

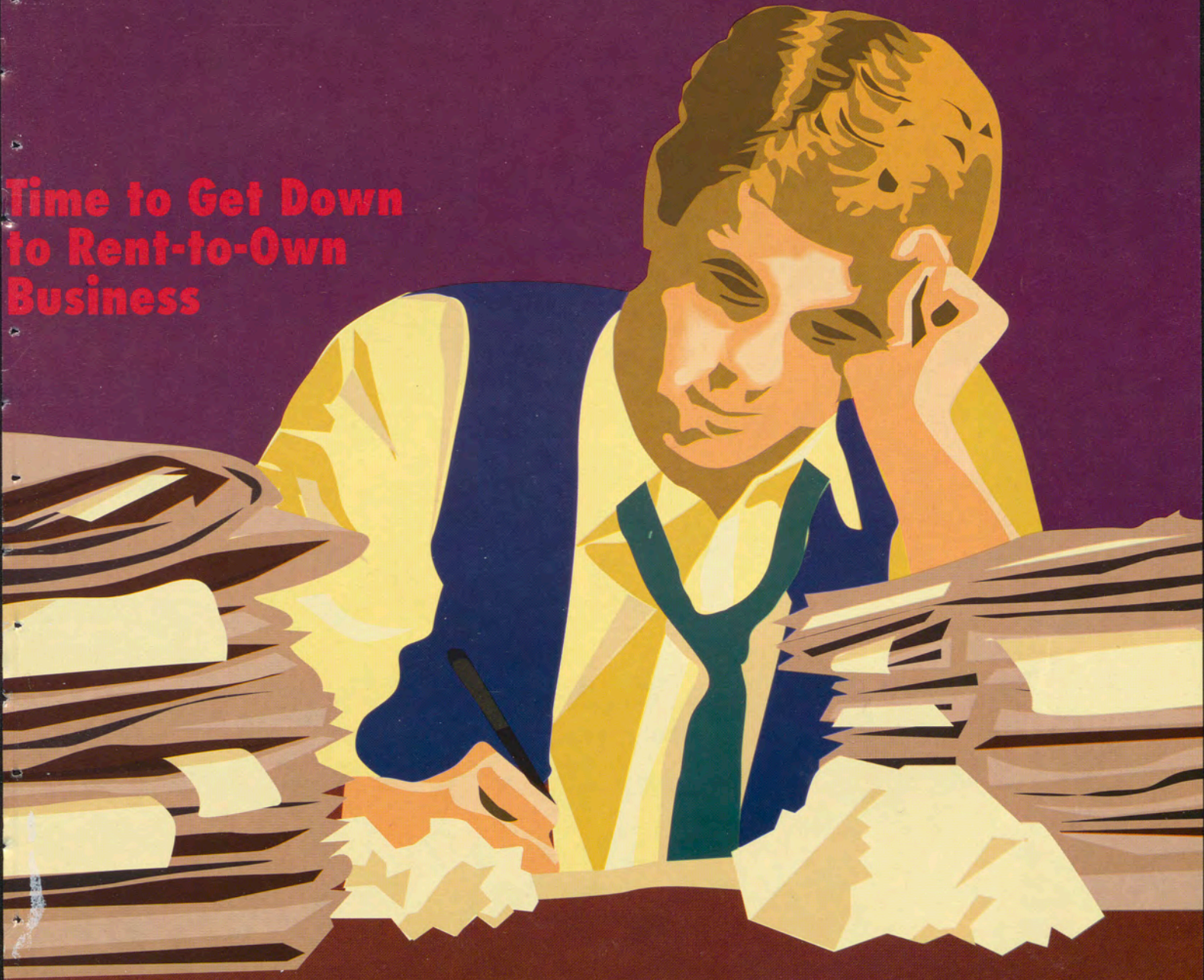
Progressive

August/September 1991

Rentals

The magazine of the rent-to-own industry

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APRO

PR

Progressive Rentals

August/September 1991

The magazine of the rent-to-own industry

Volume 11, Number 4

Features

10

Robbing you blind

As a rent-to-own dealer, you try hard to do everything right. But what do you do when a customer makes off with rental merchandise that still belongs to your company?

22

Cycle still making rounds

There is a definite cycle in the demand for rent-to-own appliances. Our annual survey takes a look at what's popular with dealers and RTO customers — and what's coming up.

26

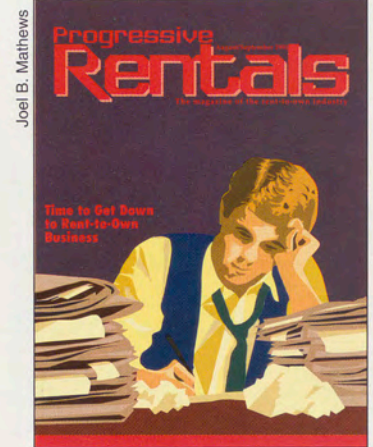
Viva Las Vegas

Rent-to-own's 1991 annual convention and trade show, conducted just last month at Caesars Palace, spawned a wave of renewed enthusiasm for the industry. Here's a record of the possibly historic event, in words and pictures.

44

Yellow advertising

You've heard of yellow journalism, of course. Well, yellow advertising works, too, but there's no negative connotation associated with it. To find out more, read this article.



Joel B. Mathews

ON THE COVER: Now that APRO's smash-hit 1991 convention is over, it's back to the regular grind for rent-to-own dealers as they prepare for the big fourth-quarter push.

Departments

6

President's View

8

RTO Perspective

16

RTO Finances

18

RTO Jewelry

30

Govt. Relations

34

RTO Humor

38

RTO Message

40

News & Products



WE LOOK AT RENTAL WASHERS FROM YOUR POINT OF VIEW.

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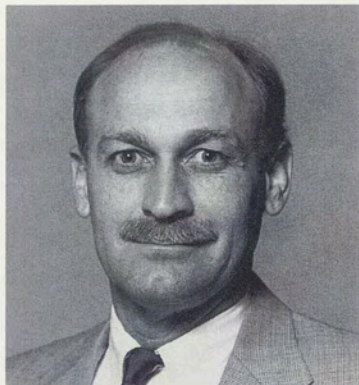
Gets big load after big load clean. This Whirlpool® super capacity washer is built to handle big loads of laundry year after year. It has a special washing system that rolls clothes over and over and over again. So your customers can fill it to the limit and not have to worry about a full load coming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

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WHIRLPOOL. SO WELL BUILT...





Forge ahead

THE FACT THAT THE CONVENTION IS OVER FINALLY SOAKED IN DURING THE FLIGHT BACK TO HOUSTON. THE THOUGHT HAD A SOBERING YET EUPHORIC EFFECT. SOBERING IN THAT A GREAT DEAL OF RESPONSIBILITY HAD BEEN ENTRUSTED IN ME BY THE BOARD OF DIRECTORS AND APRO MEMBERSHIP. EUPHORIC IN THAT I WAS GRANTED AN OPPORTUNITY TO ENHANCE THE INDUSTRY'S PROGRESS DURING THE COMING YEAR.

•••••

Among my first duties is the preparation of the *President's View* for you to read. Let me share some thoughts with you.

•••••

BY

WAYNE CHAMBERS

I think the Las Vegas convention and trade show was one of the most successful ever because of your attendance and the hard work of the APRO staff. It might be an indication of the progress made by the industry over the last couple of years.

Perhaps we have a slightly smaller membership that is more involved in association activities. Perhaps a mixture of dealers and vendors, old and new, has matured together and become more focused on common goals. Whatever the reason, a "coming together" seems to have taken place in Las Vegas. For me it was an exciting start to a new association year and I want to thank all of you.

Although we left Las Vegas on a bit of a high, I believe that a word of caution should also be voiced. Today's rental dealer must continue to become better

educated in and about a tougher environment to remain successful. Additionally, APRO must continue to work on several areas that are critical to the advancement of the industry and success of its membership:

- Financial sources for rental dealers;
- Solutions for the current tax and accounting issues;
- Monitoring of federal legislation;
- State networking;
- Continued education of dealers and employees;
- Increased membership; and
- Strengthened communications.

I am committed to the successful pursuit of these seven areas and look forward to an increased level of participation from the APRO Board of Directors, APRO membership and staff. It might even be nice to have just one convention and trade show for the industry.

Finally, I believe that everyone should be familiar with our mission statement, and it's not very often that you get to see it. So here it is:

"APRO is committed to being the national rent-to-own trade association by being responsive to its members, by providing responsible and effective leadership, and by promoting professionalism in the industry in a financially sound manner."

I am looking forward to working with you and for you to make 1991 a really great year for rent-to-own. Join me with your ideas and support.

PR

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- 05 "Training Your Employees" - Tom Hertzler
- 06 "Managing Managers in Multiple Locations" - Wayne Outlaw
- 07 "Taking the ING out of BOR: Exciting Employees about RTO" - Sam Lowe
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- 09 "Prepare to Meet Your Maker (Lender)" - Wayne Chambers
- 10 "Sales Motivation — Basic Sales Techniques" - Claudia Filloramo
- 11 "American Disability & Employment Act: Don't Let It Disable Your Business" - Harry Weisbrod
- 12 "Minimize Exposure to Bankruptcy Losses" - Jimmy Walker
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- 14 "Making Your State Rental Dealers Association a Success" - Ron Waters
- 15 "Developing a Winning Team" - Sandy MacMillan
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- 19 "Do's and Don'ts for New RTO Dealers" - Bud Holladay
- 20 "Who Will Inherit Your Estate ... the IRS or Your Heirs?" - Shirley Donnell
- 21 "To Be or Not To Be in Jewelry — A Panel Discussion" - Claudia Filloramo
- 22 "Growth of Small Business with Government Loans" - Pat Allison
- 23 "Grassroots, Grasstops & the Media: Manage Them for Your Business" - David Buckley
- 24 "Cost-Saving Ways to Furniture Repair" - Furniture Panel
- 25 "Creative Computer Usage — Desktop Publishing" - Randy Buffington, John Gormley
- 26 "Move Over Geraldo - Issues in RTO!" Dealer Panel
- 27 "Compliance and Your Rental Agreement" - Jimmy Walker, Ed Winn
- 28 "Traffic Building Promotions" - Sondra Boyd

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Transition

Welcome, and thanks, are in order here

THE 1991 APRO CONVENTION IS HISTORY AND A NEW BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE HAVE BEEN ELECTED, WITH A NEW PRESIDENT, WAYNE CHAMBERS. WAYNE HAS BEEN VERY ACTIVE IN THE PAST FEW YEARS WITH APRO, AS SECOND VICE PRESIDENT FOR TWO YEARS, CHAIRMAN OF THE GOVERNMENT RELATIONS FINANCE, THE PUBLICATIONS, AND TAX AND ACCOUNTING COMMITTEES. WE ALL LOOK FORWARD TO HIS STEWARDSHIP FOR THIS NEXT YEAR.

•••••

On a personal note, I would like to thank our now past president and friend, Ted Wilson for a remarkable two-year tenure as APRO president. All of us in the industry recognize the great contribution made by Ted to rent-to-own and to APRO. Ted, my personal thanks to you for all your sacrifices, ideas and leadership over the past two years. Additionally, I would like to personally thank Mike Walts, owner of Alreco, for allowing the industry to benefit from Ted's service.

•••••

BY

BILL KEESE

Attendance at this year's convention was the second largest in APRO's history, surpassed only by the 1985 convention held in Orlando, a time when there were many more RTO dealers in the country than now. We had 1,170 people this year in Las Vegas, up 115 from last year.

We also had a record 91 exhibiting companies present at our show. Over the past year, RTO dealers have reported increased interest in furniture and jewelry, so it's not surprising that we had a record number of furniture exhibitors, 30 companies, and a record number of jewelry exhibitors, 16 companies. We have also been flooded with congratulatory letters from exhibitors with comments ranging from "no other show has ever had so many dealers crowded into the exhibition hall for three full sessions, even at the close

of the hall," to "this was the best show ever attended, and this will be the only RTO show we'll ever attend."

We thank the exhibitors for these comments, and we thank all the RTO dealers who gave their support to the exhibitors. Working together, like this, makes a more profitable business for us all.

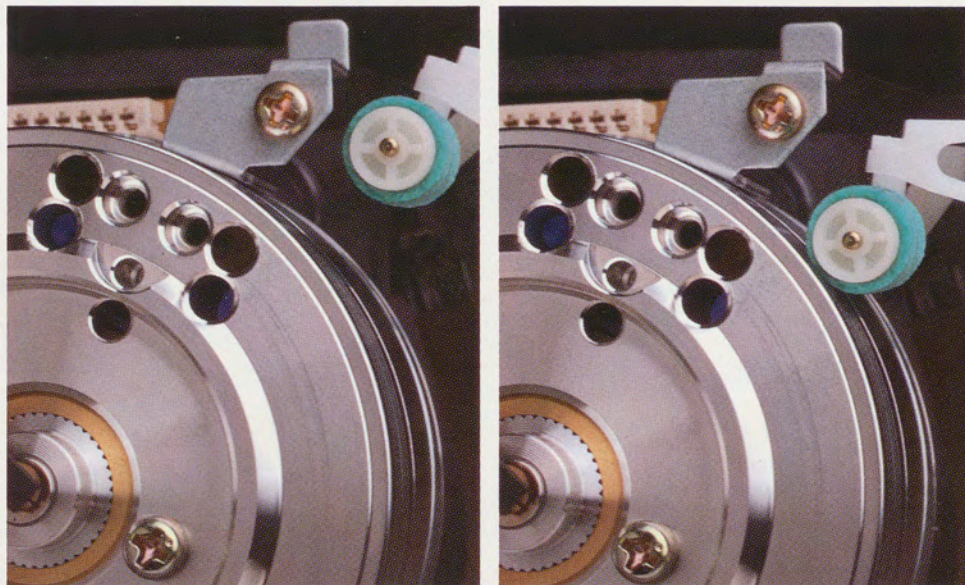
Now, on to new business. APRO recently introduced several new publications for rental dealers. The *Legal Reference Index* has been developed to help RTO companies and their attorneys solve the various legal problems that arise in doing business. This index will save dealers thousands of dollars in attorney fees for legal research. For those dealers who are seeking financing, the *Financial Statement Presentation Guide*, the *Business Plan Development Guide* and the *Industry Profile* will prove extremely helpful to your efforts. Also, the latest RTO industry survey (free to all dealers who participated) will provide you with valuable information to compare your company's activities with the industry averages. It can also be used to help educate potential lenders on what our industry looks like.

We've had a great response to one of APRO's newest services to the industry — rental agreements that are in compliance with all applicable state statutes. For those of you who have not yet examined our rental agreements, please give us a call and we will send you a sample for each state you may be operating in as well as quote you prices that many dealers are finding to be lower than their present agreement cost.

One of the great benefits to using our agreements is that you don't have to purchase large quantities to get the lowest possible price. With the APRO program, you can order as few as 500 at a time.

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Steals YOUR property?

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.....

BY

ED WINN III

When they quit making payments and won't give us our merchandise back and, worse, quit talking to us about the situation altogether, some of us go understandably ballistic. Business is never so good that dealers can just start giving away television sets without a thought. And, as a rule, we do not.

So, what do we do? Some of us pursue vigorous collection efforts. Most of the time we play by the various debt collection rules; occasionally we do not. When we mess up a collection effort it almost always costs a few thousand dollars plus the merchandise we were too intent on retrieving. It does not take many such unpleasant incidents before word trickles down in the company to quit breaking the law to get property back. It may still happen occasionally, but most often it is a combination of factors amounting to bad luck.

If we are not successful with self-help collection efforts, some of us begin the legal process by having lawyers write dun letters and otherwise assist with the effort. Some dealers regularly file civil lawsuits against customers claiming breach of contract or conversion. The remedy sought

is return of the merchandise or a judgment for the value of the property. With a judgment in hand, a dealer can try to levy on the customer's assets and, in some states, a dealer can garnish wages to get paid what is owed. This is the civil side of the law, where most collection efforts belong. Rental dealers can do most of the things that Sears or other retailers can do to customers who won't pay. The differences are that rental dealers have no promissory note to accelerate and no security interest in any property, which affects the amounts in controversy and the details of the legal pursuit.

Dealers are often heard to complain that "going to court" costs too much and takes too much time. So do a lot of things. It is nonetheless where dealers must finally go to resolve disputes with customers that they have been unable to resolve any other way.

Occasionally, a dealer will try to have a non-paying customer arrested and thrown in jail, which is another matter altogether. That is what this article is all about.

To begin with, pursuing a criminal complaint against a customer is a matter entirely different from pursuing a customer



in civil court for a TV or money. The goal of the civil law generally is to compensate injured plaintiffs with money — an amount sufficient to make them whole again. The goals of the criminal justice system are different from the civil system. Civil and criminal courts are different. The players are different (there are different kinds of judges and lawyers) and the rules are different.

The government prosecutes people for criminal conduct. When individuals try to do so, we call it vigilantism and it is illegal. All that citizens can do when they suspect criminal conduct is report such conduct to the government and agree to be a witness if the need arises. That goes for rental dealers as well. If a dealer wants to be in charge of a lawsuit and make the decisions, he belongs in civil court

where people and companies sue other people and companies. There, through its judges, the government merely referees the conflict and finally decides who wins.

In the criminal system, the government represents one side of the conflict — the prosecution. The government also serves as referee. The only other player is the criminal defendant. Thus, you have all of the constitutional protections that exist to ensure that the government does not get too heavy-handed when playing two roles. In any case, a rental dealer in a criminal case involving rental customer wrongdoers will never be more than a complaining witness, a citizen who claims to know of a crime that has been committed, and who has stepped forward and reported the crime to the appropriate authorities. The case and

the rental customer will get prosecuted when and if the government decides to do something.

Citizens have no absolute right to demand that another individual's allegedly criminal conduct be prosecuted. Rather, it is the government's function to sift through the various complaints brought forward and decide, with the help of grand juries under certain circumstances, whether there is enough evidence to bring someone to trial and attempt to have him convicted of a crime.

The difference between the two court systems is a point some dealers overlook. In their anger over a particular situation, dealers sometimes go to the police or the district attorney. And when they don't get their TVs back, they complain that some of those peo-

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ple are not doing their jobs or that the system does not work. While it may be true that some government employees do not go about their business with appropriate fervor and, while it may also be true that there are some seri-

ous problems with the criminal justice system, those human and institutional flaws may not be the reasons that a dealer does not feel that justice has been served. It may be that the district attorney, with limited resources, has elected to prosecute crack cocaine dealers rather than thieves of rental merchandise.

This kind of discretion is a necessary part of the criminal justice system, since there are more crimes being committed every day than can ever be prosecuted. Think of the number of people who drive over the speed limit, which is a crime everywhere. A part of the government's prosecutorial function is to make value judgments about which crimes and which criminals are threatening society sufficiently to invoke the criminal justice system with all the time and expense.

It has been estimated that a jury trial in Texas costs the government and, of course, the taxpayers in excess of \$40,000 per day.

All 50 states and the District of Columbia have theft statutes which arguably apply to a situation where someone rents merchandise and willfully fails to return it with the intention of keeping it without paying for it. Some states have specific theft of rental property statutes; others have more generalized theft statutes which must be interpreted to include rental return situations.

There are large philosophical issues that arise when considering the use of penal sanctions against rental customers, which may involve doing time for failing to return a TV. There are four traditional goals of the criminal process: rehabilitation, retribution, restraint and deterrence. Each of these goals waxes and wanes in importance as different sociological theories hold sway.

From a rental dealer's perspective, these goals need careful review before attempting to engage the system. The goal of rehabilitation held greater sway in the 1960s than it does today. Most people realize that prison is not a rehabilitating institution. If anything, it serves opposite ends. A thief sent to prison will more likely be a better thief when he gets out than a reformed thief. The only real hope for a rental dealer is that a rental customer doing time will graduate to more profitable illicit ventures than ripping off rental companies when he gets out.

Retribution, the second goal of the criminal justice system, is also called revenge, or vengeance. We consider it uncivilized and a threat to orderly existence to allow victims to seek their own revenge. Instead, the criminal laws provide ritualized vengeance



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which is supposed to satisfy the victim's, as well as the community's, need to have a wrong righted. In many cases, what the society hands down as punishment is modulated and may be less than what the victim would have visited upon the criminal. But the goal here is larger than merely to satisfy the victim's outrage. Otherwise, if we were concerned only with a victim's revenge, we might allow the victim to visit corporal punishment on the wrongdoer or otherwise personalize the punishment.

Retribution must be seen as a community sentiment. Even if we are not direct victims of a crime, as community citizens, we want wrongdoers punished for their crimes.

An issue for rental dealers is whether the community really wants welfare mothers who refuse to make rental payments on their TVs to go to the penitentiary. To the extent that the laws are on the books, some would say the community has spoken since its representatives enacted the law.

However, there are other levels of measurement for the community's demand for vengeance. The first lies with the district attorney or prosecutor. These officials are elected and charged with enforcing the criminal statutes. They do have prosecutorial discretion — some leeway in deciding which criminal conduct to punish. In essence, they are translating their view of the community's need for revenge in making their judgment.

Some are quite candid and will tell dealers what they are doing (or not doing) and why. Others are less candid and will argue fine points of the law. The result is the same either way — no criminal prosecution of rental customers in that jurisdiction. A dealer is left with the option of attempting to replace the prosecutor in the next election.

Another level of community sentiment, of course, is the jury. A prosecutor may not prosecute a case because he does not think that he could get a jury to convict. Who, after all, is more likely to sit on a jury — a rental customer or a rental dealer? Dealers, then, need to acknowledge that their outrage over a customer watching TV for free may not be shared by others. Retailers cannot have customers who don't pay their notes

prosecuted criminally because we have no debtors' prisons.

There are those who see RTO transactions as closer to sales than rentals and who believe that we should have the same rules as retailers. Application of the criminal laws will most often reflect community sentiment about the alleged crime.

A third goal of the criminal justice system is to restrain the wrongdoer. The theory here: An incarcerated criminal can do no harm to the public at large while he is behind bars.

This goal is the most popular these days. The crime rate inside prison is appalling and prisons are woefully overcrowded, but these problems are generally considered preferable by most people to the alternative of turning these convicted criminals back loose on the public.

In fact, a rental dealer is unlikely to get burned twice by the same customer, fresh out of prison, if only because the company's internal control systems will recognize him. At best, this goal of restraint is achieved by keeping a rental wrongdoer from stealing from a competitor during the period of incarceration.

The fourth goal of the criminal justice system is that of deterrence and is a much debated psychological theory. The issue peaks with the death penalty. Most would agree that rational people are deterred from wrongdoing by the threat of punishment. There is a school of thought, however, that suggests criminal conduct is rarely rational and is either the product of a diseased mind or a corrupt environment — or both. In any case, this view holds that the usual checks and balances that operate in the rational world to regulate behavior do not work with criminals who are insane.

These liberal theories of human behavior vie with the more conservative thought which seeks to hold individuals responsible for their actions almost no matter what.

In the rental context, dealers believe, rightly or wrongly, that if rental thieves were regularly punished in their communities, there would be less thievery. Without a meaningful threat of punishment, these dealers argue that people can steal TVs with very little to fear.

CONTINUED ON NEXT PAGE

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APRO now has low-cost rental agreements that comply with all state laws for regulated and unregulated states as well as computerized and non-computerized stores. These forms are three-part, NCR, 8 1/2 x 11 and may be used on continuous-feed printers and are available to APRO members and non-members alike.

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Continued from previous page

However beguiling this sentiment, the facts do not bear it out. In 1985, South Carolina amended its theft of rental property statute specifically to exclude rental-purchase agreements from coverage. (It is the only state to have done so specifically.) Since that time, dealers in that state have been denied use of the criminal justice system against rental thieves. If the deterrence theory were true, losses over time in that state should have skyrocketed since customers would have learned that there is no criminal penalty associated with stealing TVs.

The fact is that losses in South Carolina are no higher than for the country in general.

No dealer has ever been able to prove that rental thieves go around their neighborhoods bragging that they stole their TV from the rental store and urging their friends and neighbors to go do the same thing. Even the customers who do steal TVs from us know that such behavior is sleazy and while they

may glibly lie to one and all about the source of the TV, they are not likely to brag about having stolen it. So the deterrence theory is shaky at best when applied to the business.

Another impediment to criminal prosecution of rental thieves is the manner in which some theft of rental property statutes have been written. At one time almost all contained a provision allowing for a presumption of theft if the customers failed to return the property within a certain number of days after a written demand.

A presumption is the acceptance of a fact as true without any proof. The law is full of presumptions. For example, at common law a man is presumed dead after he has been missing for seven years. In criminal law, the constitution affords defendants a presumption of innocence.

Presumptions like the one above, which aid a criminal prosecution and arguably relieve the prosecution's burden of overcoming the constitutional presumption, have often been challenged. The U.S. Supreme Court in *Carella v. California* (U.S. Sup. Ct.,

No. 87-6997, 1988) overturned a jury's verdict which had convicted a man for car theft under the California Theft of Rental Property Statute.

Without examining the distinctions between mandatory and permissive presumptions, suffice it to say that criminal courts will examine closely any legal presumptions used to assist the prosecution. This is merely another roadblock to convicting rental thieves in some states. However, prosecutors are aware of the dangers of presumptions and may be reluctant to try cases they are not confident of winning.

The message here is that aggrieved dealers need to understand the dynamics at work in the criminal justice system. The people running it have certain goals. It is only when they believe that these goals will be furthered that these people are going to activate the system. To the extent that those goals are not advanced by the vigorous prosecution of rental thieves, the system is not going to engage for rental dealers who want action. Such understanding will result in less

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dependence on that system and will require dealers to look elsewhere for solutions to their problems. It should also lower frustrations when dealers do elect to pursue a criminal matter.

With the purposes of the criminal justice system fully in view, it is not the case that dealers should never consider filing criminal charges against a customer, although that is the policy in several successful rent-to-own companies — and all companies, successful or not, in South Carolina.

Nor is it the case as should be apparent by now that dealers can rely on the government to collect all 30-day accounts for them, either. The truth lies somewhere in between. If dealers elect to pursue criminal remedies, there are certain guidelines to follow.

There are good arguments why the decision to prosecute should be the owner's decision and not one to be made at the store level. In the first place, there is considerable risk associated with filing criminal charges.

Customers who must return merchandise to a rental company because they do not pay rent are not always the best of sports. Customers who are arrested and led out of their homes in handcuffs at the behest of a rental company are likely to have a real, often life-long, grudge against the dealer. If they can ever get even, they will. And if the dealer is not careful in his dealings with the system, he may inadvertently allow his customer revenge.

We all know that store personnel come and go. An important part of a criminal case is the eyewitness identification of the defendant at trial. A common criminal defense strategy is delay. Therefore, it can be weeks or months between the time a complaint is filed and when the defendant is brought to trial. At the trial, the company will need someone who can positively identify the accused. In cases where the company was unable to do that, the judge quite properly dismissed the case and the customer turned around and sued the company for malicious prosecution. Those cases have usually settled in the low five-figure range.

In addition to an eyewitness identification, the company's paperwork on the account needs to be letter perfect. The standard of proof in civil cases is by preponderance of the evi-

dence. "Is it more likely than not," a judge will ask a civil jury, "that the rental company owns this TV?" In a criminal case, the standard is higher. Proof must be "beyond a reasonable doubt," since we are dealing with people's liberty and not just their money.

In a criminal case, the prosecution must prove every element of the offense using this standard. This means not only must the state prove that the rental company owns the TV, but also that the defendant is the person who rented it and, further, that the customer intended to steal it.

Even when the prosecution and the rental company do their jobs right, filing criminal charges can be risky. In an Alabama case, a dealer filed charges against a customer, the prosecution agreed to prosecute the case, the defendant was arrested and brought to trial, and the state put on its case. The judge dismissed the charges informing all present, that in his opinion, the criminal statute did not apply to such cases and that the matter was one for the civil courts. The dealer is now defending a \$250,000

malicious prosecution case.

Beyond the overriding and obvious danger of getting sued, there is always the possibility of losing the case. The defendant goes free, perhaps spreading the opposite message in the community about the penalty for stealing rented TVs. The dealer has gone to some time and expense to assist with the prosecution and for naught. If that is a possibility, what can a dealer do to maximize the chances for conviction in criminal court besides tending to the matter himself?

First of all, be selective with the cases you attempt to have prosecuted. We simply cannot use the criminal justice system to collect all of our hard accounts. It is not going to work. Ideally, each charge filed will have egregious facts — multiple instances of customer wrongdoing — that will make a judge and jury more likely to convict. Be sure that the equities are in your favor.

There is no hard and fast rule for measuring equities, but a customer who has been paying for a while on

CONTINUED ON PAGE 32

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AS THE RENT-TO-OWN INDUSTRY REELS FROM THE SURPRISING WITHDRAWAL OF ITS LONGSTANDING FINANCING SOURCES, IT IS NECESSARY TO DEVELOP A SYNERGY AMONG THE RTO COMPANY, APRO AND FINANCIAL PROFESSIONALS, TO SOLVE THIS INDUSTRY DILEMMA. THE CREDIT BINGE OF THE 1980S HAS BEEN SOBERED BY SEEMINGLY UNENDING CRISES OF THE SAVINGS AND LOANS, BANKS, INSURANCE COMPANIES AND INVESTMENT BANKING.

It is not business as usual. Most financial institutions are unfamiliar with RTO and, therefore, have either no understanding of the industry's quirks and characteristics, or have serious misconceptions. That's why RTO dealers, with APRO taking the lead, must take a proactive stance to replace these life-sustaining financing sources.

Synergy Financial Services provides private commercial banking services of packaging and placing various corporate financing. We were approached by Bill Kasper, APRO member, KAS, Inc., T/A Today Rentals (Baltimore), to assist this successful and growing business in replacing its line of credit from a "sorry ... but we're getting out of the RTO business" lender. And as Paul Harvey would say, "... and now you know the rest of the story."

What seemed, at first glance, to be a usual business request turned out to be a real challenge. It quickly became clear that commercial banks were just not interested, politely declining on the vague grounds that the "collateral" does not comply with their policy guidelines.

It is indeed troubling to discover that a company with a consistent record of financial performance is suddenly, through no fault of its own, cut off by its primary credit provider. The situation is not unlike the gut-wrenching feeling experienced by

many executives in the country today who have lost their jobs and security as a result of mergers, acquisitions and restructuring of corporate America. Unfortunately, many had taken for granted the security and comfort of their old positions as the corporate world around them experienced a metamorphosis. There are many parallels in this example to the current rent-to-own financing dilemma.

Now, what do we do? Just like the dumped executive, take a deep breath and begin the job of selling yourself to find a suitable replacement for what has been lost. While this comparison seems quite simple, both situations require essentially the same type of problem solving. Consider how the career search of a displaced executive could serve as a guide for the many displaced RTO companies.

First, it is necessary to "package" the person by means of a career success story, in a concise resume; including meaningful specifics about experience, performance and ability — and without the "fluff" that the reader will obviously see through. Most often, an executive who has not been involved with such a search process for a long time will seek help from professional advisers and consultants to evaluate strengths and the level of expectations in today's marketplace. Then, the executive should rely on these professionals to see

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BY

ROBERT SIBLEY

that they are adequately represented to the appropriate market with strong advocacy.

Because of the executive's unique characteristics, it is unlikely that he will fit precisely into the mold of an advertised position. Instead, the executive must sell himself to create a new position to match a need of a prospective employer. In addition, it is important for the displaced executive to learn as much as possible about the job market, the approval process and exactly what alternatives are reasonably available. Also, it is a sound idea to seek input and advice from these professionals about ways to polish and enhance the executive's image for best results. Lastly, only after both executive and employer determine that there is a synergy to be gained in a new relationship, should terms be negotiated.

Just change "executive," "position" and "employer" to "RTO company," "line of credit" and "lender." The story is the same. Let's first examine the lender environment and then consider what RTO will have to do to accomplish financing "re-employment."

While banks around the nation are awash with money to lend, a lending withdrawal paranoia has set in as a response to big losses from real estate, leveraged buyouts and other major corporate failures. Don't be misled, though. This new toughness in commercial bank lending is long overdue. The "sheep" attitude of the 1980s was, "If it looks like a big company, acts like a big company and others are lending to it, it's probably a good deal." This saying has been replaced by a return to the traditional "C's" of credit. (Ironically, this was taught to all of the currently unemployed senior bank lenders in their training years.)

However, the middle market, entrepreneurial class of businesses, which includes most RTO companies, were not the real cause of the banking crisis. In the near term, however, they have fallen victim to a banking industry shortsightedness.

Nevertheless, a search for new financing should logically begin with a local commercial bank, especially one where you have an established relationship. At least try out your financing package in the banking community where the business is located. A word to the wise, though, about

commercial lenders. Remember: No. 1, most have never heard about RTO; No. 2, your customer base is a class of consumer that commercial banks intentionally avoid; and No. 3, the banker's finance-lease mentality will hinder his acceptance of the rental terms of the RTO contract.

Don't hesitate to solicit whatever influence you can with a bank. Depending on your average collected balances and additional credit support, a familiar bank may still be your best bet and path of least resistance.

Commercial bank lending

The personal touch that once characterized the corporate banking relationship has been drastically reduced as a result of cost-cutting, restructuring and, to use the '90s buzzword, downsizing. These cuts have most often involved seasoned, senior lending officers, leaving the remaining ranks staffed by financially astute, but less experienced lenders. Also, at most large banks, there is a turnover and reassignment of lending staff at a dizzying rate. Account officers are unlikely to stay in place long enough to fully understand the nuances and intricacies of your business. Furthermore, their authorities for credit approval and decision making have typically been reduced.

Today, corporate borrowers generally have less influence and negotiating strength with their bank. In addition, bank loyalty to customers has been on a steady decline in recent years. Financing flexibility and patience is likely to vanish at the first sign of any weakening financial condition, even from temporary circumstances such as a sales dip because of weather, season or some other uncontrollable event.

Certainly all banks are not caught up in these problems but, as an industry, rent-to-own will continue to experience difficulty gaining commercial banking support.

By virtue of the size of the borrowing base of most RTO companies, it will be difficult to find interested replacement lenders anywhere on an individual basis. Because of the servicing required for asset-based financing, most lenders have established minimum outstanding loan balance levels, typically more than \$2 million or in many cases surpassing

\$5 million. It is an exception to find lenders to consider asset-based lending below these minimums.

So, what can the rent-to-own industry do? First, companies caught in the squeeze of its "big four" financing institutions must immediately develop a professional packaging of their business. The recently published *Business Plan Development Guide* from APRO's *Understanding the Rent-To-Own Industry* series is a must for all RTO companies.

While your CPA can be of real assistance, remember that a CPA firm will be reluctant to produce any financial forecast for you under their name. To be considered by a new lender today, you will likely be required to provide at least CPA-reviewed annual financial statements plus monthly internally prepared statements.

Company automation is a must for both operations and finance, preferably using one of the excellent software systems available that's designed specifically for RTO.

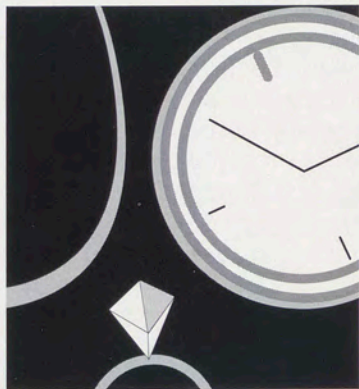
Make certain that you make use of APRO's new special publications: *Industry Profile, 1991 Industry Survey* and *Glossary of Terms* when you prepare your financing plan. Be sure to compare the relevant industry survey ratios against your own financial performance.

Next, communicate. If you have not already done so, contact Bob Simons, chairman of the APRO New Financial Sources Committee (803-767-3634) or call the APRO offices.

Be prepared to spend some money and time to get the job done. It won't be an easy task. The most likely means to accomplish replacement financing (capital transfusion) will be with a pulling together of a group of RTO companies, under the banner of APRO, within a standard framework of terms, conditions and control. The best shot is to present a potentially sound and profitable combined portfolio.

Even then, it will require a unified effort to educate prospective lenders about the ways, quirks and, yes, the risks of the rent-to-own industry. **PR**

Robert Sibley is president of Synergy Financial Services, Baltimore, Md. Before forming his own company in 1988, he had more than 21 years experience in commercial bank lending, primarily as vice president of several regional banks. Phone: (301)823-2234.



When it comes to this product line:

Handle with care

WHILE THE APPEAL OF JEWELRY IS OFTEN AS SIMPLE AS BEAUTY ITSELF, THE VARIOUS ASPECTS OF THE SUBJECT CAN BE QUITE COMPLEX. IN THE FIRST TWO PARTS OF THIS RTO JEWELRY SERIES, WE LEARNED ABOUT GEMSTONES (APRIL-MAY) AND THEN THE MOST TREASURED STONE OF ALL, THE DIAMOND (JUNE-JULY). WE ALSO EXAMINED GOLD AND ITS PROPERTIES IN THE LAST ISSUE.

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In this third and final part of the current RTO Jewelry series, we'll touch on some of the other, lesser-known, considerations when it comes to this profitable product line.

We'll begin with product care and handling. After that, we'll examine different kinds of finishes, provide an overview of decorations, cover opals, garnets and organic gemstones, and look at the types of synthetics and artificial treatments that are in use today in the jewelry industry.

.....
BY
CLAUDIA
FILLORAMO

Product care and handling

Understanding how to care for the product you're selling is an essential sales tool that's part of product knowledge. Being able to tell customers how to care for the karat gold jewelry they're buying says you care about having them as regular customers.

One effective way of caring for karat gold jewelry is to keep each piece in a compartmentalized jewelry box. This ensures that the piece will not rub up against other pieces of jewelry.

Second, tell your customers to take off all jewelry before showering, cleaning or washing dishes. Soap can form a film on the jewelry, making it dull and dingy.

If customers ask how to clean karat gold

jewelry at home, you might suggest they try using one of the commercial cleaners now on the market. You might also recommend a chamois cloth, which is effective and inexpensive.

Although most gemstones and jewelry are durable, they should, like any precious art objects, be treated with the care they deserve. Here are some guidelines for handling various gemstones and precious metals:

Jewelry should be cleaned with a soft, absorbent material after each handling. Another precaution to be taken with alloyed golds is to avoid one piece from being in contact with another. Mountings may scratch one another and dull the finish.

Gold, platinum and silver. Pure gold and platinum do not tarnish because elements in the air, such as humidity and oxygen, do not react with these pure metals. Some metals used to alloy gold and platinum, however, do react and tarnish. Consequently, the contents of the various metals will affect the alloyed gold or platinum.

Silver reacts to oxygen and will tarnish, producing the coat of "silver oxide" which is the dark color seen on silver that has not been polished in some time.

Alloyed gold. Pure gold can be dissolved only by strong and special acids. But when alloyed, the other metals (copper, silver, zinc and nickel) do react to oxygen, humidity and the acids, as well as oils from the human body. The level of a gold content will suppress these reactions.

Silver. Silver reacts strongly to the acids and oils of the human body and also to air. The absolute minimum of handling is required, and cleaning of silver after handling is essential.

Alloyed platinum. Pure platinum, like gold, can only be dissolved in strong and special acid. The metals that constitute the ally, iridium and palladium, also resist acids and oils. Nevertheless, they

Jewelry should be cleaned with a soft, absorbent material after each handling. Another precaution to be taken with alloyed golds is to avoid one piece from being in contact with another. Mountings may scratch one another and dull the finish.

should be cleaned after handling because, given time, acids and oils will tarnish these alloys. Although platinum is hard, it can be scratched by rubbing against other platinum or rhodium.

Rhodium. White gold, platinum and silver plated with rhodium should be cleaned after handling, because the rhodium-plate is extremely thin and a minute scratch could expose the underlying alloy to acids and oils.

Finishes

High polish. This finishing technique for metals is employed once a piece of jewelry is ready for polish. The final effect of high polishing is a mirror-like finish.

Satin finish. This finish appears as dull gloss with a fine grain running through it.

Matte finish. A matte finish is a soft, dull finish. The steel-wool method used to produce a satin finish can also be used to produce a matte finish.

Florenting. A florentine finish is a pattern of line designs that texture the surface of metal.

Burnishing. The purpose of burnishing is to give a high polish to a metal surface and to smooth out uneven surfaces.

Patina. Patina is a film that appears on metal or other surfaces. This comes about naturally through an aging process and/or exposure to the elements.

Roman gold. The roman finish is produced by matting the surface of the jewelry and then electroplating it with pure 24k gold.

Soldering. Soldering is the joining together of two metals.

Decorations

Applique. This method of ornamentation involves one piece of metal onto another to decorate and/or add dimension.

Engraving. Hand tools called gravers actually cut a design into the metal's surface by removing bits and pieces of

the metal.

Chasing. The method of decoration accomplished by pushing or indenting lines into the front or "top side" of metal surfaces without removing any of the metal is called chasing.

Repousse. Repousse is the technique of hammering out a design from the back of a flat piece of metal.

Embossing. In this decorating process the method surrounding a design is pressed back, leaving the design itself elevated.

Hammering. The "denting," or hammering of metal, can be found in many styles of karat gold jewelry. Often it is used as a way of texturing pieces that have a high polish finish.

Diamond cutting. Chips are cut out of the surface of the karat gold piece by a tool containing diamond cutting edges, giving the surface a very bright, faceted appearance.

Enameling. During this process, pieces of colored glass are fused under intense heat onto the surface of the metal.

Filigree. In this form of decoration, a fine gold wire is twisted and soldered into intricate patterns or designs.

Granulation. The process by which gold is fashioned into tiny round balls is called granulation.

Opals

Opal is composed of the same basic material (silica) as quartz and chalcedony, but the crystalline nature is "broken down" into an amorphous state, formless or non-crystalline.

Opals, evaluated by color and size, can be predominantly green, blue, red or yellow and prices can vary depending on customer preference.

White opal. White opals are those that have a white to milky body color with rainbow-like flashes of color known as "play of color."

Black opal. Black opal is the same as the white variety, except that the

CONTINUED ON NEXT PAGE



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 from previous page

body color is black. They are quite rare and are very high priced.

Water opals. These are opals with a colorless to slightly yellow, transparent body color.

Fire opals. These are opals with orange-red to reddish body color and play of color.

Mexican opals. These include both the water opal and fire opal.

Garnets

There is a garnet group which includes several varieties. Commercial varieties are colors ranging from violet-red to red to crimson, known as the almandine-pyrope series. Evaluation varies according to color, size and cut.

Other varieties of garnet include spessartine and andradite. Spessartine garnets are an orangy to reddish-orange color, very rare and not avail-

able on a commercial level. Andradite garnets occur in a green variety known as demantoid, which is very rare. Grossularite garnet is available commercially and is cut as flat shapes for rings or cufflinks.

Organic gemstones

These include all materials made by or derived from living creatures.

Pearls are produced by oysters with double shells. When an irritant, like a grain of sand, is lodged between the body of the oyster and the shell, the movement of the body, together with special cells excreted from the body, causes layers of hard, pearly material to form about the irritant.

There are two types of pearls, natural and cultured. A cultured pearl is made by man putting an irritant into a young oyster. This shortens the time for producing pearls.

Coral results from the accumulation of skeletons of a very tiny sea animal called the polyp. Coral occurs

only in clear and still sea waters. Coral is sold by weight, usually the carat.

Black coral is fashioned as cabochons and beads and is used in jewelry.

Shells. Mother-of-pearl is made from oyster shells large enough to have a pearly appearance and is cut into various shapes.

Shell cameos are carved from shells. Carving of cameos is usually done by hand and they are normally used in brooches or rings.

Tortoise shell. The Hawks-bill turtle is the source of tortoise shell.

Ivory. This is the teeth and tusks of the elephant, hippopotamus, walrus, narwhal, wild boar and the cachalot whale, as well as rhinoceros horn. Ivory is used primarily for carvings, but some is used in jewelry.

Amber is a transparent to translucent yellow to brown organic substance which is the resin of prehistoric tree hardened by time (fossilized).

Synthetics and artificial treatments

There are synthetics, imitations and composites to simulate almost every type of gemstone. Modern science continues to create more and better synthetics.

Synthetics include all materials produced by man that resemble the natural item and also have the same chemical and physical properties.

Cubic zirconia (CZ). Science has tried for many years to create a stone as similar as possible to the diamond. The most recent simulation is cubic zirconia.

Imitations are materials that merely look like the gemstone being copied, but are completely different.

Wrapping it all up

The above has been just a sampling of some of the many types of materials — and processes to refine those materials — that serve as the building blocks for exquisite jewelry pieces. We hope you've found something of interest in this three-part series on RTO Jewelry.

While this has been a nuts-and-bolts approach to jewelry in general, future articles can focus on jewelry as a marketable and profitable product for rental dealers.

PR

Wedding - Anniversary List

In 1948, the following list was sponsored by the Jewelry Industry Council and approved by the national Wholesale Jeweler's Association, American National Retail Jewelers' Association and National Jewelers' Association (The latter two organizations merged in 1957 to form the Retail Jewelers of America, Inc.).

1. Clocks
2. China
3. Crystal and glass
4. Electrical appliances
5. Silverware
6. Wood
7. Desk sets, pen and pencil sets
8. Linen and laces
9. Leather
10. Diamond jewelry
11. Silver, gold, gold-filled & gold-plated fashion jewelry and accessories
12. Pearls or colored stones
13. Textiles and furs
14. Gold jewelry
15. Watches
16. Silver Holloware (sterling or plate)
17. Furniture
18. Porcelain
19. Bronze
20. Platinum
25. Sterling - silver jubilee
30. Diamond
35. Jade
40. Ruby
45. Sapphire
50. Golden jubilee
55. Emerald
60. Diamond jubilee

Note: Gemstones, jewelry and/or jewelry related metals are involved in 16 out of the 28 categories listed.

This anniversary table lets you match up gift types, including various kinds of jewelry, with specific anniversary year numbers.

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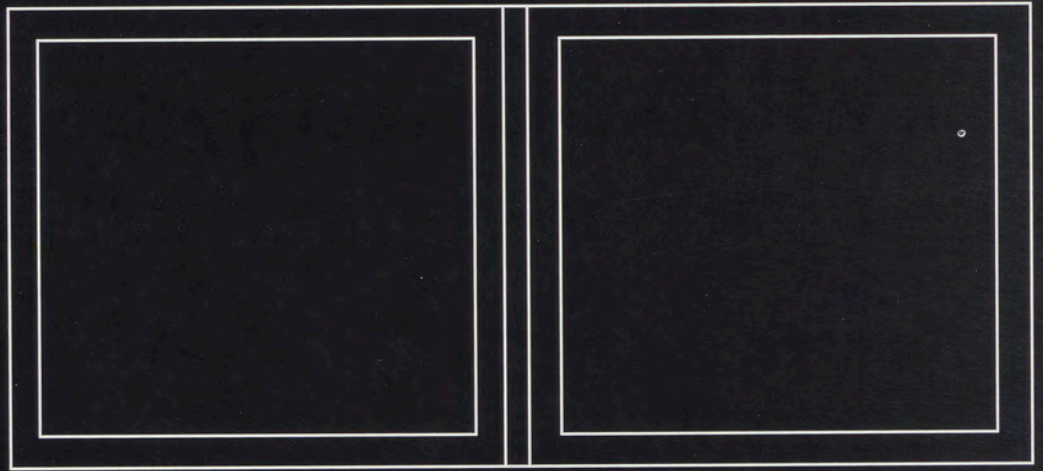
We have washers, dryers, dishwashers, ranges, microwave ovens, room air conditioners and even more refrigerators. All are designed with the "most-wanted" features for your rental customers.

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Let's revisit the cyclical nature of rent-to-own

Appliances

THERE IS A DEFINITE CYCLE IN THE DEMAND FOR RENT-TO-OWN APPLIANCES. IN 1989, SUPPLIERS AND DEALERS SAID WASHERS AND DRYERS WERE THE MOST POPULAR APPLIANCES IN RTO. LAST YEAR, IT WAS THE REFRIGERATOR; THIS YEAR, THE CYCLE HAS TAKEN A COMPLETE TURN BACK TO THE WASHER AND DRYER.

New features and higher-end products are on this year's trend list. Tom Yanzito, branch sales manager at the Speed Queen Company, says the electronic washer and dryer are on the rise.

"We've had electronic washer and dryers available to our retail for three or four years. This is the first year we've tried to bring them out to the rental people, and they've been received well," said Yanzito.

Tom Kitchens, national rental sales manager for Whirlpool Corporation, says it'll be a while before the electronic washer and dryer hits the rent-to-own market.

"We've had the electronic washer and dryer for about 10 years, but they're far too expensive right now to market them in the rent-to-own industry. As the pricing comes down for the electronic controls and chips, we will certainly incorporate them in rent-to-own," Kitchens said.

Jim Benz, national manager for RTO at GE Appliances, says he believes the electronic washer and dryer probably will not be an upcoming trend in rent-to-own.

"Electronics in the case of laundry is only at the very high end. They won't be available in the RTO industry until you've got electronic laundry available at \$500 to \$550 a pair. Right now, it's \$500 apiece. So you're looking at \$1,000 a set and that isn't going to make it in the rent-to-own industry," said Benz.

Odie Lindsey, sales manager of key accounts at Magic Chef, says consumers are looking for more feature-packed appliances. For example, Lindsey says multi-cycles on washing machines are now being

asked for instead of the very basic washer.

Whirlpool's Kitchens says the trend is upgrading in all appliances. "We're getting a class of customers that are demanding a little better-featured products and they're willing to pay a little higher price."

While washers and dryers account for most of the rent-to-own appliance market, refrigerators are next in line.

Magic Chef's Lindsey says about 20 percent to 25 percent of his business is refrigeration. "People are asking for humidity controls and ice-makers as opposed to the basic refrigerator."

Benz agrees. "We're starting to see a higher percentage of the business going in to the high-end refrigeration. It's the 16-cubic foot refrigerator. It has no coils, so it's easier to get into tight spots. It's also lighter and foam-filled."

The demand for freezers, microwaves, ranges and dishwashers still remain low on the demand scale in rent-to-own.

Magic Chef's Lindsey says only about five percent of his business includes ranges and dishwashers. "Ranges are not a big factor, because a lot of apartments and houses come with cooking appliances and dishwashers."

George Conti, account manager for the Frigidaire Company (formerly WCI Major Appliance Group), agrees, saying that cooking appliances aren't a big segment of his business. "Although it's not a big part of our business, we're upgrading our ranges

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BY

LAURA MALLON

CONTINUED ON PAGE 37

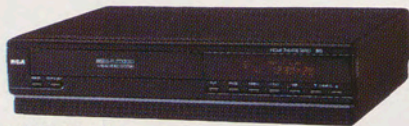
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ociate Member

Remembering APRO convention '91:

Viva Las Vegas

APRO'S 1991 CONVENTION AND TRADE SHOW WILL BE REMEMBERED AS ONE OF THE BEST IN RENT-TO-OWN HISTORY. A RENEWED ENTHUSIASM WAS EVIDENT AMONG THE 1,170 DEALERS AND EXHIBITORS IN LAS VEGAS, AND SEVERAL IMPORTANT DECISIONS WILL HELP SECURE THE RTO BUSINESS IN THE 1990s.

Conducted Aug. 11-15 at Caesars Palace, "APRO '91: Bet on It" marked the place for unveiling a revamped government relations program. One of the most tangible parts is a library of new publications designed to help rent-to-own dealers and their top people with current problems.

Also, the results of a new RTO industry survey, which should prove valuable to dealers, company operations people and finance representatives, were presented to company participants.

Key convention events

Two key events happened: The APRO Board of Directors voted to incorporate the APRO Special Projects Fund into the association's main operating budget and it also voted to adopt a new member dues structure.

By making special projects — which has dealt with government relations issues such as state networking, federal monitoring, and tax and accounting — a part of APRO's overall mission, it will ensure that these areas remain the day-to-day and sustaining business of association management. Ron Waters, APRO director of government affairs, says it's a wise move.

"After all, these are some of the most basic and important reasons for having any trade association in the first place."



BET
ON
IT!

Meanwhile, the new member dues structure will establish an equitable system for maintaining a strong association. Under the plan, some mid- and large-sized RTO chains will pay more per store than before, while other APRO members could actually see a reduction in their yearly dues.

The dues restructuring, which goes into effect this fall, is a fair solution, believes Bill Keese, APRO executive director. "The reality is, the rent-to-own industry is facing increased pressures," said Keese. "We have to resolve pressing issues such as financing, tax and accounting, continuing education and many other areas, if the industry is going to survive. That means costs do not remain at the same



Caesars Palace, with its majestic fountains, was the focal point of the Aug. 11-15 APRO convention in Las Vegas.

level as five years ago. Fortunately, APRO's members are responding. This (dues restructuring) will help us meet the new challenges."

Annual elections

Important convention activities included annual board and executive committee elections. Since APRO Board of Directors serve staggered, two-year terms, half of the 16-member board slots come open each year. Eight directors are elected at every annual convention, and this year the voting was conducted on Monday, Aug. 12. The results were announced Wednesday, Aug. 14, during the annual awards banquet and dinner. The following morning (Thursday, Aug. 15), the full board convened (including winners of the 1991 elections) to elect executive committee members for 1991-92.

Wayne Chambers, a veteran APRO board member and the former second vice president, was elected president.

He identified seven work areas that he intends to make priorities during his tenure as APRO president:

- Financial sources for rental dealers.
- Solutions for the current tax and accounting issues.
- Monitoring of federal legislation.
- State networking.
- Continued education of dealers and employees.
- Increased membership.
- Strengthened communications.

Chambers elaborated on one of his seven priorities. "Continuing education for rental dealers and their employees is more important than ever, because of changing times." He said being responsive to member needs, which includes providing information and education on current issues that impact the industry, is part of APRO's mission.

APRO's new president will continue to chair the association's tax and

accounting committee, which deals with another crucial area for rent-to-own dealers.

In other moves, David Egan was re-elected as first vice president, while Roger Sharp moved up from secretary to second vice president. Allen Lewis was re-elected to the treasurer's post. Bob Simons, who joined the board after last year's elections in Orlando, was elected secretary for the coming year. Ted Wilson, who completed his second consecutive term as the association's chief elected officer and chairman of the board, will sit on the executive committee as immediate past president.

Chambers is general partner of CWD Enterprise Two Ltd., a Houston-based rent-to-own company. Egan is general counsel for Wichita, Kan.-based Rent-A-Center. Sharp is owner of Appalachian TV Rentals in Huntington, W.Va. Lewis is president

CONTINUED ON NEXT PAGE

Continued from previous page

of Amigo TV Rentals, based in Albuquerque, N.M. Simons is president of All Star Rental in N. Charleston, S.C. Wilson is vice president, finance and administration, for New Albany, Ind.-based Alrenco.

New board members for 1991-92 are Lindsey Semon, Magic Rentals, Charlotte, N.C.; David Shapero, Rent City, Louisville, Ky.; and Darrell Tissot, Countryside Rentals, Bain Bridge, Ohio.

Board members whose terms were up and who ran for re-election and



Cleopatra and Caesar preside over exhibit-hall grand opening.

won are David P. David, Full-O-Pep, Bloomington, Ind.; Allen Lewis, Amigo TV Rentals, Albuquerque, N.M.; Robert J. Moore III, Rental Management, Maple Shade, N.J.; Kevin Quinn, Quality Rentals, Puyallup, Wash.; and Ted Wilson, Alrenco, New Albany, Ind.

Top honors bestowed

Recipients of the rent-to-own trade association's highest honors were recognized during the traditional convention finale — Wednesday night's awards banquet. Each year, the APRO president selects the award winners. Bob Simons was named APRO Dealer



Outgoing president Ted Wilson and wife Jane enjoy Monday night's '50s party.



The exhibit hall stayed busy all three days during the trade show part of APRO's 1991 convention in Las Vegas.

**All photos from
APRO '91: Bet on It!
Aug. 11-15
Las Vegas**



Tom Hertzler, left, of Triad Learning Systems, conducts one of 30-something seminars offered during '91 convention.



TeleTrack's Mark Sutherland, above left, tries his skill in the hula-hoop contest during '50s party.

of the Year. Chris Korst earned the APRO President's Award. The APRO Vendor of the Year honor went to Norman Smith.

Outgoing president Ted Wilson announced the award winners, while APRO Executive Director Bill Keese presented them with plaques.

The vendor of the year award is being permanently renamed in Smith's honor, announced Wilson. Smith is national manager, rental markets, for Zenith Electronics Corp. He is a veteran member of the APRO Vendor Relations Committee and charter member of the rent-to-own trade association.

Korst is assistant general counsel for Rent-A-Center. He has been instrumental in amassing the body of state law that protects consumers while ensuring the rent-to-own industry's right to do business.

Simons is president of an 18-store rent-to-own company, All Star Rental, based in North Charleston, S.C. He is an APRO board member and the newly elected secretary on the association's executive committee.

Another award, for state RTO association of the year, went to the Indiana Rental Dealers Association. David P. David, IRDA president, accepted.

'Special' publications

Under the APRO Special Projects Fund, an entire set of new publications was created and unveiled for the first time during the August convention in Las Vegas. Each publication was designed to address a specific



New president Wayne Chambers, shown here several days before his election at Sunday night's *It's a Hat!* party.

need in the rent-to-own business.

Packaged under a common subtitle, *Understanding the Rent-to-Own Industry*, individual titles include: *Glossary of Terms, Industry Profile, Financial Statement Presentation Guide, Business Plan Development Guide* and *RTO Legal Reference Index*.

These new publications can be used as references for dealers and their top professionals, such as accountants and attorneys, or come in handy with outside business contacts — bankers, for example.

A complete set was furnished to all former APRO Special Projects Fund contributors (about 60 total). Individual copies or complete sets of the special publications are still available to APRO members and non-mem-

bers, with APRO members receiving significant price breaks. APRO "how-to" publications, such as *Collections Manual*, are also available on the same basis.

Convention daily expands

APRO Convention Daily, which began as a one-color (black), front-and-back flier at the 1990 convention in Orlando, was expanded for the '91 event in Las Vegas. APRO convention-goers staying at Caesars Palace received a three-color, four-page tabloid newspaper with insert. The newspaper was delivered to all APRO rooms on three peak nights during convention.

This year's expanded *APRO Convention Daily* featured beefed-up coverage of major convention activities and events.

Philips/Magnavox/Sylvania (Ken Gay) made it all possible with its sponsorship of the convention newspaper.

A rent-to-own trivia quiz was published in Monday's newsletter insert, and a contest conducted to find out who could answer the most questions (33 total) correctly. Robert Feinstein of Military Rent-All, Los Angeles, claimed the honor and the \$100 prize.

Exhibit hall crowded

Ninety-one companies exhibited during the three-day trade show — Monday, Aug. 12, through Wednesday, Aug. 14 — and they accounted for 168 total booths.

CONTINUED ON PAGE 42



Bob Simons, left, eyes APRO Dealer of the Year award while Bill Keese, APRO executive director, makes presentation.



Chris Korst, left, accepts APRO President's Award. Outgoing president Ted Wilson made the announcement.



Zenith's Norman Smith, right, receives APRO Vendor of the Year honor. The annual award was renamed for Smith.



APRO convention saw outcomes of *Hard work*

PERHAPS IT'S THE ATMOSPHERE IN LAS VEGAS, BECAUSE THE MOST IMPORTANT MILESTONES OF APRO'S SHORT, BUT HISTORICALLY RICH LIFE, SEEM TO HAPPEN THERE. THIS YEAR'S CONVENTION CERTAINLY CONFIRMS THAT NOTION IN MY MIND.

.....

The larger-than-usual crowd of participants seemed to enjoy themselves more in the 24-hour atmosphere. There also seemed to be almost unanimous support for the important propositions before the assembled members.

In one sense, the changes approved by the new board of directors—rolling into APRO all remaining government relations programs previously under the APRO Special Projects Fund and Legal Defense and Information Fund (LDIF)—are the culmination of changes started during APRO's founding in 1980. After all, government relations is what motivated the association's founders at that first meeting in Dallas.

Government relations is also the engine that continues to drive the vehicle that APRO has become for progressive dealers in this industry.

And it was at the last convention in Las Vegas that the association formalized and focused its energy on addressing the industry's political and legal future, with rollout of the LDIF program.

So it was apparently natural that APRO's government relations program was so well received under this neon type of spotlight. The most significant action actually came during the post-convention board of directors meeting, when it was decided to totally incorporate all government relations and special projects into APRO.

But the rest of the government relations convention program went just as smoothly and was as well received. From the state presidents' breakfast on Monday through the awards banquet on Wednesday evening, every government relations committee-sponsored event was a success. The announcement during the general session on Monday morning that the government relations-sponsored APRO Special Projects Fund would not be asking for a financial pledge in addition to members dues probably set up the positive feedback that was heard throughout the Aug. 11-15 convention.

As was explained during the special presentation immediately following the general session, a special fund-raising effort (which had been the norm during the last few years) would not be pursued for the coming year. A major reason is because the board of directors expected to approve a revised dues structure that would provide adequate funding for all association priorities, including those items previously categorized as "special projects."

It was during the Monday, Aug. 12, special session that the long-awaited committee publications were unveiled. These new publications include the *Financial Statement Presentation Guide*, *Business Development Guide*, *Legislative/Media Kit* and *RTO Legal Reference Index*.

With chairman David Egan taking the lead, several APRO Government Relations Committee members, including Tracey Morgan, Wayne Chambers, Chris Korst and Allen Lewis, walked through different manuals or explained various aspects of the committee's work.

Earlier that Monday morning, 32 of the 40 state associations were represented at the government relations-sponsored state presidents' breakfast. State association awards were given in three categories. The most improved state association award went to the Alabama Rental

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BY

RON WATERS

In one sense, the changes approved by the new board of directors — rolling into APRO all remaining government relations programs previously under the APRO Special Projects Fund and Legal Defense and Information Fund (LDIF) — are the culmination of changes started during APRO's founding in 1980. After all, government relations is what motivated the association's founders at that first meeting in Dallas.

Dealers Association. Alabama state president Jimmy Wammock accepted. The largest state delegation in attendance award went to Texas, and Velvet McCurry, president of the Texas Association of Rental Agents (TARA), accepted. The Washington state association received an award for highest attendance at a state seminar, with president Kevin Quinn accepting the award.

Two state presidents related their recent legislative experiences during the breakfast meeting. Wammock of Alabama spoke of his group's successful attempt to amend the state's RTO statute to clarify a bankruptcy issue. Bruce Bellegarde, president of the Maine Rental Dealers Association, talked of his group's recent political battle to shelve proposed legislation which would have classified rent-to-own transactions as credit sales. In both cases, with the RTO state network in place and with the help of Stateside Associates' Connie Campanella and Rent-A-Center attorney Chris Korst, APRO was able to lend valuable assistance.

Large crowds also turned out for the government relations-sponsored seminars conducted during the convention. Egan moderated one with guest speakers Fred Noye, a state representative from Pennsylvania, and Hal Stratton, former attorney general for New Mexico. Morgan, an active member of APRO's government relations committee, moderated one with David Buckley, of RTC Group, on grassroots public relations. I was honored to moderate one with Colorado state association president Tim Pelter and Nick Rillo of the Pennsylvania Restaurant Association on building

a strong state association.

Finally, healthy discussions on hiring and managing state association lobbyists were conducted by Campanella, Korst and myself in the lobbyist management clinics.

All of the government relations committee's hard work paid off in the form of recognition to one of its own. During the Wednesday night awards banquet, Korst received the APRO President's Award from outgoing APRO President Ted Wilson.

Korst earned the honor for his tireless efforts on behalf of the industry in state legislative arenas across the country.

PR

Why start a regular column devoted to govt. relations topics exclusively?

Because rent-to-own's tabloid newspaper — *RTO Network News* — is changing in frequency from monthly to bimonthly, we were concerned there might be an information gap.

That's one reason why we decided to create a regular government relations department in *Progressive Rentals*.

You'll be able to stay abreast of what's happening on the government relations front, by reading both *Progressive Rentals* and *RTO Network News*.

The next issue of *RTO Network News* is due out in October.



Ron Waters is APRO's director of government affairs.

Continued from page 15

an account will be hard to convict.

Customers who have been paying for a long time may be able to get a ruling that ruins the system for you and other dealers altogether. A recent Missouri situation is a case in point. In *Missouri v. Harrison* (MO Ct. App. #58244, Jan. 15, 1991), a customer rented a 26-inch Magnavox for \$10 per week on a 130-week agreement. After making payments for 107 weeks, the customer quit paying and the rental company filed criminal charges under the Missouri statute, which reads:

"A person commits the crime of failing to return leased or rented property if, with the intent to deprive the owner thereof, he willfully fails to return leased or rented personal property to the place and within the time specified in an agreement in writing providing for the leasing or renting of such personal property."

The lower court ruled that the agree-

ment was a retail time contract and dismissed the charges. Not content with bad facts and a bad lower court ruling, the company got the state to appeal. The court of appeals affirmed the dismissal with an interpretation that the Missouri failure to return rental property statute cannot be applied to rental-purchase transactions, because to do so would conflict with the legislature's intent when the statute was enacted. We cannot know how the court would have ruled had charges been brought against a customer who rented for one week and then skipped.

But we do know how courts will rule in the future, with this case on the books. This is now the law in Missouri. The policy issue underlying the case was whether a rental customer who has paid more than \$1,000 for a TV set and would own it by paying \$1,300 should go to jail for failing to complete his payments. Two courts have said no. The problem is that with this case on the books at the appellate level, the repercussions are already being felt

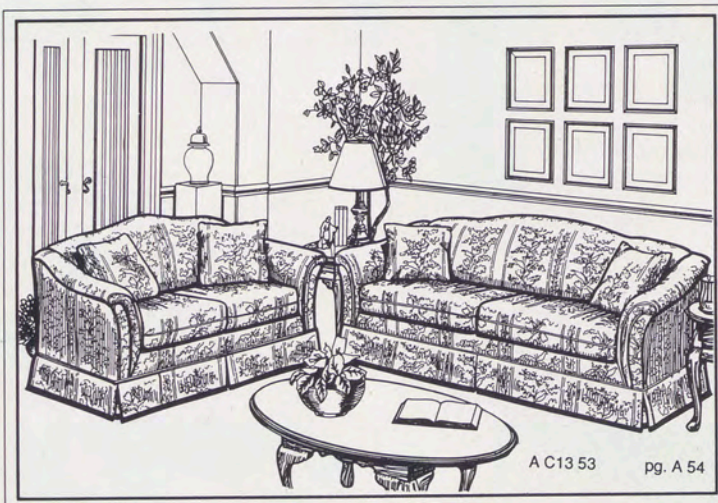
throughout the state. District attorneys are not taking any rent-to-own cases.

Believe it or not, theft of rental property is not a topic covered in law school. District attorneys and prosecutors may not know there is such a law on the books and may not appreciate learning about it from some overbearing rental dealer with 50 skips and stolens he wants arrested that day.

Before a specific problem arises, it's a good idea to introduce the company and the concept to the local police and prosecuting attorney. If you have a copy of the state theft law available, you might take it with you and leave it for their review. Several jurisdictions have carefully considered the RTO situation and have issued lengthy written policies concerning prosecution of RTO thieves. These are available from APRO. If you can live with the requirements in these policies, you might leave a copy with the prosecutor.

Do be advised that theft of rental property statutes, for the most part, do not specifically reference RTO agree-

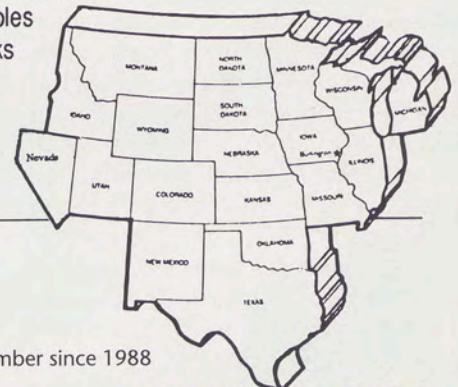
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ments. That means some interpretation of the statute may be necessary to include or exclude RTO transactions from coverage. Some attorneys, and in truth, probably most attorneys, do not like debating technical legal points with non-lawyers. For this reason, some dealers and even groups of dealers have been successful using lawyers to explain the statute and the business to local prosecutors.

Dealers should not negotiate with the prosecutor's office with an eye toward having the criminal justice system solve their collection problems. At best, prosecutors may agree to take good cases periodically to remind the rental community that there is a theft of rental property law on the books.

If you are successful in persuading the system to work for you, you must be prepared to work for the system. That means cooperating in every way with the police while they investigate the crime and with the district attorney's office while they prosecute. Recovery of your TV is not the end of

the matter because it was never one of the goals of the criminal justice system in the first place. If you are not willing to send someone to jail even after you get your property back or the defendant offers to pay you in full for it, then you have no business in the criminal courts.

To the extent that legislatures have seen fit to enact theft of rental property statutes, there is no reason why RTO transactions should be automatically excluded from coverage under those laws. However, dealers must understand that invoking criminal laws is very serious business, indeed. We are beyond simply wanting a TV set back. We do not have debtor's prison in this country. So we cannot expect the system to put people in jail simply because they do not pay their bills. When other issues are involved, there may be rare instances when a dealer wants a rental thief punished and is willing to go to the time, trouble and expense to see justice served. Then and only then should dealers consid-

er seeking criminal prosecution.

Not to be ignored is the public relations angle. Our industry does not and will not get a fair shake with the media. Running the cleanest of shops will still get you called "loan shark" or worse. Too heavy a reliance on criminal laws will only make your reputation worse. Finally, such attitudes can affect the business statewide or even nationally. We are locked in an ongoing political struggle with the consumer champion industry. They want us out of business and will use any tools available to accomplish that end.

Industry abuse of the criminal justice system hurts our cause. Know the implications of using criminal laws. Use them wisely — and sparingly.

With a strong sense of moderation, the rent-to-own industry should be able to involve the theft laws from time to time to protect our business interests from those who would prey on us.

PR

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

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Mr. RTO

A candid interview with industry's Everyman

THE EDITORIAL MISSION OF THIS MAGAZINE INCLUDES AFFORDING ITS READERS SOME INSIGHT INTO RENT-TO-OWN SUCCESS STORIES. YOU KNOW, PEOPLE LIKE DEVLIN, SIMS AND EVEN FROM THE OTHER SIDE OF THE FENCE, SUCH AS TRANSAMERICA'S JOE EASON.

MOST RECENTLY, OUR CRACK RESEARCH STAFF CONDUCTED A SEARCH FOR THE ORDINARY DEALER WHO MIGHT TYPIFY RTO AS MOST OF US KNOW IT.

.....

The owner didn't make millions (or even history). The same guy owns the company and still shows up on Monday.

We think we've found Mr. RTO, and the following interview shines a light on him and all those like him who toil without notice or notoriety.

To talk with our subject, we traveled to the small town of Guano Park, Utah. There, tucked between Canned Goods City and Mormons 'R Us bookstore, we found the double-wide trailer housing the headquarters of 'Bout NU TV Rental, Utah's fastest growing rent-to-own company. Carl "Hunk" Hathaway is owner and general manager of Mr. RTO.

STAFF: Mr. Hathaway, what prompted you to open rent-to-own stores here in Guano Park?

HUNK: Call me Hunk — everybody does.

STAFF: Very well, Hunk — why did you make that big decision?

HUNK: It just seems more friendly, don't you think?

STAFF: No, I mean why did you make the decision to go into rent-to-own?

HUNK: Oh that. Well, it all started when the bank turned me down for a loan on this big Winnebago the wife had her eye on. I got to thinking, there must be some way of letting people who don't

need something and can't afford it, get it anyway. So I went down to the finance company where I had by boat note and they agreed with me.

STAFF: And they've been financing your company ever since?

HUNK: Oh no, they went busted.

STAFF: So how are you financed today?

HUNK: Well, the wife got a couple of those guaranteed credit cards we seen advertised on TV — the ones that come with the Ginsu knives? If that ain't enough, we plan to issue stock. My boy, Stanley, has been taking some night classes down at the local barber college and he's pretty up on that kind of stuff. He graduated high school, you know.

STAFF: So you think an IPO is feasible?

HUNK: Oh, I don't think it makes any difference where we get our mail, do you?

STAFF: I see. How many stores does 'Bout NU TV Rental manage?

HUNK: Well, we got 13, but we only manage six. Stanley says that really saves on payroll.

STAFF: How big is your BOR?

HUNK: You ain't one of them funny guys, are you?

STAFF: BOR means balance on rent. How many units do you have out?

HUNK: That's better. I think we have around 650. We're trying to get our computer up and running now to tell us exactly what the number is, but since the Radio Shack went belly-up, Stanley can't get no manuals.

STAFF: That seems rather low for 13 stores. Do you know the secret of making profit on less than 700 BOR?

HUNK: No, what is it?

STAFF: Mr. Hathaway, I was asking you.

HUNK: I thought you had something there for a minute. I was gonna get Stanley in here.

STAFF: Let's talk about marketing. Guano Park is a rather small town. Do you find your customers different?

HUNK: We find them the same way

.....

BY

BUD HOLLADAY

everybody else does — first we call their mommas, then their parole officers. You know.

STAFF: I should have asked whether your product line is different.

HUNK: Does a salesman wear plaid? Of course we have different products out here. This is the golden west, the edge of the frontier, boy! The gateway to the future. If this was Anaheim, we'd be Tomorrowland.

STAFF: Speaking of tomorrow, what are your plans for the future, Hunk?

HUNK: Well, I was gonna get a haircut this afternoon. Are we about through here?

STAFF: Allow me to elucidate.

HUNK: We don't tolerate drugs here.

STAFF: Never mind. What does 'Bout NU try to do differently than the competition?

HUNK: Well, we believe in the straight-line marketing formula. Or is that depreciation? I get these management terms all mixed up since I went to some of them AFRO semi-

nars. By the way, we did mail those checks.

STAFF: That's APRO, Hunk. Not AFRO. APRO — with a "p."

HUNK: Oh. You know, I wondered why I didn't see that many black guys there. Well, that explains that.

STAFF: Back to marketing.

HUNK: We take the approach that what's good for us is good for the customer. I think one of the presidents said that. Or was it Dave Egan? Some politician, anyway.

STAFF: Does that mean deep discounts and price promotion?

HUNK: That means high prices and low overhead.

STAFF: Well, how about your management style?

HUNK: Oh, I just get the regular haircut. No fancy stuff for me. Like I tell Earline, don't goose the mousse.

STAFF: Let's talk about service.

HUNK: I was three years in the Navy.

STAFF: Actually, I meant customer service.

HUNK: Oh. Well, you know our motto is "carefree service."

STAFF: How does that work?

HUNK: We tell 'em, "What do you care? It's free."

STAFF: How interesting. Could you share your business philosophy with our readers? For example, what driving force is behind your success?

HUNK: You never had three ex-wives, have you?

STAFF: Not yet. Surely there was some turning point that you can look back on and say, "That's when it first happened for me."

HUNK: You mean by myself or with somebody?

STAFF: Never mind. What do you see in the future for the small rent-to-own dealer, Hunk?

HUNK: Now that really bothers me. Call me different, but I just don't think a guy's height has anything to do with it. Take that Bill Coleman fellow, for instance.

STAFF: Thank you, sir. **PR**

Bud Holladay is vice president of marketing for Alreco. He is a former RTO dealer and founder of APRO. His opinion/humor column appears in Progressive Rentals every issue.

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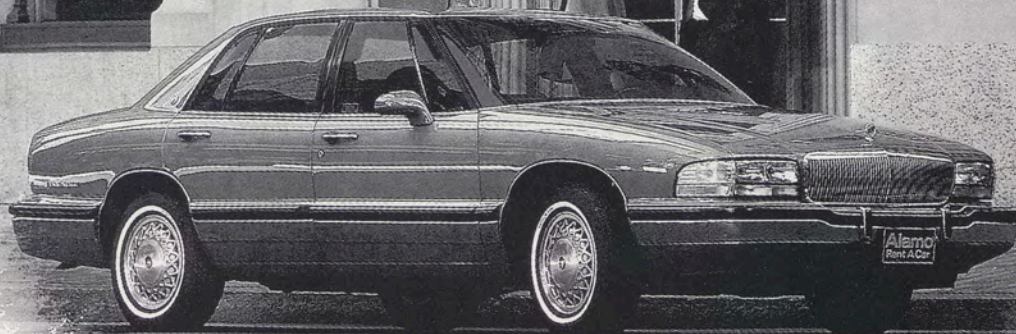
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3. A 24-hour advance reservation is required.
4. Offer valid 7/1/91 through 12/31/91.
5. Certificate must be presented at the Alamo counter on arrival.
6. This certificate is redeemable at all Alamo locations in the U.S.A. only. Once redeemed, this certificate is void.
7. This certificate and the car rental pursuant to it are subject to Alamo's conditions at the time of rental.
8. This certificate is null and void if altered, revised or duplicated in any way. In the event of loss, certificate will not be replaced.
9. Offer not valid 8/29/91-9/2/91, 11/28/91-11/30/91 and 12/19/91-12/28/91.
10. 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.

Alamo features fine General Motors cars like this Buick Skylark.



Where all the miles are free™

PO1B | I.D. # **204856**

Continued from page 23

with better cleaning features and upgrading the wattage in our microwaves."

As for rent-to-own dealers, some see upgrading as a trend while others say the standard staples are still the norm.

Richard Doty, chairman of Giant TV & Appliance Rental, says appliances run about one-third of his business. Doty believes upgrading in appliances are what his customers are looking for.

"Washers and dryers are the biggest items as far as appliances go. Compact laundry accounts for probably half of our total laundry, but our customers haven't asked for any new features."

Doty says the upgrading has come in refrigeration. "Ten years ago, we were renting 14-cubic-foot refrigerators. Today, we're renting 19-cubic footers and side-by-sides. We've also gotten some requests for ice-makers."

Richard Monson, general manager of Appliance Man Enterprises, says his customers have made requests for upgrades in refrigeration as well.

RTO MANAGERS

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Personnel Director
National Rentals
P.O. Box 1479
Cleveland, TN 37364

As for rent-to-own dealers, some see upgrading as a trend while others say the standard staples are the norm ... As for the future, most everyone agrees that more energy-efficient appliances, reducing costs, improving overall quality and quicker distribution will be the major trends.

"When it comes to laundry, our customers are basically looking for something that fills, agitates and spins, which has been the case for a long time. In refrigeration, however, we're getting people who ask for larger units, which I think is a trend. They want ice and water in the door. Things like that."

James Beard, owner of Chattanooga Appliance Rental, hasn't seen any major new trends lately. He says his customers are still requesting the standard staples, including washers and dryers, refrigerators and ranges.

Dean Ford, president of Appliance Etc., Inc., concurs since he hasn't come across any unusual requests lately. "Every now and then, we get a request for the stacking washer and dryer, but most of it is just your standard appliances."

"In a lot of our appliances, we don't carry only the basic models. We carry a step up, so we give our customers a choice. Maybe that's why we aren't

experiencing many requests for upgrades, because we already carry a step up from the basic appliances," said Ford.

As for the future, most everyone agrees that more energy-efficient appliances, reducing costs, improving overall quality and quicker distribution will be the major trends.

General Electric's Benz says the rent-to-own industry will see a broadening of selection and slight increases in the featured package of the appliances.

Speed Queen's Yanzito sums it up: "It's not going to be that people want to see more features on appliances. What's going to be the deciding factor will be simplicity, good availability, better service and excellent customer relations."

PR

Laura Mallon, a recent journalism/public relations graduate from the University of Texas at Austin, was a part-time summer communications intern for APRO.

Who's who in appliances

Since 20 percent or more of the typical rent-to-own store's revenue comes from white goods, the importance of appliances to the RTO industry is well established. The following list of appliance companies provides useful contact information, as well as a brief description of the type of appliances each company manufactures or distributes. All are either APRO Associate Members (), advertisers (+) in APRO publications or APRO convention exhibitors (Y).*

*Y+ Amana/Speed Queen

P.O. Box 990
Ripon, WI 54971
(414)748-3121

* Brown-Rogers-Dixson Co.

P.O. Box 2111
Winston-Salem, NC
27102
(919)722-1112

+ Crosley Corp.

P.O. Box 2111
Winston-Salem, NC
27102
(919)761-1212

Y+ GE Appliances

Appliance Park, Bldg. 4-206A
Louisville, KY 40225-0001
(502)452-3338

Y+ Magic Chef/Admiral

740 King Edward Ave.
Cleveland, TN 37311
(615)472-3371

*Y+ Sears, Roebuck & Co.

Contract Sales Dept. 732-G
34 Sears Tower
Chicago, IL 60684
(312)875-2994

* The Eureka Co.

1201 E. Bell St.
Bloomington, IL 61701
(309)828-2367

*+Y WCI Major Appliance Group

6000 Perimeter Dr.
Dublin, OH 43017
(614)792-4737

*+Y Whirlpool Corp.

2000 M63
Benton Harbor, MI
49022
(616)926-3224



For first time in long time, our industry's

On an upswing

I AM FRESH BACK FROM A WEEK IN LAS VEGAS, STILL RUMINATING ON THE SIGHTS AND SOUNDS OF THE TOWN AND OUR CONVENTION. A FEW DEALERS INSIST THAT THEY DO NOT LIKE LAS VEGAS, BUT NONE CAN DENY IT IS A GREAT PLACE FOR A CONVENTION. AND WE HAD A GOOD ONE, EVEN A GREAT ONE, BY PRELIMINARY AND UNSCIENTIFIC CALCULATION.

•••••

As a lawyer, I don't get many calls from people with good news to share. That's not why you call a lawyer. After 12 months of depressed and depressing telephone calls from dealers all over the country, I was not expecting a lively, enthusiastic or optimistic show this time around.

USA TODAY quoted some travel trade statistics in May to the effect that convention attendance in the United States was down 25 percent from a year ago because of the recession. I went to Las Vegas prepared for long faces and fewer of them. What I encountered was astounding.

We had near-record attendance (the best since 1985 and the second highest in APRO history) and a feeling of optimism about the business pervaded the place. I am still wondering why. It may be that the people who could still afford to attend the convention felt as if they have survived the worst of the industry shakeup and, having survived, are ready to move forward. Transamerica Rental Finance Company (TRFC) representatives were there and apparently were giving dealers some comfort level about their plans for the future. So, TRFC probably boosted a few spirits, although certainly not all spirits.

It was a successful legislative year and we didn't go after dealers' pocketbooks

with yet another round of special projects fund-raising. That was a nice break and likely gave dealers a sense of confidence in the viability of their industry. Incidentally, feelings were running so high at the convention that a few dealers, responding to the lack of a fund-raising drive, suggested that the association seek voluntary contributions from dealers even without any special immediate need, to build a war chest for the future. Now, that is enthusiasm!

The exhibit hall was noticeably upscale this year, particularly the furniture. The business gets more sophisticated every year and so does its suppliers. The exhibit floor reflected the changes.

There were several private investors at the show, evaluating deals close to home and seriously studying the industry. If they didn't like what they saw at the convention, then they aren't going to like this business, because it really was a best-foot-forward effort from everyone.

There are a lot of new ideas out there in the marketplace, any one of which could jumpstart the business. Dealers are playing with new products and services in an effort to bump revenues. They're playing with the RTO term and RTO pricing. We are not going to re-invent marketing as an industry, but we are going to take several leaps forward, shortly, I think.

We are looking for ways to attract new customers and some of these efforts will pay off. Internally, we are experimenting with pay plans in an effort to build loyalty and longevity in our companies. Everyone I talked to is convinced that there is room to grow in the business.

Despite Transamerica's ministrations, the credit crunch continues to gnaw at the soul of the business and was the topic of most conversations at the convention. Dealers carrying more debt than their companies are worth probably are not going to survive. But that is not everyone, or even so very many dealers any more. The press is on for dealers to fix

•••••

BY

ED WINN III

their companies internally and make them work more efficiently and profitably. Most dealers who can do so are paying down debt with whatever profits they can muster.

I remain convinced that the credit crunch will get fixed. If you have enough equity in your business, you can go to the bank and get a loan — yes, even when your business is RTO. Dealers are doing it more and more often. Now, you cannot get a loan if you don't know how much to ask for, or ask for the wrong amount, or don't ask for it in the right way. And you certainly cannot borrow money for a business that you are secretly ashamed of.

These days you may not be able to borrow as much as you would like because a recent *Wall Street Journal* headline trumpets "Credit Crunch Woes Persist Despite White House and Fed Vows to Ease Them" (Sept. 6, page 1). The story goes on to describe one bank's lending policy as one of "indefinite credit restraint." That means money is harder than usual for businesses to come by and RTO will suffer along with the rest of U.S. business for a while.

At the same time, though, there are lenders and investors who find RTO to be an interesting niche. There are some RTO product manufacturers considering rent-to-own as a means of vertical integration. This isn't a bad idea, since disciplined rental dealers, given some money these days, like to keep showrooms full of merchandise.

Lately, I have read some bullish reports on our industry, which may encourage the investment community to look beyond some of the current lenders' travails. Shapiro Capital Management Co., Inc., out of Atlanta, did an analysis of Aaron Rents entitled "We Opt to Buy (Aaron's stock)." The analysis focused on Aaron's rent-to-own division and saw great potential there. A Furman Selz, Inc., report on Thorn EMI indicates that as much as 25 percent of U.S. television households are potential RTO customers with market penetration to date running at 5 percent to 6 percent. The report goes on to predict that Rent-A-Center will continue to grow at better than 20 percent a year and get some of that business. But they certainly are not going to get all of it.

One of the law firms' banks feted us all the other day and, in cocktail chatter, a vice president noted that the past

Lately, I have read some bullish reports on our industry, which may encourage the investment community to look beyond some of the current lenders' travails ... Because of the economic truths of the business ... we will move beyond the financing crunch.

five years of hard times in Texas had weaned a lot of people from using any more credit than was absolutely necessary. Safe "borrowers," solvent ones, are making do without borrowing any money these days. To the extent that RTO dealers got spoiled by the easy credit of the 1980s, whatever expectations remain from those heady days are sure to be disappointed. Like it or not, RTO is getting weaned from too much credit and the marketplace is quickly determining just how much debt an RTO company can carry. That can be a painful adjustment and affect every aspect of the business, not just an owner's draw.

No one is suggesting that the RTO finance solution will come quickly or easily. No dealer that I know of is sitting around waiting for a new lender

to call. We are, all of us in the business, looking for a solution. We are carefully and patiently explaining the business to people who do not know much about us. The convention and several new publications have helped with that effort. We can prove, I think credibly, that the industry is profitable. Some of you can prove, case by case, that an RTO company can be run very profitably.

Because of the economic truths in the business, we, as an industry, will move beyond the financing crunch. Maybe it was because deep down we all know that. Even if today we don't know the exact form of the solution, we all left Las Vegas feeling uplifted and excited.

PR

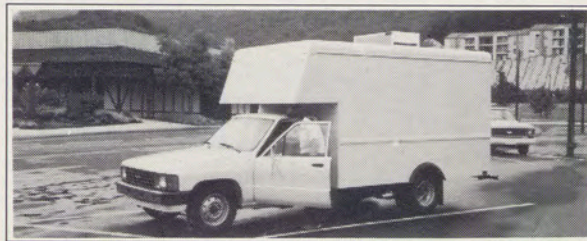
Ed Winn is APRO's legal counsel and a veteran writer on rent-to-own issues.

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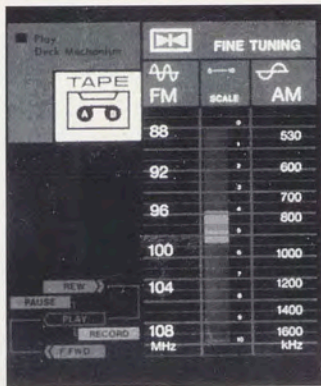
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Warranty-service outfit files Chapter 11

EWC, an Oklahoma City-based company that sold warranty service contracts covering maintenance and repair on various items, has filed for Chapter 11 bankruptcy.

Some of EWC's clients are rental dealers' customers, who could lose money that was reportedly tied up in service contracts they purchased through EWC to cover repairs on certain rent-to-own merchandise.

According to Charles Chapel, an attorney who is representing a couple of manufacturers in a civil case against EWC, it is a complex matter.

"EWC claimed to have backed their contracts with insurance through a company called American Lenders Insurance Company," Chapel said. "We don't know yet whether that company has sufficient assets to cover EWC's liabilities, so the state of Oklahoma has put that company under supervision."

At press time, the amount of money rent-to-own clients stand to lose to EWC was not determined.

"EWC filed certain schedules when they filed bankruptcy, listing how much had been received by EWC in invoices," Chapel added. "That was a fairly small number at the time. But, of course as time goes on, that number is going to get much larger."

Funding your child's college education

Parents read everywhere that a college education is an increasingly more important factor in the establishment of a successful career. Most experts agree that the demand for skilled and educated workers and employees is increasing.

Education, though, is expensive. Over the last 15 years, while the Consumer Price Index has risen by an average of 6.4 percent, college costs have risen an average of 8.4 percent. If college costs continue to increase at this rate, beginning in the year 2,000, an education at Yale could cost more than \$220,000.

How can you ensure a dependable college funding source? You can prepare for the cost of sending children to college by saving or setting aside funds today. The development of a personal college funding plan can be described in three steps:

- Estimate future costs.
- Assume an achievable investment return.
- Discount funds needed by the expected return.

For more information on this plan, contact Scott Thompson of Stifel, Nicolaus & Co., Inc., at (405)752-7664.

Raucher promoted to VP at Canyon

Martin Raucher has been promoted to a vice president of Canyon Rent To Own in Las Vegas, Nev.

Raucher has been with Canyon for six years. He set up the computer accounting system for Canyon and has also contributed to the establishment of Canyon's ESOP and the new corporate headquarters building located in Las Vegas.

Raucher also contributed to Canyon Rent To Own by helping with the rental financing obtained through Valley Bank of Nevada.

Raucher came to Las Vegas from New York City, where he spent 11 years as vice president/controller of a major retail jewelry company.

Rentronics expands with 3 more stores

WBC Holdings, Inc., a holding company that operates 39 Rentronics rent-to-own stores throughout the United States, has acquired three RTO stores in Jacksonville, Fla.

Two of the stores, located at 5913 Normandy Blvd., and 661 Blanding Blvd., will assume the Rentronics name and identity. The University Boulevard West store, meanwhile, will merge with the existing Rentronics at 5867 University Blvd.

WBC Holdings, Inc., is a Houston-based holding company that operated 39 Rentronics rent-to-own stores in 11 states. Company headquarters are located at 908 Town & Country Blvd., Suite 500, Houston, Texas 77024.

RTO PAK reaches 8,000 RTO dealers

The new RTO PAK is a shared catalog mailer in which eight to 10 noncompeting suppliers pay \$900 for postage and related costs. Participants save up to \$1,500 in postage.

RTO PAK is mailed to approximately 8,000 RTO store locations nationwide. Participating advertisers provide their own full-size color, full-information brochures, plus special limited time offer.

If you'd like more information, call (708)690-0000; or, write: RTO PAK, 314 St. Paul Blvd, Carol Stream, Ill., 60188.

World Pacific Jewelry goes rent-to-own

World Pacific Jewelry, a direct manufacturer of 10 karat and 14 karat jewelry, has created a line of jewelry specifically for the rent-to-own market.

The line consists of rings, pendants and bracelets for both men and women. Styling is available with diamonds, precious and semi-precious stones and pearls.

For additional information, contact Carol Belmonte at (800)742-3264.

Whirlpool rolls out new dishwasher

Whirlpool has introduced a fourth new generation dishwasher with electronic controls.

Features include solid state controls with electronic function readout display; a three-level power clean wash system; 16 automatic cycles and cycle options; and nylon-coated rack with a limited five-year warranty against rust.

Other key features on the new dishwasher include a one- to nine-hour delay wash option, in-the-door silverware and cutlery baskets and reversible door panels.

For more information, contact Carolyn Verweyst at (616)927-7200.

Low-cost rental agreements a deal

As a service to the rent-to-own (RTO) industry, APRO has developed a new rental agreement form to ensure compliance with all state laws and offer a low-cost service to APRO members.

The agreements are available in all regulated and unregulated states as well as computerized and non-computerized stores.

Bill Keese, executive director of APRO, says association members can buy the low-cost rental agreements at 15 cents per agreement.

"Even non-members get a break," Keese said. "Those people will pay 20 cents per agreement."

The APRO rental agreements are three part, NCR, 8 1/2 X 11 documents that are continuous fed.

For a sample rental agreement, more information or a price list, call Hilde Parker at (512)794-0095.



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For more information, contact:

Odie A. Lindsey
Magic Chef, Inc.
740 King Edward Avenue
Cleveland, TN 37311
(615) 472-3371



Continued from page 29

Exhibitors kept busy during APRO convention '91 — even on the last day. The only major complaint voiced at the vendor relations meeting after the show was there wasn't enough time to talk with all the interested dealers.

"This is the first one (rent-to-own trade show) I can remember where attendees were still asking questions after show closing time," said Skip Wall, president of Fab-U-Gard. "All the exhibitors I spoke with at the show — and since — seemed very pleased."

Gary Redmond, Rent-A-Rock general manager, offered a similar report card. "The APRO show was very professional — like a mini CES (Consumer Electronics Show). Everyone I've talked with said the same kind of things."

Best in advertising, RAEs

Each year, rent-to-own companies spend thousands on advertising and promotions. APRO's Rental Advertising Excellence (RAE) awards are an opportunity for company rep-



Debbie Hansen, shown here getting dipped by Mac McCullar at the '50s party, makes it all happen as APRO director of member services.

resentatives to show off their finest advertising work.

RAE awards were presented in 18 of the 28 different categories for '91. Not all categories had gold, silver or bronze winners. The RAE distinction goes to entries meeting the highest stan-

dard of advertising in the RTO industry, according to APRO staffer Hilde Parker, who coordinates the contest each year.

Here are the 1991 RAE awards recipients:

Print materials, catalog/brochure, less than 4 color — ABC Rentals/El Charro (gold); Aaron's 12 to Own (silver).

Print materials, catalog/brochure, 4 color or more — Rent America (gold); Quality Rentals (silver); Alrenco (bronze).

Print materials, letterhead/logo/trademark — Aaron's 12 to Own (gold); ABC Rentals/El Charro (silver); Action Rent To Own (bronze).

Print materials, other (doorhangers, coupons, contests, etc.) — Alrenco (gold); Rentronics/WBC Holdings (silver); Action Rent To Own (bronze).

Direct marketing, order solicitation, single mailing — Alrenco (gold and silver); Blue Ribbon Rentals/D.A.M.S.L. Corp. (bronze).

Newspaper, black and white, half page or less — Action Rent To Own (gold); Save All Super Rentals (silver); Action Rent To Own (bronze).

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Time-loc is a small keypad device that easily installs on most TV's and appliances. When the customer rents, enter a code on the keypad and send them home. If they pay their next bill, give them a new code to enter. IF THEY DON'T PAY THEIR BILL, TIME-LOC TURNS OFF THE APPLIANCE!

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Newspaper, color, half page or less — 1st American Rental (gold); ABC Rentals/El Charro (silver); Action Rent To Own (bronze).

Newspaper, color, more than half page — Aaron's 12 to Own (gold).

Radio, 30 seconds or less, less than \$100 — Save All Super Rentals (gold).

Radio, 60 seconds, more than \$100 — Action Rent To Own (gold and silver).

Television, 30 seconds or less, less than \$1,000 — Action Rent To Own (gold); 1st Choice Rental (silver); 1st American Rental (bronze).

Television, 30 seconds or less, more than \$1,000 — Rentronics/WBC Holdings (gold); Quality Rentals (silver); ABC Rentals/El Charro (bronze).

Specialty items, unit cost \$2 or less — ABC Rentals/El Charro (gold); Rentronics/WBC Holdings (bronze).

Specialty items, unit cost more than \$2 — Action Rent To Own (gold).

Specialty items, point of purchase — Rentronics/WBC Holdings (gold); Alreco (silver).

Billboard/outdoor, any size — Coleman Rentals (gold and silver); Save All Super Rentals (bronze).

Billboard/outdoor, other — Wise Guys Rent or Buy (gold).

Non-English, television, 30 seconds, less than \$1,000 — Action Rent To Own (gold).

Seminars have new topics

All APRO convention 1991 seminars were categorized into six general areas of RTO interest — management, advertising, products, legal, financial and general.

This year's selections included traditional subjects as well as new topics that addressed the changing needs of the rent-to-own industry.

In all, 30 seminars/workshops — including those that were part of a strong government relations agenda — were offered during the two-day educational program.

Those attending convention seminars are eligible for credits toward APRO rental dealer certification.

Joe Eason golf tournament

For the second straight year, a record was set for most participants in an APRO convention golf tournament. This time, 130 golfers hit the links in what has become the APRO/Joe Eason Invitational. The 1990 tournament in Orlando, where it was announced that the annual tournament would be renamed in honor of the retired Transamerica great, drew 100 golfers.

APRO staffer Christine Fulton coordinated this year's tourney. The man of honor, Joe Eason, also participated.

The format was changed for 1991 to a four-person, best-ball mixed scramble. Here are the winners from the Sunday, Aug. 11, tournament at Las Vegas' Legacy Golf Club:

First place: Team 9 — Terry Beville, Grant Myers, Larry Sutton, Norman Slatton.

Second place: Team 22 — Mike Fitzgerald, Steve McCartel, Jimmy Wammock, Jeff Lebakken.

Third place: Team 4 — Fred Noye, Allen Lewis, Bob Simons, Roger Sharp.

Fourth place: Team 19 — Bill Kelly, Bill Haeseley, Mick Walts, Jan Arnett.

Fifth place: Team 5 — Duane Sanders, Gary McDougal, Tim Pelter, Rodger Poteet.

Closest to the pin — Chris Yule, Eugene Archibeque.

Longest drive — Bill Kasper, Mike Fitzgerald.

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PROGRESSIVE RENTALS

What? Another Skip?

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In fact, Tele-Track is widely acknowledged as the industry's central source for complete information on high risk customers. Here's why.

With Tele-Track's sophisticated information network, dealers around the nation have instant access to the names and social security numbers of more than 200,000 individuals who have skipped on rental agreements and/or stolen merchandise in the past. This massive database is expanding at an average rate of about 15,000 names each month as new rent-to-own dealers join the system.

And every 14 minutes of every working day, Tele-Track's advanced network informs an inquiring merchant that a prospective customer is in the Tele-Track database as a known skip/stolen.

Before you rent, shouldn't you have access to the same information as hundreds of other rent-to-own dealers?

For free brochure call
800-729-6981.

TeleTrack

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Suite 410C
Roswell, Georgia 30076
404/587-1960 • 800/729-6981

*Do you want to attract
customers to your stores?*

Let their fingers do the walking

IN RECENT YEARS, THERE HAS BEEN MUCH ACTIVITY AND TREMENDOUS CHANGE OCCURRING WITHIN THE CLASSIC YELLOW PAGES ADVERTISING MEDIUM. YELLOW PAGES PUBLISHERS HAVE BEEN PRESENTING NEW AND DIFFERENT ADVERTISING CONCEPTS TO THE BUSINESS COMMUNITY.

Some of the new ideas generated by the yellow pages industry have succeeded — some have failed. Many are downright confusing. The sheer increase in the number of yellow pages directories had muddied the water for the advertiser and consumer alike.

One thing is clear. Now, more than ever, it is imperative for those in the rent-to-own business to review the effectiveness of their yellow pages investment. Whether you are placing your yellow pages order with a sales representative of the publisher or through a national yellow pages agency, it is essential that you review your spending pattern and the results of your investment.

In recent years, yellow pages publishers have launched many new concepts. Among others, they have: tested community directories, launched (and failed) some specialty directories, utilized "talking" yellow pages, added rainbow colors to ads, enlarged the type on listings and have introduced many other special features. Publishers are also selectively testing other marketing services such as coupons, brochures, product samples and catalogs in conjunction with the delivery of the yellow pages.

For years, the yellow pages has remained an enigma to most of the advertising industry. Many advertising executives suggest that yellow pages is not advertising. The yellow pages, they claim, does not

create or increase demand for a product or service. These executives point to other advertising media that can create a demand, such as newspapers, television, radio, billboards and direct mail. The advertising executives are half right.

Yellow pages represent a direct medium. Simply stated, the ads or listing that you place in the directory will work only when someone has a need. In the case of the rent-to-own industry, the consumer has a need for any one of the products you make available for rent or purchase.

The yellow pages represent an advertising medium that should not be taken lightly. In trade associations and independent research, more than 55 percent of all adults questioned indicated that they refer to the yellow pages an average of 2.96 times in a typical week.

The yellow pages, available 24 hours a day, 365 days a year, is the third largest advertising medium, by expenditures, in the United States. It is surpassed only by television and newspapers. Projected to be an \$8.9 billion dollar industry in 1991, the yellow pages is the fastest growing advertising medium in the country.

Your rent-to-own business can ill afford not to be represented in the yellow pages. The key work is representation. Most businesses list in their area directory. A simple listing and classification, or heading

CONTINUED ON PAGE 46

.....

BY

JAMES BENSON

How can I tell him ... I only have so much money in my budget? Which yellow pages should I use?



is free — beyond that, you pay. The question then becomes: How much more yellow pages advertising does my business need?

The money that you spend on yellow pages should be dependent upon three variables: your overall advertising program and budget, your market location and name recognition, and your competition.

The typical yellow pages user belongs in one of two camps: the directional user or the shopper. Directional users, or referencers, are those customers who know the name of your business and use the yellow pages to find your telephone number or to gather more information to facilitate their buying decision. The referencer is prone to switching loyalties while searching for your company name and number.

Your target market, the user you want to attract most, is the shopper. The shopper is defined as those customers who do not have the name of the company in mind before looking in the directory.

Knowing the type of calls you are receiving will give you a clearer picture of your customer types. If you have knowledge of your customer's need, and the route taken by the customer to reach you, you can be in a better position to choose a rental classification that will benefit your business. For the user, finding a business in the yellow pages is sometimes a challenge.

There are more than 5,000 classification headings available. It's wise to consider listing some basic information in additional renting and leasing headings, depending upon your inventory. Select only those headings that make sense from a profit standpoint. If you do not stand to gain from listing under a given heading, do not use it. Don't dilute your identity.

Devising a display ad strategy is not easy. The size of a display ad in the yellow pages controls your position among your competitors. Yellow pages research overwhelmingly concludes that ad size is an important factor when people decide to which ad they will first respond.

The size of an ad affords you plenty of opportunity to present your mes-

sage and to say it effectively. Secondary factors, however, also determine the strength of your ad in reaching the consumer. These are factors such as your prominence in the market, a high level of awareness among consumers from other advertising and the high level of experience consumers have with your business.

The key to an effective yellow pages advertising program is knowing how much to spend in any one classification as well as varying the size and message of your ads, depending upon the heading. If you are placing a display ad, pay particular attention to two things. First, focus on the information that will help the customer to call or visit your location. Second, make your ad stand out. Your goal is to be the shopper's first or second call for information.

Another major decision to make when advertising in the yellow pages is choosing the directory. After the breakup of AT&T, the yellow pages industry has blossomed to number 6,000-plus directories. These include utility telephone directories, independent books, neighborhood books, specialized audience books and, among others, business-to-business directories.

The bottom line in choosing a book is determining how important the location of your company is to your potential customer. If your trading radius is small, it does not make sense to advertise in directories circulated outside of your immediate area. Independent research has determined that when people decide which ad to select in certain yellow pages headings, their major selection criteria is location of the company. Consumers usually pick the business that is closest and involves the least travel.

In the last few years, because of heated competition for your advertising dollar, many yellow pages publishers have offered discounts and special pricing advantages. Some of the programs save you money, but there is a catch. What may be free or discounted the first year will probably increase the next year. Be a smart yellow pages buyer. Take what is free, but keep track of what you're getting. That way, you'll be able to determine whether or not the additional expense is warranted the following year.

Most companies that advertise in the yellow pages sit back and relax after they have purchased their ad. Wrong approach. Although you cannot change the yellow pages ad until the following year, it is important to verify the correctness of your purchase decision with sound, ongoing research.

One of the best methods of obtaining valuable information about your yellow pages advertising effectiveness is to conduct your own research, asking questions of your walk-in and phone callers. If you spot interview the people in your store and those who call your business, you can obtain very valuable information that will help you, not only with your yellow pages ad but with other advertising media.

When conducting this type of research, it's important to sample a representative group of your customers, potential customers and your competitive customers. It takes an ongoing commitment from you and your employees to research your yellow pages effectiveness. A brief, one-time effort will provide you with results that may not stand the test of time. People respond differently over time to the advertising that confronts them. Your program should reflect the changes in your business, in the products you handle, changes in the media and general societal changes.

Stay on track with your yellow pages program. Remember: The yellow pages is a directional medium, not stimulative or creative. With all of the new options to choose from, the yellow pages printed product remains the best directional source of advertising available to your business. The track record of the yellow pages speaks for itself. It's a sound advertising investment. Buyers consistently seek out products and services in the yellow pages. Quite simply, the yellow pages work and they work quite well.

One last thought: Yellow pages advertising can only get you the calls; it cannot close a sale. It is imperative for business owners to be sure that the people who answer the telephone are trained to make the sale. Stress to your employees how much money it takes to have the telephone ring. **PR**

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