

Progressive

October/November 1992

Rentals

The magazine of the rental-purchase industry

INVENTORY
TRACKING

COLLECTIONS

MARKETING
GOALS

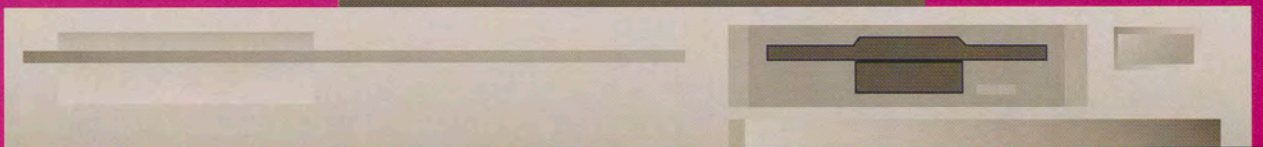
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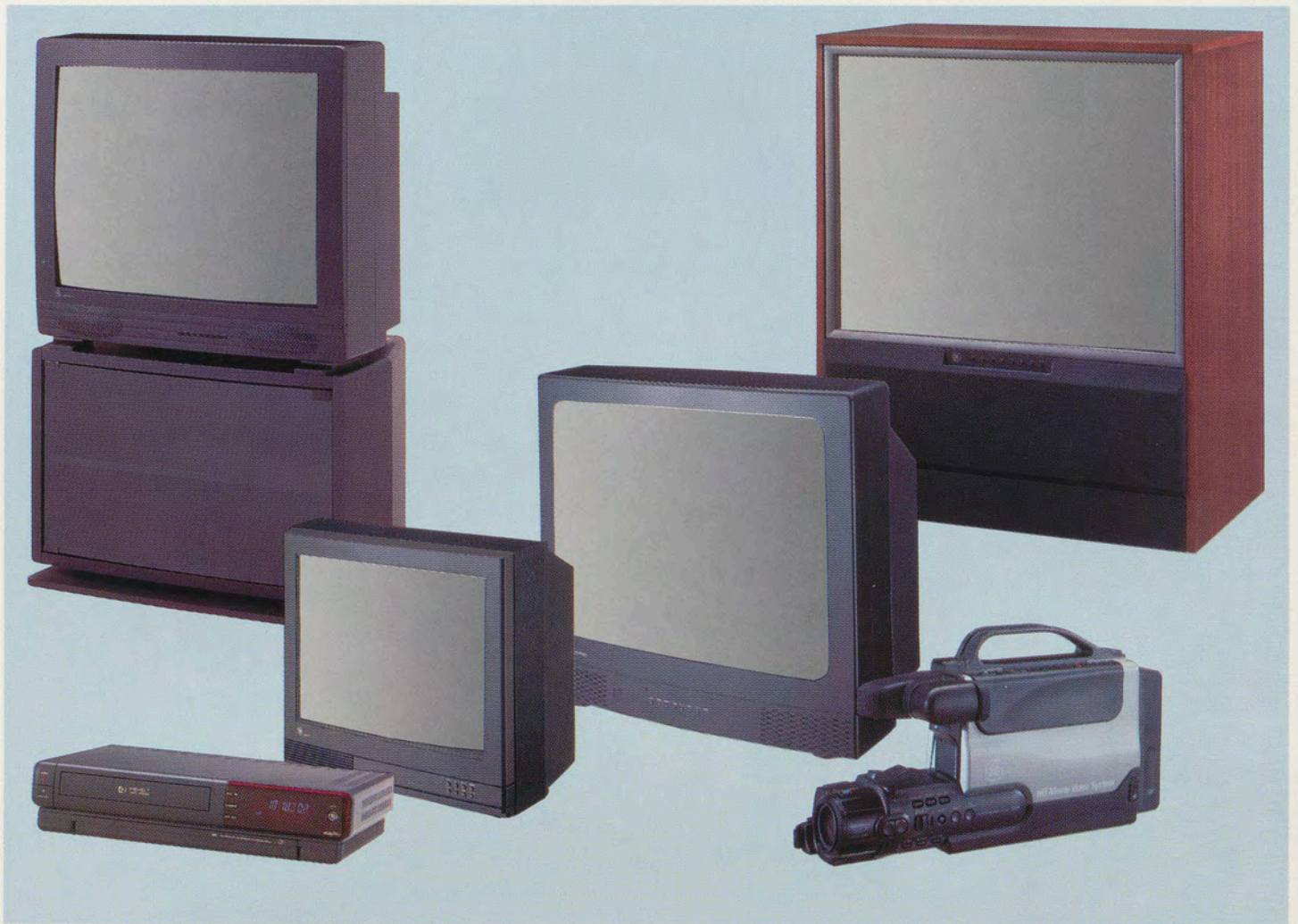
*They're more
important to
RTO than ever*

**Fourth-quarter
game plan**

**Hurricane Andrew
stampedes stores**

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PROGRESSIVE RENTALS (ISSN 8750-6106) is published bimonthly by the Association of Progressive Rental Organizations (APRO) at 6300 Bridgepoint Parkway, Suite 305, Austin, TX 78730-5016; (512)794-0095. Basic price \$1 per year to APRO members. Additional subscriptions: U.S. and Canada — 1 year (6 issues), \$30; 2 years (12 issues), \$50; 3 years (18 issues), \$65. Second class postage paid at Austin, Texas. POSTMASTER: Send address changes to PROGRESSIVE RENTALS, 6300 Bridgepoint Parkway, Suite 305, Austin, TX 78730-5016. Copyright © by APRO, 1992. All rights reserved. Cover and contents may not be reproduced in whole or in part without prior written permission.

Back issues \$5 each, subject to availability. For subscription, change of address, back issues, write to above address. Three weeks required for changes on orders. Allow 6 to 8 weeks for the first subscription copy to be shipped.



PR

Progressive Rentals

October/November 1992

The magazine of the rental-purchase industry

Volume 12, Number 5

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Customer, not lip, service

Management expert Wayne Outlaw looks at how customer service, defined as everything in business besides the product itself, is all-important to ultimate success.

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Fourth-quarter game plan

The fourth quarter of the year is, for rental dealers, not unlike the fourth quarter of a football game. Crunch time. Here are some helpful advertising pointers for that final push.

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Most of the manual-system diehards are either out of the rental business or are recent computer converts. Today's dealers are much more sophisticated and demanding. RTO software vendors know to listen.

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A natural disaster, Hurricane Andrew, inflicted heavy damage to South Florida last August. Some RTO stores were wiped out, but dealers and their crews pulled together.

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Avoid problem hires

How many times have you wished you had never hired someone who turned out to be, at best, dishonest and, at worst, a criminal? Here's a way to avoid common hiring pitfalls.



ON THE COVER: Rental dealers have become more knowledgeable, more sophisticated—and so have their automation needs. Computers are now indispensable to rental-purchase operations. Turn to page 22 to learn the latest developments.

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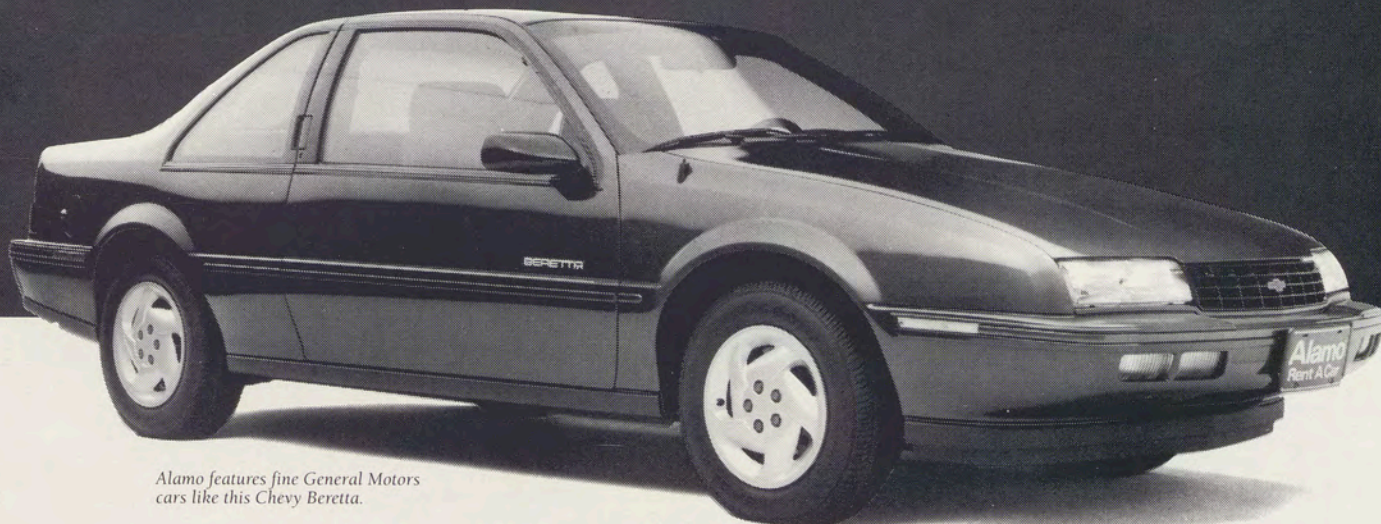
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News & Products

Alamo's multiple choice test.



Alamo features fine General Motors cars like this Chevy Beretta.

Which Alamo offer is best for you?

Is it a free upgrade for an important business trip? Or, is it a free day for your next vacation? These are just some of the great choices you'll have with Alamo's Membership Program. In addition, you'll have the choice of driving any one of Alamo's fine General Motors cars, all with *unlimited free mileage*. You'll also get to choose from discounted daily, weekly and weekend rates available at every Alamo location in the

United States and United Kingdom, and you can earn Frequent Flyer credits with Alaska, Delta and United airlines. Plus, as a member you can get faster reservation service with our new Member Reservations Line. Simply call 1-800-354-2322, supply your Membership I.D. number and request Rate Code BY to receive your benefits. See, you can afford to be choosy when you rent from Alamo.

35437AS

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- (In the United Kingdom) Valid on self-drive rentals only from a group B car category or above, excluding group E cars and above.
- Offer is applicable toward Membership Rates only. One certificate per rental accepted; must be presented at the Alamo counter on arrival. Once redeemed, certificate is void. A 24-hour advance reservation is required.
- This certificate and the car rental pursuant to it are subject to Alamo's conditions at the time of rental.
- Offer valid through May 26, 1993 (except 12/19-12/27/92, 2/11-2/13/93 and 4/8-4/10/93).

For reservations call your Professional Travel Agent or call Alamo's Membership Reservations Line at 1-800-354-2322 Request Rate Code BY and use your membership ID number when making reservations.



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U73B I.D. #204856

Free Weekend Day

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- Offer valid on rentals of two days or more. Car must be picked up after 12 noon on Thursday and returned before 12 noon on Monday.
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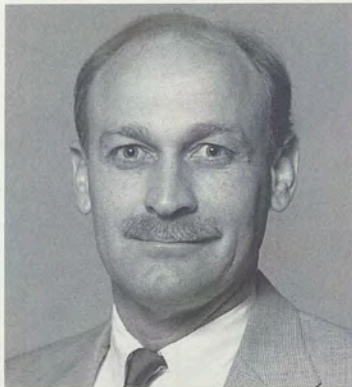
- (In the U.S.) Valid for \$10 OFF weekly rentals (5 days or more) on compact through fullsize car categories only.
- (In the United Kingdom) Valid for £10 OFF weekly rentals on group B through group E car categories.
- A 24-hour advance reservation is required. Reservations are subject to availability at time of booking.
- One certificate per rental accepted; must be presented at the Alamo counter on arrival. Once redeemed, certificate is void.
- This certificate and the car rental pursuant to it are subject to Alamo's conditions at the time of rental. May be redeemed for the basic rate of the Alamo self-drive car rental which does not include taxes and other optional items.
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The last 18 months have been good for many dealers; the next 18 will bring even more ...

Questions, answers

AS WE RUSH HEADLONG TOWARD THE END OF 1992 AND THE BEGINNING OF 1993, A GREAT DEAL OF UNCERTAINTY SURROUNDS THE RENTAL INDUSTRY. MOST OF THE DEALERS I'VE SPOKEN WITH LATELY SEEM TO BE DOING RATHER WELL IN '92.

QUITE A FEW OF THEM ARE MORE OPTIMISTIC ABOUT THE FUTURE THAN ANY OTHER TIME DURING THE RECENT PAST.

.....

Many have successfully acquired bank financing or have been able to renew existing credit lines for a longer period of time, making life a little easier. Profits and debt reduction have seen notable improvements over the last year to 18 months, and a few friendly acquisitions are even taking place.

A few companies are opening new locations, or remodeling or relocating existing stores. Surely all of these are signs of more tranquil times.

However, I would caution that it may only be the eye of the storm and that a great deal of change may be ahead during '93. There are several factors that could bring about some form of change to the way that we do business. We must be ever mindful of those situations.

By the time you read this column, the presidential elections will be over. We'll soon begin four years of some administration different than the last four years. We could have more or less government bureaucracy to deal with as it relates to reporting requirements on employees, taxes and business in general.

You can count on something being much different than before because of the public outcry to get our nation's domestic policies in order. I do think that our business will get better as the economy improves and that interest rates

are going to become higher at the same time. Look for more government intervention into our business from several directions.

Another uncertainty is the outcome of tax questions that are now being tested in several parts of the country. There isn't much doubt that the national economic situation will continue to put extreme pressure on government to raise more revenue. Tax pressure will likely come from all government agencies—federal, state and local.

I think that at least one major federal tax issue will be resolved in 1993 for our industry that will impact most of us and require a uniform method of depreciation for rental merchandise. State and local municipalities will continue to apply pressure on sales-use and personal-property taxes, driving our cost of doing business up. These trends are going to intensify.

The industry is fielding more attacks from consumer advocates in certain parts of the country. I believe that to some degree we are responsible for our own difficulties because time is not taken to properly train employees on how to correctly work with the public or the media. The rigorous encounter being waged in the Midwest could very well be resolved in '93, and set the tone for how your transaction is characterized in the eyes of the law.

All in all, I believe things have improved considerably during the last 18 months. I also think there are some major hurdles that we've yet to cross. APRO and those of us actively involved in APRO are working passionately for you. From this point of view, every day goes by with something new pressing the industry for answers. Some answers come easily, while others are difficult to come by. But, in the fullness of time, all questions will be answered.

Make the most out of the fall renting season, and stay tuned for the next episode of *Progressive Rentals*. Happy holidays and best wishes for 1993. **PR**

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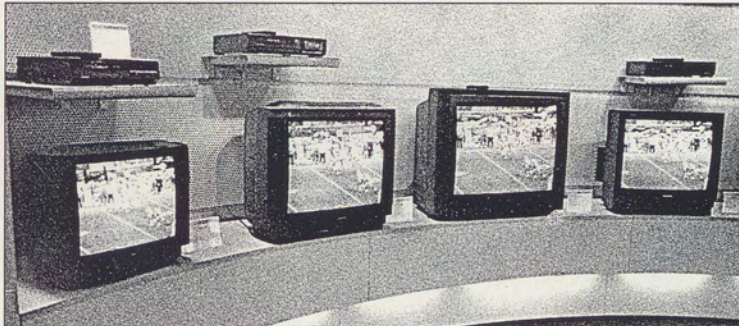
BY

WAYNE CHAMBERS

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An open letter to Bill Clinton ...

Dear Mr. President-Elect:

CONGRATULATIONS ON YOUR RECENT ELECTION TO THE PRESIDENCY OF THE UNITED STATES. AS A FORMER ELECTED OFFICIAL, I HAVE A GREAT APPRECIATION OF THE NEAR-PERFECT CAMPAIGN YOU WAGED AGAINST AN INCUMBENT PRESIDENT. I WOULD CERTAINLY AGREE WITH ALL OF THE POLITICAL PUNDITS THAT YOUR CAMPAIGN WILL BE A MODEL FOR ALL ASPIRING CANDIDATES FOR YEARS TO COME.

.....

Most certainly, political science professors will deem it a new textbook classic.

I also know, as I'm sure you do, that the real hard work lies ahead of you and your new administration. This year, more than ever before, campaign promises are being taken seriously by the voters, and will be used as the measure of the next four years.

Wisely, you made the state of the economy the central theme in your bid for this office. This is the reason the American people elected you. We're hurting in America, and a plurality of the people have put their faith and trust in you to revitalize our economy through investing in America and creating jobs. We all want a better life for ourselves and particularly the hope that our children will have a better life than we have had. You campaigned on this issue and now you must deliver. Americans want to believe in the American dream again.

You also convinced enough voters that you were the candidate of inclusion, not exclusion; of hope, not fear; of bringing people together, not dividing them. The people expect this of you, now.

Our industry, the rental-purchase industry, is one that stands ready to do its part in the revitalization of the American economy. Even though the last few years have been a struggle for us, we have managed to sustain moderate growth, we have created more jobs when other industries have faltered, and we did this by providing

an entire segment of the population of America with a little part of the American dream.

You see, the people who make up our industry are the ones most able to help restore a growing and prosperous economy. We are entrepreneurs, risk takers, who have built a \$3.6 billion industry through hard work, dedication, imagination and a true sense of caring for our customers.

In your campaign, you reached out to the "everyman" with bus caravans through small towns, visiting small businesses along the way. If I had one wish for our industry, it would be that you would spend a day visiting our stores, talking with us, our employees and, more importantly, our customers. Only then would you be in a position to understand the impact our industry could have in your vision of a new America.

However, there is apprehension in our industry about the future. The obstacles holding us back from being a full partner in the revitalization of the economy are both unique to our industry and, at the same time, common to all businesses in America.

Our industry is poised to grow; open more stores, hire more people, buy more products and help raise the standard of living for millions of people.

Like many other industries, however, the unavailability of money is the key. This is frustrating to us all. The banking industry's profits are at record levels, yet total lending has declined 8 percent since the beginning of 1991. When banks can get money from depositors at 3 percent and turn around and invest in riskless medium-term Treasury securities earning 6 percent, what incentive do banks have for "investing" in small- and medium-sized companies?

Needless to say, this does little to stimulate growth in productivity, jobs and the overall economy.

Mr. President-elect, businesses need access to money to produce. The most efficient way to expand the economy is for business to expand. We need your help in liberating capital from the confines of too much regulation.

.....

BY

BILL KEESE

That is not to say that we, as an industry, are opposed to business regulations. In our case, we have been aggressively pursuing regulations to establish fair and reasonable ground rules for ourselves and our customers.

Ours is an industry built solely on customer satisfaction. We don't want anyone taking advantage of the millions of people trusting us to help provide them with a piece of the American dream. Therefore, we have been able to persuade 31 states to recognize our industry's unique characteristics and to provide for complete disclosure for our customers.

However, federally funded attorneys, through the Legal Services Corporation, have been attacking our industry needlessly and unjustifiably for several years. Some of them even claim that we have no right to exist as an industry. Being a former governor, you can appreciate the absurdity of this when 31 state legislatures disagree.

It's not that we want the Legal Services Corporation abolished. However, they need to be refocused on those issues for which they were created. When a client is wronged personally by anyone, legal-aid attorneys should play an important legal role for their client. But the blind, uncompromising assaults on an industry that was built on customer service, recognized by legislative bodies and courts alike, shows a direction gone astray and should be corrected before all credibility for legal aid is lost.

We, too, want any unscrupulous people out of our industry. But some legal-aid attorneys are so blinded by their own internal anger that they no longer can distinguish between unscrupulous people taking advantage of others and honest, hard-working entrepreneurs providing a needed service and valuable products to millions of working Americans.

Ours is an industry that is very open and straightforward. We work and grow and build on reasonable profit margins. This industry is prepared for any challenge. We will do our part to revitalize the American economy.

What we expect in return is a reasonable partnership with government. We ask no more, and no less, than any business or industry in the country.

PR



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Customer, not lip, service

NO ONE WILL DISAGREE THAT CUSTOMER SERVICE IS IMPORTANT. IT AFFECTS THE SUCCESS OF INDIVIDUALS, COMPANIES AND ENTIRE INDUSTRIES. IT'S BEEN SAID THAT CUSTOMER SERVICE IS A COMPANY'S PRIMARY DETERMINANT OF SUCCESS.

IF THESE STATEMENTS ARE TRUE, THEN WHY ARE WE AS CONSUMERS SO RARELY DELIGHTED, OR EVEN SATISFIED, WITH THE SERVICE WE RECEIVE?

It's because it is so easy to acknowledge the need and importance of service, but much more difficult to deliver it. We can no longer give lip service (no pun intended) to providing positive service experiences for our customers if we are to prosper in the coming years.

The 1990s have often been referred to as the decade of service. We have become a service economy. More than 50 percent of the U.S. workforce is engaged in delivering some form of service. Nine out of 10 new jobs are in the service sector. Whether it is giving a haircut, serving a meal, repairing a product, or renting and collecting, the service segment of our economy is the key to future success.

We are all, including RTO, in the customer-service business. At all times and in all ways, we are delivering service to our customers. Even when we do not pay attention to service and are not aware of the level we're giving, it has an affect on our future and current customers.

Whether we are keenly aware of how we are doing or not, it affects us. Service is not something we can decide not to do. Even when we are not paying attention to customers, we are delivering service.

It might be bad service, but it is still service. We can't not service.

If it is important and we all have to do it well, why isn't it happening? It takes more than lip service to deliver the level of customer service that not only satisfies but also creates advocates for us and our company. Simply meeting expectations no longer causes customers to be delighted and will not be enough to make us successful in the future.

We have to provide service that not only exceeds what our competitors provide, but it also must exceed our customers' expectations and their other service experiences.

Each time a customer has contact with our business, there's an opportunity for service, a "moment of truth." During these frequent moments of truth, we have the opportunity to win or lose the customer by what we do or don't do.

It is essential to understand that customers make judgments not based on facts but on their perceptions. Many times, customers don't have the skill or information to make an objective decision. These perceptions determine how customers feel about service and the company.

People within certain industries, such

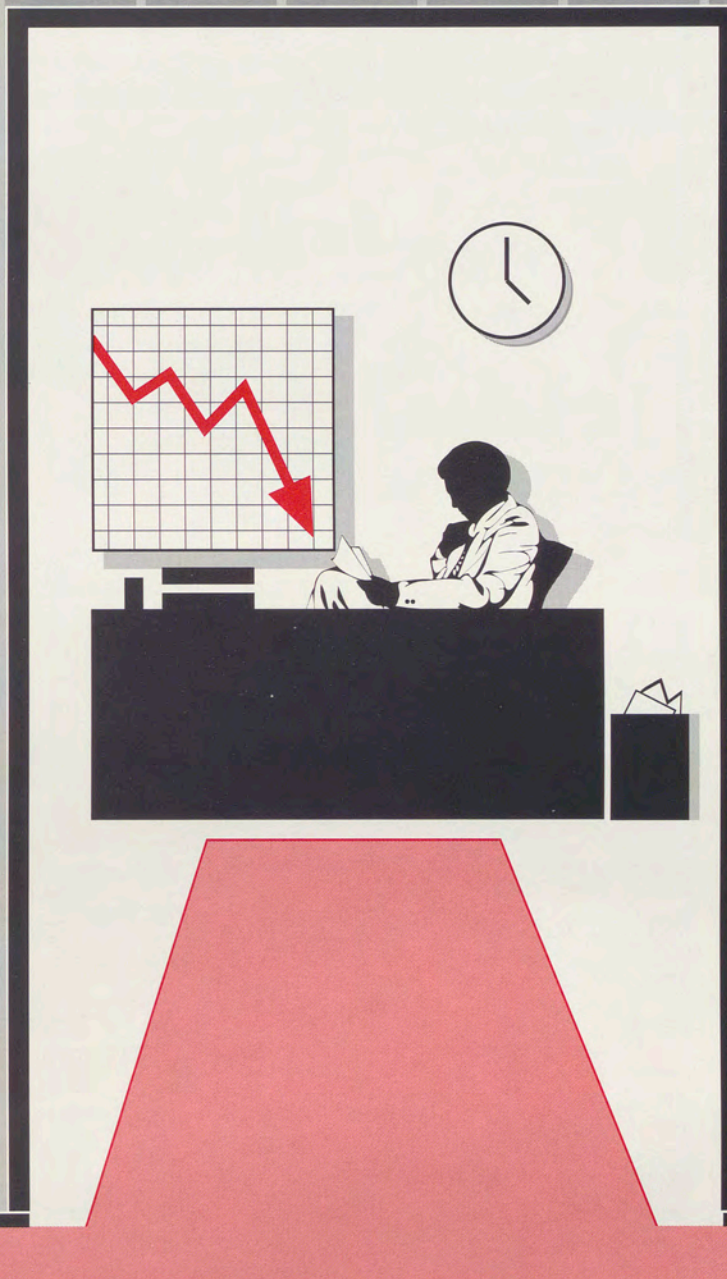
.....

BY

WAYNE OUTLAW

CUSTOMER SERVICE DEPARTMENT

**PLEASE
TAKE A
NUMBER**



Joel B. Matthews

as RTO, may not understand the need for exceptional customer service. Many tend to compare their service practices only to those of their competitors. However, the customer, both consciously and subconsciously, compares all experiences. If a customer has been served well by a company such as Wal-Mart and goes next door to a RTO company and the experience is not favorable, the customer will be dissatisfied regardless of how the RTO company's service compares to direct competitors.

Based on the increasing awareness

and need for exceptional service, it's important for all companies to know how they're serving customers and to develop a concrete plan to continuously improve the level of service.

If customers compare RTO to the best retailers and other mainstream businesses, we should also learn from the best. Identify the techniques and methods of the best companies and incorporate them into the way you are serving your customers. This technique, called benchmarking, has been successful in improving organizations, regardless of their business.

Before anything can be improved, it must first be understood. Service is a very broad and general term. It is not what you take your car in for every 15,000 miles or what the Maytag repairman does for a living. It is everything you and the company do to make your customer want to do business with you—now and in the future. Service is everything but the product.

Your question might be, "Isn't the product what people buy?" A recent study by Forum found that only 30

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percent of customers quit doing business with a company because of product or price. Sixty-five percent of customers leave because of problems with the way they were treated and the attitudes of employees. In other words, they left because of a lack of total customer service.

Not only does customer service have a role in customer retention, it also affects a company's cost of marketing and its bottom-line profits. Studies verify, and we know instinctively, that it costs significantly more to attract a new customer than to sell a current one. Studies show that it can be up to 15 times more expensive to acquire a new customer than to sell to an existing one.

Based on the high cost of attracting new customers, can you afford poorly skilled, poorly motivated employees taking care of your customers? In difficult or easy times, it makes sound business sense to allocate your resources to protect your customers

rather than continuously attracting new customers only to lose them because of poor service.

In the luxury-car business, Carl Sewell, author of *Customers for Life*, calculated that a customer is worth approximately \$332,000. A business can calculate the true value of a customer by figuring out the revenue he would bring to the company over his life, plus any referrals he would generate. In today's RTO climate, can you afford to lose a good, paying customer?

If you've decided that you can't afford not to provide total customer service, it will take more than this realization to make it a reality. Many companies try to use themes, slogans or platitudes to cause customer service. Unfortunately, it takes more. It takes a service culture comprised of systems, skills and a commitment from the top down. Delivering total customer service requires specific actions and commitments beginning at the top.

Remember: A customer judges service by perceptions, not facts. In very few situations are customers able to

objectively and knowledgeably evaluate and determine the level of service they are receiving. These perceptions have a subliminal effect on the opinions of the customer, and many times cause them to act when they are not aware of all the facts.

The sum of the customer's perceptions determines his level of satisfaction. It's critical to understand that a negative situation or problem carries more weight than a positive one. It takes approximately 12 positive situations to equal or erase a negative one. Based on this, companies can afford few negative perceptions, situations or problems.

You might ask yourself, "How do we improve the level of service we are delivering?"

Improving service is not a quick fix or a program for a week; it takes a long-term commitment. It must be a long-term program or continuous improvement in all areas. The Japanese call this Kaizen. If you wonder if this approach will work, look at what the Japanese manufacturers have done, especially in the consumer electronics and auto industries. We can use Kaizen to our benefit. Unfortunately, many managers and executives become so engrossed with instant results that in its pursuit, they inhibit the chance for long-term success.

It takes more than attitudes to serve customers well. It takes systems, policies and skills. No matter how motivated an employee is to serve, he cannot unless he has the systems that allow it. If information on a customer's account is not easily available in the system, the employee cannot solve any problems that may come up.



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Skills of dealing with customers are critical. So many times the hard work and investment made to build a relationship are erased by a few words from an unskilled employee. Everyone who is in contact with the customer, no matter how little or infrequent, must learn and use total customer service skills. It's important to invest in employees' development and growth—just as you would any other asset in your business.

To improve, we must have a clear understanding of the current level of service—or how we are serving. This can be done in several ways. Measuring systems, such as customer surveys and mystery shoppers, can index the customer-satisfaction levels. Regardless of how the customer-satisfaction levels are indexed, standards must be set for improvement and progress must be measured to ensure the improvement is continuous.

Regardless of how your company is serving customers today, you've got to always "raise the bar," as in track and field's high jump. Increase your

company's level of service as the expectations of customers improve. This is achieved by also increasing the level of employees' expectations.

As leaders in our businesses, we must not only raise the expectations of our employees, but we must also make sure the customers' perceptions of us exceed their expectations. Don't stop at delivering just enough. Add a little bit extra. In Louisiana, they call it Lagniappe (Lan'yap). Meeting expectations will not totally satisfy a customer. Exceeding them will.

Organizations never graduate. Businesses never reach a plateau beyond which there's no need to improve. Competition is omnipresent. It demands that we continually improve.

RTO leaders, like their counterparts in other businesses, are realizing that customer service is the battle ground for the future. It's not product; there are many good products available. It's not price; price is only important if the customer plans to buy or rent—strictly one or the other. The way

we treat our customers today will determine our future in the marketplace.

Change is constant. Regardless of the products, prices or any other changes in our individual businesses, customers will deal with those companies that provide the greatest level of satisfaction. Everything else can change, but there's one constant in business today: Customers want to be served well.

Customers evaluate service and vote with their dollars. Or their feet. If you want to build an organization that delivers total customer service, it will take time and resources. It's the kind of commitment that will not only produce positive results now, but well into the future. **PR**

Wayne Outlaw is president of The MARCON Group in Mt. Pleasant, S.C. He provides training, consulting and performance development to increase individual and group results. He and Somers White recently developed an audiocassette program on customer service. Outlaw can be reached at 1-800-347-9361.

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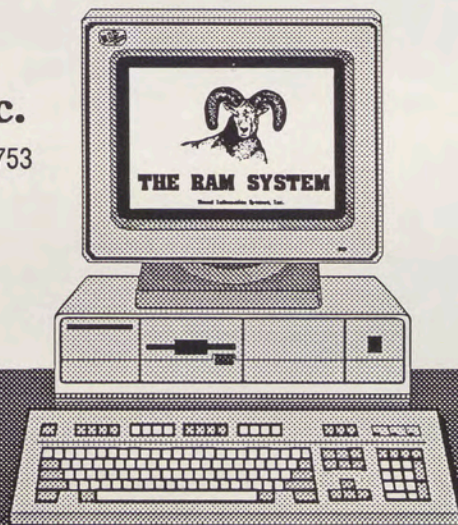
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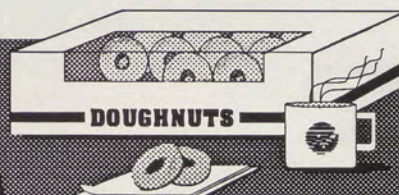
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Striking a balance with your banker

Rental operations can juggle their need for debt reduction and new credit lines

DURING THE PAST 10 YEARS THERE'S BEEN A LOT OF QUESTIONS ABOUT FINANCING IN THE RTO INDUSTRY. THIS LAST YEAR, THE TONE HAS CHANGED. IN THE PAST, THE BASIC QUESTION WAS WHICH ONE OF THE BIG THREE—TRANSAMERICA, CHRYSLER OR MCDONNELL DOUGLAS—IS YOUR COMPANY WITH? AND, HOW MUCH OVER PRIME ARE YOU PAYING?

NOW, THE TWO BASIC QUESTIONS ARE USUALLY: WHAT ARE YOU GOING TO DO FOR FINANCING? AND, HAVE YOU FOUND A BANKER WHO WILL LISTEN AND UNDERSTAND YOUR LOAN REQUEST?

Today's answers can be yes, but you must be well prepared and patient to get a yes answer.

Types of bank financing

In talking with dealers across the country, I've found there are at least four different types of loans that banks are doing with RTO companies.

The first type is one my own company put together with a bank. It is actually two separate loans. First, we took our old Transamerica debt and put it on a five-year amortization with annual reviews. Second, we got an open line of credit for buying product during times of heavy deliveries and store openings. This type of loan opens up a lot of cash flow so your company can pay cash for most new products, while at the same time whittling down your old debt. The term on the amortized loan may differ, but it's a great way to eventually become debt free and grow at the same time.

The second type of financing is similar to the first, since the old debt is put on an amortized loan. However, all new purchases are set up on a 24-month liquidation schedule. Again, this type of arrangement opens up a lot of cash flow, but it does not retire all debt. Your oldest

debt would be 24 months old.

Another type is a straight revolving line of credit that's very similar to the "big three" type of loan. The difference is that this loan has an annual-decline loan cap. These can be written for two- or three-year terms with an annual review. This loan also works toward becoming debt free with controlled growth.

One caveat: This last type of loan is for those dealers who don't need more than \$750,000, because they can get 80 percent to 85 percent of it guaranteed by the Small Business Administration (SBA). These loans are smaller and have certain guidelines your company must meet before being approved by the SBA. Some of the guidelines are to have at least three years of financial information and not to have a debt-to-equity position any higher than 3.5-1.

All of the above loan scenarios have one thing in common—a goal of lowering or eliminating debt. The have-more-debt days are long gone.

How to prepare

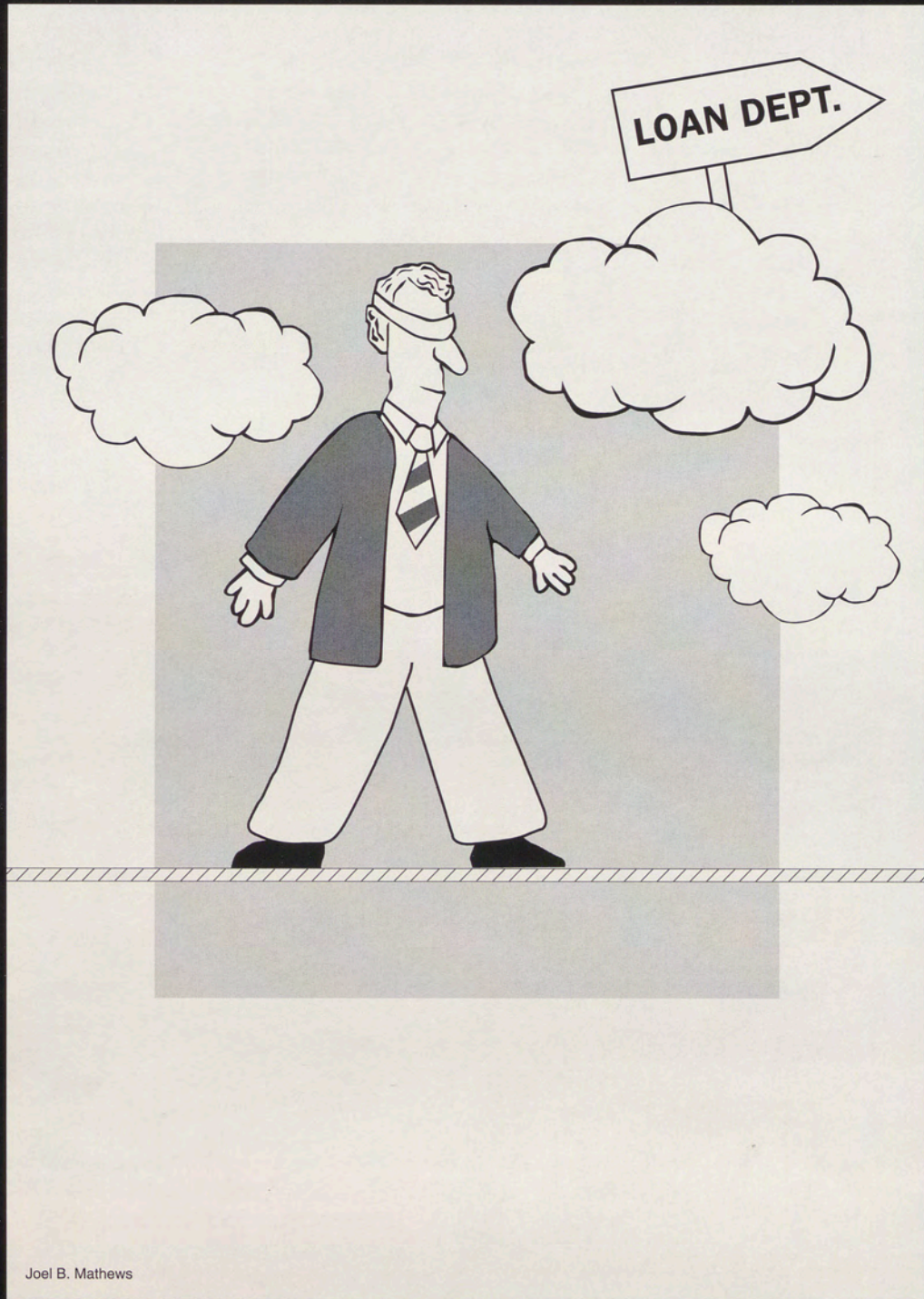
After you've determined what type of loan package you're going to propose, you must put together a well prepared and pro-

CONTINUED ON PAGE 16

.....

BY

KEVIN QUINN



Joel B. Mathews

Continued from page 14

fessional-looking package. Include in the package:

- The loan request (what the loan is going to be used for and how you're going to pay it back).
- History of your company, good or bad.
- Personal profile on all owners of the company.
- RTO industry profile (available through APRO).
- RTO industry statistical survey (available through APRO).
- Past two years' financial statements, with trends and year-to-year profit comparisons. The latest year should be CPA-reviewed with a cash-flow statement.
- Past two years' tax returns on the company and key owners.
- Personal financial statement on all key owners.
- One- to two-year trends on rental receivables on a monthly basis.
- Graphs that will provide a visual picture of the financial information,

profit comparison by year, rental receivables compared to annualized income and debt to revenues.

- A description of primary collateral and a fair-market value of it, with liquidation value of collateral.
- A glossary of industry terms (available through APRO).

Now that you've worked hard to put together your package, don't cut the cost on how it's prepared. Have the work done on a laser printer and make sure you've got a sharp-looking cover. This package is one of the very first impressions loan officers are going to get of your company. Be very professional.

How to talk to banks

Once you have your package ready, you must determine which banks you'll initially approach. To get a bank to say yes, you're going to be doing the biggest selling job you've ever done. Like in all sales, you must qualify your customer. It's no different with banks. Make sure the banks you've targeted can handle the size of loan you need. Also, make sure they have the

kind of personnel you can work with.

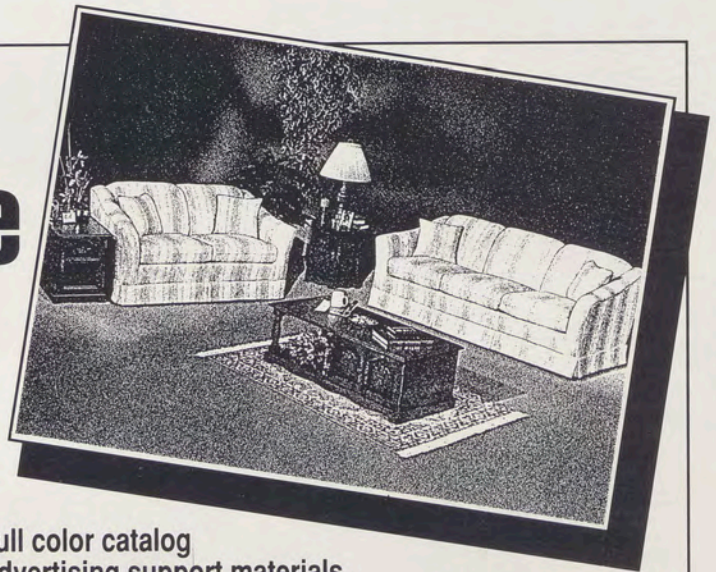
Get acquainted with the people involved. This is the single most important factor in getting a new loan. Not unlike the RTO business, a banker searches his instincts—some call it gut feelings—before giving a yes answer. This process takes time. Go to lunch or dinner often with your banker. You might take your spouse along, especially if you and your spouse are co-owners. Give your banker an idea of who his institution will be lending money to. Recreational activities such as golf, tennis, fishing and hunting are a great way to get better acquainted. This can take weeks and months, but it will pay off in the long run. Bankers lend money to people they know and like.

During the proposal process, tell all truths. Do not hide anything. If you misrepresent even a minor detail, your bank contacts will lose any confidence they've developed in you. Bankers lend money to people they can trust.

Make sure your banker understands as much as possible about your company, business and how the loan is

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Try, if at all possible, to talk to and get acquainted with the highest decision-maker in the bank. If this person is going to have to put his or her name on your loan, you can bet he or she will be less reluctant if they know you.

going to be paid. Remember that this person may have to justify to a group of people—sometimes called a loan board—in a few minutes' time why the bank should lend you money.

Try, if at all possible, to talk to and get acquainted with the highest decision-maker in the bank. If this person is going to have to put his or her name on your loan, you can bet that he or she will be less reluctant if they know you. This can also help you if your bank goes through an acquisition later. Banks don't always stay the same.

Have patience. Banks do not make fast decisions. I believe the worst thing RTO dealers do in working with banks is try to rush things. We're all so used to renting products fast and getting money from the big three fast. But the process with regular banks takes time, so don't press it or lose your cool.

What a bank looks for

Once the proposal's made, everything's up to the bank. Loan officers want to say yes, because banks make money by lending money. Here are some basic questions that banks want answers to before they'll give you a yes answer:

- What are the profit trends?
- Is there plenty of cash flow to pay for the loan?
- What's the debt-to-equity position? (The ratios are no higher than 4.5-1; 8-1 or below is good.) This tells the bank how much of your money is involved.
- How much cash reserves does the company have?
- High rental receivables to debt?
- If you can't pay, will liquidation value pay off the loan?
- How financially solid are the owners?
- Is the owner someone we like?

The loan and cost

Well, let's assume you've done a great job and have a commitment letter on your desk. The commitment sets the terms and conditions of your loan.

This letter is negotiable, so make sure you can live with all the requirements. What are some of the terms and requirements you might see?

Terms:

- Size of loan and term (annual reviews).
- Interest rate (2.5 percent to 1 percent floating over prime).
- Loan fees (1 percent to 2 percent total loan).
- Prepayment penalties.

Requirements:

- Monthly reporting (P&L, rental receivables, delinquencies, idle stock).
- Annual reviews or audited financial statement.
- Maintain good debt-to-equity position.
- Projections annually on company profits and retained earnings.
- Salary caps on all officers.
- Personal guarantees.

Most of these terms and requirements may be similar to what you have with the big three. Although your interest rate may be lower, the overall cost of the new bank loan may be close to the same as your old loan with the big three. This is because of accounting costs and loan fees. But at least you have a loan.


There are banks out there that will loan you money. Remember: You have a good business and banks make loans to good businesses. The process will take time, so be patient and confident. It took years for the RTO industry to find itself in its current financial situation. It will take time for banks to get used to the idea of loaning money to RTO companies. However, it's already happening. If my company can secure a bank loan, so can yours. Be positive. Good luck and keep renting. **PR**

Kevin Quinn is president of Puyallup, Wash.-based Quality Rentals, a 20-store rent-to-own company. He owns six of the Quality Rentals stores. Quinn serves on the APRO Board of Directors, chairs the national association's education committee and is president of the Washington state rental dealers.

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This time of year, with holidays and heavy TV season, it's really

Crunch time

THE ANALOGY OF THE FOURTH QUARTER OF A FOOTBALL GAME IS A NATURAL FOR AN ARTICLE ON RTO ADVERTISING THIS TIME OF YEAR. IT'S A NATURAL FOR TWO REASONS ...

FIRST, FOOTBALL AND OTHER MAJOR SPORTS HAVE BECOME A MAJOR PART OF OUR SOCIETY, ESPECIALLY DURING THIS FOURTH QUARTER OF THE YEAR WHEN SEVERAL SPORTS OVERLAP. SECOND, AND MAYBE EVEN MORE IMPORTANT, STRONG COMPARISONS CAN BE MADE BETWEEN COACHING A WINNING FOOTBALL TEAM AND RUNNING A SUCCESSFUL RTO BUSINESS.

Three quarters have passed in 1992. Some dealers have been battered and bruised by financial problems, others by unusually high employee turnover. Still others may be trying to pull it all out in the fourth quarter, searching for the right combination of promotional mix (play selection) to build traffic in their stores (move the ball downfield and increase revenue).

However, there are some RTO companies that have great management and operations talent combined with a great game plan. These are the companies whose people enter the fourth quarter with confidence. They know they'll be able to take full advantage of the incredible advertising and promotional opportunities available in the final months of the year.

Vince Lombardi, legendary coach of the once-dominant Green Bay Packers, is known for coining the phrase, "When the going gets tough, the tough get going." Lombardi was a master of psychology and an excellent motivator. But even more important, he knew how to take full advantage of opportunities during a game.

RTO has traditionally been an action-

oriented, customer-impulse-driven business. It's important to seize the moment, getting customers to telephone your store or make that all-important face-to-face visit in your showroom. But before that can happen, you have to prepare the promotional game plan that, first, appeals to the customer's desire to rent merchandise and, second, establishes your store as the place to do it.

Let's examine why Vince Lombardi's teams were so successful. He believed in fundamentals. He reduced the game of football to basic skills. Skills that, if executed to the highest level of performance despite less-than-ideal conditions such as fatigue, would win games.

Dealers who successfully execute the fundamentals of store operations and promotion will also be winners. Fundamentals in football include blocking and tackling, and precise pass routes. Fundamentals in the RTO business include having well-trained personnel who know how to keep stores looking like showrooms instead of pawn shops. They should be knowledge-

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BY

BONNIE NITZSCHE

CONTINUED ON PAGE 20



4th Q game plan

Continued from page 18

able in the areas of products and customer service.

Unfortunately, we still hear some war stories about dealers who think they are in the business of just pushing product—stocking a bunch of furniture, entertainment items, jewelry, etc., and merely making it available to whoever happens to stop by.

However, successful dealers realize they are really fulfilling dreams, satisfying hope for a better life and generally making customers feel good about themselves. These are the real reasons customers rent. Dealers should understand that they are really psychological brokers for these customers transactions.

You may ask, What does this have to do with advertising? We'll get to the answer later. First, let's finish the discussion on fundamentals.

Fundamentals are critically important to advertising. Because if the fundamentals are not in place, the result of your advertising efforts will not be

the highest return on your promotional investment. More of the RTO fundamentals: good store signage, exciting product display, enticing in-store point-of-rental materials, clean delivery vehicles, etc. In other words, RTO fundamentals are all of the many details that create a positive buying experience for your customers.

Some dealers might respond by saying, "I don't have the money to do all of these things, let alone spend money on advertising." We've read a great deal about the RTO shakeout that's been going on for some time and probably still isn't over. How more than 500 stores across the country have closed. How the traditional lenders are abandoning the industry. Yes, credit is tight and cash flow is king these days, but the same financial condition that has affected the RTO industry has also affected the consumer.

There appears to be somewhat of a dichotomy here. At a time when many dealers find it extremely difficult to find financing, more and more consumers are strapped for credit and try-

ing to expand the ranks of the RTO target audience. Media reports decry the continuing decline of the American middle class and the growing number of families living in poverty or financial hardship.

Increasing restrictions on consumer credit are having a tremendous effect on the traditional installment-credit-purchase mentality. What does it all mean? Let's boil it down to one word: opportunity. Opportunity in the form of an expanding customer base, but also the recognition that as the customer base expands it will have new sub-segments. These sub-segments can be classified in many ways—age, race, income, lifestyle, etc.

Recognition of a new breed of RTO prospects has important implications for your advertising and promotion plans.

There was a time when a generic "impulse buy" promotional strategy would work for nearly all rental customers. This will continue to be the primary message for the majority of

CONTINUED ON PAGE 30

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And while at least one major company, Rent-A-Center, has added computers to its product lineup, that is an exception. For the most part, today's focus on RTO computers remains on the software packages that are designed to run the business—from the store level to the home office.

In recent years, RTO operations have focused on software functions such as inventory tracking, collections, maintaining payroll and general ledger functions, and tracking the effectiveness of advertising.

Last year, the need for speed in carrying out these functions was paramount. This year, time is still of the essence. However, RTO dealers have become more knowledgeable during the past 12 months. And becoming more knowledgeable often means becoming more demanding.

Roger Sharp of Appalachian TV Rental in Huntington, W.Va, says dealers should never be satisfied with the hardware and software they have. "If you keep searching and learning, you will be able to do so many different things. It's important to use the software to its fullest capacity, and to continue searching for software that will do more things."

Sharp says he is currently using a "collection" computer, which puts raw data into report form. "I'm looking at a proposal that will totally integrate this raw data with general ledger, payroll and accounts payable. There's a manual step, in between there, because we're not connected from our general ledger to store operations. When I get that done, I will be thorough-

ly convinced that the best system is one that is totally integrated."

Sherry Workman of High Touch agrees. "The RTO market has become sophisticated in its automation needs as opposed to eight years ago when RTO automation was in its infancy. There are store-management operations, accounting and financial needs. Those needs should be integrated and standardized into one program that works in harmony from the store transactions through to the P&Ls (profit-and-loss statements)."

Workman says that with taxes, lenders and legislative concerns, it's important that transactions are tracked and controlled "with consistent and verifiable information."

Said Workman: "The potential of being audited has always been important to our clients. The industry as a whole is waking up to the potential liabilities that a dealer may face if he cannot rely on the integrity of his data."

To maintain data integrity, software designers must build in certain safeguards.

"There are some design considerations that we've got in our system that make sure that the numbers match," Workman said. "Sometimes dealers don't understand why their numbers don't match. A lot of that has to do with when there's a power outage or somebody pushes a reset button. What happens is, when you are taking a receipt that receipt will hit maybe five different files—a customer file, an audit file,

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BY

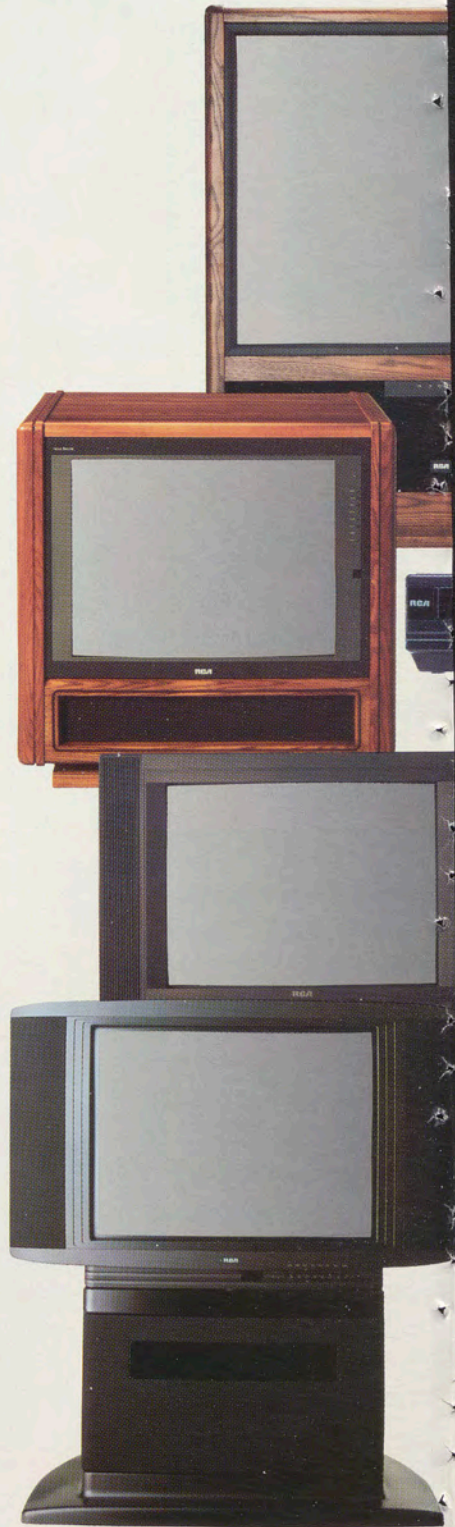
LAURA MALLON

CONTINUED ON PAGE 44

Putting on

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*So, put your best paw
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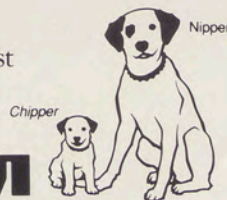
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got caught in path of*

Hurricane Andrew

THE MORNING AFTER HURRICANE ANDREW RAVAGED SOUTHERN FLORIDA IN LATE AUGUST, DICK BAUER, PRESIDENT OF FLORIDA RENTALS, BEGAN THE LONG TREK TO BOTH OF HIS STORES. THE USUAL 25-MINUTE DRIVE TURNED INTO A FOUR-HOUR ORDEAL.

"The streets were totally impassable," he said. "All the street lights were down. Even concrete and steel utility poles had been snapped. I was forced to drive through lawns and places where roads used to be."

At one point, Bauer topped a turnpass once surrounded by a sea of trees. They were all gone. Homes that had been hidden by lush foliage lay exposed; miles and miles of roofs gleamed in the morning sun. Andrew had stripped the shingles off the homes. Those that hadn't been scalped were gone altogether, leaving huge gaps in the shiny pate of the countryside.

"It was ghostly. No one, nothing moved. Fortunately, the area had been evacuated," said Bauer.

Finally, he arrived at his Cutler Ridge store. Andrew had opened the store like a sardine can, peeling back the roof. Looters did the rest. Like unwanted ants at a picnic, they scrambled over the walls, unbolted the back door and marched out with everything ... all the VCRs, portable TVs, the computer, even the fire extinguisher.

"Looters were running wild, streaming out of another store," said Bauer. "The National Guard didn't arrive until two days later, but the looting still went on. They made no move to stop them. What

could they do? Shoot them? If they arrested them, there was no place to take them. There was no longer any suitable infrastructure to handle arrests."

Although Bauer witnessed no personal acts of vigilance, he said homeowners warned looters with painted signs on their homes. "Looters will be shot on sight" and "You loot, we shoot" were popular variations on the theme. Most homeowners were also careful to boldly paint the name of their insurance companies and their street addresses on their houses. This was the only way adjusters could find them. Most street signs had been uprooted by Andrew.

Bauer was quick to add that the National Guard really couldn't be faulted for the swell of looting. "Residences were not well protected, but we're talking about 100 square yards of destruction. And the guards were woefully understaffed for the first week. Many of them had lost their homes, too."

Bauer said that in his area Andrew either destroyed or heavily damaged approximately 79,000 single-family homes, mobile homes and apartments; 82,000 businesses bore the brunt of its fury.

Like the store in Cutler Ridge, Bauer's Homestead location was gone with the wind. This store was snugly ensconced



National Guardsmen arrive late on the second day after Hurricane Andrew swept into south Florida.

in a major shopping center. All that was left of the entire complex was Bauer's Florida Rentals sign, a lonely sentinel to all that had been lost.

"We had a lot of mobile home parks in this area; one had 535 homes in it," Bauer said. "Now, you can't tell where one starts and the other ends. They're scattered like confetti. That was largely our customer base. This area could also attribute about 25 percent of its revenues from the air force base. It was totally destroyed. The other 25 percent was agriculturally based. When you're talking about avocado trees that take eight years before they begin bearing fruit, then you can see how much this area has been affected."

Bauer estimates that 50 percent of his basic revenue was shot, and \$300,000 in hard goods were lost. Ninety percent of his rented product was destroyed. "Most of our customers did not have insurance, and our insurance covers only a small amount of the loss. I'm worried about the customer base more than the stores. You can always rebuild the store, but the customer base is harder to recoup."

On the positive side, Bauer has applied for a Small Business Administration disaster loan and is hopeful of getting it. "It's just a mat-



Ironically, these cars were in the parking lot of the National Hurricane Center in Coral Gables, Fla.

• • • • •

BY

SUSAN **de** BLANC

ter of time, but we're going to come back."

Comcoa weathered the storm a bit better, if only from better underwriting.

"Most of the merchandise in our customers' homes was destroyed," said Ed Stanko, regional manager. "A customer told us that while she huddled with her husband in a closet, the air

conditioner blew out of the wall, through the room and out an adjacent wall. It landed in the parking lot. She called us wanting to know where she should make the payment and if someone could come and get the broken air conditioner."

Stanko's customers were quite relieved when told about the company's liability waiver. It states that if merchandise is stolen or damaged in a natural disaster then the customer is no longer responsible for making payments. As a company, Comcoa will suffer the loss and make a claim to its insurance company.

"This is the right thing for the customer. We want to take care of these people," Stanko said.

For customers who suddenly had workplaces wiped out or were simply short on money, Comcoa set up a customer deferral program.

Stanko said his senior sales people have gone one step further, calling all customers, asking how they are, if they still have a home, if the merchandise is still there and if the company can do anything to help.

Comcoa's extra efforts have brought some happy returns. Shortly after the storm, the company started to deliver

CONTINUED ON NEXT PAGE

Continued from previous page

merchandise back into the hard-hit areas, and stores further to the north received an influx of customers. It was a tough comeback given the extent of damage to Comcoa facilities. Stanko said all 24 stores were hit with the bulk of the destruction centered around South Dade County.

"Once you got into Miami the destruction was pretty bad, but the further south you went the worse it got. Thousands and thousands of homes were destroyed. Trucks were blown around like Tinker Toys."

Comcoa lost six trucks to Andrew and two stores.

"We just couldn't believe it. There was nothing left. It looked like somebody had dropped an atomic bomb," said Stanko.

After surveying the damage, Stanko began looking for employees. "We had 20 or 25 employees lose their homes," he said. "One store manager purchased a new home about eight months prior to the hurricane. It was gone. Nevertheless, he showed up for



Photo courtesy of Dick Bauer

Florida Rentals' Homestead store, the morning after Hurricane Andrew.

work Tuesday morning."

Stanko said that as more and more employees were contacted, horror stories abounded about how these people covered in their homes while the storm raged around them, tearing off roofs and sucking out glass.

"At that point, we elected to pay all of our employees whether they made it to work or not. We also tried to find housing, food and clothing for them. We used trucks from our northern stores to relocate our employees and what was left of their belongings. All of this took place between Tuesday and Wednesday. By Wednesday, we obtained six generators and got a few stores up and running. By Saturday, we only had two stores that were without power."

Stanko said that he couldn't have recovered so fast without the help of a dedicated staff. "You learn what your people are like when you are under stress like this," he added. "Now I know what an outstanding team I have here."

Dick Wright, general manager for EASY TV Rental, is also thankful for his employees. "They have done a great job during this whole thing. They've worked extra hours and gone the extra mile to get us back to a regular basis. I commend them for it, and I also commend the people of southern Florida for pulling together during this tragedy."

Wright and his crew faced a totally different challenge. A sudden increase in the demand for product complicated the company's recovery from power outages, superficial damage to one store and scattered reports of lost merchandise.

CONTINUED ON PAGE 30

COMPUTER SOLUTIONS

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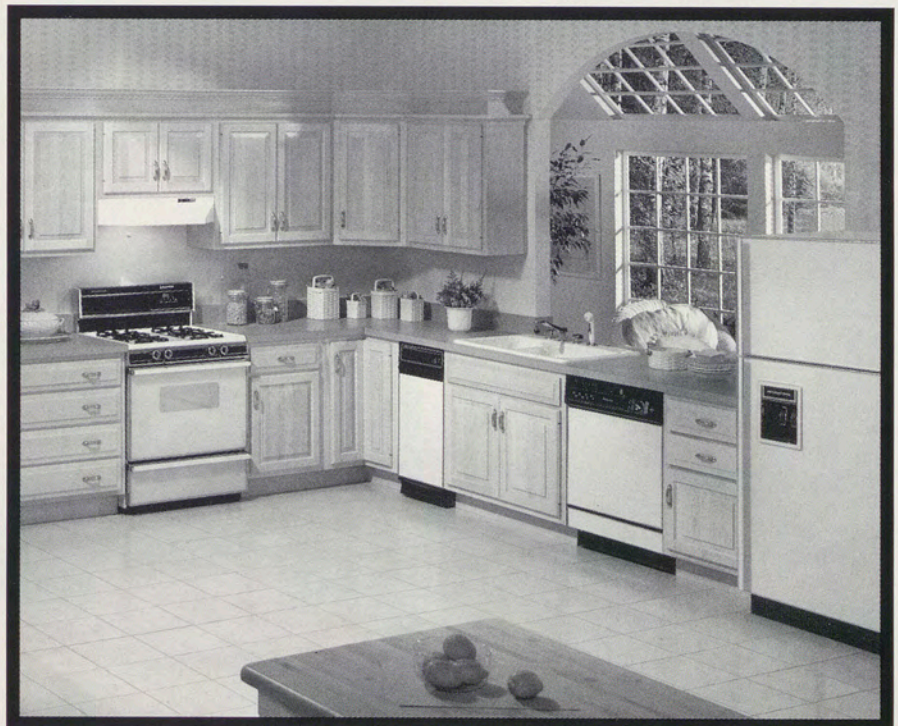


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- National advertising support reaching your customers.

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



Continued from page 28

"We have purchased extra inventory to supply the needs of all the new people coming in to South Florida," Wright said. "All the insurance companies have disaster teams here. Allstate has put up 200 people close to our store. Supplying them quickly took a lot of extra hours. We had to scramble to find vendors who had the stock. I was fortunate to find one that could supply 90 percent of the inventory I needed."

Wright is the first to admit EASY TV was lucky. Altogether Hurricane Andrew destroyed more than 180,000 homes, left more than three million Florida residents without power and

water and ran up a \$40 billion tab before skipping out on the state.

With figures like these it's easy to see why some people are heading for higher ground. However, none of these intrepid APRO members will be amongst the refugees.

"Obviously, there will be some economic benefits to South Dade with all of the new construction that must take place," Stanko said. "Our stores are now being rebuilt. We'll maintain our presence in this area, and as it continues to grow, so will we." **PR**

Susan de Blanc is a freelance journalist and former trade publications editor. She runs her own marketing and design company these days, and can be reached at (512)258-1018.

Continued from page 20

customers. However, as more middle-class consumers find themselves in a position of having to choose RTO as an option to traditional purchase patterns, we'll be forced to reassess. We'll need to find the best ways to position our promotional appeals to this new breed of rental customer.

The new RTO customer will, in some cases, require different types of merchandise and a better-trained store staff that can talk about more than basic features. The new customer will affect what images we show in our RTO advertising as well as the quality of layout and execution—whether it be in print or the electronic media.

Let's face it: Traditional RTO advertising has, at times, emphasized size over substance. This is not a putdown but, rather, the realization that today's—and tomorrow's—RTO consumers are more knowledgeable about quality and they demand a higher level of professionalism. They're much more inclined to respond to advertising that's carefully prepared and presented in a manner comparable with the standards maintained by major retail chains.

The fourth quarter of the year is, in many ways, the toughest to plan. But it also represents the greatest "borrowed interest" promotional opportunities of the year. Borrowed interest means using promotional concepts and ideas outside of consumers' personal needs to generate interest in products and services.

Moreover, the fourth quarter has several opportunities that just aren't there any other time of the year. The weather turns cooler and people stay at home more. New television programming begins, combined with college and pro football and major league baseball's World Series, which means TV viewing is at its peak season. Two major holidays, Thanksgiving and Christmas, play a big role.

These factors combined mean big promotional opportunities. How you capitalize depends on the level of customer interest in your location, the quality of your messages, the media mix you select, plus the reach and frequency needed to influence your "share of mind" over your competi-



**Statement of Ownership,
Management and
Circulation**
(Required by 39 U.S.C. 3685)

1A. Title of Publication Progressive Rentals Magazine		1B. PUBLICATION NO. 7 0 1 0 7 0		2. Date of Filing 9/21/92
3. Frequency of Issue Bimonthly		3A. No. of Issues Published Annually six	3B. Annual Subscription Price \$30.00	
4. Complete Mailing Address of Known Office of Publication (Street, City, County, State and ZIP+4 Code) (Not printers) 6300 Bridgepoint Parkway, Suite 305, Austin, Texas 78730				
5. Complete Mailing Address of the Headquarters of General Business Offices of the Publisher (Not printers) same				
6. Full Names and Complete Mailing Address of Publisher, Editor, and Managing Editor (This item MUST NOT be blank)				
Publisher (Name and Complete Mailing Address) Bill Keese, Executive Director Association of Progressive Rental Organizations, 6300 Bridgepoint #305, Austin, TX 78730				
Editor (Name and Complete Mailing Address) John Gormley APRO, 6300 Bridgepoint Pky. #305, Austin, TX 78730				
Managing Editor (Name and Complete Mailing Address) John Gormley, APRO, 6300 Bridgepoint Pky. #305, Austin, TX 78730				
7. Owners (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 percent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual must be given. If the publication is published by a nonprofit organization, its name and address must be stated.) (Item must be completed.)				
Full Name		Complete Mailing Address		
Association of Progressive Rental Organizations		6300 Bridgepoint Pky. #305, Austin, TX 78730		
8. Known Bondholders, Mortgagees, and Other Security Holders Owning or Holding 1 Percent or More of Total Amount of Bonds, Mortgages or Other Securities (If there are none, so state)				
Full Name		Complete Mailing Address		
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9. For Completion by Nonprofit Organizations Authorized to Mail at Special Rates (DMM Section 424.12 only) The purpose, function, and nonprofit status of this organization and the exempt status for Federal income tax purposes (Check one)				
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10. Extent and Nature of Circulation (See instructions on reverse side)	Average No. Copies Each Issue During Preceding 12 Months	Actual No. Copies of Single Issue Published Nearest to Filing Date		
A. Total No. Copies (Net Press Run)	3,659	4,937		
B. Paid and/or Requested Circulation 1. Sales through dealers and carriers, street vendors and counter sales 2. Mail Subscription (Paid and/or requested)	3,064	4,158		
C. Total Paid and/or Requested Circulation (Sum of 10B1 and 10B2)	3,064	4,158		
D. Free Distribution by Mail, Carrier or Other Means Samples, Complimentary, and Other Free Copies	327	459		
E. Total Distribution (Sum of C and D)	3,391	4,617		
F. Copies Not Distributed 1. Office use, left over, unaccounted, spoiled after printing 2. Return from News Agents	268	320		
G. TOTAL (Sum of E, F1 and 2—should equal net press run shown in A)	3,659	4,937		
11. I certify that the statements made by me above are correct and complete	Signature and Title of Editor, Publisher, Business Manager, or Owner <i>Bill Keese</i>			

PS Form 3526, January 1991

(See instructions on reverse)

tors. Share of mind may be a new term. What it means is that the RTO industry has been around long enough for most prospects to know something about the concept, and most customers are aware of the various RTO stores in their neighborhood. Who they rent from is often determined by which dealer has the greatest "share of mind." Of course, a prospective customer wouldn't know to call it that. What they might think is something like this:

I know as a consumer that I have several RTO stores I can do business with. I choose to rent from this store because: 1., They make me aware of what they have to offer; 2., They do it in such a way that appeals to my needs; 3., They do it in such a way that really catches my interest; and 4., They do it enough that I don't forget them.

Now, let's discuss fourth-quarter media options ...

Television has traditionally been an excellent choice. But with the proliferation of cable options and "narrow casting" it's becoming increasingly difficult and more costly to effectively reach the RTO target audience. Add to this the fact that this has been an election year and it's even harder to cut through all the clutter.

Radio can be used effectively in some markets where station selection is limited and the station format has a strong RTO following, whether it be ethnic, country, etc. But large urban markets often have too many stations, splintering your listening audience into too many fragments.

Print advertising—fliers, door hangers and handbills—continues to grow in popularity for several reasons. First, print advertising is tangible and has shelf life plus pass-along readership. Second, print advertising can be precisely targeted to zip code, carrier route, and even block and lot number. Marriage mail through ADVO or other delivery systems is available in many markets. These services provide an extremely cost-effective means of getting your message to customers.

The advertising mix you select should result from testing various media over time and tracking response rates to determine what mix is optimum for each city or store location. The important thing to understand is

that each market is different.

We've played a hard-fought game through three quarters of 1992. We're now in the middle of the fourth quarter. Some RTO teams are tired, beat up financially and wondering whether they can pull out a win this year. Other teams are healthy and ready to claim even more yardage (market share).

Regardless, you can still take advan-

tage of the advertising opportunities left in '92. If you finish strong, with profits to show for your efforts, you can declare yourself winner. **PR**

Bonnie Nitzsche is owner-operator of her own business, Bonnie "The Flyer Specialist," which specializes in design and production of direct-mail pieces for rental dealers. She can be reached at 1-800-83-PRINT.



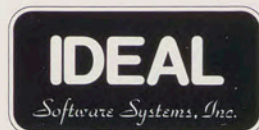
Why is this granny smiling?

Because her son now finds time to visit on Sundays instead of doing RTO paperwork.

Catherine is glad that her son Wade bought new RTO software from Ideal Software. She says now all Wade ever talks about on his Sunday visits is how little paperwork he has to do manually. He knew it would be a wise buying decision to purchase software designed by a rent-to-own company for rent-to-own companies.

Like Wade, many respected RTO companies have trusted their reputation to the accuracy of Ideal Software. Features like full support for installation, complete training in a matter of hours, and maintenance by phone continues to get attention. Benefits like saving money, being able to update the system regularly with a variety of options, and increased employee productivity keep their loyalty.

Give us the opportunity to show you why Ideal is Rent-To-Own. Call 800-96-IDEAL.



Post Office Box 2928
Meridian, MS 39302

RENT-TO-OWN ■ VIDEO TAPE ■ SHORT TERM RENTAL ■ PAWN SHOP ■ CHECK CASHING

Tired of hiring crooks? Here's how to avoid it

IN 1991 A McDONALD'S FRANCHISEE PAID DAMAGES IN A \$23.7 MILLION SUIT AFTER AN EMPLOYEE ASSAULTED A THREE-YEAR-OLD AT THE RESTAURANT. THE WORKER HAD BEEN PREVIOUSLY CONVICTED FOR CHILD MOLESTATION. McDONALD'S WAS FOUND GUILTY OF NEGLIGENT HIRING.

.....

This same situation could happen to anyone who runs a business and hires employees. The "negligent hiring" theory means employers should know whether their employees pose a threat to the public. And if workers do pose a threat, then employers are responsible, according to the negligence theory.

The threat of negligent hiring is just one reason you should invest in Inquiry Services, which specializes



.....

BY

SHANON LARRIVIERE

in pre-employment record checks. President Dick Bauer said he began the business about three years ago while operating Florida Rentals, a two-store RTO business south of Miami. "Skip tracing is what got us into this business," Bauer said. However, Bauer soon realized there were other related services he could offer. "Our entire thrust is to upgrade the quality of the workforce ..."

In many RTO companies turnover averages more than 200 percent. "What that means," said Bauer, "is that for every employee you have, as a manager or owner, you are going to see two new people in that job in the course of a year."

But now there are ways to bring those numbers down.

Basically, there are four main records that can give you insight on a prospective employee. A person's driving record can give vital information. The report covers any violations and citations within a three- to seven-year period.

But perhaps the most important information the driving record reveals is alcohol abuse. Bauer confirms that the driving record is the only report that can indicate if a job applicant has a drinking problem.

A person's workmen's compensation record is also useful in back-

ground checking. This information identifies habitual claimants. "They'll go to an employer and work two weeks, have a problem and get 90 days' pay," Bauer said. "And all that does is raise the employer's insurance costs."

Habitual claimants with five or more claims on record are common, Bauer says.

The credit search report process is similar to normal credit checking. However, an employer doesn't particularly take notice if a person paid their bills on time. Bauer said employers want to know if there are liens against an applicant's property, if he had any foreclosures against his property, or if the person has failed to pay child support, etc.

"A person with a history of that kind of problem is going to attempt to pay off those debts by putting his hand in your till or by taking your stuff out the back door," said Bauer. "And that is why employers use the pre-employment credit record."

Naturally, the criminal conviction record contains much-needed information. Not only does this tell if a person has had any felony or misdemeanor convictions but it's also essential to prevent legal liability for negligent hiring.

Bauer stresses the important role each report has.

"None of these pieces in and of themselves should, with rare exception, preclude an individual from a job. But when you put them together you can get a much better picture of who you are dealing with than just simply calling their last employer, who will often not say anything but that the person worked there."

You can get the record checks completed and sent by fax or you can purchase the software program that provides record access. Prices vary according to record and by state. For more information, call Inquiry Services in Miami at (305)253-7020.

PR

Shanon Larriviere is a senior broadcast journalism student at the University of Texas at Austin. She recently completed a summer internship in APRO's communications department.

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New long-distance service helps dealers save

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THIS IS A BENEFIT AVAILABLE ONLY TO MEMBERS OF APRO IN GOOD STANDING AND THEIR EMPLOYEES.

.....

APRO's agreement with Allnet, a national carrier, will give 30 percent off their regular charges. A comparison was made with an APRO member company using AT&T Customnet rates and the APRO/Allnet rates. The rates came to \$0.1679 per minute during business hours and \$0.1343 per

minute during non-business hours.

A letter was mailed to all regular and associate members explaining the program and encouraging them to take advantage of these rates. A side-by-side comparison of usage and rates was made with AT&T. It clearly shows a substantial savings with Allnet.

"In each of these cases the companies, using this new APRO member benefit, would realize an annual savings far greater than their total dues to APRO. In effect, these companies will make a profit by being an APRO member," said APRO's Carolyn Fitzsimmons.

Sales representatives from Allnet have already begun contacting all APRO members to explain the APRO/Allnet program. Allnet will analyze APRO members' current long-distance charges and determine the savings members would realize with this program.

Once a company signs on with Allnet, it will be provided with accu-



DIALING FOR DOLLARS
Cost-justifying your
APRO membership

rate, timely billing. Allnet will invoice the home office with all other locations' calls detailed—or they will bill according to company preferences.

If you have any questions about this program, call Fitzsimmons at the APRO offices—(512)794-0095—or call Allnet in Dallas at (214)754-7101. Ask for Daniel Jahn. **PR**

FASTWAY

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We offer an excellent benefit package and definite opportunities for advancement. Our company has a history of proven leadership in the RTO business that will continue to expand with quality people dedicated to total customer service.

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Fastway, Inc.
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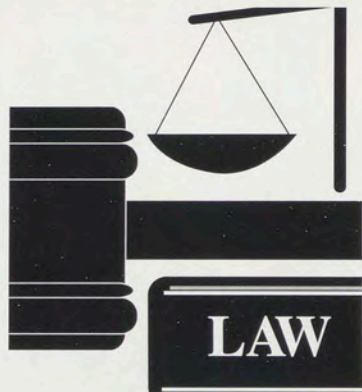
- The best known name in the industry
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If you're ready to affiliate your successful RTO business with a national leader, ColorTyme has the opportunity for you. For more information, call, write or fax:

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TV • VIDEO • AUDIO • FURNITURE • APPLIANCES



The word can refer to people, computers or—in this case—some of both:

Networking

SINCE THIS EDITION OF *PROGRESSIVE RENTALS* EMPHASIZES COMPUTERS AND THEIR IMPORTANCE IN THE RENTAL-PURCHASE INDUSTRY, PERHAPS IT IS APPROPRIATE TO USE SOME INK EXPLAINING HOW COMPUTERS ARE ALSO IMPORTANT TO THE INDUSTRY IN WINNING THE SEEMINGLY ENDLESS LEGAL AND LEGISLATIVE BATTLES THAT ARE WAGED ACROSS THE UNITED STATES.

•••••

There is no doubt that computers have become a necessity of modern American business life—and that learning to master them well before college or job hunting enhances your chances of succeeding at either. Just as those of my generation who wanted an edge over the competition for good jobs took typing courses in high school, today's competitive students are wise to seek out computer courses during their school days. I know that when a position is open at APRO, resumes with computer training on one of the two systems used here—IBM PC or Apple Macintosh—gives the applicant an advantage over someone who must be trained on our time and expense.

In our industry, I have seen the last of those who resisted computerizing their own businesses change their manual ways just in three short years. If everyone else, including your vendors, is on computers, eventually you must invest in the technology to compete successfully.

In meeting the challenge of maintaining at least as good a political network as our legislative opponents, APRO's governmental relations program is also investing in upgraded computer capabilities. These are designed to give us the ability to arm RTO's state associations with computer lists of corporate offices and stores by legislative and congressional districts.

This new legislative tool will enable APRO to assist state associations that find themselves under attack legislatively. Thus, they'll be better able to defend themselves in a timely and organized fashion.

When our national legislative monitoring system flags a bill—or even a rumor of a bill—affecting the industry in a given state, we will be able to alert the state association leadership and lobbyist of the impending attack. On top of that, however, we'll be able to supply them with an updated, merged list of all corporate offices and/or stores in their state by legislative district of members on the relevant committees. A telephone committee of association members could then quickly call the relevant corporate offices and alert them to this fact and inform them of the legislators involved on the committee and/or generate mail alerts to the targeted corporate and legislative offices.

This grassroots-response system could also be used proactively by state associations attempting to pass legislation supported by the group. It can be an important tool in determining who in the state industry knows or should know certain key state legislators. State legislators are always more interested in listening to a constituent business owner with a legislative request than someone from another part of the state seeking their support on legislation.

The computer program will take our membership data from floppy disks and merge by zip code corporate offices and RTO stores with all zip codes in a given legislative district. While this could be done manually (several years ago APRO paid several thousand dollars for an industry attorney's office to do just that) it is much too expensive and time consuming. The software program and annual updates can be purchased from one of several companies now offering this service for a fraction of the manual cost.

•••••

BY

RON WATERS

This new tool for state RTO associations will become available to us for distribution now that the general election is over and names of public officials can be added to the districts.

You should be hearing more about them and the new computer service during your state association's upcoming fall or spring business meeting.

One benefit of having accurate lists of our members by state legislative districts is the leverage that such information gives an organization with politicians. That's because politicians always want to know how many mem-

bers your organization has in their districts and who they are.

This sophisticated form of computer "networking" also provides one more service to help you justify the cost of state and national association membership—to your boss, peers or yourself.

As the graphic below shows, association membership is widespread in America. The reasons people join trade associations vary from person to person, company to company. But here's yet another reason why APRO membership is a good idea. **PR**



Ron Waters is APRO's director of government affairs.

How many join associations?

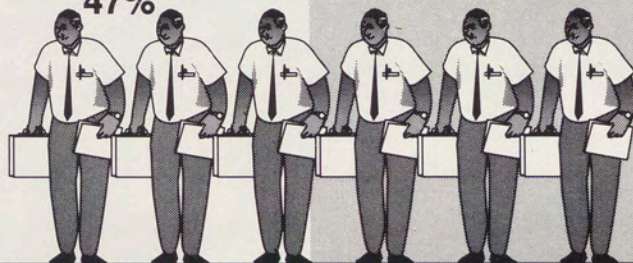
Association membership is higher than previously believed. Number of Americans with active memberships:

Seven out of ten
69%



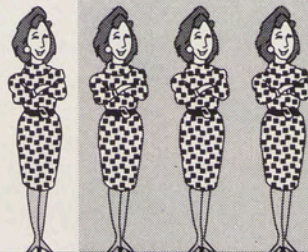
Belong to one association

Almost half
47%



Belong to two associations

One out of four
24%



Belong to four or more associations

Source: Hudson Institute Report on Value of Associations



CONFERENCE SESSIONS ON AUDIO CASSETTES

APRO 1992 Convention

July 23, 24 & 25, 1992 New Orleans, Louisiana

\$8.50 Per Tape ★ 1 FREE TAPE WITH PURCHASE OF 12 TAPES

Check tapes desired:

- 00 FULL SET OF TAPESSET PRICE \$176.00
- 01 Advertising Comparison—Wilson
- 02 Maximizing Revenues—Holladay
- 03 How to Structure Your Balance Sheet—Whitsell
- 04 Skips & Stolens-How to Protect Your Merchandise—Pena
- 05 In-Store Merchandising—Weiss, Gay, Zagorniak
- 06 Rent-to-Own Wives-How to Cope—Filloramo, Walts, Grauel
- 07 How You Can VOTE! For RTO—Sawyer
- 08 Stress Management—Useldinger
- 09 Tax Issues for Rent-to-Own—Zigtema
- 10 Letting Go-Learning to Delegate—Randolph
- 11 Public Relations—Keese
- 12 Getting the Most From Your Computer System—Jones
- 13 SOS: Survival Lesson for State Associations—Hodson
- 14 Employee Injury Protection-Keeping WC Costs Down—Useldinger
- 15 Everything You Ever Wanted to Know from Your Lawyer—Smalley
- 16 RTO-Relationships to Opportunity—Sutton
- 17 Compliance & Your Rental Agreement— Walker, Winn, Choate
- 18 (3 Tapes) Sex, Drugs & Violations—Weisbrod, Farrington
- 19 (3 Tapes) Hiring & Keeping Top Employees—Sutherland

NAME: _____

ADDRESS: Business Residence

PHONE NUMBER: _____

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**SHIPPING CHARGES: \$1.00 PER TAPE NOT TO EXCEED \$10.00
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ALL CHECKS AND PAYMENTS MUST BE WITH U.S. FUNDS

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-REC

-MAIL

-PD

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FIRM NAME: _____

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**SEND ORDERS TO AND MAKE CHECK PAYABLE TO:
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Number of tapes at _____ \$ _____

Sub-total _____ \$ _____

Louisiana Residents only - add 9% Sales Tax _____ \$ _____

Shipping and Handling _____ \$ _____

TOTAL AMOUNT _____ \$ _____

NOTE: If sessions extend on to an additional tape, the price of the tapes of the session may change.

DUE TO EXCESSIVE BANK CHARGES AND EXCHANGE RATE, WE CANNOT ACCEPT FOREIGN CHECKS. Please charge your tapes to an AMEX or VISA/MC credit card.

Dealers share their opinions on timely rental-purchase topics

Donald Patteson
President/CEO
Rentronics (57 stores)
Houston, Texas

On store appearance: "Some people in this business have been remodeling or redesigning stores to provide a more upscale appearance, hoping to attract a new, upscale customer. We've been upgrading the appearance of our stores because we respect the customers we have. We haven't seen a shift in the scale of the customer, but we have seen our longtime customers appreciate the improvements we've made in our stores. We want our customers to feel good about doing business with us and a good-looking store is one way to achieve that. Furthermore, we believe an attractive workplace is essential for employees. It affects their morale and the quality of service they provide the customer."

On customer service: "People are the key to quality customer service. The challenge is to develop people who provide consistent, quality service across the country. Quality customer service doesn't just happen, you have to do a lot of things right. Among them, training and development of your crews are vital. Because when you take good care of your people, give them the knowledge and tools to do the job and reward them for a job well done, they will take good care of the customer."

On computerization and information: "We've got 57 stores in 13 states. Without computers in every one of those stores, it would be impossible for us to keep track of field operations. We track our stores daily, weekly and monthly. If you don't know what is going on, you won't see a problem. And if you don't see a problem, you can't fix it. Good, timely information is critical to running a successful business. And if you're not constantly upgrading your information systems in terms of the quality and timeliness of that information, you'll fall behind."

...

Harvey Whitehead
Owner/dealer
Harvey's Neighborhood Rentals (four stores)
Knoxville, Tenn.

Reason for joining APRO: "I joined APRO for the specific purpose of attending the first financial summit (conference), which I believe was two years ago this month (November, 1990) in Atlanta. I joined ... because I was hearing these rumblings in the industry and I was financing at that time with Transamerica, in a smaller way. I never depended on it as heavily as some did. But I felt like I ought to be there (at APRO's financial summit conference). I felt like the dues money would be well spent if all I did was try to get the lowdown on the rumblings I was hearing."

"So I joined and ... attended that financial summit. In October of '90 I had a store that was just 10 months old. So I had just recently opened one and I was using Transamerica to assist my own equity in funding that new store."

Avoiding the financing trap: "I sort of anticipated, maybe a little better than some, what I believed was happening in the industry in regard to financing. I began to put all these things together and I said, 'Man, some of these guys (dealers) aren't going to be here in the next year or two.' So I restricted HNR's growth plans, prior to some others. Consequently, we're a

little heavier on equity and a little less dependent on financing.

"I try to stay up with the *Wall Street Journal*, try to listen to the bankers and follow what I think is going on. There's a lot about business that I wouldn't recognize, but I'm trying to be informed enough to where maybe I can smell a problem coming."

Profits without new stores: "I only operate four locations, and it's been almost three years since we've opened a store. That frustrates me a little bit. I would've liked to have established HNR a little more by now. We've been in business six years and I would've liked to be a little farther along. But HNR is a profitable operation, and I'm going to do everything I can to grow the company from within."

"I decided not to take on any new long-term real estate obligations, not have another showroom floor to support. Because a showroom floor will cost you between \$20,000 and \$40,000, depending on how many items you stock. That's just money tied up. It's not generating any income; it's sitting there on the floor, on display."

"So I said, 'Hey, I'm going to get conservative here. Probably a lot of folks will think I should be moving faster, but I'm extremely independent.' I feel like everybody has the right to be independent, if they can afford to be. A gentleman told my dad years ago, and my dad told me ... that he'd rather have one veal calf on a pickup truck making money than a trainload of cows breaking even. And there's a lot to that, especially in the rental world ... where there seems to be a real emphasis on how many stores you have."

PR

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Sometimes the medium muddies the message

Did they mean repent or re-rent?

WHEN *PROGRESSIVE RENTALS'* EDITORS FINALLY TIRED OF HEARING FROM ALL THOSE WHINING, NAGGING RENTAL DEALERS WHO FULLY EXPECT SOMETHING FOR THEIR MONEY WHEN IT COMES TO APRO DUES AND SUBSCRIPTIONS, THEY DIRECTED ME TO PRODUCE SOMETHING THAT WOULD HELP IMPROVE STORE SECURITY DURING THE HOLIDAYS. YOU KNOW—HOW TO PREVENT THIEVES, THUGS AND FORMER CANDIDATES FROM MAKING MORE THIS SEASON THAN THE REST OF US WILL.

.....

If you thought voting them out of office was the answer, guess again.

First and foremost in any security program is understanding the scope of the problem. It's been rumored that rental-store employees steal more than rental-store customers (of course, customers started the rumor). If only one employee in every rental store steals a portable TV or the equivalent once a year, that amounts to a \$1.6 million loss to the industry. Of course, if those employees are smart, they'll all become owners. When owners steal the same amount, it's referred to as "debt multiple" and you get it back when you sell.

This is called reinvesting. It's all in the management books.

In fairness, we must point out that most rental-store employees reading this magazine are honest to a fault. However, if you didn't pay for the magazine you're reading, honesty is obviously not one of your faults. You could be cut out for a more lucrative career in finance, politics or sales.

Stopping the professional thief or robber generally is an impossible task. At least, that's what police all over the country say. And they should know—goodness knows, they've been able to prove it so far. But you can slow this guy down. Here's how:

1. Always take the big bills out of the cash drawer throughout the day. If you can't find them at the end of the day, you've at least found your thief.

2. Never let heavily armed people into the store after hours. While this makes management recruiting all that much harder, you have to sacrifice something for security.

3. Never let customers know that your jewelry display is real gold and diamonds. Considering the quality of sales training available in most companies, this should be no problem.

Next, concentrate on those mysterious pilferage losses that can eat away at profit on a regular basis. Most pilferage is the result of inattention to detail. For example, have you ever come to work and noticed the back door standing open? If the answer is yes—and you didn't recognize those three guys loading up the U-Haul—odds are you've been the victim of pilferage.

Ever walk into the showroom and have to shoo customers away from the cash drawer? You've probably had some cash shortages. Those are only two of the "Seven Warning Signs of Stupidity." Some others include using the "honor-box" system for weekend payments, failing to lock up at night, letting the guy who washes your windows make the bank deposit and hiring people with "Aryan Nations" tattoos on their foreheads.

Perhaps the most troublesome aspect of store security is punishing the guilty. Nobody wants to prosecute the 76-year-old granny who stuffs a VCR down the front of her Depends and waddles off back to the rest home. But the D.A. licks his chops

.....

BY

BUD HOLLADAY

when a 22-year-old routeman cops a late charge or two, and maybe takes home a refrigerator so as to store his sick baby's insulin.

This has to change: both these creeps deserve punishment. When clerks take a polygraph on what happened to all the Kleenex in the ladies room, and assistant managers face hard time for all those UHF loop antennas they have at home, you'll see some folks go straight. Make a few owners repay the company for those extra desserts they had on the company cuff and more than a few big-wigs will think twice before ordering next time.

We're talking real justice here—swift, certain, even. The kind of justice this country was built on.

Some companies hire auditors and checkers and shoppers to be certain nobody's giving away the store (or stealing it), but others have found just as much success with simple employee-relations programs. That's where you only hire your simple relations for employees. While you're sure to lose a lot less, not much work gets done. But there's a tradeoff in everything these days, and this one seems popular.

Once you've filled the company with relatives, you can put all those other folks to work threatening burglary victims and chasing skips that were charged off in 1978. Just be ready for complaints from assistant managers who'll claim you've stolen their jobs.

The good news is, by the time the CPA notices that you've increased payroll 3 percent to reduce skip losses by 1 percent, you'll probably be ready for expansion again and all those people can be made store managers. If they've learned anything at all, they won't steal from you. If they do steal from you, they'll be so clever that you'll never find out. So everybody's happy.

This is called empowerment. It's in all the management books.

And what about the store managers, assistants and routemen reading this magazine who claim that the REAL problem is customer theft? What can they do to stop that steel-nerved bandit who pays only \$1,440 for a TV set and then claims it's stolen before paying off that last \$60? And

Some companies hire auditors and checkers and shoppers to be certain nobody's giving away the store (or stealing it), but others have found just as much success with simple employee-relations programs. That's where you only hire your simple relations for employees. While you're sure to lose a lot less, not much work gets done. But there's a tradeoff in everything these days ...

what about the fresh-faced young married couple who look you straight in the eye and claim that a tornado ripped through town, taking your VCR and combo with it?

These people are slick, and you shouldn't be deceived by their facial injuries and lack of clothing. Anybody can forge one of those Red Cross vouchers.

Finally, we should consider the power of positive suggestion. Whenever the topic of theft comes up, I'm always reminded of the sweet little old lady in San Antonio who wasn't too old to see the light and change her ways. The store mailed

out thousands of coupons, reminding former customers they had only "10 days to re-rent." This poor soul hovered near the counter for at least 20 minutes before working up the nerve to approach a sales clerk. Waving her coupon, she confessed, "I don't know what to do. This says I have 10 days to repent."

The power of positive suggestion. It's all in the management books. **PR**

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

RTO Managers

**Are you worried about your future
in the rent to own industry?**



Does your supervisor demand more BOR, but you haven't had any new product in six months? Every company has been affected by the lack of credit availability that is facing our industry. Not National Rentals. 1992 will be another record year for both profits and new growth. Our acquisition department has never been so busy. Good deals are everywhere and the only thing that will slow us down is the lack of quality store management. We are looking for store managers and regional managers who haven't forgotten that the way to financial success is through leadership and hard work. We want people who will have a direct impact on the success of our company. For the right people we offer the best bonus potential in the industry today. If you would like to be a part of our winning organization, you need to talk with us. All replies strictly confidential. Please submit your resume to:

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C/O National Rentals
P.O. Box 1479
Cleveland, TN 37323



When consumerist authors look at RTO Survey says,

I READ A LOT OF CONSUMER-RELATED WRITING AS A PART OF MY JOB—MOSTLY ABOUT RENTAL-PURCHASE ISSUES, BUT ALSO ABOUT CONSUMER EDUCATION AND AFFAIRS, GENERALLY—TO KEEP SENSITIVE TO THE PREVAILING WINDS AMONG CONSUMER ADVOCATES. FOR THE MOST PART, IT IS PREDICTABLE STUFF AND NOT WORTH REPORTING. OCCASIONALLY, HOWEVER, THERE COMES ALONG A PIECE SO REMARKABLE THAT I FEEL AN OBLIGATION TO SHARE IT WITH RENTAL DEALERS EVERYWHERE.

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This time, it is actually two pieces, although both were written by the same author, and both concern a survey of 105 black welfare mothers taken in some unnamed Georgia city about rental-purchase practices.

.....

BY

ED WINN III

The survey's methodology and results told me a lot about consumer research and, on a larger scale, the sad state of education in America. Of course, it might be unfair for me to draw conclusions about consumerism or education in America based on two published consumer articles. But not much more unfair than to draw conclusions about the rental-purchase industry based on a survey of 105 people, only 41 of whom had ever been involved in a rental-purchase transaction. The consumerist authors printed their conclusions, and I am going to print mine.

First, a word about their study and their conclusions. There were two articles published on the basis of this survey: Cantrell & Godwin, "Rent-to-Own Choices of Low Income Consumers," Annual Conference Proceedings of the American Council on Consumer Interests, March, 1992; and Cantrell, "Low-Income Consumers' Decisions Regarding Rent-to-Own," *The Journal of Consumer Education*.

A golden rule in academia is never publish one article if you can publish two or more on the same topic.

According to the articles, in order to plumb the depths of the minds of rental-purchase customers, 105 randomly selected residents of public housing were given pretest and posttest written surveys about rental-purchase transactions. The questionnaires were pegged at a fifth-grade reading level and social workers were available to help people who had trouble reading. In between, the participants were given a workshop about rental-purchase transactions. The details of the workshop were not disclosed in the articles.

According to the articles, "the workshop included an in-depth discussion of advantages and disadvantages of renting-to-own, layaway, installment credit and revolving credit. Also, costs of each method of obtaining goods were compared."

According to the articles, the participants were "primarily ... African-American women who had never been married and who had not completed high school. Most of the sample were below age 40 ... The average income was \$5,060 ... Nearly 80 percent of the sample were not employed."

Forty-one of the 105 participants reported never having done business with a rental-purchase company.

They gave these women a test before the workshop and asked them, among other things, to identify the most expensive option among several choices: rental-purchase, layaway, cash, installment credit, etc. The published results showed 58.5 percent correctly identified rental-purchase as the most expensive choice. So, 40 percent of the women missed the answer. However, most—three out of five—got it right.

Now, here's the grabber. After the workshop, they gave the test again—same women, same question, mind you. After the test only 54.7 percent of the women got the right answer. And we wonder what is wrong with this country.

One thing, apparently, is that teachers cannot teach. As a former educator, and

one who, in fact, spent time in a ghetto junior high in the deep South, I do not accept the postulate that some people are too dumb to learn. In our blame-someone-else society, however, the author/instructor simply wrote:

"Ideally, the ability of the consumers who attended the workshop to correctly identify the costs of renting-to-own should increase from the pretest to the posttest. However, the inconsistent results presented ... do not support this conclusion. Although total costs were explicitly revealed in the workshops, in the posttest the subjects did not uniformly identify RTO costs as being higher than traditional credit arrangements. Nor could they more accurately report the total cost of RTO items given typical RTO advertisement information. That consumers lack the skill to calculate the costs of renting-to-own relative to other methods of obtaining goods casts doubt on whether the consumers are truly making informed decisions about the rent-to-own option."

The first article's stated objective was to consider the factors related to consumers' choosing rental-purchase among other purchase alternatives. Importantly, the study did not consider rental-purchase to be a rental or lease alternative, either due to the authors' biases or, arguably, the industry's self-determination.

In fact, the authors claim that the questions developed concerning the benefits of rental-purchase were "based on the industry's representation of the advantages renting-to-own has over conventional methods of obtaining goods (like cash purchases or credit)."

To the extent that individual rental companies actively contribute to the rental-purchase-versus-sale comparison in their own advertising, they invite continuing criticism of their pricing and business practices—collection efforts and the like. The hypotheses offered in the articles are, for rental dealers, self-evident, and were proven by the survey. In consumer jargon, consumers make the rental-purchase choice when they perceive that they "maximize their utility by choosing an optional combination of product characteristics subject to an income restraint."

The consumers tested in the arti-

Factors affecting authors' survey results

Forty-one of the 105 participants (40 percent) reported that they had done business with a rental-purchase company. Of the 41, two-thirds reported having no problems with the transaction.

Unsurprisingly, the one-third reporting problems also reported that they had missed payments and had had property picked up. Seventy-five percent of these 41 indicated that they would—or at least might—do business with a rental-purchase company again. The remainder, most of whom were unhappy with the experience, claimed they would not go back.

Factors affecting both an actual and hypothetical choice of rental-purchase over other options included:

(1) knowledge of the total costs of rental-purchase versus conventional credit transactions; (2) knowledge of the benefits of rental-purchase—specifically, "allowing access to new and up-to-date items;" (3) problems with a prior

rental-purchase experience; (4) relatively higher income of customers; (5) customers with perceived poor credit ratings; (6) customers who valued rental-purchase repair service.

These factors accounted for two-thirds of the variation in customers' satisfaction with the rental-purchase experience. With an overall satisfaction rate, among actual users, of 70 percent, the authors felt constrained to offer this advice to the industry:

The high proportion of users who reported problems and the relationship between experiencing problems and likely repeat use should serve as a warning to RTO retailers. If they do not attend to these problems and levels of dissatisfaction, it is likely that legislative and regulatory authorities will become more stringent in their requirements for RTO contracts and information disclosure about them.

—Ed Winn

cles responded to the notions of "getting it now," no credit requirements, in-home service, and access to better and newer goods than might otherwise be available. Dealers will be heartened to learn that their marketing efforts over the past 30 years have been more or less on point.

The rental-purchase cost conundrum remains for the authors and, presumably, for other consumerists. If it costs so much, why does anyone do it? The testing suggests that some customers may not know the true cost, even with today's disclosure laws.

The questionnaire also discovered that some customers rent for the short term and therefore are not concerned with comparing total pricing. The testing also found people who perhaps think that rental-purchase is their only option, and therefore are less concerned with overall pricing.

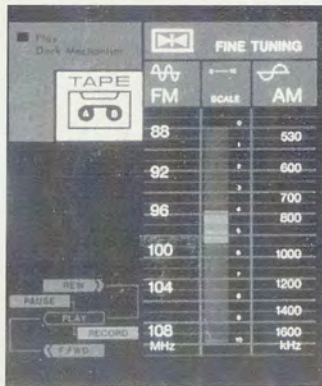
The authors found that education affected the rental-purchase choice inversely—the higher the level of education, the higher the perceived costs of rental-purchase. Age was also a factor—the younger the participant, the more value associated with rental-purchase. Experience with rental-purchase was another factor, with a negative experience lowering the value of the transaction and vice versa.

The results showed what rental dealers already know: a rental-purchase transaction is fundamentally different from a cash sale, a layaway or a credit sale, and everybody but a handful of die-hard consumer advocates knows it. One-hundred-five welfare mothers somewhere in Georgia know it. So do several million rental-purchase customers nationwide.

The consumerist premise that consumers want to get the most bang for the buck has always been valid. What some consumer theorists cannot grasp is the value of different components of a rental-purchase transaction for customers. The consumerists' attitude is that it is not a rational economic choice for me and therefore it cannot be for anyone else. But, then, consumer champions aren't living in the projects on \$5,000 a year, either.

That is not to say that rental-purchase appeals only to the downtrodden. Lots of high-dollar professionals lease BMWs and Porsches and Lexuses for the same reasons that middle Americans choose rental-purchase—it offers an optimal combination of product characteristics subject to income restraint. In other words, it is a rational economic decision. **PR**

Ed Winn is APRO's legal counsel and a veteran writer on RTO issues.



APRO rolls out '93 national seminars

Plan your 1993 vacation around business. Take advantage of the APRO opportunity to mix business with pleasure with either or both of these exciting, deductible trips.

APRO Rental Dealer's Vacation Seminar

March 8-12

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Dominican Republic

Because of the popularity of previous, all-inclusive, vacation packages, APRO is offering an opportunity to bask in the beauty of the Dominican Republic for one, all-inclusive price.

This resort is located in the heart of the Caribbean, on the island's Playa Dorada shoreline, three miles from historic Puerto Plata where Columbus' fleet landed. A Robert Trent Jones-designed 18-hole golf course encircles clusters of villa-style accommodations affording breathtaking views of the island's lush foliage and picturesque mountains.

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- Daily schedule of activities.
- Live nightly entertainment.
- All gratuities, room taxes.

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- Adults-only pool.
- Golf green fees (caddies mandatory, carts available; both require extra fee).

Note: Elaine's Disco and Elaine's Restaurant are optional features, not a part of the all-inclusive program.

APRO has chosen an exciting and motivational speaker to help you get ready for the challenges of 1993. There will also be roundtable discussions encouraging the input of all rental dealers who attend.

Cost varies depending on departure city. Please call Shelley Martinek at the APRO office for more information. Space is limited, so if you are interested in attending, let APRO know as soon as possible.

APRO 1993 Mid-Year Conference

April 29-May 1

Doubletree Resort at Desert Princess Country Club Palm Springs, Calif.

This three-day national rental dealer conference is packed full of informative and educational seminars on the topics YOU want to know about.

Day 1—Advertising seminar, 9 a.m.-5 p.m.

Day 2—Roundtable discussion, 9 a.m.-noon

Day 3—Annual Accountants and Lawyers Update, 9 a.m.-noon

The Doubletree Resort in Palm Springs offers a lush, country-club setting with superb facilities and a world of recreation in one sunsational location, just 10 minutes from Palm Springs Airport and two hours from Los Angeles. Surrounded by spectacular desert beauty yet secluded within a lush oasis, there are two pools, 10 tennis courts, a fully equipped fitness center with racquetball.

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PGA-rated 27 hole championship golf course and driving range right on-site. Designed by renowned architect David Rainville, the course features challenging lakes and sand traps, plus four sets of tees on every hole for all skill levels. After a day of meetings, it's the perfect spot to play a round.

APRO has allowed extra time in the schedule for you to take advantage of what the area has to offer. Explore natural splendors at the nearby Desert Museum. Take a breathtaking tram ride up Mount San Jacinto. Or, indulge in the more worldly pursuit of shopping along exclusive Palm Canyon Drive.

Mark your calendars now and plan to attend. Watch future APRO publications for details or call Shelley Martinek at the APRO office, (512)794-0095.

Eichlin joins APRO Board of Directors

Richard "Dick" Eichlin of Shenandoah TV & Appliance Rentals, Harrisonburg, Va., was elected to the APRO Board of Directors to fill a recent vacancy.

Eichlin was elected by his peer directors during the Sept. 29 board meeting at Bally's in Las Vegas.

Eichlin entered the exciting world of rent-to-own in 1980 with Universal TV Rental, Inc. After a very successful three-year tour as a store manager he was promoted to regional manager. Two years later, he was promoted to the corporate office as assistant operations manager.

In 1986, Eichlin accepted a position as rent-to-own division manager for Philip M. Bell Co. and was a major factor in providing the type of quality furniture that the industry requires.

Finally, in September 1987, he and his wife Miriam jumped into RTO store ownership by opening

their first store under the name Shenandoah Television and Appliance Rentals, also known as STAR.

By November 1990, they had expanded their single-store operation to a six-store, multi-state corporation.

Alreco makes top 100 distinction

Alreco, Inc., a new Albany, Ind.-based company, won recognition in October as one of Louisville-Southern Indiana's top performing companies.

The 13-year-old company was honored by The Metro 100, a civic and business group dedicated to economic development in that 400,000 household market.

According to Alreco President Mike Walts, the number of Alreco stores increased by 45 percent during the last five years, but sales revenue went up 260 percent in the same period.

Alreco currently operates 35 stores in eight states. The company expects to operate at least 40 stores by the end of 1994.

Fishing charters are perfect incentive

Hooker Services offers complete deep sea fishing charters for rental dealers who want to set up special management-incentive contests for their employees.

Jerry Dunaway, former partner with Chuck Sims at Remco, runs Hooker Services and is a veteran boat captain and fishing guide. Dunaway began his rental career in 1967. He and Sims opened their own business (Remco) in 1968. In 1983, Dunaway sold his 25 percent interest in Remco.

Since that time, Dunaway has operated a very successful worldwide sport fishing operation, Hooker Services. Dunaway specializes in management incentive and sportfishing trips.

For more information, call (713)561-9960. Or, see ad on facing page. **PR**

HOOKER SERVICES



The Hooker

THE KEY TO SUCCESS MANAGEMENT PERFORMANCE

THE KEY TO MANAGEMENT PERFORMANCE MANAGEMENT INCENTIVE CONTESTS



The Madam

I SPENT 16 YEARS OF MY LIFE IN THE RENT-TO-OWN INDUSTRY AT REMCO. DURING THOSE YEARS, I FOUND MANAGEMENT INCENTIVE CONTESTS WITH TRAVEL/ADVENTURE AS REWARDS TO THE WINNERS, TO BE THE BEST TOOL FOR MOTIVATING MANAGEMENT TO SUPERIOR PERFORMANCE. I ALSO FOUND, THAT RATHER THAN THE AVERAGE TRIP AS A REWARD, THE TRIPS THAT MOTIVATED MY MANAGEMENT MOST, WERE DEEP SEA FISHING TRIPS. SINCE 1984, I HAVE OWNED AND OPERATED THE WORLD'S BEST AND MOST RENOWNED SPORT FISHING OPERATION. WE OPERATE FROM JANUARY - OCTOBER ALONG THE WEST COASTS OF COSTA RICA & PANAMA. THIS AREA OFFERS THE BEST SPORT FISHING IN THE WORLD FOR SAILFISH, BLUE MARLIN AND BLACK MARLIN. I CAN AND WILL ASSIST YOU IN THE PLANNING OF ALL THE DETAILS FOR YOUR INCENTIVE SPORT FISHING TRIPS FOR YOU AND YOUR TOP PERFORMERS.

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56 IGFA WORLD RECORDS

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Quality RTO Reading

RTO Network News brings you information on legislative and legal developments impacting the rent-to-own industry. The News' sister publication, *Progressive Rentals*, is a full-color magazine offering more in-depth articles on industry issues and profiles on the entrepreneurs — both past and present — who help make the RTO business interesting.

APRO members receive *Progressive Rentals* automatically as a benefit of their membership. If you are interested in joining the national trade association for the rent-to-own industry, and want to reap the full benefits of membership, call the APRO offices at (512)794-0095. If you only want to receive *Progressive Rentals*, simply fill out, photocopy and return the subscription form below to:

APRO
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Yes, I would like a subscription to APRO's bimonthly magazine, *Progressive Rentals*. Enclosed is my \$30 for the next six issues.

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NOTE: Please pay by check or (circle) Visa/MasterCard or AmEx.



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Continued from page 23

a cash-flow file, a receipt file, a payment-history file, etc. When the power goes down and it comes back up, that transaction may have hit three of those files and not hit the other two files.

"So, then your numbers aren't complete when the auditor comes in. Well, we have a facility that raises flags on what was actually completed. When the system comes back up (after a power interruption) it goes and it checks and it cleans it up, making sure all those other transactions are recorded in the system."

Workman also says that with today's tax and legislative pressures, it's extremely important that dealers conduct their businesses to match what the RTO industry wants to project as a whole.

"If your computer system allows you and even encourages you to do things that are against that, it's like opening up a door that says, 'Do whatever you want to.' We have a program that represents how the rent-to-own industry wants to be portrayed."

Not only does High Touch provide the hardware and software to RTO dealers, but it also provides support. Workman says it's essential that computer hardware and software companies provide some kind of product support. Workman believes professionalism is a key ingredient to the success of High Touch.

"It is the depth and experience of our people. We don't try to support 500 stores with one client-support person—it can't be done and done well. We have a staff of four client-support experts and four programmers

available to our clients on a 24-hour basis. This provides clients with timely responses from professionals."

Another trend that seems to be surfacing is the implementation of parallel RTO and retail systems. Larry Burns of Rental Information Systems says he is seeing a lot of RTO dealers who are positioning themselves to also provide retail transactions for some of their customers.

"Basically, RTO dealers want to be able to track information on the retail and rent-to-own level. We are already able to track the different programs as far as rent-to-own goes, but we're just now getting into the retail aspect of it because we haven't had any past requests to do retail along with rent-to-own," Burns said.

It's almost like running two businesses out of the same location, Burns confirms. "You have to have two inventory files—the rental inventory and the retail inventory file," he said. "We're making our system flexible enough so they can sell a rental item right out of the retail section."

David Goldman of Ideal Software says better communication is another trend in the computerized RTO industry. "I think dealers are wanting to get information a little faster in these fast-paced days. I think what they're looking for is to be able to not only retrieve the information faster, but to be able to analyze trends a little bit quicker. In other words, don't just tell me what inventory I've got, tell me what the trend is for my inventory or rentals."

Goldman says dealers are wanting to tighten down and get more accurate data. "People are saying, 'Tell me what I was supposed to do versus


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what I really did.' Projections versus actual. Whether it be club payments or late charges or delivery fees, or whatever. They're looking to their computers to help them see how good of a job they're doing; where their strengths and weaknesses are."

Along that same line, probably one of the newest trends to hit the RTO industry is computerized marketing. This new idea was created to increase BOR (balance on rent).

The AMY Computerized Marketing program (developed by the AM Group) involves customized software, training and support, and different payment plans that focus on a wider range of customers and their needs.

While computerized marketing is still in the early stages, it seems to be providing a more innovative avenue for those RTO dealers who want to stay ahead of the game. (See "Boost BOR," page 38, June/July *Progressive Rentals*.)

Marketing innovations notwithstanding, timely and powerful reporting seems to hold a universal appeal among computerized dealers.

David Belt, vice president of Action Rent-To-Own in Mesquite, Texas, says computers are definitely essential. "There's no way we could have gotten to the size we are without computers. We feel like we've only scratched the surface in terms of what they can do for us. All of our store computers are linked to our home office and that helps us make changes in the chain as far as moving inventory or people."

Allen Lewis of Amigo Rentals in Albuquerque, N.M., says that the time factor is the biggest benefit to having computerized stores. "We get information so much quicker now. It was more of a distraction converting than we thought it was going to be, but really the only drawback is that we get so much information that it's hard to sort through all of it."

Most dealers believe information overload is a small price to pay for the relative benefits.

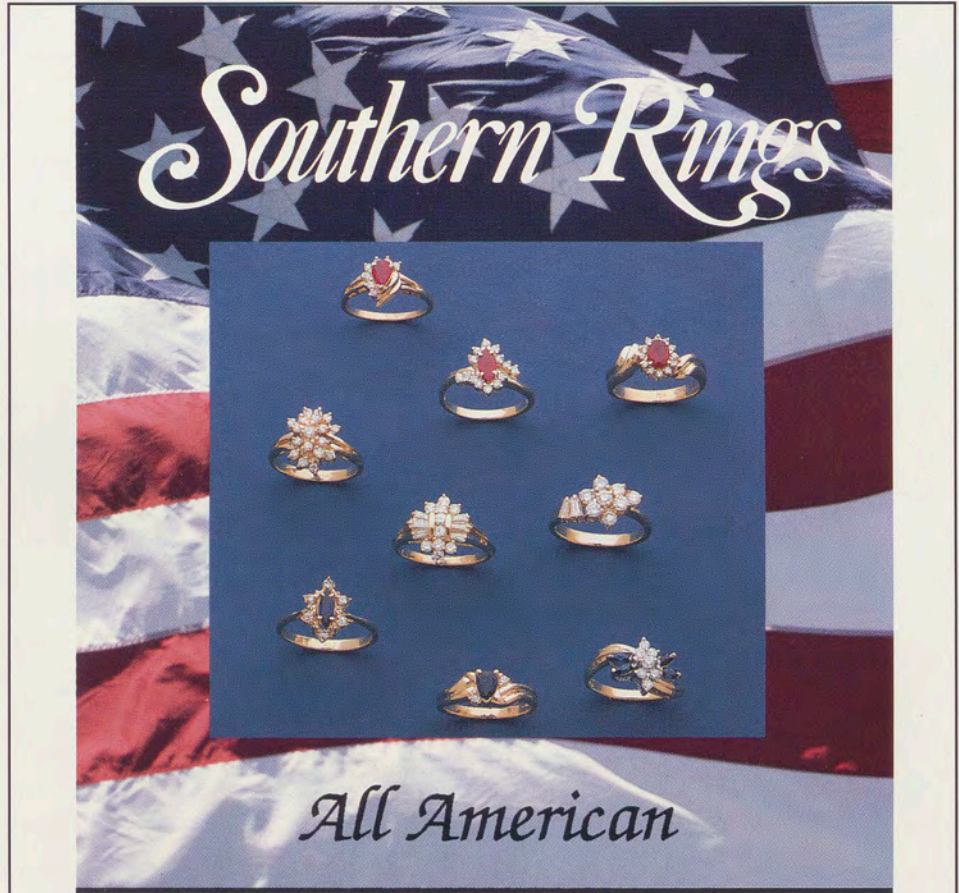
"Control is the most important thing in computerizing my business," says Lindsey Semon of Magic Rentals in Charlotte, N.C. "It assists me greatly in the control end of my business; to see what's going on—what my people are doing."

Sharp agrees, adding that computerizing Appalachian TV Rental helped ensure uniform practices in the stores. "When the instructions got down to the front-line people, it didn't always get treated as how we wanted it. Now that the computer is in place, they almost have to do it the way we want to do it. And, therefore, there has been more consistency,

more organization. Because we are more organized, we're more aware of some of the fees that we would have lost in the past."

Sharp also mentions that there's not always a steep learning curve when an RTO store converts to automation. "After the first two stores were installed, we put the other four

CONTINUED ON NEXT PAGE



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Continued from previous page

in ourselves and trained the people ourselves. It was that easy."

Looking at the big picture, probably the biggest impact computers have had on the RTO industry is the time savings for management. But, now that automation has been established as a basic essential, the trend is for even more specialized software. This new breed—or new version—of software should integrate all aspects of the individual RTO business, from inventory tracking to marketing goals.

And, in the near future, skip-trace services such as industry leader Tele-Track will be integrated with the major RTO software packages via telephone lines and modems.

"We're a part of ... the application-verification process," said Tele-Track's Mark Sutherland, "and we are soon going to be able to offer modem access into our service. It's a synergistic relationship with all the software people."

What remains is the demand for better hardware and software to meet the

Who's who in computers

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AMY Computerized
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Finding the right computer package to help manage an efficient RTO operation can be challenging. But in today's environment, especially considering the value of computer-generated reports for lenders and tax reasons, having the right computer system is more important than ever. Here's a list of computer companies that serve the rental-purchase market. All are either **APRO Associate Members** (*), **advertisers** (+) in **APRO** publications or **APRO convention exhibitors** (Y).

goals of computerized RTO businesses that are constantly improving their operations. What's essential is for the software vendors to keep up.

High Touch's Workman sums it up: "The bottom line on what RTO dealers are looking for in today's vendors

is professionalism and dedication; quality product and service." **PR**

Laura Mallon is a former APRO summer communications intern (1991) who currently works as a product support and communications specialist in the computer industry.

In-house software: Only for talented, dedicated dealers

There are plenty of specialized RTO software packages on the market these days, and most are easily adapted to fit companies' needs. Software updates and phone support help dealers finetune their operations.

Still, dealers sometimes must accept a time lag between identifying needed changes to their computer systems and getting updated software from the vendor. Some software vendors won't add features to their products until enough clients request the same function. Others will customize for individual clients, but at a price.

To adapt software to reflect changes in the way they do business, RTO dealers would need the source code and a computer programmer.

It's a catch-22 that RTO companies have had to live with. However,

Shenandoah TV & Appliance Rentals (STAR) is a rare exception. The six-store RTO company, based in Harrisonburg, Va., has its own in-house software. And, just as important, a programmer to go with it.

Scott Eichlin, son of STAR owners Richard and Miriam Eichlin, started developing the software in 1988 and continues to maintain the system today.

"We've got total flexibility; we can go in and make adjustments," Eichlin said. "With the backup system we have and my ability to get in and edit the raw data, there's no hurdle we can't overcome as far as any kind of damage."

By damage, Eichlin means power surges and crashes that can interrupt the complete and accurate updating of records. "Backups are critical," Eichlin stressed. "You have to think about the fact that all your payment histories are on that computer. We do them (backups) periodically during the day and then at the end of the day."

Eichlin uses telephone modems and remote-control software that allows him to fix computer problems at the

stores. "I can call in from one keyboard and have total control over the keyboard in the remote location—just like I'm standing there," he said.

STAR, which has three stores in Virginia and three in West Virginia, has a big advantage over other RTO companies that might consider developing their own software. Scott Eichlin was formally trained in computer programming.

"I'm really glad we did it and I don't have any regrets," he said of the in-house software approach. "I'm working on a new version. There's always updates for any software, but basically I'm reworking the whole thing. Now that we've gone from manual to computer it's time to ask, 'Well, can we make things better?'"

According to Eichlin, it's almost a whole different ballgame now. "When you go from manual to computer, you want to match exactly how you did it on paper. But then, down the road, you realize the industry's changed. We should be prepared for all kinds of changes."

—John Gormley

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