

Progressive

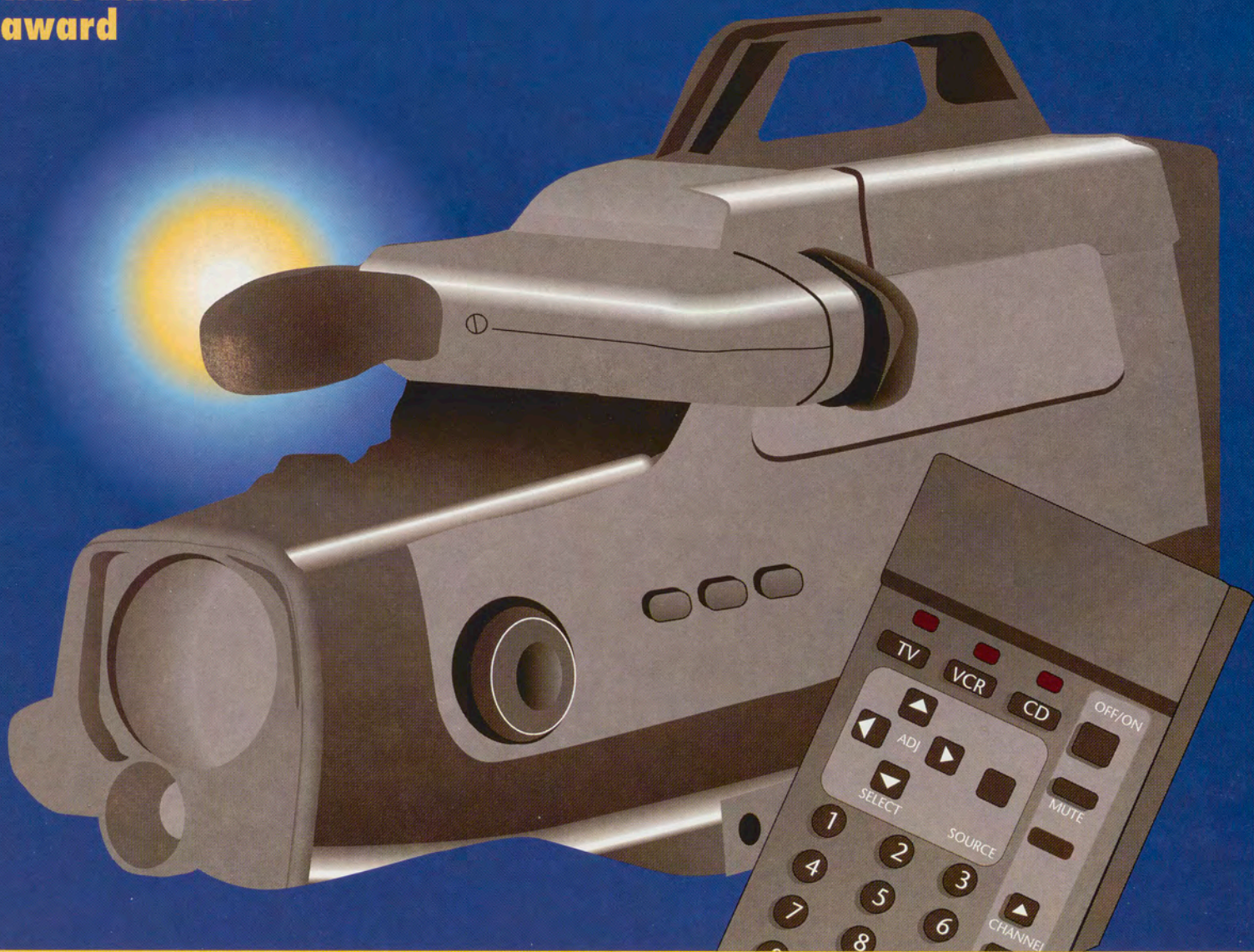
October/November 1991

# Rentals

The magazine of the rent-to-own industry

**Audio/video comes  
of age for RTO**

**Progressive Rentals  
wins national  
award**



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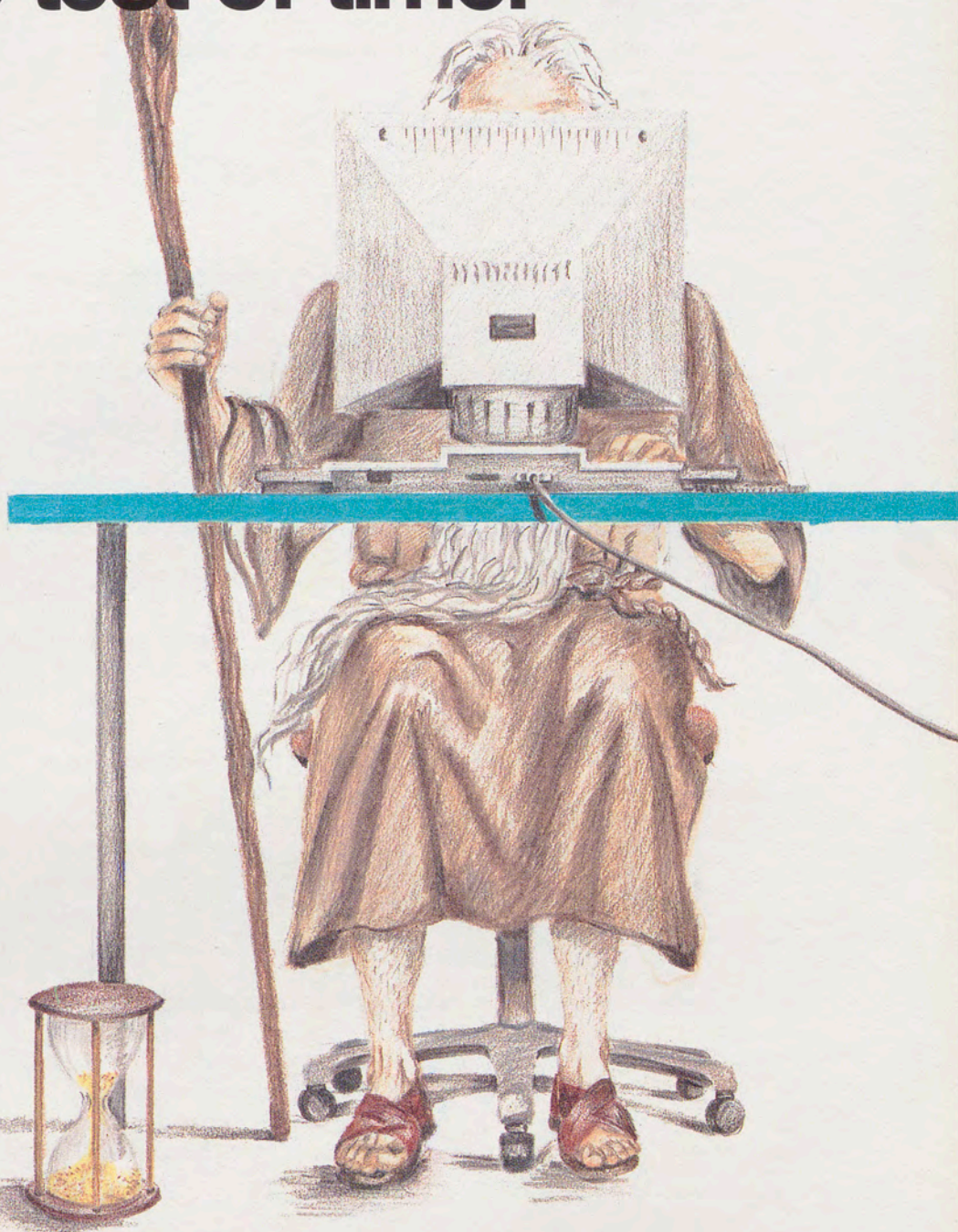
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**APRO**

PR

# Progressive Rentals

October/November 1991

The magazine of the rent-to-own industry

## Volume 11, Number 5

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#### Surviving the fourth quarter

The last quarter: Will it make or break you? Most RTO dealers look forward to the annual holiday push. By using some common sense, you can make this final three months prosperous.

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#### When you have to 'de-hire'

Probably the most unpleasant task any manager has to face is firing someone. And while it's not pleasant to think about, you should know how to handle it properly.

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#### Making RTO a career move

Career employees in any rent-to-own company are hard to find. They're even harder to keep. But keep them you must, if your company is to compete during the 1990s.

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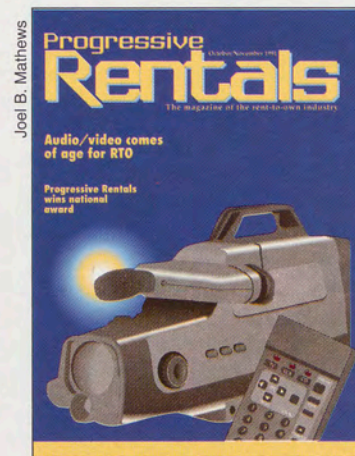
#### A/V gets sophisticated

Not only are consumer electronics becoming more sophisticated, so are the consumers themselves. Today's RTO customers want to upgrade their audio/video systems.

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#### Operating with power

Knowledge is power. If you're trying to run a rent-to-own business — or trying to secure a credit line for one — you need the kind of power that comes from APRO's RTO statistical survey. Participate in the next one, and you'll be playing with power.



**ON THE COVER:** More electronics products, such as camcorders, are finding their way into the rent-to-own market, since price points are coming down and customers want state-of-the-art. For the latest RTO audio/video trends, see page 22.

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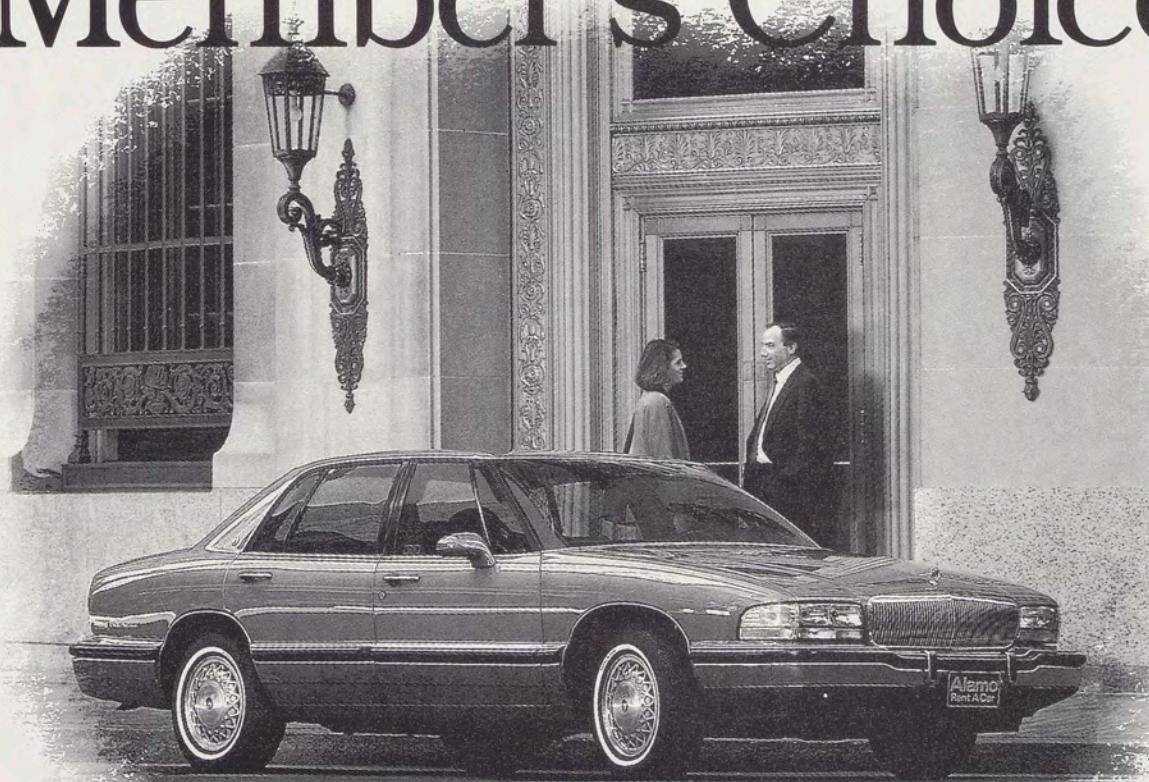
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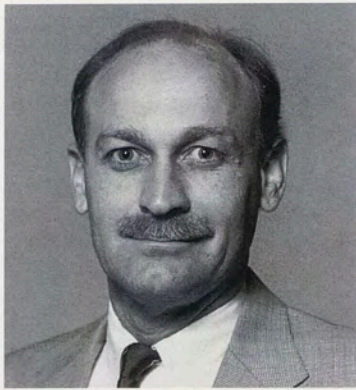
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*Now that it's been almost three months since convention, here's a report on the*

# State of APRO

IT HAS BEEN APPROXIMATELY 80 DAYS SINCE THE CONVENTION IN LAS VEGAS AND TIME TO REPORT ON SOME OF THE ACTIVITIES THAT HAVE TAKEN PLACE SINCE THEN.

YOUR BOARD OF DIRECTORS MET IN NEW ORLEANS RECENTLY AND THE VARIOUS COMMITTEE CHAIRMEN CONVENED WITH COMMITTEE MEMBERS TO SELECT COURSES OF ACTION FOR THE COMING YEAR.

•••••

Topics such as federal and state legislative efforts, educational seminars, new financial sources, publications, public relations, state associations, membership and next year's convention were covered. Many good ideas came out of the three-day session and I think that you will soon start to see some of the results.

One of the focal points for the next several months is to strengthen the state association network and have an APRO representative at every meeting to answer questions and give an account of APRO's support to each of the state associations. Thus far we have been successful in achieving that goal. I have attended the Texas, Colorado and Florida meetings and found that a great deal of good information is shared and that many dealers may be active in their state associations without being active on a national level.

I am convinced that we should reach out to these dealers to keep them informed of the current events taking place at the national level. The best course of action is for all to be members of APRO and receive the various publications. Decisions made by an individual dealer may affect all of us.

The "special projects" program has been integrated into the association's gen-

eral fund with the overall responsibilities being directed by the APRO staff in Austin. The APRO Government Relations Committee will continue to act as the oversight body for the various related legislative programs. This means that the new dues structure being implemented by the APRO staff will have little or no impact on those dealers who contributed to the special projects fund in the past. The program benefits will be provided as a regular part of being an APRO member.

Several tax issues may be settled soon, relatively speaking, with the recent tax court filing by a dealer to defend his company's use of income forecasting as a proper method of depreciation. In case you have not been following the tax issues on a regular basis, the outcome of this case will probably decide how the entire industry depreciates rental inventory for tax purposes. Stay in touch with tax and accounting committee members for regular updates — or read the two main APRO publications, *Progressive Rentals* and *RTO Network News*, to find out the outcome and impact.

Finally, members of the APRO New Financial Sources Committee have been working on finding and renewing financial sources for rent-to-own dealers across the country, with moderate success. It is not an easy process because of the nature of the business and the current state of the financial community.

I am getting the general impression that at least one of the traditional lenders is responding to several dealers' needs, while other dealers have become successful with some banking institutions. Improvements in the national economy, combined with well-run, profitable operations, will bring more success at securing funds.

That is the general "state of APRO" after a couple of months and I suggest that you stay tuned for the next report.

Talk to you soon.

PR

•••••

BY

WAYNE CHAMBERS

## LOW-COST RENTAL AGREEMENT FORMS

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 members and non-members alike.

To order forms for your store, simply fill out the form below or call Hilde Parker at 512-794-0095. Please specify the state(s) you need.

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# Progressive Rentals wins national award for most improved trade magazine

*Progressive Rentals* has won a national award for most improved magazine among trade associations.

The American Society of Association Executives (ASAE) is the national association for trade associations, and its Gold Circle Awards program "brings annual recognition to the best publication and public relations works achieved by association executives," according to ASAE.

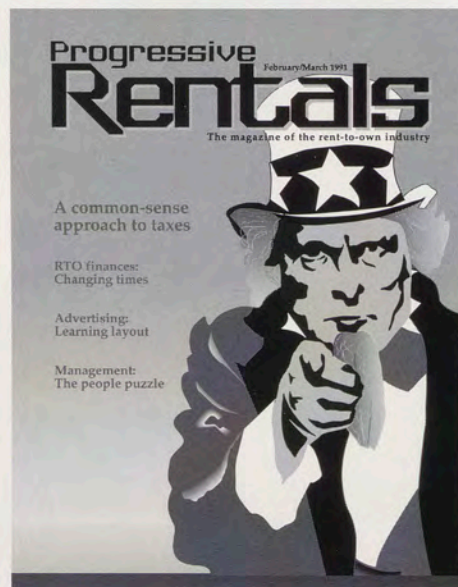
*Progressive Rentals* earned a Certificate of Achievement, the equivalent of second place, in the category of Most Improved Magazine/Journal, Section A. *Progressive Rentals* is published by the Association of Progressive Rental Organizations, based in Austin, Texas. *Progressive Rentals* is the magazine of the rent-to-own industry.

"Naturally, it's very gratifying to receive this award," said APRO Executive Director Bill Keese. "Although the Gold Circle program is intended to demonstrate competence among peers in the association community, I think it really reflects APRO's dedication to providing the highest quality of services to its members. Our publications fulfill an important information and education function, and they are a reflection of APRO overall."

First place, or Trophy, went to SHHH Journal, published by Self Help for Hard of Hearing People, Inc., based out of Bethesda, Md.

Fifty-six total entries were received by ASAE in the most improved magazine/journal category, with 30 coming in APRO's division, Section A. Out of the 30 entries, only two awards were given in Section A, which is for associations with less than a \$1 million annual budget.

To enter *Progressive Rentals* in the most improved category, editor John Gormley submitted the February-March 1991 issue (the first under the magazine's redesign) and the same issue from 1990. He also had to sub-



The winning entry: February-March '91.

mit a detailed description of entry, which included a statement of objectives, implementation and results.

Gormley credits Cindy Ganther, APRO's advertising manager, and Joel Mathews, a design consultant, for their roles in producing *Progressive Rentals*.

"Cindy treats our advertisers with respect and courtesy," Gormley said, "and they not only help pay for the magazine, they also help maintain its quality with professional ad campaigns. Meanwhile, Joel has been the creative talent behind the redesign of *Progressive Rentals*. His contributions have been enormous."

Gormley says improvement is an ongoing thing and current plans call for more participation from people working in the rent-to-own business.

"We want more articles by RTO dealers for RTO dealers. We want feedback — letters to the editor, phone calls, faxes. This magazine needs to get closer to its readers. We want to hear from you," he said.

The APRO Publications Committee oversees *Progressive Rentals* and the association's other publications. Roger Sharp is the current chairman. Wayne Chambers is the former chair. **PR**



# Gearing up

## Fourth quarter under way; markets near

RENT-TO-OWN DEALERS, FOR THE MOST PART, REPORTED BUSINESS TO BE FAIRLY STRONG IN THE THIRD QUARTER OF THIS YEAR. THE NOTABLE EXCEPTION WAS THE NORTHEAST. FOURTH-QUARTER BUSINESS IS, BY NOW, IN FULL SWING. ALL RTO DEALERS AND EMPLOYEES ARE IMPLEMENTING THEIR PLANS TO CAPITALIZE ON THE LAST THREE MONTHS OF THE YEAR, TYPICALLY THE STRONGEST QUARTER FOR RENT-TO-OWN DEALERS.

.....

By now, most RTO dealers have either completed or are nearing completion of their 1992 annual budget. Many dealers budget to attend several markets during the year. January and February are busy months for dealers to attend various markets to select new products to add to and replenish their inventory for their stores.

.....

BY  
BILL KEESE

As a service to all rent-to-own dealers and to promote the rent-to-own industry, your association actively participates in most of the shows and markets. This year is no exception. APRO will be at the following shows and markets in January and February, 1992:

**International Winter Consumer Electronics Show** — Jan. 10-13, Las Vegas. Come by and visit us at booth #T-9 in the Las Vegas Convention Center's Main Hall. We will also be hosting a hospitality suite on Friday, Jan. 10, at Bally's from 5:30-7:30 p.m. Call the APRO office to find out more about complimentary preregistration (there's a \$30 on-site registration fee), airfare discounts on American Airlines and the CES Housing Hotline number.

**San Francisco Winter Furniture Market** — Jan. 18-22, San Francisco. Come by and visit APRO staff and mem-

bers at our booth in the Market Center. Call the APRO office for information on preregistration and special air travel and hotel discounts.

**Atlanta Winter Furniture Market** — Jan. 25-28, Atlanta. Visit the APRO booth in the elevator lobby of the Apparel Mart, which this year is the entrance to the temporary furniture exhibits. APRO will also host a hospitality suite on Saturday, Jan. 25, at the Westin Peachtree Plaza Hotel. Also on Saturday, Jan. 25, I will be joining APRO President Wayne Chambers to present a complimentary seminar entitled: "RTO — The Right Way." It's from 9 to 10 a.m. Call the APRO office for information on preregistration and discounts on airfare and hotel accommodations for Atlanta.

**Mississippi Furniture Market** — Feb. 20-23, Tupelo, Miss. APRO will have a booth for your convenience and information, and will host a hospitality suite at the Ramada Inn. Once again, call the APRO office for information on preregistrations and discounts on airfare and hotel accommodations.

The APRO staff will not be able to make any of these reservations for you, but we will be glad to give you all the vital information you will need to get the most out of preparing for and attending any or all of these shows and markets.

I hope to see you at our booths at these markets, and if you meet an RTO dealer who doesn't know about the many benefits of APRO membership, bring him or her over to the booth. We want to get to know them and show them the reasons for belonging to their national trade association.

...

For those of you who have not heard of or seen the many new APRO publications about various facets of the rent-to-own industry, let me summarize them for you.

**RTO Legal Reference Index** — This publication is designed to save rent-to-own dealers thousands of dollars in attorney fees. This first edition covers statutory

law, case law and commentary on the most often occurring consumer protection legal issues facing RTO companies.

*Financial Statement Presentation Guide* — This publication provides guidelines that financial institutions are looking for in preparing and presenting your company's financial picture.

*Industry Profile* — When RTO dealers discuss business with anyone outside our industry, they find no one really understands rent-to-own as a concept or as a viable industry. This publication is particularly beneficial when approaching a potential new lender who doesn't know our industry.

*Business Plan Development Guide* — As anyone knows who has been looking for financing, today's environment requires all businesses to develop and follow a "plan of action." This publication guides you through the intricacies of developing and implementing a meaningful business plan.

*Glossary of Terms* — This is a companion publication, along with the *Industry Profile*, to better explain the RTO industry to novices.

*1991 Industry Survey* — This most valuable publication, which is free to participating RTO companies (see page 26 article this issue by Ted Wilson), gives you valuable information about the RTO industry. It is compiled from responses from RTO dealers about operations, products, financing, profit-and-loss statements and other areas.

*RAE Advertising Awards Book* — This is a compilation of the best advertising in rent-to-own. Included are the winners of the 1991 RAE contest.

There are many other valuable publications available through the APRO office. Check your company's library, today. If you are missing any of these publications, use the form at right.

•••

APRO is on the move. The association is governed by enthusiastic, motivated rent-to-own dealers, like yourself. Members of the APRO Board of Directors are giving a lot, because they have seen the value of APRO.

If you know any RTO dealers who are not members of APRO, and therefore not taking full advantage of what we have to offer, give me a call.

Let's recruit these dealers. **PR**

# APRO PUBLICATIONS

APRO Member/Non-Member

APRO RTO Legal Reference Index	\$150/\$300
APRO Financial Statement Presentation Guide	\$50/\$100
APRO Tax Audit Manual	\$75/\$150
APRO Industry Profile	\$50/\$100
APRO Business Plan Development Guide	\$50/\$100
APRO Glossary of Terms	\$5/\$10
APRO 1991 Industry Survey (Complimentary To Participants)	\$300/\$300
APRO Bankruptcy Manual	\$25/\$75
How To Locate Missing Persons - A Skip Trace Manual	\$10/\$30
Collections Manual - Preventative Maintenance & Efficient Results	\$20/\$75
APRO's Who's Who In Rent-To-Own (Available To Members Only)	\$25/na
RAE Advertising Awards Book	\$10/\$10



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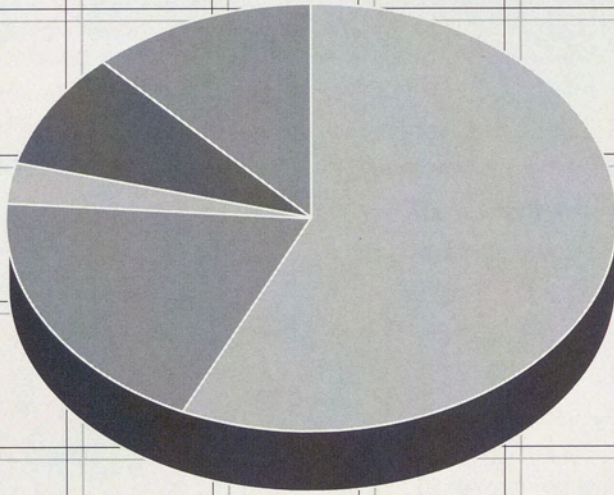
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Quotas

4th  
Quarter

Marketing

Sales



.....

BY

ROGER SHARP

# Surviving the Fourth Quarter

THE LAST QUARTER. WILL IT MAKE OR BREAK YOU? FOR SOME RENT-TO-OWN DEALERS THIS, UNFORTUNATELY, WILL BE MORE PROPHETIC THAN DESCRIPTIVE. FOR OTHERS IT WILL BE A TIME OF YEAR DEALERS TRADITIONALLY LOOK FORWARD TO.

This past year has been a very trying time for several rent-to-own dealers. More than 500 stores have either closed up shop or turned the keys over to their financing companies. The money supply from traditional RTO lending sources dried up. New lending sources have been slow to respond to the industry's needs.

Federal savings-and-loan collapses and bailouts, along with the general banking crisis, ignited the fire for a weak economic outlook. This was further fueled by the outbreak of war in the Middle East at the first of 1991.

With this behind it, the RTO industry faces probably the most diverse 90 days of its short lifespan. RTO dealers with little or no financing sources will have to be very inventive to maintain their share of the marketplace. RTO dealers with financial backing are in a very enviable position. With consumer credit tightening, not only should these dealers gain a larger share of the RTO market, they should be able to convert a segment of retail consumers who will not be able to meet the new credit guidelines.

This last quarter will probably mark the end of the "great shakeout" period. Those RTO dealers who meet the challenge will have a strong and bright future.

RTO dealers who just show up for the game will not be able to maximize their

share of the marketplace. All RTO dealers need to have a well-defined game plan to ensure their piece of the pie.

Stores need to be fully staffed with qualified people to implement the game plan. The store staff needs to be trained to properly assist customers, follow company guidelines and, where prudent, bend those guidelines.

This means employees cannot be robots. They must be able to think. They must treat customers personally instead of as impersonal numbers. This will allow individual stores to maximize their profits.

Advertising campaigns must be well designed to fit the season. Since this crucial period we're in has five major holidays, several programs should be designed to target each. Programs for increased sporting events such as the World Series, college football traditional rivalries and bowl games, and basketball all should be considered.

This is also the time of year families increase their get-togethers — Thanksgiving, Christmas and New Year's. This provides the opportunity to rent items such as TVs, VCRs, camcorders and microwaves. Be prepared to take advantage of this.

Finally, check your supplies and equip-

CONTINUED ON PAGE 29



# Here's the good news — sort of

*It isn't always easy to separate truth from fiction when you're trying to figure out what's going on*

THE SETTING IS THE BUSINESS MEETING AT A RECENT APRO CONVENTION. "YOU MAY NOT WANT TO HEAR THIS, BUT ... THERE IS PLENTY OF FINANCING AVAILABLE FOR YOUR RENT-TO-OWN BUSINESS! CONTRARY TO WHAT YOU MAY BE HEARING, THERE ARE AMPLE FINANCIAL SOURCES."

"But wait one moment," says rental dealer "A" from Pennsylvucky. "You said we may not want to hear this? Sure sounds like good news to me."

Well, it is good news," I respond, "but it isn't new news; it's old news."

"Now just hold it right there, young man," hollers rental dealer "B" from the smallest town in his state. "You're confusing us, boy. If there is plenty of financing out there for our businesses, then it sure is new news. And, I agree with my friend from Pennsylvucky — it sure sounds like good news to me. Oh, and one more thing: You're a crazy \$!?!%?\$. "

So, here's what we have so far: 1) I have some good news that you don't want to hear; 2) The good news that you don't want to hear isn't new news at all but, in fact, (very) old news; and 3) I'm crazy.

The point I'm trying to make is that this "industry," known as rent-to-own, is about as mixed up as the paragraphs above and needs to be reworded and reworked so we can simplify where this industry is really at and where it's going.

Rental dealer "C" is a bit more polite than dealers A and B. He raises his hand and waits until he is called upon before speaking. Once recognized by this crazy person, he responds:

"What do you mean, simplify this business? Hell, this is the most simple business there is. I've been doing this for umpteen years and it's as simple today as

it was way back when. All you do is buy a TV for two hundred bucks, mark it up three to four times, divide that by 18, put it out for 99 cents to whoever walks in your door, and then sit back, play golf, look for storefronts for your next location and wait for a short period of time to get rich quick.

"How much simpler can it be?"

By now, the convention hall is buzzing. Dealer C has the place in an uproar. Boy oh boy, talk about dealer participation — everyone wants to get in on the act of voicing their two cents worth on that one. (Let's see, now: Two cents divided by 18 equals ... hmmmm, oh, never mind.)

Suddenly, a usually quiet, real "business-person" looking dealer from the East Side Of (that's right, that's the entire name of his town — East Side Of) stands up and says:

"It's just not quite that simple. You forgot to mention that while you're laying back getting rich quick, your employees are getting burned out chasing the 99-cent customer trying to collect your 1/18th of a fortune."

And, while they're doing this, it appears that too many things are happening as a result (none of which seem any good), such as: Your vehicles get banged up and used excessively; your help is on the road increasingly more, therefore costing you twice their hourly rate (this is true because they only work half as much); you wind up in court defending yourself against

.....

BY

ALAN DOBZINSKI

someone breaking down the door trying to collect your fortune; and, maybe worst of all, you wind up with a store full of used, beat up merchandise to re-advertise, re-sell, re-pair, re-deliver and probably re-possess (again).

"Doesn't sound like such a great business to me?" concludes Mr. Business-Person.

But of course, as expected, here goes dealer C again, shouting:

"Man, looks like we got two crazy people in the room," at which time the hall breaks into laughter (except of course for Mr. Business-Person and myself). Dealer C then continues (did we expect anything but) by stating:

"You just don't understand rent-to-own. If the merchandise is returned we just patch it up and put it back out on the street for another 18 months — that's the beauty of this industry. It's real simple. Like I said, I've been doing this for years."

It seems to me that times have changed, only the industry is lagging behind. Talk around the convention hall is that there is no rent-to-own financing available. Good point. The answer is easy: The reason there is no rent-to-own financing is because there is really no rent-to-own industry (at least as we knew it five, 10 and 15 years ago).

Now, I may be crazy, but I'm not stupid enough (yet) to make that statement in the convention hall because the dealers from Texas might have me strung up with a noose around my neck, tied to one of those newfangled RTO delivery vans.

So, let's drop this humorous tone, since the current (lack of) financing in our industry is really no laughing matter.

It's my opinion, as an RTO dealer, that rent-to-own has changed — changed dramatically, in fact, over the years. It is certainly more competitive; the customer base has gotten more sophisticated; collections problems are on the rise; there is a shortage of qualified, non-burned out employees in the business; profits have shrunk; BOR is down in many instances; and a "shakeout"

CONTINUED ON NEXT PAGE

# How to react once your credit's gone

BY

ROGER SHARP

•••••

MORE AND MORE RENT-TO-OWN DEALERS THESE DAYS ARE FACED WITH THE PROSPECT OF LITTLE OR NO FINANCING. WHAT CAN BE DONE? DEALERS STUCK IN THIS DILEMMA SEEM TO GO THROUGH THE SAME OR SIMILAR THOUGHT AND ACTION PROCESSES.

SOME EITHER DON'T UNDERSTAND THE SITUATION THEY'RE IN, OR DON'T KNOW HOW TO CHANGE.

•••••

First, human instinct cries out: "My banker has no right to expect me to give up my current financing plan or even to have it changed. After all, my business is doing nothing different than what the industry as a whole has been doing for the last 10-plus years. I have paid my bills. So why should I change the status quo? Why am I being singled out and treated unfairly? Why, after all these years, is my banker trying to put me out of business? I thought he understood that this is the way RTO operates."

The dealer that maintains this attitude will probably not survive.

Some dealers will be able to reach the second level. Here defensive nature and a revengeful state step forward. "Well, if my banker wants me as an enemy I can certainly make it tough on him. He cut me off so I'll not cooperate." Dealers at this level consider and may even file Chapter 11 bankruptcy proceedings. The thinking here is, "I'll force my banker to continue financing my business my way." Others being more aggressive will look into lender liability laws in an attempt to get even or punish the banker.

You know, it's the "I'll show him for doing me wrong" attitude.

At this level probably as many dealers who survive will also fail. On the bright side, if a dealer goes to this level at least he has doubled his chances of survival. The sure winners, however, will be the attorneys.

Finally, reality and the entrepreneurial spirit will take over. "You know, my banker probably has just done me a favor. I have a new challenge to face. I have a new opportunity to significantly reduce my debt. By doing this my business will become much more financially sound and independent."

Those dealers who reach this metamorphic level, by and large, will survive and thrive. Dealers at this level will recognize that the RTO industry must change from what bankers call evergreen financing (where debt is maintained and not really decreased) to self financing through the company's own cash flow.

Yes, this level will be hard to reach, but surely the end result will be worth the effort. Assistance from your banker to make this transition would certainly make it easier. Working together will benefit all who reach and accept this level of change in the RTO industry. **PR**

*Roger Sharp is owner of Appalachian TV Rental and a veteran APRO board member. He currently serves as APRO Second Vice President and is chairman of the association's publications committee.*

Continued from previous page

has taken place causing several foreclosures, bankruptcies, takeovers and acquisitions. Although there are more stores today, there are probably fewer players. And, if it keeps going the way it's been going, there will be even fewer players in the years to come.

So, what can be done about this, you may ask?

The answer is: And you may not want to hear this, but ...

Turn! Turn! Turn! The basic concept in any business is turn — turn the merchandise over as fast as possible and get your money.

In our industry, this can be done by implementing 12 month rent-to-own. This concept creates many positive solutions to age-old problems, such as better paying customers, less turnover of store personnel, decreased service expense, and a higher ARU (average revenue per unit) and keep rate — just to name a few.

Furthermore, and this may be the most needed change in today's RTO



*This is an artist's conception of Alan Dobzinski's fictional character, 'Dealer C.'*

environment, it would create more equity. And that would be helpful in attracting new financial sources.

Our so-called industry has been living in the business world without this concept for far too long. It's time we lived with it and joined in, as I believe this is only the first chapter of a very

long story.

PR

*Alan Dobzinski is president of The Rental Experts, Inc., New Haven, Conn., and principal of Alan Dobzinski & Associates, consultants to rent-to-own businesses. The 13-year RTO vet is on the APRO board and president of the Connecticut dealers.*



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# Wage-hour experts on call for APRO members

**H**ow often have you wished for a consultant, on call, when you need immediate advice on crucial problems concerning wage-hour, equal employment, discipline, holiday pay, employee theft or drugs, or other human resource and management problems?

Violations of federal wage-and-hour laws and Equal Employment Opportunity (EEO) regulations can cost businesses thousands of dollars in back wages, legal fees, non-compliance charges and more.

To provide its members with specific, accurate information on how to comply with these complex and fast-changing laws, APRO has an agreement with Harry Weisbrod Associates, Inc., a consulting firm whose expertise on rules and operating procedures of agencies that enforce labor-related laws is unequalled.

Over the years, Harry Weisbrod Associates has saved companies millions in back wages and compliance.

Under the agreement with APRO, Harry Weisbrod and Brian Farrington provide telephone consultation to APRO members, offering practical, valuable advice to prevent violations of labor law and employment policies. APRO members with specific questions will get answers with this "hot-line benefit." Members who think they are in compliance with government labor laws, but want to make sure, can gain peace of mind.

Just call (214)373-0435 and ask for Harry Weisbrod or Brian Farrington. There's no charge for most calls that can be answered quickly and without a lot of followup. If more extensive consultation or representation is needed, a discounted fee is possible.

Weisbrod worked for the U.S. Department of Labor's Wage and Hour Division for almost 18 years before forming his company in 1968.

Together, Weisbrod and Farrington have more than 50 years of expertise in wage-hour issues and have suc-

cessfully represented organizations — including rent-to-own companies — throughout the United States on wage-hour and EEO matters.

APRO members have received substantial benefits from this service in the past. An APRO member in Illinois was assessed \$15,000 in back wages by the U.S. Department of Labor. The member called Harry Weisbrod Associates. The case was settled for \$1,000.

Another APRO member, this one in Nebraska, faced more than \$20,000 in back wages. He wound up paying the token sum of about \$200. That member wrote that it was a "real pleasure watching Harry operate."

Membership in APRO is valuable for a lot of reasons. One unique benefit is the wage-hour/EEO hotline. Members should become aware of and use this service when the need arises. The number again is (214)373-0435.

— Ed Winn, APRO legal counsel

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# How to go about 'de-hiring' people

TO LET LOOSE OF A KEY EMPLOYEE IS TOUGH. TO HAVE TO FIRE AN EMPLOYEE WHO MIGHT EVEN BE A FRIEND IS EVEN TOUGHER. I'M SURE YOU'VE HEARD THIS BEFORE: "THE STORE IS JUST NOT PERFORMING AS WELL AS IT SHOULD, AND I AM HAVING TO DO OTHERS' WORK." IN HIS HEART, THE STORE MANAGER KNOWS THE PROBLEM.

An employee in a key position, such as a lead account manager, a salesperson or an assistant manager, is in "over his head" and is not performing well enough for the store and manager to be successful.

Performance problems are not confined to just the lack of accomplishing the duties of one's job. They might include punctuality, attendance, consistency and the employee's effect on others.

Problems can occur with any employee, not just a key employee. Regardless of the reasons for the performance deficiency, the manager is left with a very tough decision and possibly the distasteful task of termination.

Experience has shown that while most companies and managers are quick to respond to serious violations of policy, such as falsifying documents or theft, they are very slow to respond to performance problems. This results in a lack of accountability and lowered performance expectations with others, which cost BOR (balance on rent) and profits.

Managers respond quickly when money is taken, but do little if it is lost by poor performance. How many customers have to be lost, because of employee performance or attitude, to exceed a several-hundred-dollar shortage in the cash drawer?

The legal aspects of terminating an employee have caused some managers to accept poor performance and avoid termination, hoping the employee will quit on their own. However, problems that are not addressed do not go away. They intensify. Problems that are sidestepped usually become more difficult to handle.

Even those managers who are not intimidated by the legal aspects do not respond to poor performance. One of the primary reasons given for not taking action is they don't know if they have given the employee enough time and assistance to improve and solve the problem. They feel uncomfortable, not only in making a decision but also in taking responsibility for the decision. They appear to be afraid this decision may cause conflict with the employee, not to mention their own internal conflict.

Another reason managers don't act is they don't know how to carry out their decision. They are not only afraid of legal problems, but they also fear they will not handle it well.

We'll address both reasons for not responding to performance problems. It will give managers insights into how to make the decision and, if necessary, deliver the message. It will also provide ways, if termination must occur, to make this

.....

BY

WAYNE OUTLAW



easier for both the manager and employee.

### A manager's responsibility

When looking at or evaluating performance, it is essential the manager separate behavior and performance from the person. This will allow both the employee and manager to be objective. Lack of objectivity causes the manager to make illogical and poorly thought-out decisions.

Managers have the responsibility to ensure they provide what is needed for the employee to do the job. Before any discussion on performance problems is initiated with the employee, the manager must answer these three questions:

1. Does the employee know the manager's and company's expectations? Has the "how," "what," "when" or

"how many" been explained? It is best to have this in writing. The employee must have a clear understanding of expectations to fulfill them.

2. Has the employee been given adequate training and the opportunity to learn the skills needed? Compare the employee's training and skill level with other employees in similar positions, though the real measure is against a preset standard of performance, not other employees. How do they perform in comparison?

3. Does the employee know how he or she is performing? Have they been given candid and frequent feedback so they not only know how they are doing, but what must be improved?

### The employee's responsibility

The burden of responsibility for per-

formance rests squarely on the employee. The manager cannot accept the idea: "If I could do more, they might perform." Experience has shown that if the manager gives more time and effort to the employee, it rarely results in positive performance.

Once the manager is satisfied the employee can do the job, there are only two or three remaining factors. "Does he want to do the job?" "Is she willing to commit the necessary time and energy to do the job?" Or: "Does he have the desire and willingness to make the sacrifices needed?"

Most performance problems can be traced to a "no" answer to one of the above questions. More time and assistance from the manager will rarely change the employee. If the employee has not met the minimum standard or

CONTINUED ON PAGE 32

*To succeed in the '90s employment environment, companies must start*

# *Making RTO a career move*

CAREER EMPLOYEES ARE HARD TO FIND. THEY'RE EVEN HARDER TO KEEP. TALK TO MANY UPPER OR MIDDLE MANAGERS AND THEY WILL TELL YOU THAT TURNOVER IN THEIR COMPANY IS BORDERING ON CHAOS. BUT ASK THE SAME QUESTIONS OF MANY FRONT-LINE MANAGERS, AND THEY MAY GIVE YOU A MUCH DIFFERENT VIEW.

To them, turnover is a "weeding-out" process whereby they are able to eliminate the weak performers. The idea that turnover will improve any store's performance can be a very expensive potential minefield of misconception.

## **The employment environment**

Not too long ago, turnover was viewed by most business owners and managers as part of the territory. If a guy could not get your card close or make your deliveries on time, you simply fired him. Job performance was viewed as the sole responsibility of the one doing the job.

That will no longer work. Sure, you can fire that nonproducing employee, but then he ends up drawing unemployment and costing you more. Or you fire him in anger or fail to do any consistent documentation of his job performance, and you end up in court trying to defend your actions in front of a jury. In most such cases you will learn too late that government agencies and juries are on his side.

The history of rent-to-own employment has not been very pretty. When you consider the type of hours most front-line people must work, there is very little left for a family life. If the structure of a job is destructive to marriage and family rela-

tionships, most of the type of people we want to retain will look for another job rather than fight at home every night and weekend.

The assumption that job comes first, no matter what, is now a dinosaur that is about to pass out of existence. In fact, if we don't change it willingly and proactively, we will not be able to compete for the type of employees that we can grow with.

*Personnel Journal* recently reported a survey that was done by the Hilton Hotels Corporation. Of the respondents who earned at least \$30,000 per year, 70 percent said they would give up a day's pay each week for an extra day off. Among those who earned \$20,000 or less per year, 48 percent said they would do the same. When presented with eight goals and asked to rank order them by personal choice, 77 percent selected "spending time with family and friends" as their top priority. "Making more money" ranked fifth and "spending money on material possessions" ranked last.

Why would anyone want a career in rent-to-own if it destroys their family and wrecks their health from constant out-of-control stress, and the threat of termination hung over their head from one card close to the next?

CONTINUED ON PAGE 20



.....

BY

KENT SUTHERLAND

But how can it be improved?

### There is a better way

Quit trying to drag the past into the present. Let it die. It wasn't that great anyhow.

The ways "we used to do it" must be allowed to shrivel up and pass on. A very great man once said: "Those who refuse to learn from the past are destined to repeat it."

Sure, there were lots of people who made lots of money in the '70s and early '80s, even though they had very high turnover in both customers and employees. That business environment has dramatically changed.

Every management level in our industry must now realize that every customer represents a very specific and measurable revenue potential. Every lost customer must be literally measured in terms of a specific number of dollars walking out the door.

The same is true of employees. The reality of turnover is much broader than some store manager's inflated



ego. The situation can easily exist today where a store is doing nothing more in profit generation than paying for its own rate of employee turnover. That is an expensive misconception.

Forget about the way things were done "in the good ole days." Attend a good seminar on employment law and find out what must be done in today's work environment. Take a hard look at the bottom line and measure every item which has erased profit dollars. Break down your "employee

cost" into specific line items which will correctly measure insurance premiums, unemployment payments and taxes, product replacement from careless defacing or destruction, personal injuries, vehicle accidents, overtime payments, customer and revenue losses as a direct result of having to put a new employee on the job, and on and on it can go.

Turn a very bright spotlight on the environment in which employees must do their jobs. That environment consists of at least two basic elements which constantly interact.

First, look at the employer's written or unwritten expectation of what that employee must do. That expectation can be transmitted through a carefully written job description, and/or the actions and attitudes of that person's immediate supervisor. Management people not only read words on a sheet of paper, they also interpret what they mean and translate them into some form of action. This can lead to inconsistent communication of expectation.

Second, every person lives and works in an internal environment of "feelings" which can change in an instant. How do our people "feel" about the emotional environment created by the various levels of management? Are they made to feel expendable and temporary or are they made to feel that they can succeed at the job?

### Foster a rewarding work environment

Create a positive work environment where people are more important than a system. Here are some critical questions you might want to ask to assess the current work environment:

1. What are job applicants being told during interviews?
2. Are we living up to those promises, or ignoring them?
3. Are we attracting the type of job applicants who are both employable and trainable?
4. What is the structure of a new hire's first day on the job? First week? First month?
5. How are expectations being communicated to new hires?
6. Who is responsible for orienting new employees to the job, the company and the industry?

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— Ron Sowers

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*Employees work to have a good feeling about what they are doing and the direction their life is taking. This is the underlying expectation of every person on the payroll of every company. Their paycheck is not viewed as a reward for doing a good job. It is assumed and even expected. They look for other rewards which make them feel successful at what they do.*

7. Is an exact sequence of information identifiable?

8. Is there a consistent system of employee development?

9. Is that system followed with every new employee?

10. Are all employees given sufficient feedback to succeed in the performance of their job?

11. Are all employees given a fair opportunity to grow in their job skill?

12. Does the service delivery system include safety training and safety procedures?

13. In what special ways is outstanding job performance recognized and rewarded?

14. Are employee development and promotion policies fair to every employee?

15. If I were job hunting, would I want to work here?

The consistent development of human resources must be at or near the top of every business list of priorities. The system within which business is conducted must be the servant of the people, not the other way around. When we feel ourselves to be subservient to a system, we begin to lose creative motivation to do the job.

Employees work to have a good feeling about what they are doing and the

direction their life is taking. This is the underlying expectation of every person on the payroll of every company. Their paycheck is not viewed as a reward for doing a good job. It is assumed and even expected. They look for other rewards which make them feel successful at what they do. If those rewards are ignored, the expectant employee will look for them at another company.

The rent-to-own industry can still be one of the fastest career tracks in the business world. The tragedy is that too often we have created a system and an employment environment which wears people out, uses them up, and casts them aside. The assumption that our system cannot be changed to accommodate the needs and expectations of our employees is not only untrue, in many cases it is unlawful.

Think about it.

PR

*Kent Sutherland is director of human resources for Action TV & Appliance. His byline has appeared in Progressive Rentals before, but it's been several years since the last time.*

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*Sophistication in features, consumer knowledge true for today's rent-to-own*

# Audio/video

NINETEEN-NINETY-ONE'S ELECTRONICS CUSTOMER IS NOT NECESSARILY LOOKING FOR WHAT'S NEW, BUT FOR WHAT'S BETTER, SAY BOTH ELECTRONICS MANUFACTURERS AND RENT-TO-OWN DEALERS. THIS MAY BE NOT SO MUCH A YEAR FOR INNOVATION, BUT THE YEAR OF THE UPGRADE.

TODAY'S ELECTRONICS CONSUMER IS AN EDUCATED CONSUMER. MANY OF THOSE SHOPPING RTO HAVE ALREADY SHOPPED THE RETAIL STORES.

They found exactly what they were looking for — and found out they couldn't afford to buy it retail. So, they are turning to rent-to-own as a means of acquiring the electronics upgrades they want.

Bill Park, executive vice president of product sourcing for Curtis Mathes, says rent-to-own is "a growing market because young people can't afford the electronics they grew used to" while living at home, so they're turning to rent-to-own as a means of maintaining their lifestyles. These customers are particularly interested in quality sound, which broadens the market for stereo televisions, hi-fi VCRs and higher-end sound systems.

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BY

BARBARA

STOOKSBERRY

## Getting better all the time

Most innovations in sound systems have started at the high end of the spectrum, which has kept such products from having wider appeal. However, there is a "lot in the works" in audio at more attractive price points, according to Park.

"Better sound systems, while not the bread-and-butter rental product, are a peripheral, expanding rental market," he said.

John Blair of TRIB Group, a nationwide buying organization for small- and mid-size RTO dealers, says: "Nine out of 10 rent-to-own customers know what they want when they come in. They know what's a good value, and they're looking for name brands," he said.

Audio/video systems are in big demand now, according to Blair. Even such higher-end combinations as 27-inch consoles, VCRs and CD players all rolled into

one are fairing well.

The RTO customer is going for the vertical, contemporary look in high-quality cabinetry with places for the VCR, stereo and speakers on the side or below. "They're willing to pay for quality if it looks good and enhances the furnishings of the room," Blair adds.

Blair is finding more demand for tabletops than for consoles and, even though the market for 19-inch televisions is still very strong, there is increased interest in screens that are 20 inches or more, including large-screen projection TVs.

There is also a strong market for 100- and 120-watt stereo systems with CDs and lots of lights and whistles — a lot of flash for impressing friends who drop over. In addition to home entertainment centers, the portable monoblock systems that can be put on a bookshelf are also popular.

David Claus, PR coordinator for Sanyo-Fisher, maintains that such features as Dolby Pro Logic, which were formerly considered too high-end to interest many customers, have become almost standard, as they've come down in price points and become better understood.

"The new technology is emerging at more accessible price points," said Claus. Dolby Pro Logic, he adds, is the hottest technology currently available. Fisher has a new line of A/V systems with new televisions and powerful audio components.

## Let's upgrade, shall we?

Market demand shifts to the higher end when prices come down on commodity

CONTINUED ON PAGE 43

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# *You're playing with POWER*

WHEN I WAS A KID GROWING UP, WHILE OTHER KIDS WERE COLLECTING BASEBALL CARDS AND BUILDING MODEL AIRPLANES, MY HOBBY WAS NUMBERS. I LOVED THE CLEANNESS AND PRECISION OF MATHEMATICS AND GOT A GREAT DEAL OF SATISFACTION FROM THE COMPLETION OF SOME ARITHMETIC PROBLEM. I USED TO PLAY THE NUMBERS GAMES IN MY HEAD AND USED THEM TO AMAZE AND ASTOUND MY FRIENDS, NOT TO MENTION WIN NUMEROUS BETS WITH THEM.

With this background, it's hardly surprising that I ended up in the accounting field. But even for guys like me, accounting in most industries can be pretty dull. So I floated in and out of the field for years. Until I discovered rent-to-own, the number-cruncher's paradise.

Numbers in our industry don't look or behave much like any other industry, and hence prove to be a challenge for someone like me who likes to study and manipulate statistics. But the same uniqueness of RTO numbers that fascinates me has long been a problem for dealers who show their financial statements and operating numbers to lenders, landlords and suppliers' credit departments in hopes of proving their financial stability.

The simple truth is that most people don't understand the dynamics of numbers in our industry, and the basic principles of a cash-flow business.

Since our industry does not have its statistics collected by any of the traditional sources, potential lenders have no way to benchmark a dealer's relative financial position to similar businesses. APRO leaders decided several years ago to make an attempt to collect industry statistics and be the clearinghouse for credible comparative numbers for the industry. The first few attempts at this process were largely directed toward "non-financial" oper-

ating numbers because, at that time, with the presence of "evergreen" financing from BWAC, Chrysler and others, there was little need to have much else in the way of statistics.

However, with the financing shakeups that have occurred during the last several years, hard financial statistics became essential as more and more dealers approached non-traditional lenders for credit lines and traditional lenders phased out the evergreen concept.

For this reason, I decided to volunteer to spearhead the effort to collect and analyze the most recent version of APRO's industry survey.

The most recent survey, completed in mid-1991, was significantly more successful than previous efforts. Response to the questionnaire was almost 28 percent of RTO companies polled. This response, which was fairly evenly distributed over all size classes of dealers, can certainly be viewed as a significant sample of the industry as a whole.

It would be impossible to relate to you here the entirety of the survey. Those companies that responded have received a detailed copy of the results, and many of their representatives attended a seminar on interpreting the survey during the Las Vegas convention.

CONTINUED ON PAGE 28

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BY

TED WILSON



## RTO INDUSTRY KEY NUMBERS

Total RTO industry annual revenues	\$3,574,500,000
Total units on rent by the industry	4,575,000
Made up of:	
TVs	1,033,950
VCRs	635,935
Stereos	443,775
Appliances	1,098,000
Furniture	1,175,775
Jewelry	54,900
Other products	132,665
Total customers renting	2,914,000
Average units on rent per customer	1.57
Rent-to-own transactions:	
Deliveries	9,000,000
Pickups	6,120,000
Payouts	2,160,000
Chargeoffs	270,000
Estimated number of RTO employees	38,403
Estimated annual wages paid to RTO employees	\$810,339,200

*This table shows the highlights from APRO's most recent RTO statistical survey.*

### Continued from page 26

Here's a brief overview of some of the survey highlights, and my analysis of their importance and meaning. Using the numbers produced by the survey, we were able to extrapolate the general industry statistics shown on the table above entitled: *RTO industry key numbers*.

Respondents to the survey indicated that 89.2 percent of their business is rent-to-own, 5.6 percent rent-to-rent and 5.2 percent retail. The percentage of RTO business is up slightly over previous surveys.

On the average, respondents stated that they employ five employees in each store. The average store has 3,285 square feet and cost \$1,913 to rent each month. Most companies with less than 20 stores do not warehouse their merchandise in separate facilities. That's not surprising, since smaller dealers' stores' square footage is

typically 20 percent larger than for bigger dealers.

Most dealers stated that furniture and appliances are most often kept by customers until they own them, and electronics least often. Dealers were fairly evenly split between the use of internal and external service facilities.

On the average, 85.4 percent of rental dealers pay some part of their employees' health insurance coverage, with the average portion paid being 80.2 percent of total cost. Larger companies tend to pay for some portion of the coverage more often than smaller companies, but the percent paid is fairly constant throughout company classes.

The average rent-to-own store has an average price per unit (price charged the customer) of \$52.86 and an average unit yield (rent, fees collected/units) of \$49.18. Larger companies have a tendency to have higher APUs and unit yields than smaller companies. The average store has 100

deliveries, 68 pickups, 24 payouts and three chargeoffs per month, and a BOR (balance on rent) of 610.

On the average, dealers projected 15 percent to 20 percent growth for 1991-92, achieved primarily through opening new stores. This seems to me to be a somewhat unhealthy indicator of "maxed-out" stores in an already overcrowded industry.

More than half of the responding dealers have credit lines with traditional RTO lenders, but almost 25 percent are utilizing banks as a financing source. The most prevalent type of credit facility is a revolving credit line with caps on dollar amount and multiple of revenue.

Depreciation of merchandise methods are still all across the board, with the most used method being some form of straight line. No significant shift of methods was noted from previous surveys.

Financial data received indicates that, on average, the most profitable dealers percentage-wise are the one-store operators. Five- to 10-store operations also show reasonable results, and so do 20-plus store chains. Overall, the survey indicates a 3.64 percent profit before tax for all responding companies. For me at least, this points to the problems encountered by companies trying to grow and experiencing the "bullet-biting" plateaus encountered along the way.

Throughout the survey, the results consistently show the smallest and largest dealers with the best operations, with those in between struggling with growth-associated costs. One great surprise to me is the similarities of the largest and smallest companies in the success of their operations. I can only assume that this is a result of the hands-on management of small dealers, and the ability and financial strength of large dealers to attract and hire competent middle and upper managers to run their operations.

This brief overview highlights the importance of the APRO annual survey. The more companies that choose to participate, the more credible the numbers become to those using them. You as a rental dealer should want to know how your numbers stack up against other companies the same relative size as yours. In a conversation with some representatives of a major

*It's almost time for this year's questionnaire to be distributed. It should be simpler to complete, with more concise instructions than ever before.*

*I encourage each of you to make the effort to participate. The development of continuing, meaningful industry statistics may be the key to RTO businesses' future.*

lender, they said it's not likely that some dealers who have recently failed knew what was coming until the bottom fell out of their evergreen financing. The APRO survey results can help you determine your relative financial health.

As I mentioned before, the survey results are available only to companies that respond to the questionnaire, and qualified potential financing sources. Any bank, financing company or other credit source may receive a complimentary copy on request from the APRO office, so if you are applying for credit from one of these sources, please advise them of the availability of the survey results.

It's almost time for this year's questionnaire to be distributed. It should be simpler to complete, with more concise instructions than ever before.

I encourage each of you to make the effort to participate in this very important project. The development of continuing, meaningful industry statistics may well be the key to RTO businesses' future health. **PR**

*Ted Wilson is Alrenco's vice president in charge of finance and administration. He is a sixth-year member of the APRO Board of Directors and recently completed his second consecutive term as APRO president and board chairman. He still serves on the association's executive committee.*

*Continued from page 11*

ment needed to make the rental. Don't miss out on a rental just because you failed to maintain a sufficient supply of contracts or other paper needs. Winterize your vehicles so cold weather doesn't slow down your business during this key fourth quarter.

The points in this article, for the most part, are merely examples of common sense; a back-to-basics outlook. I hope it will be helpful in refocusing your thoughts on those basics — rent, rent, rent; collect, collect, collect.

If we all master those basics, we will see that strong bright future. **PR**

*Roger Sharp is owner of Appalachian TV Rental and a veteran APRO board member. He currently serves as APRO Second Vice President and is chairman of the association's publications committee.*

...  
*(Editor's note: Sharp and fellow APRO board member Alan Dobzinski team up this issue with articles in RTO Finances department, pages 12-13.)*

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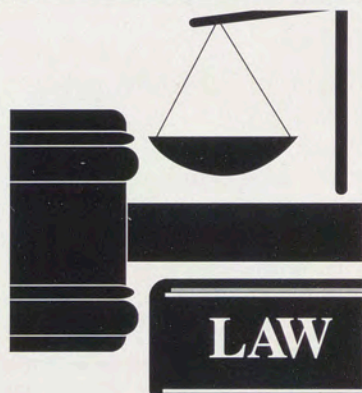
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*There's a storm brewing in the West*

# California, here we come

IN THE LONG MARCH OF OUR INDUSTRY TOWARD LEGAL SAFE HARBOR WE HAVE EXPERIENCED MUCH SUCCESS, TEMPERED BY SOME DISAPPOINTMENTS. ALWAYS WE'VE HAD TO STRUGGLE FOR WHATEVER SUCCESS WE ACHIEVED. NONE OF OUR LEGISLATIVE SUCCESSSES HAVE COME CHEAP OR EASY.

.....

But to be able to say that in seven years we, as an industry, have managed to cover 74 percent of the consumers of this country with fair rental/purchase laws — laws that protect the consumers we serve while ensuring our right to do business — is a remarkable achievement.

The record: 29 state laws in seven years, and six of them were passed this year. It is a testament to what dedicated people can accomplish when they are committed, focused and competent.

.....

BY

RON WATERS

## We didn't start it, but we will finish it

We can't really claim to even have started these legislative struggles that, for the most part, we eventually won. However, we can say we had the foresight to take the initiative once the struggle was thrust upon us. We finished what was started by others.

Legal-aid lawyers filed the lawsuits of the 1970s and '80s that required defense of the rent-to-own industry's method of doing business, and "legal aid" ran to the state legislatures when most of those court cases did not go their way. But dedicated RTO people along the way jumped in to defend the business.

And we prevailed, if you want to look at it that way, although actually everyone came out a winner — in spite of the so-called consumer advocates' attempts

to "cut off their nose to spite their face." An industry was saved from being regulated out of business and consumers were spared the loss of one more option. Because of the laws that are on the books today, consumers are protected from uninformed decisions through required disclosures of total price, late payment, default and reinstatement rights.

## Calif. promises to be a roller-coaster ride

There is another struggle before us. We are about to be called upon to reach into our collective well of strength, energy and wisdom to finally resolve one of the most difficult legislative challenges to date — California. We tried to get ahead of our critics in California by introducing legislation three years ago and attempting to negotiate a bill we could all live with. However, we withdrew after it became apparent the other side would not back down from unreasonable demands.

In the meantime, we have tried to maintain some kind of network in the state among RTO dealers so a quick response would be possible should our critics seek state legislation again without working with us. That task has not been easy without some legislative threat to command California dealers' attention.

Now, we have no choice since rent-to-own is currently under a coordinated attack by the California Public Interest Research Group (CALPIRG), a Ralph Nader-inspired consumer advocacy organization. CALPIRG has been holding a series of press conferences across the state "exposing" the "hidden costs" of RTO and indicating their intention to seek state legislation to "have it brought under the umbrella of existing California consumer protection laws."

This legislative battle may be the most difficult for RTO dealers since Pennsylvania and will require the utmost

*Eventually we will see laws in California and New Jersey, because our critics will not give up until bills regulating rent-to-own are passed. And these two states hold most of the percentage of consumers not yet covered by rental/purchase law ...*

*Most recent legislative battles have centered around secondary issues of the business — collection procedures, add-on fees, advertising methods, etc. This one (California) will probably refocus attention on the core or primary issue of re-characterization.*

attention to escape a similar result to Pennsylvania's. We'll need to be highly organized, financially prepared and legislatively creative to save the consumers and the industry from the well-meaning but misinformed proposals of the consumer advocacy groups.

The finished product may not look the same as most of the other state laws on rental/purchase. Indeed, a victory may look more like New Jersey, where we currently have no state RTO law after fighting the New Jersey Public Interest Research Group to a standstill for the last three years. But eventually we will see laws in California and New Jersey, because our critics will not give up until bills regulating rent-to-own are passed. And these two states hold most of the percentage of consumers not yet covered by rental/purchase law.

### **CALPIRG attacks RTO industry**

The CALPIRG report (copies are available from the APRO office) is scary because of its emphasis on the "interest" issue as well as the operational methods used by the local industry. Most recent legislative battles have centered around the secondary issues of the business — collection procedures, add-on fees, advertising methods, etc. This one will probably refocus attention on the core or primary issue of re-characterization — what kind of transaction rent-to-own is — lease or sale. It will also probably add some new issues that dealers in other states have not had to deal with.

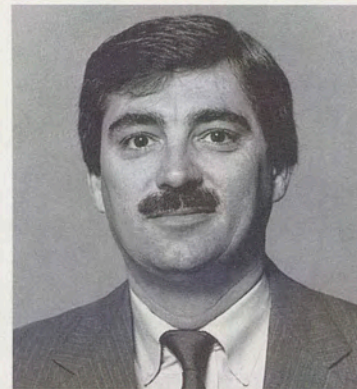
The CALPIRG report and California

press articles all mention the "equity" issue which was raised during the unsuccessful negotiations held three years ago. Equity could require cash back for returned merchandise after some period of contract renewal. Any new statute requirement in California could affect business practices in surrounding states and eventually reach the east coast as marketplace competition drives the practice across country. (A possible, and probably more plausible, scenario: Consumer groups in other states could seek to require the practice by seeking legislative amendments to existing statutes.)

### **A call to arms**

So, what happens in California has ramifications for us all, and it's important that we support the California rental dealers any way we can. It looks like they're facing a long and difficult legislative struggle, which the industry cannot afford to lose. If we are united, focused and competent in our approach, we should prevail. If you have stores in California or anywhere in the western United States and are interested in helping, you should contact us at APRO (512-794-0095) or arrange to attend the next meeting of the California Rental Dealers Association. The meeting is planned to coincide with the San Francisco Furniture Mart in January.

A reorganization meeting was recently held in Los Angeles and new officers were elected. Group members are capable, but would welcome any help. To paraphrase a famous quotation: "Now is the time for all good men to come to the aid of their industry." **PR**



**Ron Waters is APRO's director of government affairs.**

Continued from page 17

has an inconsistent performance record, it is time to make a decision.

### Making the decision

Remember the decision to hire and "de-hire" is not a personal decision but a business decision based on facts and logic. Feelings and opinions have no place here. The manager must be careful to separate performance from the individual. This will allow the manager's actions to be objective and equitable, so personal feelings or bias can't creep in and cloud the manager's judgment.

The most effective way to handle a performance problem is to "let the individual make the decision." The manager holds the employee accountable for their behavior and performance by:

- Identifying the specific problem or deficiency. This should be no surprise because the employee should be

getting frequent and candid performance feedback.

- Explaining what must occur for the deficiency to be corrected. Be specific about the behavior that is to be changed or the level of results to be achieved.

- Setting specific targets and deadline for their achievement. Break the changes or results to be accomplished into small manageable tasks so the manager and employee can determine if progress is quick enough. Even if the employee makes progress, it may be too slow.

After these things have been established, the employee will clearly know what must be further done to continue his employment. The burden of performance and keeping the job is on the employee, not the manager. After all, the employee is the only one who can correct the deficiency. The manager's job is to hold the employee accountable for reaching satisfactory or minimum performance standards and provide assistance if needed.

Several conditions may tell a manager it is time to de-hire the employee. It may be clear the employee has not made sufficient improvement by the date agreed upon. The employee may have made some progress but, even with additional time, the improvement will not be adequate. Improvement may have been made but the problem reoccurs.

Even if an employee has changed behavior or improved results enough to meet expectations, a problem can continue. Quick or frequent occurrence of the problem may signal that it has not been solved. An employee, who changes behavior to avoid termination only to revert back when the manager is not constantly monitoring, has not corrected the performance problem.

### Verifying the decision

Once the decision to terminate or de-hire the employee has been made, the manager must ensure he or she and the company are on solid legal ground.

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Before terminating an employee, the manager, a representative from corporate and an outside expert, such as a labor relations consultant or attorney, should review the situation.

The expert can verify that performance or conduct was unacceptable, fair warnings and a chance for improvement were given, the reasons for termination are not prohibited, and federal, state or public law and proper guidelines were followed. A labor relations consultant, such as the one on retainer for APRO members (*Harry Weisbrod Associates; see page 15 this issue*), can be very valuable in helping the manager and company plan how to carry out the decision once it has been made.

### Preparing for the interview

It is critical that planning and preparation are done before meeting with the employee for the termination or de-hiring interview. This is critical and will have a significant effect on how

tough it will be to carry out the decision. Managers who are poorly prepared and "wing it" usually do a poor job. As a result, problems often occur.

Before meeting with the employee, the manager must plan how the termination interview will be conducted. The time, place for the meeting, the reasons given for termination, the effective date of termination, how other employees will be notified and administrative details, such as recovery of property/keys and the payment of last wages, must be planned well. Under stress, they can be easily mishandled and cause problems.

One of the most important steps in preparing for a termination interview is for the manager to review what has occurred with the employee and get ready mentally. After having given the employee an ample opportunity to resolve the problem, it is critical the manager not second-guess the decision or his or her support of the employee.

Situations in which a manager has

allowed the employee to talk them into another chance have almost always been disastrous. Once the decision is made, the quicker and more efficiently it can be carried out the better it will be for the manager, the employee, the company and even other employees in the organization.

Many managers wonder when to tell the employee. There is no one answer. However, it should be done privately and with ample time for discussion. It should be done when the employee can leave without undue notice, since they may become upset. A natural time is at the end of the work day. However, the end of the work week is generally not the best time. Experience has shown that if it is done during the work week, the manager has the opportunity to explain the situation to employees the next morning rather than having rumors build up over the weekend.

While there are varied opinions, a

CONTINUED ON NEXT PAGE

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Continued from previous page

termination letter needs to be prepared and presented to the individual at the time of termination. This letter includes information, such as:

- The actual termination date.
- The time and place of the exit interview.
- Time and place to pick up the final check. (The exit interview should occur at this time so the individual will be sure to be present.)
- The return of all company information and property, including keys.
- All confidential company information must be treated as a trade secret and cannot legally be discussed with outsiders.

### Conducting the interview

After careful preparation, the termination interview must take place. The employee's immediate supervisor should be the one to conduct this interview. And while it increases the employee's stress and tension by having additional people present,



there may be times when it is prudent to have someone present to witness the interview.

It is essential that the supervisor take responsibility for the decision and not blame it on someone else. Not taking responsibility could cause a loss of respect and can even invite complaints and litigation.

Be firm. Any wavering or second-guessing will make it more difficult for everyone. Plan out specifically what will be in the interview. Make it business-like and to the point.

Just before meeting with the employee, review the reasons for the action and mentally get ready to conduct the interview. Your attitude here is impor-

tant. By not second-guessing yourself and seeing that this is a decision that must be carried out, you will be better able to handle it. Give straight and honest reasons for the dismissal. Vagueness only causes resentment. However, be sure the reasons given for dismissal do not violate the law and are approved by corporate and a labor relations consultant or attorney.

During the meeting, don't let yourself be drawn into an argument or any counterproductive discussions. If the employee becomes argumentative, you can give the reasons for the decision and firmly state the decision is not debatable.

Handle all the administrative tasks at the conclusion of the interview. Having the employee go home and come back later to turn in company property or "handle the details" will only drag out the process.

There is not an easy way to deal with a poorly performing employee nor is there any foolproof way to terminate an employee. However, allowing poor performance in an organization affects customers, employees and profit. Many performance problems can be avoided by ensuring these steps are always carried out:

- All those hired have the potential to learn and perform the job properly.
- The employee is given the training to enable him or her to develop the necessary skills.
- The employee is given management direction to understand what is expected and how to be successful.
- The employee is provided with detailed and candid performance feedback on a frequent basis.

By doing these four things well the manager can go a long way to eliminate the need to fire. However, when de-hiring is necessary, this article should help you handle it right. **PR**

Wayne Outlaw is president of The MARCON Group, which provides training, consulting and performance development programs for the rent-to-own industry. Outlaw is a member of the National Speakers Association, 1991 nominee for Entrepreneur of the Year and a certified professional consultant. MARCON's mailing address is P.O. Box 661, Mt. Pleasant, S.C., 29465. He can be reached at (803)884-9361.

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New Orleans is perhaps the most popular meeting destination anywhere. And it is the place where APRO convention-goers will find themselves next summer.

The Hyatt is APRO's official convention and trade show hotel. Situated directly across from the Louisiana Superdome, the Hyatt features an impressive vertical interior with glass elevators and one of the world's most remarkable sports bars.

Regular shuttles short-hop Hyatt guests from the hotel into the heart of the French Quarter and back.

So, get ready to "Jazz It Up!" with your RTO friends during APRO's 1992 convention and trade show, July 22-26 at the New Orleans Hyatt. **PR**

TEXT AND PHOTOS BY  
JOHN GORMLEY



*Entertainers are commonplace on the streets of New Orleans, and so are street cars. Try to find the one named 'Desire' and maybe you'll see Brando.*



*APRO members have fond memories of street parades and paddlewheelers in N.O.*

## What? Another Skip?

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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.

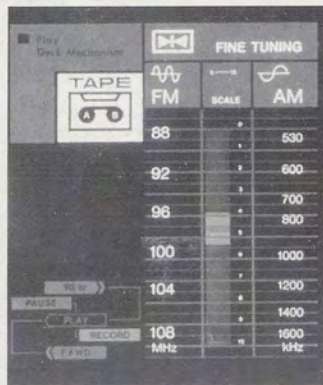
And every 14 minutes of every working day, Tele -Track's advanced network informs an inquiring merchant that a prospective customer is in the Tele -Track database as a known skip/stolen.

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## APRO, winter markets go together

APRO is again participating in the winter markets by setting up booths, hospitality suites and seminars for its members and others interested in the rent-to-own business.

The major winter electronics and furniture markets are in January and February, 1992. In the past, APRO has provided message boards at the markets for its members and participated as an exhibitor and clearinghouse of information on rent-to-own. This year will be the same, according to APRO Executive Director Bill Keese.

Here are the names and dates of the winter markets for '92:

- **International Winter Consumer Electronics Show** — Jan. 10-13, Las Vegas.
- **San Francisco Winter Furniture Market**, Jan. 18-22.
- **Atlanta Winter Furniture Market**, Jan. 25-28.
- **Mississippi Furniture Market**, Feb. 20-23, Tupelo.

For more on these markets and APRO's participation in them, read Keese's *RTO Perspective* column on page 8 this issue.

If you've got other questions on the winter markets, call Shelley Martinek, APRO assistant director of member services, at (512)794-0095.

## Fashion Craft offers ready-to-go jewelry

The Fashion Craft Corporation of Glenview (Chicago) has developed a new program featuring men's and ladies' 10- and 14-carat diamond and precious stone rings.

It has been named the ready-to-operate program because it provides the rental store with a turn-key program that includes the most popular selection of merchandise. It is supported by complete advertising, marketing and point-of-purchase materials, sales training and operational consulting.

The key to the Fashion Craft program is unit pricing. The merchandise is displayed by price points, attracting the customer to the price payment category that he or she is comfortable with.

For more information write: The Fashion Craft Corporation, 1824 Johns Dr., Glenview, Ill., 60025.

## Speed Queen, Amana combine

Raytheon Company has announced plans to consolidate the home laundry sales department of its Speed Queen subsidiary with that of Amana Refrigeration, Inc., the largest member of the Raytheon appliance group.

"Activities toward consolidation are under way and the change should take effect on January 1, 1991," said Max E. Bleck, Raytheon president and acting appliance group executive.

## TIME-LOC counters age-old line

"The check's in the mail, honest!" For years, these words have caused untold frustration on the part of dealers and collection managers everywhere.

Recently, however, some people in northern Idaho

have set out to change things and put the dealer back in the driver's seat.

After five years of engineering, testing and working directly with rental dealers, Northern Electronic Research and Development was formed and the TIME-LOC product was produced.

TIME-LOC is a small keypad device that easily installs on most televisions and appliances. When the customer rents the appliance, a weekly or monthly code is entered on the keypad. If the customer pays his next bill, he is given a new code to enter on the keypad. If he doesn't pay, the TIME-LOC unit turns off the appliance.

For more information on TIME-LOC, call (208)772-4979. Or, write the company at 8882 North Government Way, Suite X, Hayden Lake, Idaho, 83835.



**Charles Proctor retires.**



**Greg McManus is hired.**

## KitchenAid hires McManus as VP

Greg McManus has been named vice president, sales and distribution, for KitchenAid, according to

company president Ken Kaminski. McManus replaces distinguished industry veteran Charles Proctor, who retired in September.

Kaminski said McManus will be responsible for the continued expansion of the KitchenAid brand, which has enjoyed 20 percent-plus growth in each of the last four years. Kaminski also noted that McManus brings a unique blend of skills to KitchenAid thanks to his extensive major appliance industry experience.

McManus joins KitchenAid from the Matsushita Floor Care Company (MFCC), a joint venture of Matsushita Electric Co., Ltd., of Japan and KitchenAid parent Whirlpool Corporation. McManus held the position of general manager, floor care division.

## New book studies executive ambition

What is that line about how power corrupts? Were executives like Steven Jobs, Michael Milken and Richard Nixon somehow victims of their elevated position?

According to Robert E. Kaplan, author of *Beyond Ambition* (published in October by Jossey-Bass Inc.), skills, experience and vision play a role in reaching the executive suite.

But what truly sets most executives apart, according to Kaplan, is their "expansive" character — their deep need to master all aspects of their companies.

Expansiveness can have a powerful downside, however, particularly when "self-confidence" is replaced by a big ego that causes the executive to lose his objectivity and make poor decisions.

For more information on *Beyond Ambition*, call Bruce Katz, east coast, at (301)236-9319; or Laura Simonds, west coast, at (415)433-1740.

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- 04 "District Managers: Rules Keepers or Record Setters" - Bud Holladay
- 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
- 08 "Government Policies & Your Bottom Line: Protect Your Business" - Dave Egan
- 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
- 13 "Buying Furniture for the RTO Customer" - Furniture Panel
- 14 "Making Your State Rental Dealers Association a Success" - Ron Waters
- 15 "Developing a Winning Team" - Sandy MacMillan
- 16 "Effective Record Keeping" - Terry Beville
- 17 "Increasing Your Stores' Visibility Through Advertising" - Bonnie Nitzsche
- 18 "How Can I Benefit from an Employee Stock Ownership Plan (ESOP) - Anthony Vienna; Jerry Jones
- 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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*Isn't it about time we paid just a little more attention to employee*

# Education?

I WAS A COLLEGE PROFESSOR IN A FORMER LIFE. I READ ONCE THAT BEING A TENURED COLLEGE PROFESSOR WAS THE NEXT BEST THING TO INHERITED WEALTH. I DIDN'T HANG AROUND THE UNIVERSITY OF TEXAS LONG ENOUGH TO GET TENURE — IT MEANS YOU CAN'T GET FIRED OR LAID OFF — ANXIOUS, AS I WAS TO TASTE A LITTLE REALITY AFTER 27 YEARS IN SCHOOL.

.....

Little did I know how tumultuous reality could be. Jumping from academia to rent-to-own lawyer was a big jump. I've had no regrets, and I'm not looking back.

I have met, and I might not have otherwise, some extraordinary individuals who without the benefit of formal education have left their indelible mark on those around them. Education, formal classroom style, as much as you can stomach, was always a given for me. My father is still a college professor, and my mom was a school teacher herself. I never reflected on whether to go to college, merely where. I was probably somewhat of an intellectual snob as I meandered through those lengthy school years. My most recent decade in RTO, however, has taught me beyond peradventure that the lessons of life are not all in books. That was a startling revelation to a man who really thought they were.

I haven't swung so far that I really think less of the formal educational process. The quiet contemplation of the wisdom of the ages is heady stuff and a proper education can help one lead a more productive and meaningful life. What really happened was that I gained a new respect for what we often call "street

smarts." It is valuable stuff; it's not taught in school; and it, too, can help one lead a more productive and meaningful life.

All of which prefatory remarks have very much to do with the profitable renting of TVs, which is what you as rental dealers have chosen to do to give meaning to your lives and food on your table.

APRO, in fits and starts, has attempted to crank up a certification program for people serious about their business. We have a few certified rental dealers at various levels — too few. I can remember an APRO seminar in Phoenix a few years ago during which the speaker went around a roomful of owners asking what percent of their RTO budgets were devoted to human resources. One company reported 1 percent. The other 25 or 30 companies budgeted nothing at all.

It is no small wonder then that turnover in many RTO companies runs 300 percent to 400 percent a year. And it is no particular surprise to me when a dealer calls over a dispute with a local legal-aid lawyer and, at the end of the conversation, after my retributive fires have been fully stoked at the outrageous stance legal-aid has adopted, I hear: "Oh, by the way, we had a new guy at the desk, and when he filled out the contract originally, he screwed up some of the stuff." That's no way to run a business, and I suspect that even the authors of college textbooks have figured that out.

In addition to financing woes and a dearth of new products and new customers, we have a personnel problem in the industry, which could be partially allayed by a little care and feeding — a little education.

We at APRO used to run a lot of seminars to packed houses. Then attendance fell off, and we cut back the programs. I've never maintained that APRO held the keys to the RTO kingdom, although I've always thought that we could help

.....

BY

ED WINN III

all dealers. Maybe we failed to keep up with industry needs with our offerings. But I also know that education/training has never been a particularly high priority in most RTO companies.

Running through employees several times a quarter costs a lot of intangible dollars far beyond the cost of classified ads. I can't prove it, but I suspect that if you examine the 1,500-BOR-and-better stores in this country, most have store managers and a team of employees who have been there a while — like years and years. It takes a while to figure out a neighborhood, what works and what doesn't, and to build trust and intimacy with customers who will then pay the store back with their dollars and their loyalty. That simply doesn't happen when there is a new store manager and all new employees every week.

President Bush said that he was going to be the education president. Wayne Chambers could help by making a similar proclamation for APRO and our little corner of the world.

*President Bush said that he was going to be the education president. Wayne Chambers could help by making a similar proclamation for APRO and our little corner of the world.*

*You can hardly afford to send your people off to business school, but you could pay attention to those employees who take pride in their work and help them get better.*

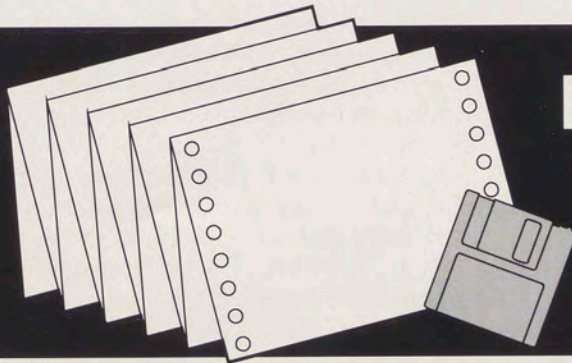
You, as dealers, can hardly afford to send your people off to business school for several years, but you could pay attention to those employees who take pride in themselves and their work and help them get better with a seminar or two. Education is moving far beyond the classroom, and lots of top-notch organizations — the American Management Association and the Center for Creative Leadership, to name a couple, are serious about teaching business fundamentals to people in the work force. All of those kinds of programs count toward APRO certification. The whole certification notion is merely

a mechanism to jump start serious employee training in our industry. As the industry matures and professional management becomes the order of the day, it is going to happen. Developing human resources will become an important part of the RTO puzzle.

As a former academic and a current in-the-trenches RTO lawyer, I know the value of education from whatever source. Isn't it high time we all made it an important part of our rent-to-own agenda?

**PR**

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



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*Government program set up to reward rent-to-own stores for not producing:*

## *A new deal for RTO*

A FUNNY THING HAPPENED ON MY WAY TO THE WORD PROCESSOR. I COULDN'T THINK OF ANYTHING REALLY FUNNY. THAT IN ITSELF IS FUNNY, BECAUSE RENT-TO-OWN LATELY HAS LOOKED A LOT LIKE EASTERN EUROPE (OR IS IT THE OTHER WAY AROUND?). COMPANIES HAVE BEEN FALLING FASTER THAN STATUES OF LENIN.

•••••

Meanwhile, the braintrusts are scrambling to come up with plans that will work. How about, "spend less, collect more?" Nah — too radical.

But there is a solution to the financing woes of all those RTO companies who find themselves maxed-out on their credit lines. The answer is obvious: government subsidy. Congress pays farmers NOT to grow crops, so why not pay rental dealers NOT to grow BOR? Some people I know could get rich on this deal.

It's a fairly simple idea. First of all, the dealer must be able to prove he's capable of growing BOR, but will probably go broke if he does. Then he goes to the federal agency in charge of subsidizing bad deals — not to be confused with the SBA or the Department of Defense — and makes his pitch. Once the dealer is approved, he gets a monthly subsidy for each unit he doesn't rent.

For each unit he used to rent, but doesn't now, the money is a bit more. For each unit he thought he could rent, but chooses not to, the money is a bit less.

That all of this might look a lot like the same deal the owner had on his old revolving loan package should not cast it in a bad light. As a matter of fact, no light should be cast on it all. Most government programs look best that way.

But what to do with all those stores, showrooms, trucks and warehouses the dealer's now stuck with? No problem.

The government simply places them in a trust. Then it hires people to go around clipping the weeds, washing the windows and airing up the tires until they can all be packaged up with empty banks and vacant condominiums for sale to foreigners who don't want to buy anymore of New York but still want to own an American city in a good neighborhood.

A positive side benefit is that thousands now on welfare could gain permanent employment performing such maintenance. Once gainfully employed, they'd have no need to rent TV sets, thus reinforcing the need for government subsidies to all those idle RTO dealers. This is known as "trickle down" economics. You can see that it isn't nearly as complicated as Mr. Reagan made it seem.

Needless to say, there will be lots of rent-to-own executives and managers sitting around with not much to do once this plan gets up to speed. That's another attractive benefit. Nothing changes for management.

As for all those route managers, clerks and service technicians now without suitable employment, re-training programs will be implemented. If all goes as planned, there will be enough qualified cable installers, drive-through window attendants and security guards available to satisfy nearly the entire job market for the next quarter century.

Some may think this idea far-fetched (no idea is ever near-fetched). Others will decry it as unfair to rental dealers who've fallen and can't get up. And still others can claim that it's easy to be generous when it's not your money. Obviously, the latter work for finance companies, so their opinions are biased. Never mind them.

Meanwhile, the remaining viable rent-to-own companies find ways to stay in business, rent product and earn respectable margins. Respectable, by the way, is anything over breakeven. But if any government program is going to work, some aspects of free enterprise have to be ignored.

•••••

BY

BUD HOLLADAY

It's only reasonable to pay RTO folks not to rent TV sets. For years, we've paid cotton farmers not to produce cotton, and wheat farmers not to raise wheat. Television sets are a commodity. Refrigerators are a commodity. Only diamond ear studs and gent's rings could be considered iffy — and then only until accessorized people have all the refrigerators they need.

Certainly there is real economy in paying some people not to do what they don't do best. If you disagree with that, you take issue with the entire concept of RTO financing and expansion over the last 10 years.

Arguably, RTO was conceived as an aberrant alternative to the unfair demands of retailers for timely payment on credit sales, so perhaps it's time to mainstream this commercial hybrid. The time has come to bring RTO into the twentieth century; in other words, create another government program.

A few big questions loom. Who to put in charge of this new bureaucracy? And what to call it? Well, in keeping with this corner's half-fast march to a different drummer, some ideas spring forth. And others are welcomed from readers who haven't yet torn up this section and made a funny paper hat with it.

It's obvious that only one man can be in charge of this operation. Nobody else but Ollie North has the experience in distribution, finance and government relations. Not to mention Fawn Hall's skill with a paper shredder.

The Great Depression spawned the New Deal. Woodrow Wilson wanted to "make the world safe for democracy." Lyndon Johnson tried to patch together something called the Great Society. And in the private sector, lenders have exhausted all avenues in trying to keep rental companies afloat. All this time, RTO mergers and buyouts took on the flavor of a television game show. So our new program borrows from all those and becomes: "Let's Make a New Deal."

If you think the exciting days of rent-to-own are long past, just imagine Oliver North, Fawn Hall, Monte Hall and 200 RTO dealers in the same room. Everybody gets name tags lest they be confused with Oliver

*There is a solution to the financing woes of all those RTO companies who find themselves maxed-out on their credit lines. The answer is obvious: government subsidy. Congress pays farmers NOT to grow crops, so why not pay rental dealers NOT to grow BOR?*

Hardy, Huntz Hall, the Hardy Boys and Bambi.

But back to the details. The idea of paying RTO stores not to rent units shouldn't be too hard to swallow. Some companies have been doing that for years. Others have been paying customers to rent TV sets, only to pay employees and managers to cancel the deal a week later. Some have even paid the competition for the right NOT to deliver to their customers, as well. That is known as a buyout.

So the premise is sound. Only the details have to be worked out, such as what to pay and how to be sure the government doesn't get our money's worth. That would mean the plan isn't working at all. This is something that should be clear to anyone who took eighth-grade civics.

The amount of payment would vary by dealer and locale. For example, a dealer in Helena, Mont., who doesn't rent 300 BOR should receive less money than a guy in Houston who doesn't rent 750 BOR. Fair is fair. It's harder not to rent to people in Houston than it is not to rent to people in Montana. Ask anybody.

The dealer will receive this payment in one check at the first of each month. No doubt that day will come to be known within the industry as Founder's Day. Not to be confused with Father's Day or Mother's Day.

And expenses or efficiencies should play no part in the calculation. Since nobody's paid attention to those yet, why start now and only make it harder? Keep it simple.

Recent conversations with our crack financial advisers from the firm of Milkem & Hyde have convinced me that subsidy payments should equal the greater of: profits unrealized from cancelled expansion; or free time given away to avoid court battles. Thus, both dreamers and schemers have an equal shot at economic recovery. This fits the criteria for any government program.

There is a flaw in the process. If this plan goes as expected, there will be tens of thousands of people holding rent-to-own products in their homes, and nobody will ever show up to collect a payment. Meanwhile, new product will languish in warehouses. If this looks like your business plan, no problem. But to others, a solution is required.

Every unit already on rent which produces no profit for the dealer will be considered educational expense, thereby qualifying the dealer for additional vocational training credits. Those include Caribbean medical schools and aluminum siding seminars.

Inventory available but not on rent will be counted as "stealth" inventory and will show up on nobody's radar. In other words, "it doesn't exist — you prove it does." This has worked just fine for dealers owing big property taxes, so there's no reason it shouldn't work for this.

Statistics show the average profit for healthy rent-to-own companies runs about \$3 a unit after taxes. The beauty of Let's Make a New Deal is that nobody pays taxes. So that figure has to be upped. Thus, the average payment for not renting units will be \$4.75 per BOR not rented.

And we'll know the program's working when we see a new trade magazine titled *P.S. (Progressive Subsidies)*. Meanwhile, *Inc.* magazine will become *Ex* magazine. And who would want to miss the newest issue of *Business Weak*?

But troubled RTO dealers shouldn't worry too much about what will happen tomorrow. In the words of a great philosopher and ex-furniture rep, just when the clouds are darkest, you're probably going to be blown away. **PR**

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



*Sort of like the advantage rent-to-own consumers enjoy, this approach lets you*

# *Try before you buy*

ASK MOST ANY RENT-TO-OWN DEALER TO RATTLE OFF THE PROS AND CONS OF JEWELRY AND HE'LL PROBABLY MENTION PROFIT AND INVENTORY, IN THAT ORDER.

JEWELRY IS AN ATTRACTIVE PRODUCT LINE FOR RTO BECAUSE OF THE POTENTIAL IN ADDITIONAL REVENUE IT REPRESENTS. HOWEVER, A DOWN SIDE IS OFTEN THE INITIAL INVESTMENT IN PRODUCT THAT MUST BE CARRIED ON THE BOOKS.

•••••

One company, ABS Artistic Jewelry, offers an alternative. Its "silver sample" program for RTO is set up so dealers can "test the waters before jumping in," according to ABS' Dan Moss.

Under the program, rent-to-own companies can buy a store kit that includes a product catalog, 26 to 180 pieces of silver-sample jewelry, point of purchase materials/signage and ring sizers. Customers can pick out what they want from the catalog and samples and, if it's a ring, have it pre-sized right in the store. From there, the salesperson calls in the order to ABS' 1-800 number. The order is processed same day and overnighted to the store, so it's waiting for the customer the next day.

Moss says the program offers convenience for the RTO customer and escapes some of the common drawbacks for dealers. "Instead of having \$10,000 or \$15,000 worth of jewelry in your store, you've only got between \$400 and \$2,000 total invested," Moss said. "The RTO dealer is able to offer jewelry without having to inventory the live product; he doesn't have a lot of money tied up in display merchandise."

Because of the nature of the product, jewelry sometimes requires increased insurance coverage, a special safe (for insurance purposes) and interest expense incurred on display inventory, if it was financed.

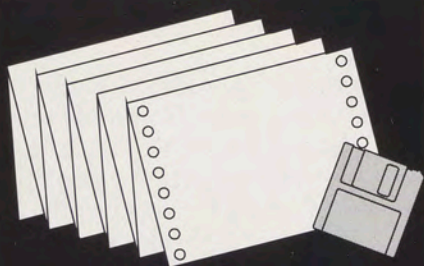
With ABS, the silver samples are inexpensive replicas of the actual pieces, with gold overlay. Using the samples and catalog, customers pick out what they want, store personnel complete the pre-sizing and order information, and ABS delivers the actual product sized and ready to go the next day.

ABS offers three "kits" at different price points. The entry-level kit, Display/Catalog I, goes for less than \$600. It includes 26 silver sample rings, a rent-to-own jewelry information and training manual, set of ring sizers, pole mandrel, point-of-purchase mobiles, counter easel, 1,000 full-color fliers for direct mail and a jewelry display tray/box. The two other kits cost more, but include added features such as jewelry cases and more product samples.

One advantage is the ring-sizing method, Moss points out. With some jewelry programs, the dealer must contract out the sizing locally for his jewelry customers. ABS does the actual sizing at the factory for free. But since it has to charge a \$9 overnight shipping charge to the dealer, ABS leaves the dealer free to pass that cost along to the customer as a sizing charge, says Moss.

Moss believes in the approach because, he says, it provides a cost-effective way for RTO stores to market jewelry. "We have tried to look at this as if we were a rent-to-own dealer," he said. "We wanted to eliminate the inventory and sizing problems and still offer quality service and jewelry at affordable rates." **PR**

*(Editor's note: The next issue of Progressive Rentals, December-January, will feature a special section on jewelry. It will include information from various suppliers to the rent-to-own market.)*



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**APRO**

*You can expect to see continued demand for the universal remote, which operates the TV, VCR and cable box all in one unit.*

*Because picture quality has gotten fairly consistent, consumers can now turn their attention to improvements in sound.*

*Continued from page 23*

products, according to John Debarr, president of Marketing 2000, which represents R.P. McDavid, a distributor of multiple product lines.

"As VCRs and 19-inch televisions get cheaper at retail, demand shifts toward better goods that rental customers can't afford at retail," Debarr said. "Consumers are upgrading across the board."

Whereas last year his experience showed a 20 percent demand for CD player-changers, this year demand is up and CD players are part of 80 percent of the rack systems offered. "Everything has a CD in it. Demand is way up," he confirmed.

Debarr also sees more interest in home entertainment systems, which have an advantage for the RTO dealer — they tend to have a better keep rate because the consumer isn't willing to go without the entire A/V system, as he or she might a single component.

You can expect to see continued demand for the universal remote, which operates the TV, VCR and cable box all in one unit, according to Ken Gay of Philips Consumer Electronics. The Magnavox "smart window" picture-in-picture capability, which was new and hot on the market last year, is now in a majority of their sets.

Because picture quality has gotten fairly consistent, consumers can now turn their attention to improvements in sound, which has created much demand for Dolby Pro Logic, according to Gay. The surround-sound feature is one the salesperson needs to demonstrate so that the customer can fully appreciate the difference surround sound can make to the overall listening experience, Gay points out.

The new RCA televisions from Thomson feature FM radio with weather band from the National

Weather Service. It's the industry's only quartz-locked FM tuner with on-screen displays and remote controls, according to RCA.

Some RCA monitor-receivers offer color-coded video-audio panels for VCRs, video game systems or laser disc players, which puts the TV at the center of an entertainment network. As with other manufacturers, RCA offers all sorts of enhanced sound options on its televisions and vertical and horizontal configurations in its cabinetry.

Zenith has expanded its product line with two new "home entertainment ensembles" and a new series of color television sets with more features and sleek, modern styling. Both ensembles include a color TV set, VCR and "monoblock" component-rated stereo system, complete with custom-designed stereo speakers and cabinetry. The monoblock systems include a tuner, amplifier with graphic equalizer and dual cassette deck.

### So go ahead already: Upgrade

Steve Matthews, vice president of special markets for Mitsubishi Electronics, says: "The rent-to-own customer really wants to upgrade" to a higher-end A/V system and to whatever meets their definition of a big-screen television. This inclination is one that rent-to-own sales personnel can really capitalize on.

Mitsubishi is packaging A/V products together over longer rental periods, creating home entertainment centers that include a television, stereo, speakers, CD player and VCR all in a nice rack. Though Mitsubishi has been in rent-to-own for only about 18 months, the company is pleased with its success in the RTO market, according to Matthews.

Soundesign is also putting togeth-

CONTINUED ON NEXT PAGE

*Whereas some RTO customers may be planning to start with a basic component and add on, others want a full-fledged media center that covers an entire wall and is aesthetically pleasing.*

*Of course, whether packaged together or not, there's no doubt: A/V systems are now married to one another.*

*Continued from previous page*

er A/V systems at promotional price points — an AM-FM stereo with equalizer, dual cassette with high-speed dubbing, tape storage, CD, TV and VCR, all in an appealing cabinet. The customer likes this because all he or she has to do is take the system out and plug it in, according to Walter Wattenberg, director for Soundesign's rental division.

All in all, the electronics consumer wants a functional product with a polished look. Whereas some RTO customers may be planning to start with a basic component and add on, others want a full-fledged media center that covers an entire wall and is aesthetically pleasing.

## A/V's a marriage made in heaven

Of course, whether packaged together or not, there's no doubt that today's audio and video products are married to one another. The consumer can't take advantage of everything the fancy new four-head VCR can do without a fancy new stereo television to hook it up to.

Don Dattillo, audio marketing manager for Sharp Electronics, agrees that the system approach allows the cus-

tomers to easily integrate television with other systems. One advantage of a complete A/V system is that listeners can play their TVs through their stereos for top-notch audio and video at the same time. "The customer often is renting not only contemporary electronics, but contemporary furniture," Dattillo said.

## The CD scene

Most systems offered by Sharp include CD changers. With today's changers, the consumer can put five or six CDs on the carousel at one time and hear hours of music without adjustment or interruption.

Philips Consumer Electronics agrees that anything with a CD is selling big, and Bill Park of Curtis Mathes says that, whereas compact discs were "iffy" at most price point levels a year ago, they are a hot item in 1991.

Park predicts that the market for the video laser disc will grow as software becomes more geared toward the marketplace and more readily available, which is happening rapidly. He sees an opportunity for those who carry the hardware to also carry a line of laser discs, although traditional video rental stores will be carrying them more and more. The quality of both picture and audio is "quite extraordinary," says Park.

Philips is marketing a new compact disc interactive product that is a high-end CD player with video capability and plenty of potential for hours of educational activities and entertainment. The software line now available will continue to expand as Philips' Compact Disc Interactive (CD-I) becomes a mass market item over the next couple of years.

## The VCR updated

As for VCRs, the virtual saturation of the market for two-head machines as the retail prices have fallen, as well as advances in the audio capability of other electronics products, has opened another growth market in four-head, hi-fi VCRs. And that allows consumers to take full advantage of stepped-up features, such as on-screen menus, stop action and slow motion.

The Hitachi Auto Head Cleaning System, which automatically cleans the video heads during tape loading and unloading, may be of particular interest to rent-to-own dealers because it cuts down on major cleanings. Another Hitachi feature that may be advantageous to RTO is Intelascan II, which puts the owner's manual on-screen for easy operation of the VCR.

Fisher is offering a midmount feature that positions the tape transport at the center of the VCR rather than at the side, as conventionally placed. This cuts down internal vibration and jitters on the tape, a feature that becomes more important with larger-screen TVs.

The TV-VCR combination, especially in the 13-inch size, is also in greater demand because of its porta-

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bility and minimal hook-up requirements that make programming easier. K. Hashimoto of Funai/Symphonic says the customer likes this combo because it is neat and goof proof. His company has experienced a strong market for nine-inch AC/DC models on up.

## Get 'em while they're hot

Rounding out the electronics picture is the camcorder, which is perhaps the hottest growth item on the menu. Philips has seen a lot of interest in camcorders in all formats, full-size, 8-mm and compact, although John Blair of TRIB Group believes full-sized camcorders with cases are a best bet for rent-to-own.

The camcorder is a good RTO product because it is family-oriented and expensive to buy retail. But, parents don't want to lose a single precious moment in their children's lives, so they are increasingly opting for renting to own, rather than doing without.

The options offered by camcorders, however, can be mind-boggling for the uninitiated consumer. The salesperson, therefore, has to be knowl-

edgeable and able to demonstrate how easy it is to master the abundant features that are available.

One feature introduced in camcorders by Fisher is a horizontal design, like binoculars, which, according to Fisher representatives, offers greater stability and easier handling. Also, the flat positioning of the transport inside the camcorder lessens the effect when the user walks around or is jostled.

## Just asking around

So, what do dealers say is hot in electronics? We called some APRO-member stores across the country to get an idea.

Cliff Quinn, general manager for Quality Rentals in Wenatchee and Yakima, Wash., says his customers prefer monitors with no cabinetry. They are moving away from consoles. "Twenty-seven-inch sets with a stand that has room for a VCR are doing well," he said. The 20-inch TV/VCR combination, which used to be more of a daily rental item, is now doing well for rent-to-own, he adds.

Camcorders are becoming a bigger percentage of Quinn's business.

"We're an older store (seven years) and many of our customers are return customers who have bought almost everything, so camcorders offer a new product for them." Camcorders, according to Quinn, have good keep rates on rent-to-own, but they are also a good short-term rental item.

Quality Rentals set things up so the customers can see themselves on television in the store. They have also hooked up equipment to demonstrate Dolby surround sound, so that customers can get a feel for the enhanced listening experience Dolby offers.

Mark Crow, assistant manager for Ace Rent-to-Own in Lincoln, Neb., says four-head hi-fi VCRs and camcorders are his hottest items. He has demand for camcorders on both short- and long-term rentals. He says demand for 27-inch televisions is good, and he offers a new Zenith with stereo that has been well received. There's still some interest in home entertainment systems in his market, Crow reports.

Brian Luksetich, vice president of

CONTINUED ON PAGE 47

## Who's Who in audio/video

*The distinctions between audio and video product lines have been blurred over the past several years. Increasingly, consumers want features like televisions with stereo capability, or even stereos and compact disc changers integrated into home entertainment centers along with the requisite TV-VCR. That's why we've created the audio/video, or A/V, category of supplier. Each company listed supports APRO as an associate member (\*), advertiser (+) or convention exhibitor (¥).*

\* **Avmark, Inc.**  
16479 Dallas Pkwy. #400  
Dallas, TX 755248  
(214)407-1451  
Audio-video product lines

\*¥ **Curtis Mathes Corp.**  
One Curtis Mathes Pkwy.  
Athens, TX 75751  
(903)675-2292  
Electronics

¥ **Funai/Symphonic**  
100 North St.  
Teterboro, NJ 07608  
(201)288-2063  
Audio-video product lines

\*¥+ **Hitachi Sales Corp. of America**  
3890 Steve Reynolds Blvd.  
Norcross, GA 30093  
(404)279-5600  
Audio-video product lines

\*¥+ **JVC Corp.**

41 Slater Dr.  
Elmwood Park, NJ 07407  
(201)794-3900  
Audio-video product lines

¥ **Marketing 2000**  
2800 2nd Ave. SE  
Birmingham, AL 35233  
(205)251-3777  
Furniture and Electronics

\* **Michie Distributing Co.**  
1408 N. Broadway  
Carrollton, TX 75006-3817  
(214)245-0006  
Audio-video product lines

\* **Mitsubishi Electronics**  
5757 Plaza Dr.  
Cypress, CA 90630-0007  
(714)220-4721  
Audio-video product lines

\*¥ **Northern Electronic Research**  
8882 N. Government Way, Ste. X  
Hayden Lake, ID 83835

(208)772-4979  
Time-lock device for non-payment on electronic rental units

\*¥+ **Philips Consumer Electronics**  
One Philips Dr.  
Knoxville, TN 37914-1810  
(615)521-4711  
Audio-video product lines

\*¥ **Quasar Co.**  
1325 Pratt Blvd.  
Elk Grove Village, IL 60007-5796  
(708)228-6366  
Audio-video product lines

\* **Samsung Electronics America**  
1355 Terrell Mill Rd.  
Marietta, GA 30067  
(404)956-0800  
Audio-video product lines

\*¥ **Sanyo Fisher (USA) Corp.**

21350 Lassen St.  
Chatsworth, CA 91311  
(818)998-7322  
Audio-video product lines

\*¥+ **Soundesign Corporation**  
400 Plaza Two  
Jersey City, NJ 07311  
(201)434-1050  
Audio-video, furniture product lines

\*¥+ **Thomson Consumer Electronics/RCA**  
600 N. Sherman Dr.  
Indianapolis, IN 46201  
(317)267-5838  
Audio-video product lines

\*¥+ **Zenith Electronics Corp.**  
1000 Milwaukee Rd.  
Glenview, IL 60025  
(708)391-8231  
Audio-video product lines



## RCA, GE always there for rent-to-own

Although the opening of the first rent-to-own store is buried somewhere in antiquity it is supposed that it must have been in the mid-1960s.

One thing is certain. When that first door did open there was an RCA and GE rep ready to help the dealer get started in the new market.

Then, as now, RCA had a full leadership line. This included the new Vista Color TVs as well as the one-time popular black-and-white models.

At the same time, GE was promoting its outstanding product line and introducing a, believe it or not, portable color television.

It's no small wonder that rental dealers jumped on the RCA and GE brand bandwagon. After all, here were leadership products that were "most wanted" by consumers all over the nation. Product awareness flourished through massive advertising and promotional campaigns.

It's still true today.

Look over the new RCA and GE line of electronics products and you will find the dedication to innovative designs, technological advances and promotional efforts that are a part of our heritage.

## Quasar fills rent-to-own needs

Quasar is continuing to offer a wide variety of audio

and video products, tailor-made to fit the needs of rent-to-own stores. Product offerings for 1991-92 provide a wide variety of flexible audio systems, easy to operate VCRs and feature- and performance-oriented televisions.

Many of the new and exciting products from Quasar can also be combined to create an A/V system that answers all the renter's needs for home entertainment. The television products that hit key weekly and/or monthly rental rates are the 10-, 13-, 19- and 20-inch models which feature a host of user-friendly features.

Key audio products are the bookshelf systems including CD players with A/V remote control all the way up to 100-watt rack systems with five-disc changer and A/V remote control. Many models in the audio electronics systems also can be combined to create innovative A/V systems for the rental-market consumer.

In addition, Quasar VCRs offer great rental values as well as consumer-friendly features. Many of the decks even have a childproof door lock feature to prevent children from inserting unwanted objects into the cassette door.

The TV/VCR video viewers include the TV and VCR all in one unit, and they're of the highest quality. The benefit to the consumer is that there is no messy hookup or installation. The 13- and 20-inch video viewers are perfect for any room of the house.

Quasar offers a variety of camcorder features and sizes. Whether it is full-size VHS or compact VHS, both recordings are compatible with the VHS format.

## Philips makes inroads with CD-I

In an effort to support anticipated widespread consumer acceptance of the



Soundesign helps set pace in RTO market with its A/V lineup.

new Compact Disc Interactive (CD-I) system, Philips Consumer Electronics Company signed agreements with major national retail partners and select local consumer electronic specialty retailers for the national launch, which began in October.

Philips CD-I, the compact disc-based home entertainment system that combines compact disc-quality audio with video, text, graphic, animation and interactive capabilities, will be launched in approximately 1,000 retail outlets nationwide including Sears, Circuit City, Silo, Montgomery Ward, Tandy and Dillard's stores.

The retail agreements include extensive training for personnel at each outlet, in-store demonstrations and interactive retail kiosks in stores nationwide.

The user-friendly CD-I player is easily connected to any television and stereo system and is similar in look, design and operation to familiar audio CD players. All CD-I software discs will be identical in size and appearance to the standard five-inch audio CD discs and will play all CD-I, CD Digital Audio, Photo CD and CD+Graphics discs.

Through simple point-and-click commands, users can change what is on the

screen, explore a seemingly infinite number of program options and turn passive television viewing into an active and participatory experience.

The player, which comes with a Philips CD-I thumbstick remote control, will be sold with two software titles included. More than 50 CD-I titles in a variety of categories will be available this year.

CD-I is a future-oriented expansion of compact disc digital-optical technology invented by Philips.

## Fisher rolls out RTO-affordable A/V

Offering more value to a larger section of the audio/video marketplace, Fisher introduces three A/V receivers with sophisticated audio/video technology that overcomes former pricing barriers.

The features of these new models range from true A/V switching to Class AII circuitry with Dolby Pro Logic and center channel amplification.

"Fisher Audio/Video is pleased to introduce a line of A/V receivers that represents a true value to the increasing number of people entering the audio-video system market," said Michael Shoemaker, vice president of marketing for Fisher.

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Super Rents, Des Moines, Iowa, finds his business firmly anchored in color television. A large percentage of his business goes to TVs with 19-inch screens on up, to color consoles and home entertainment centers.

He finds more demand for higher-end stereo systems and for four-head VCRs, which have proved to be a steady rental item. In general, he says TV has been steady across the spectrum, with some interest in television, VCR and stand combinations. Though many of his customers still want a manual remote, others are willing to pay for the cable-ready remote control.

Tom Wagoner, owner of three stores in Alabama, says he's had more calls for bigger screens and done more business in 27-inch screens than he did a year ago, but the market for upscale VCRs has been flat. Customers want remote operation and modular looks, but Wagoner thinks manufacturers could do more



to liven up to their products.

Wagoner would like to challenge manufacturers to come out with something so new it will really turn his electronics customers on — fresh new looks in home entertainment centers, more change in models from year to year, some added pizzazz, new configurations in the controls — whatever will create new and heightened interest in electronics products.

Perhaps, herein lies the continuing challenge for the industry. **PR**

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



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• NEW ORLEANS •

# ZENITH

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There's never been a better time, or more reasons to choose Zenith. The new Zenith line is packed with features including an extraordinary new SEq TV stereo system, full-color picture-in-picture, learning and universal remote controls, easy on-screen menu systems, new Euro-styling and fine furniture consoles, and, of course, the exceptional picture performance that continues to make Zenith the quality choice for rental programs.

When you choose Zenith you are backed by a nationwide distributor and service network, national advertising and promotional support, and the reputation for quality and reliability that has been earned by over 70 years of taking care of business.

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