental/purchase subject," Waters said.

The model bill is fashioned after the Virginia RTO statute.

Campanella's Washington, D.C.-based firm will provide APRO with several important services between now and the Aug. 11-15 APRO annual convention, Waters added.

RAE call

APRO's Rental Advertising Excellence (RAE) Awards are coming up.

The 1991 call for entries was mailed to all APRO-member home offices, and the deadline to have entries submitted is Friday, June 14.

The call for entries (story, rules and entry form) was also published in the May issue of *RTO Network News*.

Last year's contest drew more than 220 entries.

"The RAE awards are gaining in prestige," said Bill Keese, APRO executive director. "They are a source of pride for APRO members and have come to symbolize some of the most creative work in the rent-to-own business."

The prestigious RAE distinction will again be awarded in these seven categories for 1991: print material, direct marketing, newspaper, radio, television, specialty items advertising, and billboard/outdoor advertising.

Gold, silver and merit awards are named in each category, and the 1991 award winners will be announced at the APRO convention, set for Sunday through Thursday, Aug. 11-15, at Caesars Palace in Las Vegas.

Only APRO members are eligible to participate.

For more information, contact Hilde Parker at APRO — (512)794-0095.



WE LOOK AT RENTAL WASHERS FROM YOUR POINT OF VIEW.

At Whirlpool, we know what you're looking for in a rental washer. You want a washer with a name your customers can trust. A washer so carefully designed, so solidly constructed, it'll do its job for years without anyone giving it a second thought. And that's exactly how our washers are built.

Gets big load after big load clean. This Whirlpool® super capacity washer is built to handle big loads of laundry year after year. It has a special washing system that rolls clothes over and over and over again. So your customers can fill it to the limit and not have to worry about a full load coming out half clean.

Support for customers, support for you. You can be confident that the Whirlpool Consumer Assistance Center is ready to support you 24 hours a day. And there are over 6,500 factory-authorized Whirlpool service centers ready to help. Then we offer your customers the same programs after their contracts are paid off.

So if you want to rent a washer that's so well built, your customers don't have to think about it, there's one name you should think about...

WHIRLPOOL. SO WELL BUILT...



To get more people into your store, try using the window.

The Magnavox Smart Window™



Traffic in your store will be heavier than ever once you have Magnavox Smart Window Picture-In-Picture (PIP) TV's.

The Magnavox Smart Window allows your customers to go through channels in a new way. Because, as they watch one program on the full-

screen, they can use the built-in Smart Window to see what else is on.*

To find out how you can get Magnavox Smart Window TV's into your store, call Ken Gay at 615-521-4711. People will rush in to see them. But ask them to use the door.

Philips Consumer Electronics Company

*When used with a VCR

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APRO Charter Associate Member