

Progressive

December 1992/January 1993

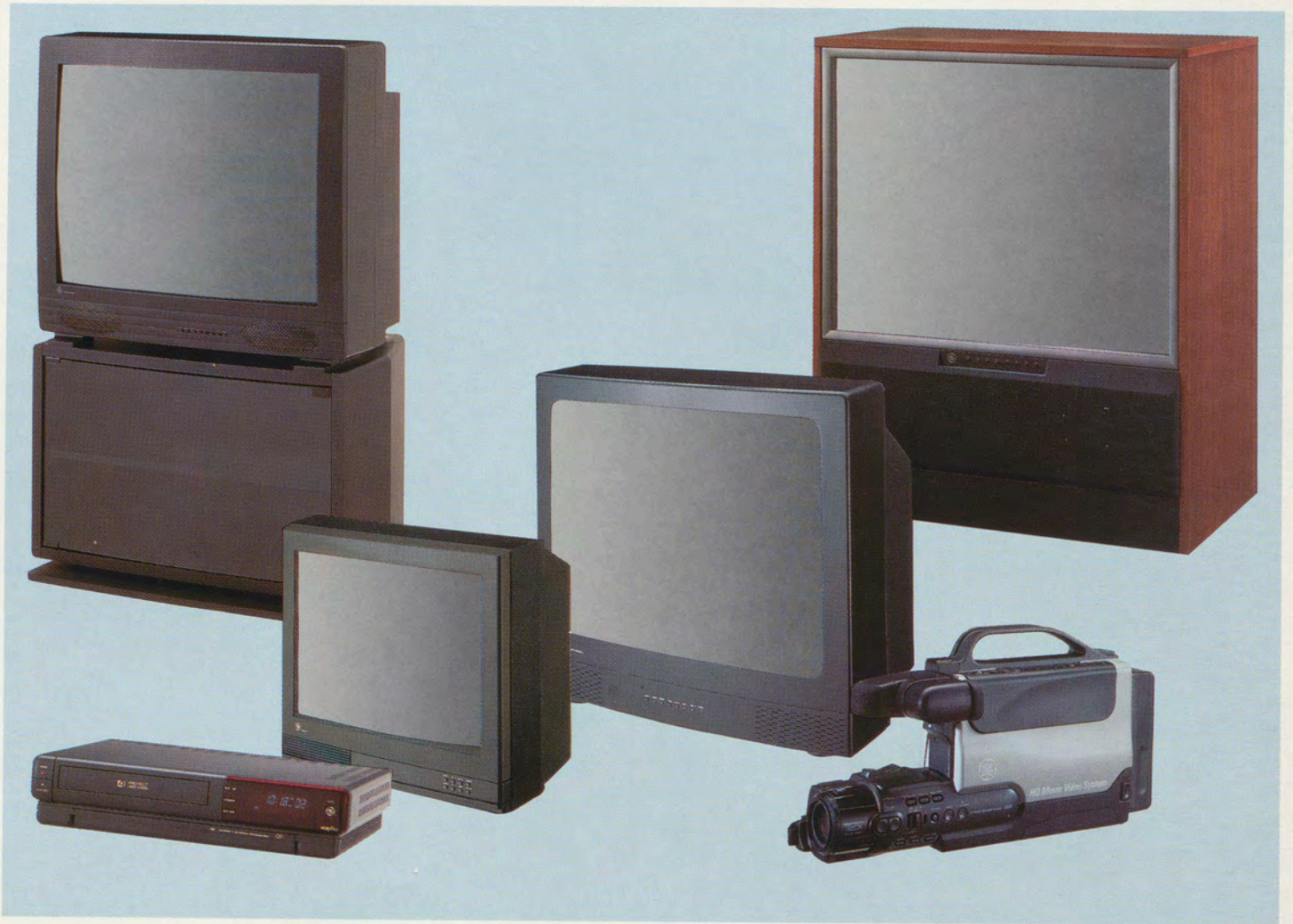
Rentals

The magazine of the rental-purchase industry

**Product focus:
Jewelry**

**APRO '93
spring
meetings**

**Business
education in
relaxing settings**



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Editor
John Gormley
Executive Editor
Edward L. Winn III
Executive Director
Bill Keese

Contributors
Susan de Blanc
Carolyn Fitzsimmons
Bud Holladay
Lawrence Levine
Laura Mallon
Barbara Stooksberry
Ron Waters
Edward L. Winn III

Director of Marketing (advertising)
Cindy Ganther
Director of Education (circulation)
Shelley Martinek

Printing
Communications Specialists, Inc. (CSI)
CSI Sales Consultant
Vickie Kirkland
Design Consultant
Joel B. Mathews

Editorial and Advertising Offices
6300 Bridgepoint Pkwy., Suite 305
Austin, Texas 78730-5016
(512)794-0095
FAX: (512)794-0097

APRO Officers & Directors

President
Wayne Chambers

First VP
Allen Lewis

Second VP
Roger Sharp

Secretary
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Treasurer
Ted Wilson

Directors

Richard Bartel
Charles Cloud
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PR

Progressive Rentals

December 1992/January 1993

The magazine of the rental-purchase industry

Volume 12, Number 6

Features

10

APRO's right on the money

Even though APRO's 1993 RTO convention and trade show isn't until Aug. 13-17, it's not too early to start getting excited about it. Here are some reminders why Vegas is so fun.

20

Healthy plan for your group

APRO leaders are working hard on added value. Here's the latest case in point: A new group insurance program that makes employer-provided health care affordable.

22

Product focus: RTO gold

For several years, rental dealers maintained a 'wait-and-see' attitude on jewelry. By '93, however, vendors and dealers had worked most of the kinks out of this profitable line.

26

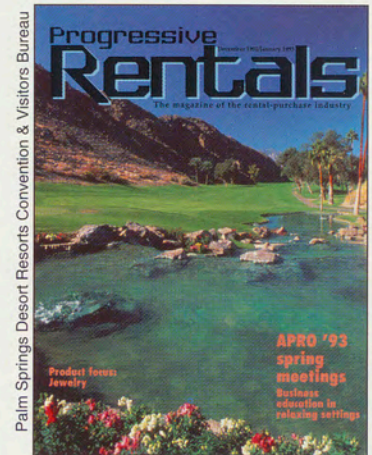
Madness in Minnesota

You won't believe the problems rental dealers are encountering in this state. A trial-court judge there has taken it upon himself to ignore precedent and contradict several hundred years of established law.

43

Spring education getaways

APRO has put together two dealer getaways for spring '93 that combine business and play. Top seminar speakers and first-rate locations, along with fun-in-the-sun activities, provide education and relaxation.



ON THE COVER: Palm Springs, Calif., is one of two spectacular destinations for rental dealers this spring who'll be participating in APRO's national seminars. The other getaway is in the Dominican Republic. For details, see page 43.

Departments

6

President's View

8

RTO Perspective

14

RTO Finances

32

Govt. Relations

34

RTO Message

40

RTO Humor

42

News & Products



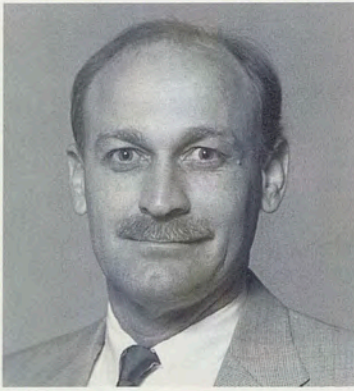
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What APRO is having on your bottom line; and what you can do to help the industry's image:

Positive influence

I HOPE THE HOLIDAY SEASON WAS GOOD FOR YOU AND THAT 1992 BUSINESS FINISHED STRONG.

WITH THE TREMENDOUS LINES OF COMMUNICATION THAT HAVE BEEN ESTABLISHED THROUGH THE APRO OFFICE, IT IS DIFFICULT TO WRITE ABOUT SOMETHING THAT YOU DO NOT ALREADY KNOW ABOUT. THE MORE RECENT COLUMNS HAVE BEEN ABOUT ITEMS THAT THREATEN OUR RIGHT TO DO BUSINESS.

.....

So, let's spend some time now talking about a few positive developments that you can look forward to in 1993 and explore the concept of "positive influence."

APRO has recently introduced the Allnet long-distance telephone service and, as of last count 38 companies have inquired about the program (see page 42 this issue). It's my experience that a tidy sum of money can be saved using the Allnet system. I would encourage you to investigate Allnet if you haven't done so already.

APRO is in the process of introducing a two-tier group insurance program that should be beneficial to both large and small dealers (see page 20 this issue). Group insurance is difficult for any rental dealer to obtain for his or her employees at a reasonable cost. I think the new APRO program will be an opportunity for APRO members to have a good group program at competitive prices.

The next membership services project that is under review is the property and casualty insurance program. Although the existing APRO program is available to you, we are not sure that it meets the needs of the insurance carriers, brokers

and members. The appeal of the program does not seem to be as great as it was in the beginning, and we are working to make it better for all parties. I think you can look for something substantive within the first few months of '93.

Insurance is another area in which APRO is aggressively finding ways to improve its member service and positively influence your business.

Another meaning for positive influence is "constructive power to produce effects" or "constructive power to affect others." In fact, the thrust of APRO's efforts over the years has been to positively affect the thinking of legislators, vendors, financiers and others who say grace over the things that affect the rental-purchase business.

Most of the communications in the past have simply dealt with an explanation of what the rental business is all about. Unfortunately, problems arise when dealers don't have good information or ignore the information that's been provided. As a result of ignorance, their actions—or inactions—may not be lawful or may not exhibit just plain common sense.

This causes difficulties for all rental dealers, and the money, time and effort spent by others often goes down the drain. APRO has worked hard with many dealers across the country to create a positive influence on all who come in contact with the rental-purchase system.

You can help with that positive influence by remembering that everyone who comes in contact with you or your business will walk away with an impression. Promote actions that ensure the impressions held by those customers or business associates are favorable.

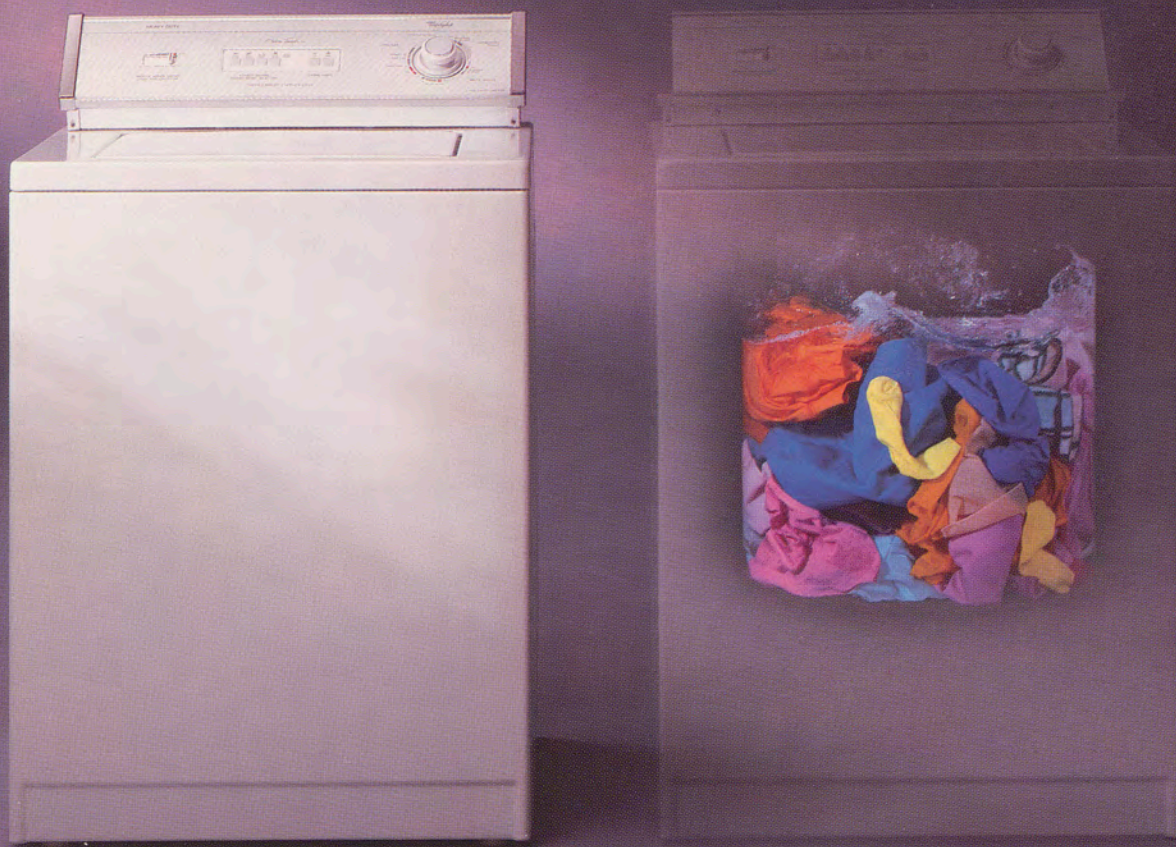
We must hold the concept of "positive influence" close and practice what we preach. Only then will we overcome adversities that confront us daily and be able to have a truly prosperous business.

PR

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BY

WAYNE CHAMBERS



WE LOOK AT RENTAL WASHERS FROM YOUR POINT OF VIEW.

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

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

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

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

WHIRLPOOL. SO WELL BUILT...





Assessing 1992 brings us this conclusion:

We're winning 'em more often than not

IT ALWAYS SEEMS TO BE A GOOD IDEA AT THIS TIME OF THE YEAR TO REFLECT ON THE PAST YEAR'S EVENTS, REVIEW THE HIGHLIGHTS, AND EVALUATE WHAT KIND OF JOB WE'VE DONE.

DURING THIS PAST YEAR, WE SAW AN INCREASE IN MEDIA EXPOSURE FOR OUR INDUSTRY.

.....

The Consumer News and Business Channel (CNBC) ran two spots on us; one without input from the industry and another, followup, with information about the industry. There were other television broadcasts about us in Atlanta, California and West Virginia, just to mention a few. The televised media wasn't the only source to feature our industry. Newspapers across the country ran stories on rental-purchase. From Washington, D.C., to Los Angeles, Calif., both large and small newspapers printed stories about us. As to be expected, most of the articles were negative, ill-informed pieces that were one-sided scripts of legal-aid attorneys.

However, we did see some pieces that were balanced and even some that were "positive" about the industry.

Congress held a hearing on the rental-purchase industry in 1992. Even though consumer advocates were there in force to testify, basically against our industry, we scored major favorable points for the cause. Both the representative for the Federal Reserve Board and the Federal Trade Commission testified that the rental-purchase contract reflects additional costs of doing business and any associated costs of the rental-purchase transaction should not be considered "interest."

Both representatives also testified that there were no consumer complaints on the federal level and, after a brief survey of states which have enacted RTO legislation, there appeared to be no major prob-

lems with the industry at all. This expert testimony went a long way in silencing the greatly exaggerated claims of the consumer groups.

There are federal tax cases that have continued to develop during this past year. The two primary issues are depreciation and re-characterization. Rental dealers and your national trade association have stepped forward to lead the charge and to take the heat. While not everything has gone our way, there are substantial reasons to believe that 1993 will be a better year for our industry.

RTO financing changed in 1992. With the three major finance companies exiting the rental-purchase industry, we have seen a scrambling of RTO companies moving to bank financing. And while bankers still don't really understand our business, more are learning. There are many players in the industry who have been contributing to the better understanding of our industry among banks and other lending institutions.

After years of effort, the 1992 Census of Service Industries, published by the U.S. Department of Commerce, Bureau of the Census, has differentiated the RTO industry from all other rental industries. A Standard Industrial Classification (SIC) has been assigned to our industry. This has the effect of assisting rental dealers in obtaining valuable information for lenders about our industry.

Additionally, with the Department of Commerce recognizing RTO as being another category in the world of rentals and leases, this provides us with another example to hold out in courts and legislative bodies that we are not retail or credit sales.

We've been fighting some pretty big battles and we've been winning more than we're losing. The important thing is to eventually win the war with as few casualties as possible, conducting an honorable fight and making more friends than enemies along the way.

Nineteen-ninety-two was a pretty good year. Indeed.

PR

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BY

BILL KEESE

LOW-COST RENTAL AGREEMENT FORMS

APRO now has low-cost rental agreements that comply with all state laws for regulated and unregulated states as well as computerized and non-computerized stores. (They are compatible with RSSS, Rental Information Systems, High Touch and Ideal Software.) These forms are three-part, NCR, 8 1/2 x 11 and work on continuous-feed printers.

To order forms for your store, simply fill out the form below or call Tulisha Carson at 512-794-0095. Please specify the state(s) you need. For next-day delivery, call before 1 p.m. (eastern time).

The cost per form is 15¢ for members and 20¢ for non-members. Min. order: 500. 

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APRO's there for members at major winter markets

APRO, THE NATIONAL TRADE ASSOCIATION FOR THE RENTAL-PURCHASE INDUSTRY, WILL PARTICIPATE IN WINTER 1993 CONSUMER ELECTRONICS AND FURNITURE MARKETS OF INTEREST TO ITS MEMBERS.

APRO WILL HAVE ITS BOOTH SET UP AS A MESSAGE CENTER AND MEETING PLACE FOR RTO DEALERS. "TELL YOUR COLLEAGUES TO MEET YOU AT THE APRO BOOTH," SAID SHELLEY MARTINEK, APRO DIRECTOR OF EDUCATION.

Here's some specific information on the markets in which APRO will participate:

CES: 1993 International Winter Consumer Electronics Show

Jan. 7-10

Las Vegas

- Call CES at (202)457-8700 for registration information.

- For hotel information, call (702)383-9100.

- Discounted airfares are available through American Airlines at 1-800-433-1790 or Didion Travel at 1-800-833-4382. Refer to star file "S9389" when you or your travel agent calls to get the best rates.

- Visit APRO booth No. T-19 in the Las Vegas Convention Center, main hall.

- Visit APRO hospitality suite Friday, Jan. 8, at Bally's from 5:30 to 7:30 p.m. APRO's CES hospitality suite is being sponsored by Ponderosa Products.

Atlanta Winter Furniture Market

Jan. 15-19

Atlanta

- Discounted airfares and hotel accommodations available through Destination Atlanta. You or your travel agent may call 1-800-241-6405 (in Georgia, 1-800-282-0456).

- Visit APRO booth in the temporary furniture exhibit hall, seventh floor, merchandise mart.

- Attend complimentary APRO seminar—"RTO, the Right Way," Saturday, Jan. 16, 9-10 a.m. (for those new to the RTO industry).

- Visit APRO hospitality suite on Saturday, Jan. 16, 5-7 p.m., Hyatt Regency.

New seminar in Atlanta

APRO is sponsoring a special seminar, *Managing A Quality Workforce (Minimizing Risks)*, during the Atlanta market.

David Oliver, First American Rentals, is the presenter. The seminar will be Saturday, Jan. 16, 10 a.m.-noon, at the Atlanta Market Center. Cost: \$30. This seminar is for RTO owners and managers—veterans in the business. To register for this cost-effective and highly relevant educational program, call APRO at (512)794-0095.

San Francisco Winter Furniture Market

Jan. 23-27

San Francisco

- For registration information, call 1-800-879-MART.

- Call 1-800-235-1423 for hotel information.

- Visit APRO booth at the mart.

- Visit APRO hospitality suite Saturday, Jan. 23, at San Francisco Hilton. Sponsored by B&D Sales.

Mississippi Furniture Market

Feb. 18-21

Tupelo, Miss.

- For registration and hotel information, call 1-800-523-3463 or (601)842-4521.

- For flight information, call 1-800-549-1295.

- Visit the APRO booth, located in the lobby.

- Visit the APRO hospitality suite.

APRO's high level of participation in these markets is a member service and source of information to RTO industry newcomers, said Keese. **PR**

Get ready for another winner in Las Vegas, because APRO '93 is ...

Right on the Money

LIGHTS, LIGHTS AND MORE LIGHTS—LAS VEGAS IS AMERICA'S CITY OF LIGHTS. IT'S A CITY OF DREAMS, CARVED AND SHAPED BY LUCK, BOTH GOOD AND BAD.

LAS VEGAS HAS LONG HELD A WELL-DESERVED REPUTATION AS THE PREMIER APRO CONVENTION SPOT, AND THE 1993 CONVENTION SET FOR AUG. 13-17 WILL MAINTAIN THAT TRADITION.

APRO planners Shelley Martinek and Hilde Parker, along with other APRO staffers, are planning a rip-snortin' humdinger of a convention—and they're showing what brand of luck they believe in by kicking it off on Friday, the 13th. Now, that's confidence.

Amid the glitter and glitz, convention participants will find all the elements they've come to expect from APRO conventions—the opportunity to make profitable business contacts, to see what's new and improved in electronics, furniture and other product lines, to catch up on old friends and make new ones, to get crazy at APRO's non-stop-fun parties, play a little golf, and learn something at APRO seminars that will boost business back home.

"Our members have high expectations for our Las Vegas conventions," said Shelley Martinek, APRO director of education, "and we never disappoint them. APRO and Vegas always deliver."

Las Vegas convention success is no accident. Each year, this desert dazzler draws nearly two million convention attendees, in addition to another 20 million visitors. Folks from around the country love the technicolor fun and neon madness of

this city. Business folks value the top-notch meeting and trade show facilities that in recent years have made Las Vegas one of the country's most favored convention destinations—and one of its fastest-growing cities.

If it wurnt fur bad luck ...

Spanish traders "discovered" Las Vegas in 1829. (That was many years after bands of Native Americans "discovered" it, but who's counting?) The Spaniards were impressed enough at finding lush meadows (fed by a natural water source) in the middle of the desert to give the area the Spanish name for "the meadows," but, alas, not impressed enough to stay. They took a good look around and decided to move on. Likewise, explorer John C. Fremont, who passed through in 1844 on his way to California, and Mormon settlers, who cultivated some 75 acres and established a fort in 1855, but shoved on two years later.

The next significant action came around 1865, according to the city's official history, when a former Ohio farmer began farming acreage in what is now downtown, but Lady Luck soon passed him up, too.

.....

BY

BARBARA

STOOKSBERRY

Octavius D. Gass ended up defaulting on a loan and losing his real estate holdings to speculator Archibald Stewart. Luck left Stewart behind shortly thereafter, when he came up on the short end of a duel with a local cowboy. Stewart's wife took over his land holdings, then sold 1,800 acres of prime Las Vegas real estate to Sen. William Clark of Montana (are you still with me?).

Senator Clark saw the immediate potential here for improving his personal cash flow, and built a railroad that passed conveniently through the fledgling city on its way from Salt Lake City to Los Angeles. Clark then auctioned off land parcels to speculators wanting to create a refueling and resupply station for the railroad, and with the sale of this land, the town of Las Vegas was officially born on May 15, 1905.

Making their own luck

Luck was shining down on those who bought those lots. Significant profits came 25 years later when 5,000 men were employed for more than five years to build nearby Hoover Dam (formerly Boulder Dam). The Nevada legislature re-established gambling in 1931, and even with Prohibition in effect, speakeasies flourished as the casinos multiplied in and around the city.

With the building of El Rancho Vegas in 1941, Bugsy Siegel's Flamingo in 1946 and the Thunderbird in 1948, the Strip was poised for the phenomenal growth it experienced in the 1950s and for the subsequent "star trek" that was to make the city famous. The growth spurt of the 1950s, however, was just a prelude to the growth leap of the most recent five or so years, growth that has brought hotel casino resorts the size and magnificence of which even the Bugsies of the '50s could not have imagined.

At home away from home

Bally's Las Vegas will be your home during your visit to the city, and it is itself a city within the city. To keep up with the competition presented by such new resort hotels as Excalibur and Mirage, Bally's is, at this writing, in the midst of a \$37 million remodeling and expansion project.

"We have a plan that will ensure that



Kim McBride

Right on the Money!, APRO's 1993 convention, returns rental dealers to Las Vegas.

Bally's Las Vegas remains among the most glamorous and exciting leaders in the Las Vegas market," said Darrell Luery, senior vice president and chief operating officer.

Situated on four city blocks, Bally's offers some of the largest guest rooms in Las Vegas, along with 175,000 square feet of meetings and convention facilities that have won consistent praise and design awards of excellence. In addition to unqualified luxury and elegance, add Bally's uncompromising commitment to service, and your stay promises to be memorable.

The Bally's menu of recreational facilities includes six restaurants of every description, an around-the-clock casino, 40-store shopping mall, 10 tennis courts (seven of them lighted), a health spa and an Olympic-sized pool.

When it's time to eat, Bally's offers something for everyone. The Coffee Shop is ready to serve you 24 hours a day. Or, it's Caruso's for the scrumptious cuisine of Northern and Southern Italy; Barrymores' for steak and seafood in sophisticated sur-

roundings; and Grapes Seafood Bar and More for seafood selections like oysters on the half shell and Boston clam chowder. Those with really gargantuan appetites can dish up a wide variety of brunch and dinner selections using super-sized kitchen utensils at the Big Kitchen Buffet. For crystal chandeliers and a Continental menu, choose the elegance of Gigi's.

Bally's nonstop casino offers all your favorite games of chance and what are purported to be the "loosest slots in town." Those with a sports bent can watch the latest racing and sporting events on big screen and indulge in a little wagering on who'll be the first to cross the finish line.

For the evening's entertainment, Bally's is Las Vegas' only casino resort that offers two main showrooms, the Ziegfeld Theatre and The Celebrity Room. Relive the sinking of the Titanic on stage each night as Donn Arden's "Jubilee!" spectacular takes the stage in the Ziegfeld Theatre. In the Celebrity Room, superstars like Tom Jones, The Righteous Brothers and

CONTINUED ON NEXT PAGE

Continued from previous page

Randy Travis sing their hearts out to you. Or, you can see tomorrow's stars before the rest of us do at Bally's comedy cabaret, "Catch a Rising Star." (As in, "I saw him in Vegas in '93, when he couldn't get a good seat at a dog show!")

If shopping for everything from the mundane to the magnificent appeals to you, shopping opportunities at Bally's run the gamut from jewelry and Indian crafts to designer sports apparel, with a video arcade and ice cream parlour thrown in to break up your day. Those who want to leave behind a whiter shade of pale, can seek glorious tones of tan, gold or brown poolside at the lush oasis swampark.

Health spa facilities include a steam room, dry sauna, exercise room, hot whirlpool, and massage technicians. It's the best that \$1.7 million could buy!

Bally's guest rooms and suites—all 2,828 of them—offer spectacular



Las Vegas News Bureau

Downtown is an attractive area of Las Vegas because of the glamorous atmosphere and supposedly better odds.

views of the Strip or the surrounding mountains, and one of them should have your name on it. Register early and plan to stay on after the convention, because there's life outside the hotel, too!

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. 1993 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:

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

APRO Member
since 1983

If you leave your hotel

... and, you'll want to leave your hotel. Even though Bally's is spectacular, there is much to do in and around Las Vegas for visitors of all ages. In fact, one of the most striking changes on the Las Vegas scene in recent years is a decided family orientation and the proliferation of things for those under 21 to do.

In a survey visit to other hotels, you'll find that the kids love the volcano erupting in front of the Mirage, and Siegfried and Roy's white Bengal tigers and the Dolphin habitat inside. In addition to adult entertainment, Excalibur features knights, sorcerers, drawbridges and moats, jousting and games with a Middle Ages flavor. Circus Circus was the first to think of the kids, with acrobatic acts and a mezzanine-level children's arcade that overlooks the gaming floor, and Caesars Palace offers floor-to-ceiling entertainment in the Omnimax Theater.

Some of the sights suitable for all ages are the Ethel M Chocolate Factory and Cactus Garden and the Kidd Marshmallow Factory in nearby Henderson, Lied Discovery Children's Museum, Bonnie Springs/Old Nevada western town in the Red Rock Canyon area, Valley of Fire State Park, Imperial Palace Auto Collection, Community College Planetarium in North Las Vegas, and Ripley's Believe It or Not! at the Four Queens Hotel.

Fine dining venues on and off the Strip are also part of the Las Vegas pleasure picture, and the reasonably priced (read cheap) buffets are legendary. You can expect to find full breakfast buffets for \$3 or so, lunch for \$4 or \$5, prime rib and similar fare for dinner at under \$10. That money you brought is for the gaming tables. Drop in on various hotels to get a look at the casinos, each boasting a unique ambience, and to check out the headliners at the showrooms.

Shopping options include the Boulevard Mall, Fashion Show Mall, The Meadows Mall, Forum Shops at Caesars and shops in other hotels, as well as an abundance of smaller strip shopping centers and souvenir shops.

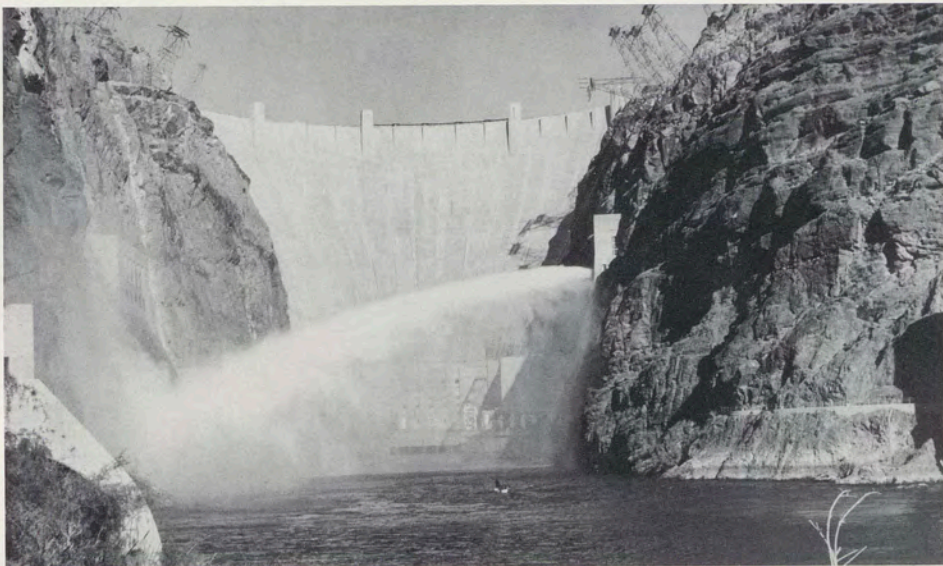
Up, up and away

If you are ready to take a break from the casino scene, the 25-mile trip to

Hoover Dam should please everyone. It is the tallest concrete dam in the Western Hemisphere, and you can walk beneath the structure to Arizona, and lose an hour (different time zone) in the process. It backed up enough water to create and sustain 110-mile-long Lake Mead, our nation's largest man-made body of water.

Ninety miles to the south of Las Vegas is Laughlin, an up-and-coming gambling resort at the southernmost tip of Nevada. In the past dozen or so years, a number of full-fledged resorts have cropped up on the banks of the Colorado River, and more are under construction.

The ultimate side trip is, of course, to the Grand Canyon. This incomparable hole in the ground is 300 miles away, approximately six hours by car. However, car isn't your only option. Air tours leave Las Vegas on a regular basis and get you there in 40 minutes. Another, lesser-known option is Grand Canyon West, located 120 miles from the city on the Hualapai Indian Reservation at the west end of the Grand Canyon. The last 21 miles



Hoover Dam at Lake Mead National Recreation Area is just 25 miles from Vegas.

take you through rugged scenery on a dirt road, or you can go by plane or helicopter. You won't find the amenities of the national park, but you won't find the crowds, either. Cost: \$15 per person, including a barbecue lunch.

Make your plans now
There's no place like Las Vegas, and

no better show in town than the APRO convention. Block out the dates—Aug. 13-17, 1993—and make your plans. We'll see you out West, pardner.

PR

Barbara Stooksberry is a freelance writer and editor who has been writing about APRO convention destinations since 1989.

THREE WAYS TO CASH IN ON FASHION CRAFT JEWELRY PROGRAMS

1 A PROGRAM THAT'S A PROVEN SUCCESS FOR FIRST TIME JEWELRY DEALERS

Beautifully crafted men's and ladies 10K and 14K diamond and precious stone rings backed by powerful marketing programs... from Fashion Craft, the promotional leader!

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2 OUR FABULOUS FAKES GET YOU STARTED FOR JUST \$1,250

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How to solve the lending maze

Why is it that rental dealers seem to have so many twists and turns to negotiate?

WHAT IS IT ABOUT THE RENTAL-PURCHASE INDUSTRY AND TRANSACTION THAT TRADITIONAL LENDERS FAIL TO UNDERSTAND?

WHY, EVEN IN THE BEST OF TIMES, HAS THE INDUSTRY EXPERIENCED DIFFICULTY IN OBTAINING FINANCING? WHY, EVEN WHEN FINANCING IS OFFERED, HAS THE INDUSTRY FREQUENTLY BEEN UNABLE TO OBTAIN IT AT A REASONABLE PRICE?

In short, what can RTO companies do to solve the lending maze? So far, all we've seen are questions. Now for some answers to these key questions ...

"Never borrow money when you need it." This adage suggests that some RTO dealers begin the search for financing too late, and only when they are desperately seeking financing. You leave yourself vulnerable if you enter the market without giving yourself adequate time to identify lenders and develop a financing strategy.

Furthermore, if your company is not performing optimally, the probability of finding financing becomes even less likely. The most efficient and effective means to obtain debt financing is to successfully manage the operations of your business. When your business contains the ingredients common to well-run businesses in other industries, and a well-thought-out strategy to approaching lenders is in place, RTO companies will likely find a solution to the debt maze.

It is no secret that the RTO industry has been experiencing a lack of credit availability. Viewing the capital markets from a broad perspective, it is not just the RTO industry that is experiencing difficulty in raising capital. The global recession and problems with financial institutions—caused in part by real estate loans and loans to highly leveraged companies—continue to plague business.

While it appears that many financial institutions today are beginning to expe-

rience stronger profitability than a year ago, domestic financial institutions continue to apply very conservative lending criteria when evaluating opportunities presented to them.

Even when financing was more prevalent for RTO companies, it was only the aggressive, non-traditional lenders that made a market for RTO company financing. Even then, those in the industry who could get financing usually had to pay rates of prime plus 4 percent or higher. The capital markets were evaluating RTO companies as an above average credit risk and, thus, the justification to charge very high interest rates.

Imagine being a lending officer at a medium- to large-sized bank which has had little experience with the industry. The loan officer schedules an appointment with his chief credit officer to explain that he wants to propose a loan to an RTO company. The chief credit officer lives in an affluent suburb, makes close to a six-figure salary and has never even heard of the RTO industry, much less set foot in an RTO store. The loan officer mentions he is considering lending money to a company that leases consumer electronics, furniture or major appliances to people who typically cannot qualify for a bank loan.

That's right. If such a person (typical RTO customer) walked into that bank looking for a loan, he would likely be rejected. The credit officer asks why the bank would consider lending money to a com-

.....

BY

LAWRENCE LEVINE



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pany that will, in turn, lease an item to an individual that his bank would have turned down for credit. Then when questioned about the availability of collateral, the lending officer states that the only collateral is an assignment of a monthly or weekly rental agreement, which the bank cannot take in safekeeping. Further, it is nearly impossible to repossess the item on lease

Following this scenario, it's easy to understand why the lending officer will be having a very short conversation with his chief credit officer.

To overcome the concerns that non-traditional RTO lenders have in understanding RTO companies, the best advice for an RTO owner is to start the financing search early, be patient and be a superior operator. By developing a track record of superior operating performance, and professionally presenting these results, you can demonstrate that your company is bankable and a worthwhile credit risk.

Financial characteristics of RTO

In the past, traditional RTO lenders

viewed the RTO industry similarly to the finance industry. For example, finance companies tend to have leverage (debt to equity) in a range of 8:1 to 10:1. However, I think the RTO industry has financial characteristics and credit risks more closely aligned to the specialty retail industry, where leverage of 2:1 is more common because of the need for significant capital to be reinvested back into the business.

The good news is that the RTO business can be very profitable. The 1992 APRO Industry Survey indicates that

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earnings before interest, taxes, depreciation and amortization is quite respectable for an industry such as this. The bad news is that it takes a lot of money to remain in the RTO business. The 1992 APRO Industry Survey indicates that the reinvestment rate of cash back into rental inventory is 27.1 cents out of every dollar. If your company is growing, expanding its product lines, or tends to rent new items and not reread used equipment, the amount of cash required to be reinvested back into an RTO company is even greater.

Other than a handful of large companies, the RTO industry consists of many local or regional companies that, on balance, are relatively small. Typically, middle-market companies, including RTO companies, have only a handful of financing vehicles available to them.

The 1992 APRO Industry Survey suggests that slightly less than 90 percent of all dealers use traditional RTO

lenders and/or a bank. It is unlikely that next year's industry survey will indicate substantially different results. The RTO industry is at risk when the banking industry is in a cyclical downturn, as it is today.

Unfortunately, no one (including me) has been able to develop other creative financing vehicles that RTO companies can use. In addition, there are very few RTO companies that are publicly traded. The typical RTO company is too small to even be considered a candidate for the stock market.

The conclusion? Given limited financing alternatives, RTO companies will have to devise a strategy to make themselves attractive to non-traditional RTO lenders—commercial banks or finance companies.

Implications for the RTO industry

APRO estimates that there are 7,500 RTO stores, generating \$3.6 billion in annual revenue and serving 3.1 million households. Given the broad scope of the industry, there are very few large competitors. One scenario

is that there will be a trend toward fewer, but larger, companies.

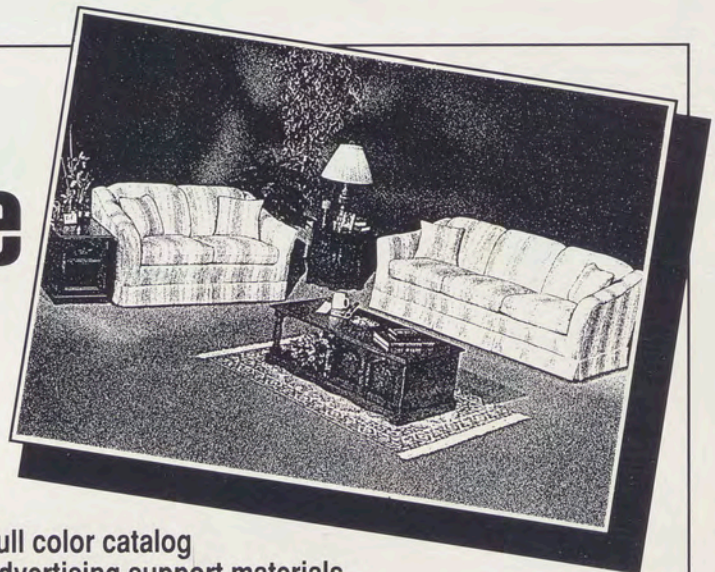
During the last few years, the need for sophisticated management information systems has become very evident. Also universal is the wisdom of borrowing debt at levels lower than in the past. In addition, the industry continues to feel competition from some of the big retail stores (such as Wal-Mart and Circuit City) as well as from credit cards.

For example, credit card companies can borrow money cheaply and charge high interest rates. Given the high spread between credit card companies' cost of borrowing and what they charge their customers, in periods of low interest rates as experienced today, credit card companies are able to relax their credit standards. In short, they've begun to offer credit cards to certain individuals who have been traditional RTO customers.

Additionally, programs such as "secured" credit cards will further reduce the pool of more likely RTO customers. Increasing competition for traditional RTO customers, the fact

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The most important ingredient in obtaining financing is to have a good business. Today's lenders are trained to evaluate whether a company is operating effectively and is capitalized appropriately to meet the challenges ahead. Companies that will successfully find debt financing are those that are performing well and are likely to continue performing well.

that debt financing is generally more difficult to obtain, and the need for significant capital to reinvest in new equipment, point to more consolidation within the industry.

How to ensure you'll be a winner

Whether your goal is to raise debt or equity, or just position your RTO company to meet the challenges of the 1990s, you should consider the following:

- Position your company as if it is your intention to go public from the very beginning, even if that is not your ultimate goal.
- Develop a vision for the kind of company you want to become. What is the strategy and the plan?
- Attempt to create a balanced company. Investors (including lenders) do not want to see a company with excessive concentrations in geography, vendors and customers.
- Figure out how to maximize market share and shoot for significant market presence in each of the markets you compete in. (Having the fourth largest market share in Peoria is not going to create an attractive company to anyone.)
- Spend the money necessary to have superior management information systems.
- Investors prefer that companies obtain audited financial statements, because of the discipline and added reliability of the financial information.
- Dedicate yourself to having a superior and well-trained staff. Invest the money to train your staff in all facets of the business. This may be the most significant signal to your customers, staff and investors of your commitment to the longevity of the company.
- Create an integrated company, not a series of distinct, interrelated com-

panies. Think through the management succession issue and have a strategy.

• If you have not realized it already, today's capital markets are requiring a balanced capital structure (a prudent debt-to-worth composition). Lenders want the shareholders to be committed to the company and not take out all of the annual earnings. In fact, the rule today is that lenders want the shareholders to have a significant amount of equity invested in their company if they are being asked to lend a significant amount of money as well.

• Develop a strategic financial plan. Start early, before a crisis, and use it as the framework for presenting your company to lenders.

• Just as sharks never rest, all RTO companies must perpetually keep an eye toward regulations that affect the business. (**Editor's note:** *Monitoring legislatures and regulatory agencies is an important function of APRO.*)

• Establish a good and active board of directors or advisers.

How to obtain debt financing

The most important ingredient in obtaining financing is to have a good business. Today's lenders are trained to evaluate whether a company is operating effectively and is capitalized appropriately to meet the challenges ahead. Companies that will successfully find debt financing are those that are performing well and are likely to continue performing well.

In the U.S. economy today, there is virtually no net increase in the demand

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Continued from previous page

for credit. In spite of the shift to much more conservative credit standards, middle-market companies can obtain financing.

A good rule to follow is to review your company based upon the four Cs of credit:

- Character (reputation and honesty).
- Capacity (business acumen and experience).
- Capital (ability to meet debt-service payments).
- Collateral.

At the end of the day, banks make loans to people, not companies. Just as in the early 1980s, not all oil and gas companies failed; and, in the early 1990s, not all real estate companies failed. The most important aspect of a company, and the principal factor in evaluating the ability of a company to repay debt, is the quality of the people running the business. Lenders also want the managers of the company to have industry experience and good business judgment.

In analyzing the potential of an RTO company to generate cash flow, a lender will evaluate many factors. Revenue is a function of how long customers keep the unit, the average price per unit, the number of units on rent, ability and timeliness in rerenting used equipment, and success in selling off used equipment.

Some RTO dealers have developed models for estimating cash flow from their existing rental contract portfolio. These dealers have successfully created the software necessary to calculate for several different historical time periods—for example, annually for the prior three years. This allows the lender to estimate the expected future cash flow from the company's existing rental agreements. The cash flow calculations allowed the lender to figure the anticipated monthly cash flow from operations, even if no new equipment was to be rented.

This analysis was sufficient to prove to lenders that the cash flow from operations was sufficient to satisfy debt-service payments and ultimately repay all debt. In addition, this analysis also quantifies a lender's primary source of collateral. With good management

Investing in good systems and devoting the resources to training staff should prove to be the best investment any RTO company can make. Being proactive in the search for financing and managing businesses optimally will ensure that RTO companies will attract lenders.

information systems, an educated lender should feel comfortable in lending 45 percent to 55 percent of the cash flow expected to be generated by the existing rental agreements.

It has been my experience that having the ability to present to lenders a model which calculates the anticipated cash flow from an existing universe of rental contracts is the best approach to explain the RTO business to lenders. After all, one way of looking at an RTO company is to view it as consisting of a large number of individual rental agreements, which have a probability of earning revenue at some expected rate over the term of the agreements.

This information inherently includes the results of a well-thought-out business strategy, as well as the data supporting its successful implementation. This report also addresses such issues as exit strategies. An added benefit is that many of the likely lender objections can be overcome with this type of analysis.

Today's lending market generally expects that earnings before interest, taxes and amortization to interest exceed 2:1 for the most recent 12 months. Lenders will also incorporate restrictive covenants in any lending relationship. Typically, these will include a measure of asset efficiency (the ability of a company to generate revenue from its equipment portfolio), leverage (debt to equity will be less than a certain amount), minimum cash flow requirements and limitations on capital expenditures.

What's it all mean?

It is true that the lending game changed with little notice to middle-market companies over the last few years. There is no question that this phenomenon was fast, furious and disruptive. Nevertheless, by the marketplace forcing companies to manage their operations on a more sophisti-

cated level, it may actually be a blessing. It can enable companies to manage for long-term value creation. Investing in good systems and devoting the resources to training staff should prove to be the best investment any RTO company can make. Being proactive in the search for financing and managing businesses optimally will ensure that RTO companies will attract lenders.

PR

Lawrence M. Levine is a vice president in the corporate finance department of AM&G Financial Services. Chicago-based AM&G specializes in providing private investment banking services to middle-market companies. Levine has 12 years of corporate finance experience. Levine can be reached at (312)207-6167.

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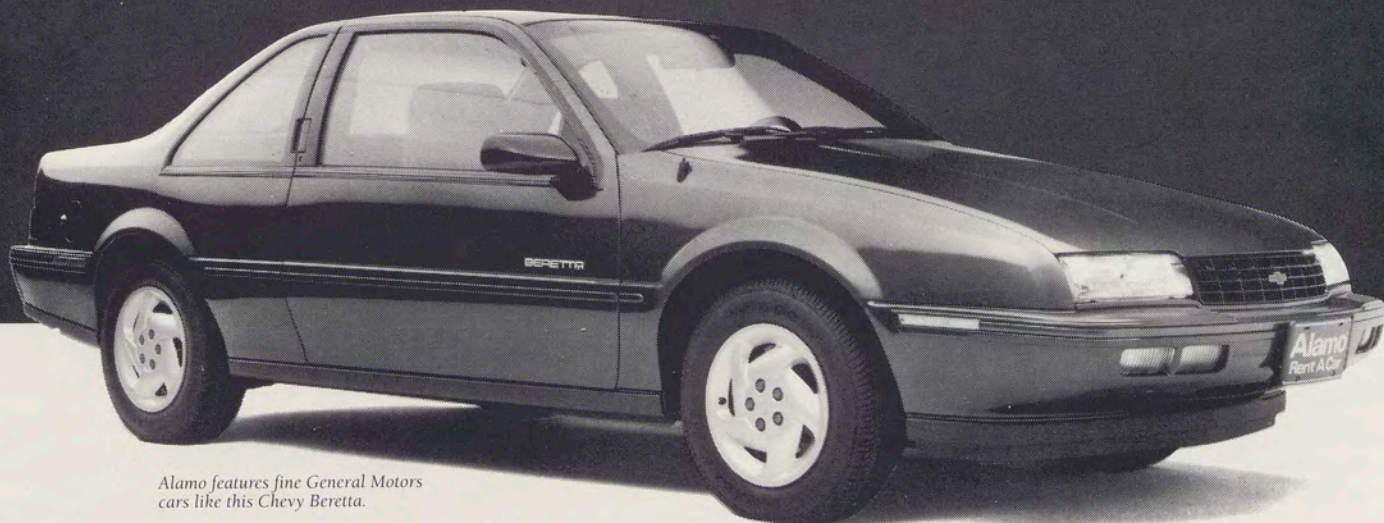
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- A 24-hour advance reservation is required. Reservations are subject to availability at time of booking.
- One certificate per rental accepted; must be presented at the Alamo counter on arrival. Once redeemed, certificate is void.
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APRO helping its members' bottom lines

THE NEXT ISSUE OF *PROGRESSIVE RENTALS*, FEBRUARY-MARCH, WILL INCLUDE A LOOK AT SOME NEW BENEFITS FOR APRO MEMBERS.

THESE NEW BENEFITS ARE DESIGNED TO MAKE MEMBERSHIP IN THE NATIONAL ASSOCIATION FOR THE RENTAL-PURCHASE INDUSTRY MORE VALUABLE.

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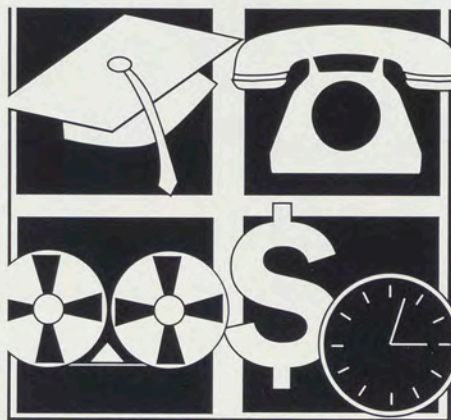
The idea is to save rental dealers enough money each year through APRO-offered group insurance plans and special programs to equal or exceed their annual dues amount.

For all the specifics, you'll have to wait until next issue. For now, here's the announcement of APRO's latest member benefit (this one's major):

New group health program

"APRO is very excited to announce its recent sponsorship of a new group insurance program," said APRO Executive Director Bill Keese. Offering group major medical, life insurance and optional disability and dental coverages, this program was designed to meet the varying needs of rental-purchase store owners, Keese said.

Superior carrier and service. The program, available through the IBS Group Trust, is underwritten by Life Investors Insurance Company of America. Life Investors is rated A+—superior—by A.M. Best, a highly respected statistical and reporting organization.



MEMBER SERVICES

Program administration will be handled by International Benefit Services Corporation (IBS) of Fort Worth, Texas. Specializing in the administration of association-sponsored insurance packages, IBS brings years of hands-on experience to the APRO program.

Program eligibility. APRO-member companies with two or more full-time employees are eligible to apply. All active full-time employees including owners, partners and officers working at least 30 hours a week are eligible for coverage. An insured's spouse and dependent children under age 19 (23 if full-time students) are also eligible to apply.

Participation. Certain participation requirements must be met and maintained. These requirements are based

on the number of eligible employees per company and are available for the administrator.

Cost of coverage. The cost of coverage for the APRO program may be paid in whole by the employer or shared with the employees. However, the employer's contribution must be at least 25 percent of the total cost.

Evidence of insurability. Companies with 10 or more eligible employees may apply for coverage without providing medical evidence of insurability (as long as the employer application is approved). For those companies with two through nine employees, medical evidence of insurability is required.

About the plans. The major medical plan offers a \$1 million lifetime maximum per insured and a choice of deductibles. Eligible hospital expenses such as surgery and doctors' services are covered. Coverage for pre-existing health conditions is excluded during the initial continuous 12-month period of coverage. The plan contains certain limitations and exclusions which will be outlined in your no-obligation proposal.

Up to \$10,000 of life insurance is provided for each insured employee, and optional disability and dental coverages are also available through the program.

For more information. To learn more about the new APRO program and receive a free, no-obligation proposal, call 1-800-759-0101.

Or, send your inquiries to IBS Marketing Department, P.O. Box 1326, Fort Worth, Texas, 76101-1326. **PR**

Member benefits you can count on

Here's a partial summary of APRO's growing list of member benefits:

Educational seminars—Led by rental-purchase professionals, APRO seminars are conducted throughout the year at locations around the country. Seminars focus on every aspect of operating a rental-purchase business from accounting procedures and collection practices to property recovery, legal issues, and wage and salary practices.

Industry information—Every year APRO compiles an industry survey based on information provided by dealers nationwide. This survey gives an accurate idea of how many rental-purchase store locations are in the United States, pinpoints the industry's annual revenue, analyzes BOR breakdown, and provides facts on facilities, product mix, employment and growth statistics. This is an invaluable tool for many seeking financing and the results are free to all participating companies.

Business protection—APRO helps state associations in their organizational efforts and in monitoring the legislative process

to ensure the right of the rental-purchase industry to exist and prosper.

APRO/Allnet long-distance program—As a member of APRO you will be eligible to sign up for discounted long distance rates through Allnet Communication Services, Inc. Allnet, a national carrier, will give 30 percent off their regular rates through the APRO program. This translates to \$0.1679 per minute during business hours and \$0.1343* per minute during non-business hours. This program available only to members of APRO. (*California, Florida and Texas not included.) **PR**

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Vendors and dealers have worked most of the kinks out of jewelry

RTO glitter

IN RECENT YEARS, THE RENTAL-PURCHASE INDUSTRY HAS SEEN JEWELRY TAKE A PLACE IN THE MARKET. DEALERS AND VENDORS ARE WORKING TOGETHER TO MAKE JEWELRY A PROMISING PRODUCT LINE FOR RTO STORES.

ALTHOUGH THERE HAS BEEN A LOT OF TRIAL AND ERROR IN TRYING TO MARKET JEWELRY PROPERLY, IT SEEMS THAT PRODUCT KNOWLEDGE AND SUPPORT ARE THE KEY FACTORS IN MAKING THIS LINE SUCCESSFUL.

Some dealers have successfully marketed jewelry in their stores, while others have not. David P. David, general manager of Bloomington, Ind.-based Full-O-Pep, has jewelry in several of his stores. He says the stores that are doing well with it have personnel who pay attention to the displays and concentrate on prompt service.

“As with any product, you must have a pleasing display,” David said. “A clean case and an attractive display can play a big part in how the customer perceives the credibility of your store and its products.”

David Ginley, general manager of a Rent America chain of stores, agrees. “Without an effective display, your jewelry won’t attract attention. You have to get people to the case to begin with. You have to put it in a prominent location and get people to look at it. If you’ve got a case in your store and just leave it plain, with a gray mat on the bottom and gray ring boxes, it won’t work. You’ve got to dress it up, put some different colors to it. We use upcoming holiday decorations to dress up our jewelry cases.”

Not only are nice, attractive displays important, but knowledgeable employees and devotion to the product are also key factors.

Mick Walts, jewelry manager for Alrenco, has seen how the product can add to an RTO company’s bottom line. But not without support from top management.

“For those dealers who devote the proper amount of resources, it will become an intrinsic part of their product line,” Walts said. “Those who do not will become disenchanted with the product.”

Jewelry is a growth area for New Albany, Ind.-based Alrenco, which has 35 stores in eight states. Jewelry currently represents only 6 percent of the company’s BOR (balance on rent), according to Walts, but “that number is sure to increase rapidly.”

Two years ago, Alrenco had jewelry in just 10 percent of its stores. Today, the number is at 70 percent and growing. “That should tell you what we think of its performance,” Walts said.

Jack Callender, president of Television Management, Inc., once had 20 percent of his BOR in jewelry. Now, jewelry has fallen to about 12 percent of the company’s total BOR. He says one reason is that he’s probably not putting as much emphasis on jewelry as he once did. “We used to advertise jewelry very strongly,” he said, “but not anymore. Another reason could be that the core customers have jewelry in their possession at this time.”

Ginley says his Rent America stores do about 2 percent of their BOR in jewelry. He admits that he devotes little of his time to jewelry, but everyone in his stores knows how to present it to customers.

“In all of the stores, everyone is involved in the jewelry.”

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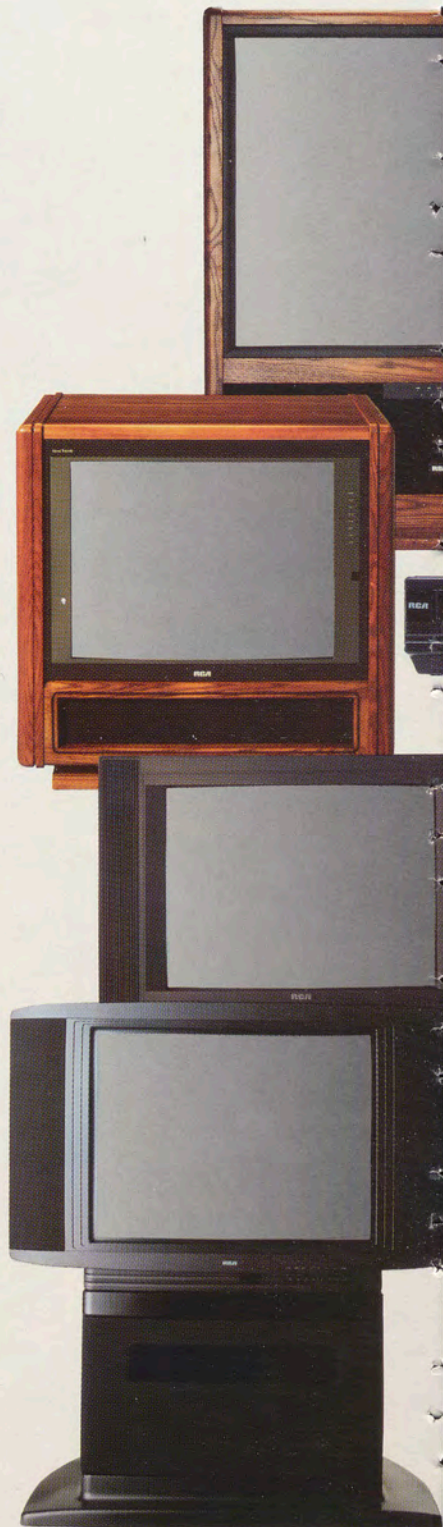
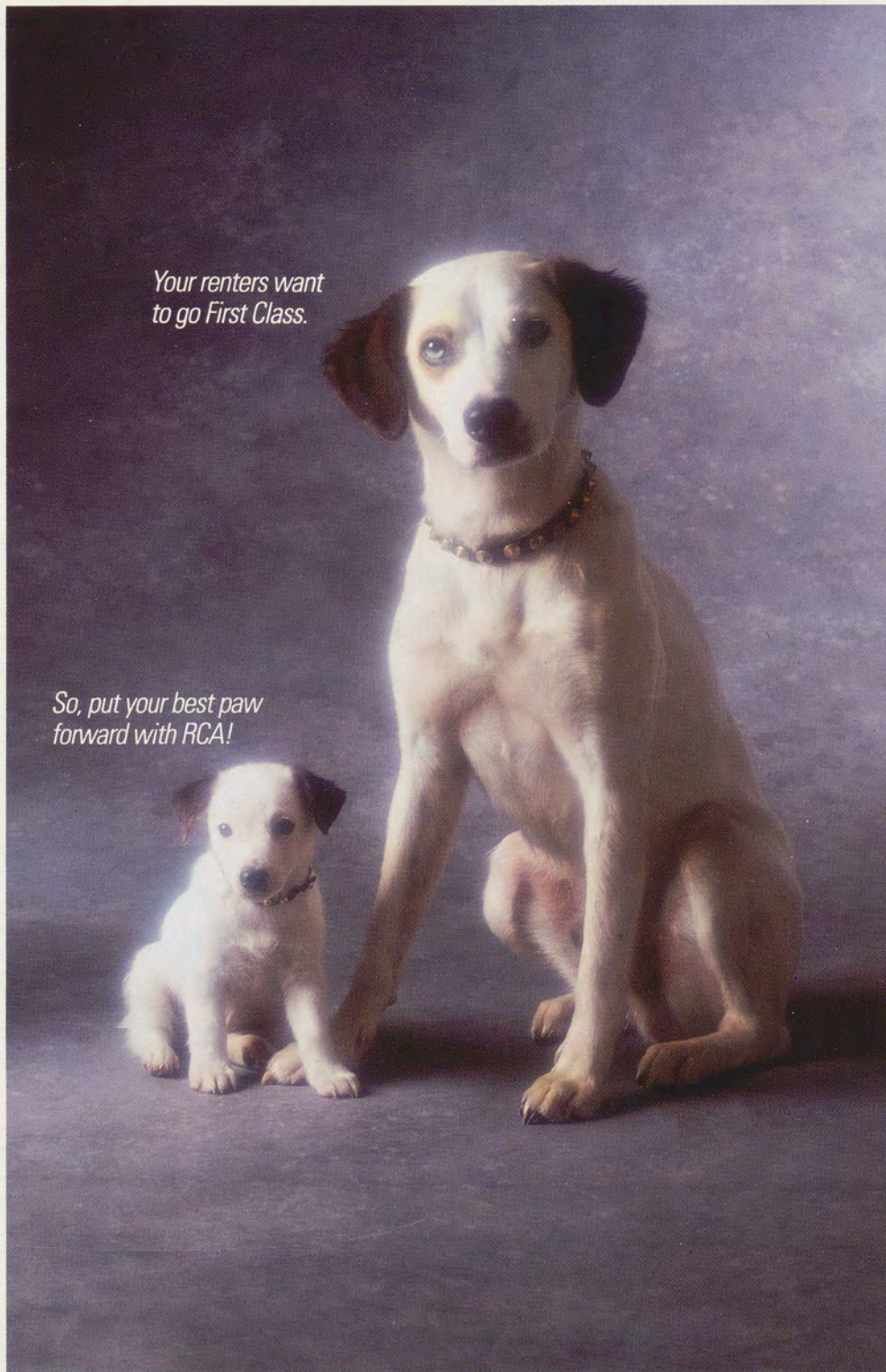
BY

LAURA MALLON

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Madness in Minnesota

LAST SEPT. 30, BRUCE HARTIGAN, A MINNESOTA TRIAL-COURT JUDGE SITTING IN MINNEAPOLIS, LISTENED TO ARGUMENTS ON MOTIONS FOR CLASS CERTIFICATION AND FOR SUMMARY JUDGMENT IN ONE OF THE SIX OR SO LAWSUITS PENDING AGAINST RENTAL COMPANIES IN THE STATE.

ON NOV. 14, HE ISSUED AN OPINION THAT COULD HAVE FAR-REACHING CONSEQUENCES IN THE STATE IF UPHELD ON APPEAL. THE JUDGE RULED THAT RENTAL-PURCHASE AGREEMENTS ENTERED INTO AFTER THE 1990 ENACTMENT OF THE STATE RENTAL-PURCHASE STATUTE ARE CREDIT SALES.

.....

BY

ED WINN III

It is a ruling that can only be characterized as bizarre, since rental-purchase agreements may now be regulated by two separate statutes, one regulating leases and one regulating sales. It's also a situation that is unique in the country.

This opinion is the latest story in the checkered history of the rental-purchase industry in the state. The Minnesota rental-purchase story began in the early 1980s when the industry exploded there like it did in many other parts of the country.

Before 1981, Minnesota consumer laws read like most other state consumer laws: rental-purchase transactions were not included within the scope of the consumer credit sales act because of the no-obligation feature of the transaction. This was an unsatisfactory situation in the legal-aid office in Minneapolis and, upon its request, the 1981 state legislature amended the definition of "sale of goods" in the act to include traditional rental-purchase agreements.

Everyone knows that politics can be a dirty business, and passage of this amendment was dirty, occurring as it did with the appearance of propriety—a public hearing and a proper vote—but with no real exchange of ideas. The Minnesota legislature did not hear from any industry representatives at all.

The national trade association did exist during this era, but was not invited to participate in the legislative process and knew nothing of the effort until the law had been changed. It is not known whether local dealers were invited to testify and explain how their businesses work. What is known is that the representatives heard from only one witness, a legal-aid lawyer—a dangerous situation for any legislative issue.

In any case, and not surprisingly, the law was amended. As soon as dealers in the state learned of the amendment, they dutifully went to balloon-payment rental agreements, much as dealers in Pennsylvania and North Carolina were required to do for the same reason—a change in the law.



This change in business practices was not, incidentally, some scurrilous attempt to evade the law. The fact is that rental-purchase dealers rent TVs, pick them up, rent them again, pick them up, rent them again, and so on. Credit laws require retailers, on the rare occasion when they repossess property, to sell it and give an accounting to the debtors which in turn relates to amount of the debtors' deficiency owed to the retailers.

Rental-purchase dealers want to be in the rental business, or else presumably they would be retailers. Rental dealers do not want to suppose

or pretend that all of their customers are going to rent to term because they know better. Adding balloon-purchase options in a state like Minnesota allowed dealers to remain in the business they chose in the face of an unfair legislative attempt to remove the rental option from the marketplace.

The addition of balloon purchase options works for the industry, but it is cumbersome; it can be risky when trying to gauge the precise size of the balloon payment; and it is simply different from pure rental-purchase, which the consuming public has come

to know, understand and appreciate so well, as evidenced by several million active rental-purchase customers.

The first lawsuits in the state, brought in the late 1980s, challenged the adequacy of the balloon payments. If the balloon payments are properly calculated and collected, then there are two separate transactions with the customer—a rental transaction for a period of time and then, finally, a sale. If the balloon payments are too small, the entire rental-purchase transaction with balloon option is a disguised credit sale under

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Continued from previous page

state law with the question then raised whether usury limits apply. Rent-A-Center has been defending one such lawsuit since 1989.

With passage of the rental-purchase statute in 1990, if rental dealers in the state thought their problems were finally over, they were wrong. Since the law was passed, at least three companies have been sued by the same team of legal-aid and local plaintiffs' lawyers on behalf of various classes of rental customers.

All of the lawsuits challenge the effect of the rental-purchase statute and argue that it does not have the effect of offering the safe legal harbor for the rental industry that dealers thought it did. To the contrary, these lawsuits allege that rental dealers immediately supported a bill that puts them out of business, since the rental-purchase statute declares balloon payments to be unlawful.

The Minnesota rental-purchase statute is slightly different from most other states' laws because, instead of declaring that a properly structured rental-purchase agreement is not to be construed as a credit sale under state law, the Minnesota act says:

"If the consumer protection provisions of (the rental-purchase agreement act) conflict with (consumer credit sale statute), (the rental-purchase act) applies to a rental-purchase agreement and supersedes (the consumer credit sale statute)."

Minnesota rental dealers interpreted that paragraph to mean that the new law, easily the most comprehensive rental-purchase statute in any

Incredibly, Judge Hartigan, with no reasoning, declared that there was no conflict between the definition of rental-purchase agreement in the one statute and the definition of credit sale in the other. Presumably, although the opinion is unclear, all rental-purchase transactions governed by the rental-purchase statute are also credit sales. The ruling contradicts several hundred years of legal interpretation of the usury doctrine.

state, controlled their businesses and overruled the consumer credit sale act insofar as rental agreements were concerned.

Incredibly, Judge Hartigan, with no reasoning, declared that there was no conflict between the definition of rental-purchase agreement in the one statute and the definition of credit sale in the other. Presumably, although the opinion is unclear, all rental-purchase transactions governed by the rental-purchase statute are also credit sales.

The judge went on to find as a matter of law that neither the no-obligation provision of the agreement nor the company's policy of not requiring credit checks for its customers have any value. He went on to suggest, pending further evidence, that the company's delivery and maintenance obligations have only minimal value.

The judge next found an obligation in the agreements sufficient to invoke the usury statute since customers have an obligation either to return the property or continue making payments. The judge's confounding of common sense would likewise make hotel room rentals, car rentals and every

other rental or leasing situation subject to the implication of usury, since lessees in all cases must pay for the use of the product or return it. The ruling contradicts several hundred years of legal interpretation of the usury doctrine.

The judge finally declined to apply the time-price doctrine, which is still alive and well in Minnesota, to the transactions as an exception to usury, since the doctrine ought not to apply "to protect economically superior merchants contracting with weak and needy persons ... " Never mind that the doctrine arose in the consumer setting in the first place.

This is not the first time that a trial judge has "thrown the book at a rental company." Only once, on vastly different facts in a Tennessee case, has such a judicial outburst ever been upheld on appeal. What is not known as of this writing is whether the judge will allow an immediate appeal on the many rulings he made as a matter of law, or whether he will insist on making the parties wait until there can be a trial before him on the damages issue.

Even though it's only a trial-court opinion and therefore of no legal consequence to other dealers, the decision does have all Minnesota dealers in a quandary over what to do next. Once secure under their stringent but workable rental-purchase act, they now must wonder what business they are in and how properly to conduct their affairs.

Copies of Hartigan's opinion are available to APRO members through the APRO office. If you're interested, call (512)794-0095. **PR**

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

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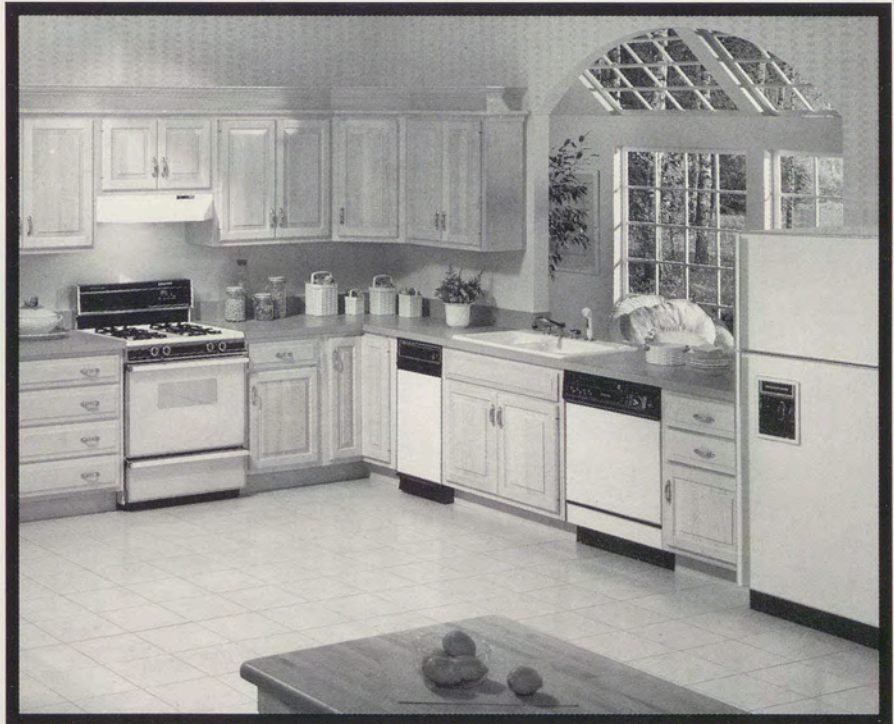


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Continued from page 23

Among the glitz and glamour, there are also problems with having jewelry in RTO stores. David says that some jewelry manufacturers are slow in making jewelry repairs. "Timely repairs create, as with any delay in getting prompt service, a sticky situation when it comes to keeping customers happy. Since we do not have the ability to perform that kind of service ourselves, we have to send the jewelry to the manufacturer. This down-for-service-time is not a favorable position to be in."

Another problem dealers have had to face is whether or not to display real jewelry or sample jewelry. The benefit of displaying sample jewelry is that it keeps inventory costs down. Rich Anderson of Fashion Craft Corporation has been a vendor in the RTO industry for about two years. He says that using imitations works well for RTO.

"I see the silver program taking off and working quite well, where you have imitations in your store and then

deliver the real goods," Anderson said. "There are some dealers who just don't have the capital to put in live jewelry, so that's their only real alternative. With our program, we ship all orders within 48 hours. So, they don't have a delay in getting inventory."

Bill Johnson of Southern Rings has been involved in jewelry and the RTO industry for four years. He disagrees with Anderson. "Jewelry is impulsive over 50 percent of the time," Johnson said. "No one is going to go in and order anything that they can't try on."

Johnson said he tried this technique when the price of gold was on the rise, about 10 or 12 years ago. He said to cut his costs, he made samples. "We were a total failure," he said. "When you are buying jewelry, over 50 percent of the time on impulse, that means you're going home with it. You cut down half of your potential sales if you use samples. How successful can you be if you're only getting half the sales? It simply doesn't work."

Dealer Callender says he used sam-

ple jewelry in one of his stores, just as a test, and it didn't work. "Buying jewelry is an impulse," Callender said. "The customer gets it right then. More times than not, when using CZs (cubic zirconium) as diamonds, the ring doesn't look the same when it comes in three or four days later from the manufacturer."

Having sample jewelry in cases does have a significant benefit, though. It helps avoid security problems. "Using sample jewelry answers the questions of security," said Anderson. "Some of the stores in the major markets have a security problem with their inventory. So when the samples are in there, if they have an unfortunate incident, they don't lose the cost of live goods—they just lose the samples."

Although inventory control has not been a problem for Television Management, Callender says he has been one of the unfortunate dealers who has had to deal with robberies.

"I'm starting to become a little concerned about somebody getting hurt, because we've had two or three robberies this year in various stores," Callender reported. "Keeping jewelry

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does require a higher level of security and, in a public place, that's hard to get without hiring an armed guard."

Aside from the existing problems, the big question is: How does an RTO dealer get involved in jewelry and be successful with it?

The answer is research, interest, product knowledge, confidence, training and a proven marketing strategy.

The research involved is the dealer's responsibility. Ginley recommends talking with customers to find out what kind of product they'd be interested in.

One of the reasons Rich Bartel, president of Rentown USA, has not gotten into jewelry is because his customers and employees don't want it. "We take a customer survey report every month. It's a customer survey that asks them basic questions. At the bottom of this survey, it also asks what other products they would like to see Rentown USA carry. Jewelry shows up less than one-tenth of a percent on those surveys. I've also offered it to all my employees and they say they just don't have the time to learn and teach jewelry."

Researching a potential vendor is also vitally important. Vendors who will provide training and support are the ones that help the RTO dealer become successful in jewelry. Adam Segan of London Star, which has been a vendor to the RTO industry for seven years, says that there are some vendors out there who take advantage of the rental dealer.

"Most rental people don't know a lot about jewelry," Segan said. "Some vendors will go out there and sell a rental dealer and make huge profit margins, because the rental person doesn't know jewelry. My recommendation is to look into the vendor you want to do business with and find out how they will work with you. I also recommend learning about jewelry before putting it in the stores."

Rent-A-Rock is a veteran supplier in the RTO marketplace. Owner Claudia Filloramo is a longtime rental dealer herself, so she knows all about the needs of RTO companies—and their customers. Filloramo reports that 50 percent of Rent-A-Rock's clients are RTO businesses, with the other 50 percent coming from credit furniture retail (where there's sometimes

an RTO counter in place).

Filloramo says ladies' diamond rings account for the largest portion of jewelry rentals in her experience, followed by trio wedding sets and men's high-fashion watches.

Rent-A-Rock is a full-service source, providing clients with fashion diamond and gemstone rings, set in 10-karat and 14-karat gold; watches;

engagement and trio wedding sets; gold chains; bracelets, earrings, pendants and charms; and religious jewelry.

She believes RTO jewelry lines should have high standards of quality. "Aggressive advertising campaigns by companies such as DeBeers has kept the need for fine diamond jew-

CONTINUED ON PAGE 38

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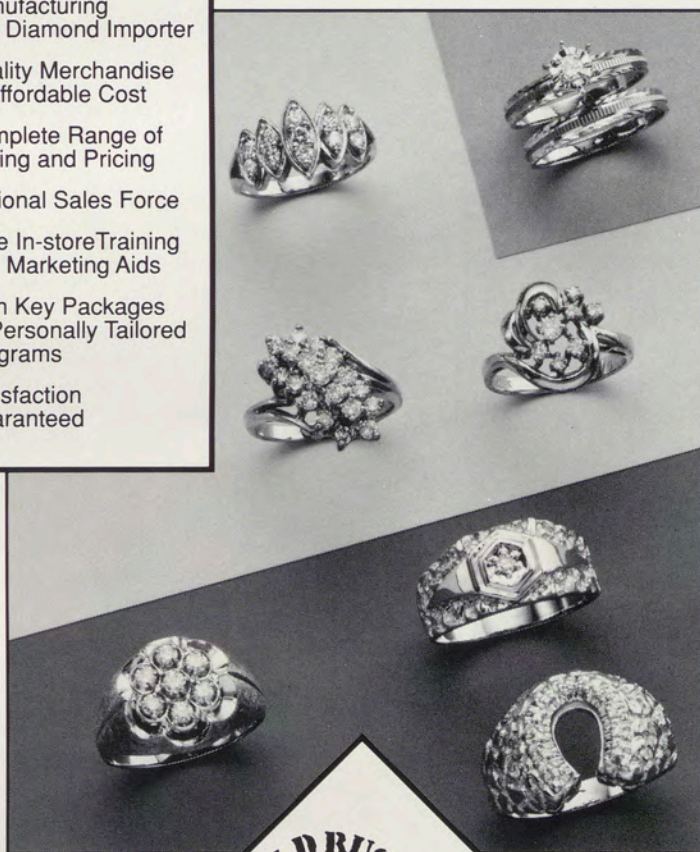
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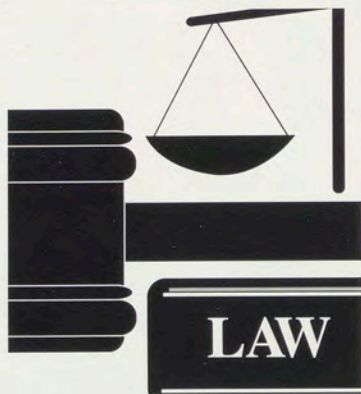
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From America's choice for president, to Congress and the states, we've analyzed the likely impact of

Election results

EACH OF US MUST DECIDE FOR OURSELVES WHAT EFFECT WE BELIEVE THE RECENT ELECTIONS WILL HAVE ON US.

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When I was younger and just educated by high school civics and college political science classes, I was absolutely convinced that electing the wrong person President of the United States would trigger our immediate disintegration as a nation and end my personal professional opportunities before I could seek them.

After more than 25 years of voting experience and even a personal political odyssey that included eight years in public office at the state level, I have changed my thinking quite a bit. I've come to realize that no matter who is elected president—or perhaps in spite of who is elected President of the United States—this country and most of us will somehow survive.

If you are feeling disappointed or depressed by the result of the recent presidential election, then perhaps accepting this bit of personal wisdom will give you enough comfort to forget the election and get back to the business at hand. It's worked for me in the past.

But before you decide to shrug off the recent elections completely, let me remind you of something you already know and which I had already figured out by the

time I ran for Texas state representative my senior year in college. The really important decisions that will affect our lives on a daily basis are being made in the state legislatures of this country, at the county level and in city council chambers.

After I crawled out of the trenches of politics, I heard a saying intended to welcome me back to the real world. It still bothers me to this day. Some well-meaning friend said to me: "A block from the courthouse nobody really gives a damn what they're doing over there."

The purpose of this column is not to convince you of the folly of that statement, because if you are reading this I assume you already realize the folly of that kind of thinking. However, I could relate countless horror stories from personal acquaintances of mine who wish they had paid more attention to legal notices they chose to ignore. Without such people, lawyers would never become so wealthy.

However, the purpose of this column is to brief you on the outcome of the recent federal and state legislative elections—and how they may impact a mutual cause of ours, the rental-purchase business.

Of course there is good news and bad news with most of the different state and national election results, but generally the recent elections should be good news for those of us in the RTO business.

At the federal level, even if you did not support the new president (and we know most of you didn't), there is some reason to feel optimistic about our chances as an industry with the new administration.

Like most business people, you should be encouraged by the first appointments of President-elect Bill Clinton. He has tapped business-oriented leaders to important Cabinet-level domestic and economic positions. Some important mid-level appointments still had not been named (Federal Reserve Board and Federal Trade Commission) at this writ-

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BY

RON WATERS

ing. But early indications are that there will be no radical social tinkers appointed there, either.

Equally important, several RTO industry personalities have close personal ties to either President-elect Clinton, Hillary Clinton and/or other soon-to-be White House assistants to the president. APRO's Washington counsel, John Raffaelli, has several years of personal relationship with Bill Clinton (see page 42 this issue) as well as recent campaign fund-raising experience on his behalf. Incidentally, I worked with the Clintons in my college days on a register-the-vote program for students.

We are fairly confident that the new administration will not veto federal RTO legislation if we can get it to the president's desk, and that we will have adequate channels of communication open to make our case on RTO-related issues with the new administration. This will be important when future funding for legal services discussions come up during the budget process.

Over on Capitol Hill, we are also making progress within the proper circles toward laying the groundwork necessary to pass federal legislation—if the opportunity arises—and defend the industry if we are attacked. Neither scenario seems imminent, but prudence dictates that we prepare now.

Congressman Larry LaRocco of Idaho, the author of federal RTO legislation that APRO supports, moves up in seniority and remains on the subcommittee of jurisdiction. Unfortunately for our side, LaRocco did not get the opportunity to advance to chair of this subcommittee since a member with more seniority, Joe Kennedy, D-Mass., chose to chair the subcommittee.

Rumors that Kennedy has intentions of using this subcommittee to raise his profile and expand his base in Massachusetts for a possible run for governor does not bode well should RTO legislation come up before his subcommittee. One bit of good news for the industry at the federal level is the word that Bill Jefferson, D-La., a former RTO dealer himself, is expected to assume a seat on the powerful ways and means committee. This committee has jurisdiction over tax issues that affect the RTO industry.

Congressman Jefferson has indicated general willingness to support the industry before his colleagues.

This bit of political intelligence affects any potential strategy for moving RTO legislation through the process and shifts our focus to the U.S. Senate. While we lost Texan Lloyd Bentsen (who joined President Clinton's Cabinet as Secretary of the Treasury), we still have several other friends in that body, including Sen. Dick Bryan of Nevada, a recent cosponsor of our RTO bill. Bryan is expected to assume chairmanship of the Senate Subcommittee on Consumer Affairs, which has jurisdiction over our issue. Additionally, another cosponsor of our federal bill, John Breaux, D-La., was elected to the third-ranking position of leadership in the Senate.

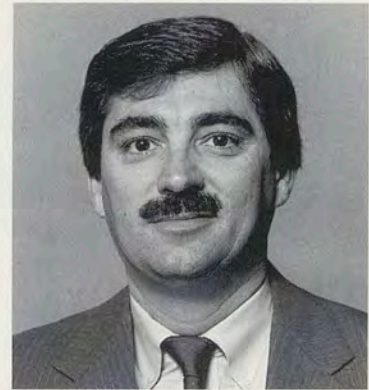
At the state level, 6,255 legislative seats were up for election across the country and 4,333 were won by Democrats, leaving 2,996 to the Republicans. Only 21 legislative seats were taken by Independents nationwide. Thirteen state legislative chambers changed party control. The Democrats control 64 chambers, Republicans control 30 chambers and four chambers are tied. Democrats control both chambers in 25 states, Republicans control both chambers in nine states and 15 are split.

Here's a summary of some of the states we are closely monitoring for RTO legislative activity:

ARIZONA—Republicans gained five seats in the Senate to take control. The House remains in Democratic hands, but the prognosis for our model bill is excellent.

CALIFORNIA—Earlier indications that voters might actually turn out the longtime Democratic majority which has made California's anti-business reputation did not come to pass. Both chambers remain in Democratic control, although some Republican gains were made. Unfortunately, they were not enough to encourage state RTO legislative strategists to attempt passage of model legislation during the upcoming session.

CONNECTICUT—The state remains in Democratic control of both chambers and will continue to be a consumer-oriented state. We will continue to monitor closely for attacks on our



Ron Waters is APRO's director of government affairs.

recently passed RTO legislation.

IDAHO—The Senate, previously in Democratic control, is now controlled by Republicans, making it a split with the House. This will only enhance our prediction of probable passage of the model RTO legislation during the session. Idaho's legal environment for RTO is similar to Wisconsin, where balloon payments must be added to disqualify the transaction as a sale. Recent bankruptcy rulings have jeopardized this option and now may be the time to press for legislation.

ILLINOIS—Republicans gained three seats to take control of the Senate, but the House is still in the hands of Democrats. Because of recent attempts to amend the RTO statute, we will continue to closely monitor RTO legislative activity in Illinois.

INDIANA—The two chambers remain split. The state RTO association has an excellent relationship with legislators and the state agency in charge of implementing RTO law. However, the presence of a strong anti-RTO personality in the state attorney general's office requires us to closely monitor for sneak attacks.

MINNESOTA—The Democratic Farm Labor Party still controls both chambers. Although we have a new RTO law in this state, it does not conform to the model bill. Worse, though, is that lawsuits against the industry are growing like mushrooms in a field. Legislative activity—from our side or our opponents—will probably be forthcoming to finally settle the issue.

NEW JERSEY—Republicans have controlled both chambers of the legislature all during 1992, thus improving our chances of moving favorable

CONTINUED ON PAGE 46



*How others view us is very different
from the way we look at ourselves*

The face of the rental business

THE RENTAL BUSINESS HAS BEEN IN THE NEWS AGAIN LATELY. I TALKED TO A REPORTER IN MID-DECEMBER WHO WRITES FOR 26 NEWSPAPERS AROUND THE COUNTRY, AND SHE HAS WRITTEN AN RTO PIECE FOR ALL OF HER PAPERS.

THE NEW JERSEY LEGISLATURE HELD A HEARING ON A RENTAL-PURCHASE BILL IN DECEMBER, AND THE HEARING GENERATED A FLURRY OF MEDIA—BOTH PRESS AND TELEVISION—REPORTS. APRO HAS ACCUMULATED NEARLY AN HOUR'S WORTH OF TELEVISED RENTAL EXPOSÉS DURING THE PAST YEAR.

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One of those in particular stands out in my memory—the first RTO story from the Consumer News and Business Channel (CNBC) show *Steals and Deals*. It was shot in New Jersey complete with hidden cameras and some “attack journalism” footage, which has become popular in recent years. It was also on this show that two consumer advocates proclaimed for one and all that the rental business “has no right to exist.” To my mind, that kind of extremism helps reveal the true nature of our critics and proves that our critics really do want to put us out of business.

More problematic is the reaction of our own people to media attacks. It was also in the *Steals and Deals* show that the reporter, with the cameras rolling, was able to charge into a rental store yelling questions about 400 percent interest rates and get one store employee to cover his face with a clipboard. For some viewers, that will ever be the face of the industry. Not exactly putting the industry's best foot forward but, then, it's not always easy to

know what to do when cameras are rolling and there is a microphone under your nose held by a hostile reporter.

One thing you can do is tell them all to go away. While the media has the constitutional right to snoop and pry and cajole and wheedle for any kind of story that will boost readership or ratings, we all have the right to tell the media to get lost. Theirs is the right to say just about anything they damn well please—freedom of the press. Ours is the right to be left alone—the right of privacy.

That's not the final answer, but it may be the answer during an emergency. The only emergency, really, is a press deadline—real or imagined. Rental companies do not have any emergency need to talk to the media. But we do talk to them, willingly and openly. There are people who do it a lot. Many companies have designated spokespeople to do the job. Several APRO staff people and some board members have undergone media training because appearing on television effectively is a learned skill, not a natural one, and we spend a lot of time thinking about putting forth the industry's image in the best possible light.

It is one of the reasons there is an association in the first place.

Whatever the association does, individual rental companies ought to think about what to do when the six o'clock news team pulls up in front of the store. The odds are that it won't happen, but it is nice to have a plan if it does. One possible plan is to refer all such inquiries to APRO. We will always talk to reporters and attempt to answer all questions candidly.

Beyond that plan, rental companies need to ensure that their employees fully understand the business they are in. There are certainly rental employees currently at work who think deep down that they are ripping off welfare mothers. They have read media “exposés,” and no one in the

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BY

ED WINN III

company has bothered to explain carefully how the business works. There are employees who see a product marked up at three times cost and, because no one has bothered to tell them any differently, they think two-thirds of the money is going into the owner's pocket.

Rental companies may not want to disclose profit-and-loss details to every employee, but some schooling in the fundamentals of rental economics is a must—what it costs to deliver a unit, what it costs to pick one up, how much skips and stolens cost the company, etc.

The debate rages inside the industry concerning what approach to take against a hostile media. There are thoughtful dealers who argue that the nature of reporting is such that we will never get a fair shake and, as long as the media slurs do no real damage to the business, it is best to ignore them and keep renting TVs.

Other equally thoughtful dealers argue for an active public relations campaign to upgrade the image of the industry, generally, and never to let unkind words go unchallenged. That

Rental companies need to ensure that their employees fully understand the business they are in.

was Bill Clinton's strategy, and he's going to be our country's next president. On the other hand, Saddam Hussein allegedly spent \$10 million on a Washington, D.C., public relations firm in the months before Operation Desert Storm without much result.

As an example of the dilemma in the rental industry, APRO responded vigorously to the first *Steals and Deals* show. After some delay, APRO Executive Director Bill Keese, New Jersey dealer Bob Moore and Rent-A-Center's Chris Korst went to CNBC studios to portray the industry in a more balanced fashion for the cameras. Keese and Korst were interviewed for a second RTO broadcast.

Depending upon which dealers you talk to, some thought the second piece helped dispel some false impressions about the business. Others saw it as

merely another opportunity for the show's editors to take a cheap shot at the rental industry.

Whatever the final answer on public relations efforts for the industry, clipboards held up in front of faces is not how we should be responding to inquiries about the business, no matter how intrusively those inquiries are made.

It bears repeating that this industry has nothing to hide. We don't dupe people or lure people or trick people into doing business with us. We exist because we offer a valuable choice in the marketplace to many people who happily use our products and services. We may not have universal appeal to the consuming public, but we have widespread appeal.

Our best public relations effort will finally be the relations individual companies have with their consuming public. Every ad and, indeed, every act of a rental company done through its employees is public relations. We need to keep working.

PR

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

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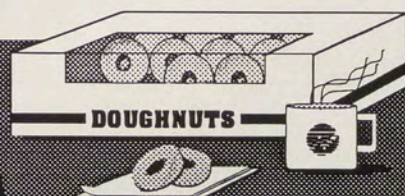
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Charge Card Number: _____

Signature required on charges: _____

ALL CHECKS AND PAYMENTS MUST BE WITH U.S. FUNDS

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-REC

-MAIL

-PD

-NTPD

FIRM NAME: _____

CITY, STATE, ZIP _____

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1900 Veterans Blvd., Suite 200

Metairie, LA 70005

504-833-2088 • 504-833-2094 FAX

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 day-to-day experiences in RTO business

Jerry Omundson
Owner/dealer (former APRO member)
Ownerent (4 stores)
Great Falls, Mont.

General comments: "We're in four different markets in Montana, and they never all do well at the same time, but business has generally been real good."

On product mix: "Recently, the hottest thing has been furniture; and then video, electronics; then appliances. We're in the process of trying some accessories. We want to do jewelry, and that'll be in the offing real quickly, but we've started to do accessories—some framed prints, framed posters, floral arrangements, silk plants. We're getting some success with that. Our margins go up ... (because) it's an add-on to existing accounts."

On BOR: "Our average store would be about 1,000. But we charge a little less, because our population is lower and we can't charge the rates they do in the rest of the country. So we're not generating the kind of revenue that 1,000 BOR would in Denver or Dallas."

On loss ratio: "We run real clean—3 percent loss a year is what we're running, instead of 3 percent a month. That's of prime importance to us because of the small population."

Shipping into the area: "Freight's pretty expensive. We like to use local manufacturers as much as possible because we can get the service that way. We've had some trouble with local manufacturers staying in business."

Location: "There's only six markets (in Montana) that will support rent-to-own stores, and we're in four of them right now. I looked through the demographics quite heavily—what kind of population, what amount of population. The density is real important. We picked areas that looked like they were going to grow, and then we concentrated on areas where we wanted to be. That would be lying to you if I told you that wasn't a major consideration. Some of the best golfing in the world is where we put our

first store, outside of Great Falls. You might as well enjoy it as much as you can."

More on Montana markets: "In some of our markets, we're having a huge influx of people from the (west) coast. You can't get a U-Haul trailer in California because they're all in Kalispell, Mont. That's the honest truth. It's a real beautiful area, and they're saying there's going to be a million people here by the turn of the century. Kalispell is the area that's growing. So far, Montana doesn't even have a million people in the entire state. We're second only to Alaska and Texas in size, yet we have just 800,000 people (statewide population). The Pentagon has a greater daily population than our largest city."

The appeal of the area: "No armed guards in the schools. You don't have to lock your doors at night. In Montana, you get to live like you used to—like when I was a kid in the '50s. We've enjoyed a quality of life that appeals, now, to most of America. But it's going away on us. It's bittersweet."

On customer mix: "We have a lot of people who come to this state because they think they want to live here, but don't know if they can make a living. So they come and say, 'Okay, we're going to give it a year.' And then we have a lot of professional people. We have a large military base in Great Falls, and all of your high-tech companies are moving engineers in here for a year at a time—on contract with the military."

Movie industry's presence: "It's an appealing place for people to come and make movies, so we do a lot of business with movie companies coming in, like we did for *A River Runs Through It*. Robert Redford was one of our customers when they shot that. The movie company rented a whole bunch of stuff; they couldn't get hotel rooms for everybody so they rented a couple of houses and some apartments, and we furnished them. They were our first customer in the Bozeman store. It was the summer of '91. We hadn't

opened yet; we were just finishing the remodeling and stocking the store and they came in and said, 'We need this stuff. Can you provide it?'"

...

Randy Otander
Owner/dealer (APRO member)
House of Television Rentals (5 stores)
Jamestown, N.Y.

On business: "It's been great. October was a record month for us and November was excellent. So far, December is headed to be a record month, too. All in all, it's been great."

On financing: "We've secured bank financing now."

On type of markets: "We're closer to Erie, Penn., than we are to New York City. We're in the extreme western portion of New York state. And then we have two stores just over the border in Pennsylvania, as well."

On product lineup: "The furniture category, for us, has been outstanding. We've seen a lot of growth in furniture. We're basically doing the same things as all the guys. White goods are steady, especially laundry products—they hold steady year round, it seems. We see a little bit of seasonal boost with, believe it or not, dryers—in the fall and winter months. Because people can't hang their clothing out of doors, they come in and get dryers from us."

Up and coming products: "We've gotten into beepers; I call them beepers, but they're actually pagers. We test-marketed it in one of our stores. That's done fantastic; I couldn't believe it."

Trying new products: "Generally what we do, if we try something new we'll experiment with it in one store for a given period of time. Then if it's successful, we will implement it into the rest of the stores. Normally, we do it in our home-office store, which is in Jamestown. However, the beeper idea—we used it in one of our other stores. But, 99 percent of the time, if we're going to try something new we'll do it in our Jamestown store."

On external issues: "Well, the only thing that I kind of hold in the back of my mind is the Pennsylvania situation. But, no, not really. I would like to see some kind of (corrective RTO) legislation passed."

PR

Continued from page 31

elry present in all income-level families," said Filloramo.

Robby Tyson of Jerry Bogo Company says his company also provides total support to the rental dealer. "We can only be successful if our customers are successful," he said. "We stand behind them 100 percent to make sure their best interests are being served. The RTO dealer will receive support from our factory as well as our sales representatives. We hold training sessions for our dealers and the dealer can always call us if they have any questions."

Dave Burdick of Prime Source has been a vendor to the RTO industry for about six years and has a similar program for rental dealers. "We market a complete turn-key program for the dealer," Burdick said. "We help them source, or source for them, everything they need to be in the jewelry business. That includes the jewelry case, display fixtures, case signs, advertising and sales training. We

view the relationship between RTO dealers and ourselves as a partnership. If we can work together to build a program and keep it healthy and running, then both the dealer and we are successful."

One of the other key factors in successfully marketing jewelry is product interest. Some of the vendors say that they have dealers who have not been as successful with jewelry as they should have been. Southern Rings' Johnson thinks part of the reason is some dealers are not willing to listen. "You've got to display it, keep it clean, show an interest in it," he said.

Burdick agrees. "Jewelry requires operation support at the store level to keep the jewelry clean, keep it tagged, keep the displays looking good," Burdick said. "If you don't do all of that, you're not going to be successful."

Segan says if it's done right and the rental dealer pays attention to the product, then jewelry could make them a lot of money. "I have people who have 10, 20 and 30 percent BOR in jewelry alone. But, there are other

people who put jewelry in and expect it to walk out the door, and it just doesn't happen that way. It really depends on the dealer's interest."

Bill Anderson says that Fashion Craft Corporation provides extensive sales training and product support, but he's quick to add that it really depends on the rental dealer.

"Jewelry has to be solicited at the counter," Anderson said. "It needs to be tried on the customer. If you just put it in the case and turn off the lights in the case and put a VCR on top of it, people aren't going to look at the case. If you give it the effort, it will work."

Many dealers already involved in jewelry have been successful. They believe they are successful because of training and product awareness. All of these dealers say that jewelry is a product line that they wouldn't want to be without.

Richard Bartel is not among them. He believes that the RTO business is still a very new business, at least in his Pacific Northwest markets, and

CONTINUED ON PAGE 44

Who's Who in RTO jewelry

* Astoria Jewelry Mfg. Co.
31-00 47th Ave.
Long Island City, NY 11101
(718)392-8686
Jewelry

Y+ Jerry Bogo Co.
P.O. Box 23227
Chattanooga, TN 37422
(615)894-4480
Jewelry

Y* Champion Merchandising Corp.
200 E. 24th St.
New York, NY 10010
(800)743-1150
Jewelry

Y D.M. Merchandising
Merchandise Mart #1479
Chicago, IL 60654
(312)527-1363
Jewelry

Y*+ Diamond Marketing Specialists
820 Gessner #1540A
Houston, TX 77024
(800)446-3115
Jewelry

Y* E.B. Harvey & Company
P.O. Drawer 23687
Chattanooga, TN 37422
(800)678-4324
Jewelry

+Y* Fashion Craft Corp.
1824 Johns Dr.
Glenview, IL 60025
(800)877-7907
Jewelry

Y* Gruen Marketing Corp.
8 W. 38th St.
New York, NY 10018
(212)768-2121
Jewelry, fine watches

+Y* Harlyn Products, Inc.
1515 S. Main St.
Los Angeles, CA 90015
(213)746-0745
Jewelry

* Harry Winston, Inc.
718 Fifth Ave.
New York, NY 10019
(212)245-2000
Jewelry

*Y+ London Star Ltd.
600 Fifth Ave.

For a growing number of dealers, jewelry has made the transition from an experimental add-on to a full-fledged part of the rent-to-own product lineup. And while it's still not right for some RTO operations, jewelry accounts for as much as 20 percent of BOR in others. That's why — for the first time in Progressive Rentals — we're publishing the jewelry category of supplier in Who's Who. Each company listed supports APRO as an associate member (), advertiser (+) or convention exhibitor (Y).*

New York, NY 10020
(800)342-5575
Jewelry

Y North American Jewelry Mfg.
13247-C 38th St. North
Clearwater, FL 34622
(813)573-7711
Jewelry

Y+ Oro International
5 N. Wabash #1503
Chicago, IL 60602
(312)641-0091
Jewelry

Y+ Prime Source International
2004 Grant St.
Hollywood, FL 33020
(800)624-5448
Jewelry

*Y+ Rent-A-Rock
2205-F Grant Ave.
Panama City, FL 32405
(904)785-3000
RTO jewelry program

Y Shandras, Inc.
P.O. Box 58111
Dallas, TX 75258
(214)749-7770

Jewelry

*Y+ Southern Rings
2900 Hessmer St.
Metairie, LA 70002
(800)826-8812
Jewelry

Y*+ T&S Import Co., Inc.
1302 Huntsville Hwy. Box 1079
Fayetteville, TN 37334
(800)523-5224
Jewelry

Y Temptations
226 Pecan Valley Rd.
Newalla, OK 74857
(405)275-7960
Jewelry

Y Venture Jewelry
37 W. 47th, #700
New York, NY 10036
(212)764-5924
Jewelry

Y William Schneider, Inc.
16400 NW 15th Ave.
Miami, FL 33169
(305)625-5171
Jewelry

Need new revenue? Try 'non-traditional' rental products

TIRED OF RENTING TVs AND FURNITURE? NEED TO BRING A LITTLE ZEST INTO YOUR PRODUCT LINE-UP, ALONG WITH THE NEW YEAR?

MORE AND MORE THESE DAYS, RENTAL-PURCHASE COMPANIES ARE PUTTING "NON-TRADITIONAL" PRODUCTS INTO THEIR STORES, WITH POSITIVE RESULTS.

•••••

Portable spas, fitness equipment, pagers and used cars are just a few creative alternatives that can bring dealers new revenue.

Portable spas

"Portable spas are great for the rental market," said Ned Holmes, national sales director of Aerobic Rental Enterprises in Omaha, Neb. "They can easily be rolled between rooms, filled with a garden hose and plugged into a wall outlet."

Holmes rents the spas to customers locally and supplies them to RTO companies nationwide.

At six feet in diameter and 27 inches deep, the pools can comfortably fit four people. They are made out of fiberglass and weigh 150 pounds empty so delivery is no problem. Simply pop them in the back of a pickup truck. How to hook up the spa and add the chemicals is carefully explained in a set of detailed instructions that Holmes gives each client.

Holmes has found that the traditional method of pricing on a 12-month or 18-month contract is not attractive for this high-dollar item. Most dealers look at it for rent-to-rent. Weekend rental rates can range from \$125 to \$200.

"A lot of people rent a spa for the weekend," he said. "They may be planning a party and will pool their money or someone with an injury may want it for six months."

Holmes says he usually sets these



American Dream Spas

people up on a six-month lease at \$200 per month. At the end of the period, the customer may go on a standard rental-purchase agreement.

"These spas appeal to a different category of people than traditional rent-to-own," Holmes said. "Often, they are young professionals, students and seniors who have arthritis or need hydrotherapy to ease some other ailment."

Fitness equipment

Holmes also rents fitness equipment and acts as a supplier to other RTO businesses.

He says that our fast-paced society has made working out at home more attractive. "Our customers are tired of going straight from work to a club or spa. They want exercise equipment in their homes that will give them a good cardiovascular workout. That way there's no hassle, no fancy clothes, no other people."

Another attraction is the try-it-and-see-if-you-like-it factor. Better put: RTO equipment can always be returned if it lies dormant for more than six weeks. If a customer has bought the equipment, he or she is stuck with it.

The equipment comes with a one-year parts and service warranty and can be put on a standard rental-purchase agreement. Popular items include home gyms like Soloflex, stair stepers, cross country ski simulators, exercise bikes and tread mills.

Pagers

Pagers represent another non-traditional market that has begun to snowball. "Apparently, traditional rent-to-own customers are interested in pagers," said Russ Brown, eastern region retail sales manager for Pactel Paging in Atlanta, Ga. "Either the cost or criteria to purchase one has prohibited many of these people from obtaining one on their own. Some of the customers don't have regular tele-

phones and it's a good way for them to keep in touch."

RTO companies may purchase both product and service at a reduced rate from companies like Pactel. They can then function much like resellers.

Brown says that there are no more problems associated with renting a pager than any other product. In fact, there may be less. If a customer does not pay on a timely basis, the RTO company controls his or her service and may discontinue it, rendering the pager useless.

"Like any other small consumer electronics device there is always the possibility that it could be lost," added Brown. "However, it is not a great concern at this point."

Used cars

According to James F. DeVoe, president of J.D. Byrider Systems in Marion, Ind., 45 percent of Americans make \$25,000 per year or less. Only 7 percent can afford a car of \$20,000 or more. J.D. Byrider is the answer for that higher percentage of buyers.

Since 1979, the company has been offering 1986 model and older cars. DeVoe says the cars are gone over with a fine-toothed comb.

"We offer dependable transportation for affordable terms," he said.

DeVoe gives his customers a conditional sale contract that usually includes 18 to 25 months and an interest rate of around 21 percent. The contract amount is small and the duration is short. Interest usually ends up totaling \$7 a week with typical weekly payments of \$57 and monthly payments of \$230. The contract does not include maintenance. That is the responsibility of the new owner.

"We extend credit to our customers, just like a bank," DeVoe said. "It requires good credit judgment and a good collector. If done properly, there are few problems."

J.D. Byrider is franchised in 21 states and in Canada. Each franchise has average gross sales of approximately \$3 million. Anyone interested in obtaining more information about franchising should contact Sandy Beouy at (317)668-1554.

—Susan de Blanc



With these financial-planning tactics, you too can gain the reputation of a ...

Budget guru

PREPARING ACCURATE FORECASTS AND BUDGETS FOR RENTAL COMPANIES IS A PROCESS THAT CAN ONLY BE COMPARED TO CHARTING WHERE COMMUNISM FIRST WENT WRONG. I KNOW ONE CFO WHO'S AT LEAST HONEST ABOUT IT. HIS BUDGET WORKSHEETS ARE FILED UNDER GOALS & HALLUCINATIONS (RIGHT NEXT TO HIS UPDATED RESUMÉS).

.....

But nearly a quarter has gone by and some companies are still struggling with where they'll be in '93. While that might offer promise for companies on the lookout for a catchy slogan, it doesn't help much with the banker's demands. So *Progressive Rentals* has commissioned this in-depth look at the secrets of budgeting. If your company's financial guru has been reading tea leaves, or your employees have been smoking tea leaves, then you'll want to read this first.

.....

BY

BUD HOLLADAY

Many experts find it easier to start with the bottom line: how much profit does the owner want? If the Big Cheese isn't around to tell you this, simply check the executive calendar. If you find lots of notations about Tahiti, Las Vegas, divorce court and boat salesmen, make the number a high one. If it's full of references to gunshops, psychiatrists or career counselors, make it a low number. The key here is meeting expectations. That's surefire job insurance for you financial whizzes.

Now go to the top of the sheet and fill in the amount of revenue you think the company can actually produce. If you aren't sure, ask Operations. Divide whatever they tell you by half and add anything you expect to gain from the sale of all those digital pagers, hot tubs and tanning beds stacked out in the warehouse. This could be a significant amount. Once you've figured out "Revenue" and "Profit," deduct "Profit" from "Revenue" and write that amount in the middle. That's

"Expenses." You're finished! See how simple this process really is? Forget all those charts, analyses, computer printouts and reports. This method really works.

And you don't have to waste hours listening to a bunch of people who don't understand finance tell you why they can't do \$6 million on only 2,500 BOR. They've obviously overlooked trip fees or they grossly underestimate your brother's ideas about advertising. Either way, careless attitudes like that only bog down the process. In fact, this entire project should take no more than about five minutes. If it takes much longer than that, then you're either an owner yourself, you used to be an owner, or you possess the same math skills as most owners.

But suppose the amount left over for Expenses is, say, only 40 percent of what they ran last year. Then it's time to resort to FARCE: Fast And Realistic Cost Equalization. This is easier than it sounds. First, put all the employee's names into a hat and draw one out each month. That person gets fired. If you have fewer than 12 employees you'll want to review this program along about July or serious problems could result (the real challenge here is making sure your name isn't of those drawn). Next, have all corporate executives toss their car keys onto the table. (Don't worry about scarring the wood—those big rubber-covered keys from Germany don't leave marks.) Now close your eyes and grab a key. That company car gets parked at least one day every month. If this program is going to work, it has to be fair.

After solving the people and transport problems, take a look at advertising. Last year's BOR gains should at least equal your competition's chargeoffs. If you don't understand why, check with any assistant manager. They can explain this. Nevertheless, if BOR gains have been unacceptable, there's an excellent option available. First, fire your ad agency and get one of those 1-800 numbers. Then buy the same TV schedule as the Ginsu Knife people and keep all the agency commissions. The

You don't have to waste hours listening to a bunch of people who don't understand finance tell you why they can't do \$6 million on only 2,500 BOR. They've obviously overlooked trip fees or they grossly underestimate your brother's ideas about advertising. Either way, careless attitudes like that only bog down the process. In fact, this entire project should take no more than five minutes. If it takes longer ... you possess the math skills of most owners.

extra 15 percent should about offset the added cost of keeping your stores open until midnight.

This can also cause your company's productivity to really shoot up. With no ad agency to hand out free football tickets, concert tickets, movie tickets and drink tickets, somebody's bound to work a full week now and then. This could have startling results. You can only hope they're good.

Another area to examine is inventory purchasing and upkeep. Surveys show that the average rental customer keeps his TV set only about six

months. So why buy the expensive brand with the 12-month warranty? If renter No. 2 wants some kind of warranty, just remind him that if he had any sense at all he'd be renting a new TV and not a used one (and since this produces fewer deliveries, you'll save tons on gas and oil—what a deal!).

You can realize additional savings on parts and labor costs by demanding that every customer who wants a service call provide reliable proof that the problem is really due to product failure and not merely a result of his

abuse, negligence or excessive use. This eliminates the need to send a high-paid repairman running out every time somebody's refrigerator fails from being loaded up with warm food, or their 25-inch color TV catches fire because they forgot to change the duct tape on the power cord. The cost savings should easily exceed your liability deductibles.

These budgeting tips are so simple that by now you're probably wondering why you haven't already thought of them. That's all right. If you knew everything, you'd be writing these nifty articles and we'd be sitting out there pulling in the big bucks. But if you have further questions, just send for these free financial pamphlets: *Budgeting for the Financially Impaired* and *Interpreting Your Dreams—The Financial Breakthrough for the Nineties*.

But get your request in fast; we underbudgeted the printing cost. **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.

Yes! I might have "gaping holes" in My Insurance Coverage!

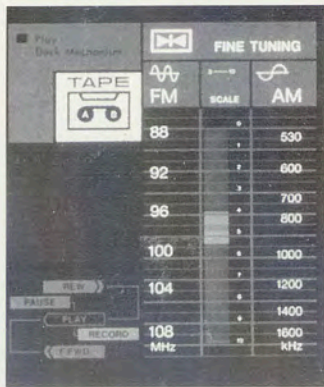
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APRO/Allnet program saves money

The Association of Progressive Rental Organizations and Allnet Communications Services are very pleased with the tremendous response that has been generated from the APRO/Allnet program, said Bill Keese, APRO executive director.

Sales representatives from Allnet have been extremely busy in the last two months contacting APRO members and letting them know of the incredible savings in long-distance charges Allnet is able to offer.

"After receiving their first Allnet bill many APRO members have been pleasantly surprised at exactly how much they are saving on the new program," said Carolyn Fitzsimmons, APRO marketing representative.

Fitzsimmons said that one member company, after only half a month on the program, realized an average savings very close to the quote Allnet provided before the switch. "And in switching over 140 lines to Allnet, they were virtually unable to tell that the switch had taken place," she said.

Allnet representatives are expecting 1993 to kick off with a bang and be even more successful in signing up more APRO members to begin saving on their telephone long-distance usage, Fitzsimmons added.

For information on this APRO-member benefit, call Fitzsimmons at the APRO office—(512)794-0095.

Fashion Craft announces new line

For the rental dealer who wants a complete display of jewelry, but has a limited budget, Fashion Craft Corporation has developed a line of "fabulous fakes" for \$1,250.

The rings look the same as their regular gold counterparts, according to Fashion Craft's Rich Anderson, but contain CZs (cubic zirconium) and synthetic-colored stones.

"Your customer's properly sized gold and genuine stone ring will be received by you within three working days," said Anderson.

The line has 55 men's and ladies' rings, including the popular trios and engagement rings.

The Fashion Craft support package includes all materials necessary to be "ready to operate," Anderson added. It also comes with a comprehensive in-house employee training program.

For more information, contact Anderson at 1-800-877-7907. Or, write him at: The Fashion Craft Corporation, 1824 Johns Dr., Glenview, Ill., 60025.

Derton, May join APRO staff in Austin

APRO has two new staff members working in the Austin, Texas, national office: Laurie Derton and Richard May.

Derton is the association's secretary-receptionist and has been on staff since Oct. 19. She has previous experience as an office manager and point-of-sales manager, and her skills include book-keeping, personnel supervision, sales, computer training and phone work.

Derton has already assumed double duty at APRO, handling the regular receptionist duties while filling in for office manager Tulisha Carson, who was out on maternity leave for two months in the fall.

"Laurie has handled everything we've thrown at her, and done a marvelous



Laurie Derton



Richard May

job in the process," said APRO Executive Director Bill Keese. "We're fortunate to have someone with such a wide range of abilities and great attitude on our staff."

May, meanwhile, began work at APRO on Dec. 7 as assistant to APRO Director of Government Affairs Ron Waters. May has a bachelor's degree in history, and has worked in the demanding role of committee coordinator for the Texas state bar's 50 committees. May has been a staff member of a Texas state representative, and also served as publicist for television's *Austin City Limits*. He was most recently employed by the Barton Springs/Edwards Aquifer, where he worked on natural-resource issues.

"Richard has the experience, communications skills and knowledge of politics necessary to do a great job for APRO government relations," said Waters. "We're very glad to have him on board."

A special letter from an APRO member

In the absence of a letters-to-the-editor page, we're

publishing this excerpt from a Dec. 8 letter that Champion's Larry Sutton wrote to APRO's Bill Keese:

Dear Bill—I just wanted to let you know how much I enjoyed your "open letter to Bill Clinton" in this past issue of *Progressive Rentals* (October-November 1992). Talk about hitting the bull's eye!

As a matter of fact, I thought the entire issue might just be the best ever. It seems like they just keep getting better and better.

It's been a pleasure watching our association grow to the professional level that it has obtained over these past few years. Knowing the tough battles that we face in the years ahead, it's comforting to know that none of us stand alone to face our foe, as APRO is providing the unity and expertise to win. I remain grateful to you and your staff for the role that you continue to play in the continued effort to enhance the RTO industry.

—Larry Sutton

And speaking of Bill Clinton ...

John Raffaelli, APRO's lobbyist in Washington, D.C., is certainly no stranger to President-elect Bill Clinton.

"Bill Clinton was one of my law professors when I was in law school at the University of Arkansas Law School," Raffaelli said. "Since that time, we've become close personal and professional friends."

They are close enough friends that President-elect Clinton invited Raffaelli to watch the presidential election results with him in the governor's mansion in Little Rock.

"After the networks proclaimed Clinton the winner, he came over and gave me a bear hug and said, 'We've come a long way from the classroom,' " Raffaelli said.

Raffaelli said he believes his old friend will focus on rebuilding the economy. **PR**

Spring seminar getaways provide education

APRO HAS PUT TOGETHER TWO GETAWAYS FOR SPRING 1993 THAT COMBINE BUSINESS AND PLAY. TOP SEMINAR SPEAKERS AND FIRST-RATE LOCATIONS, ALONG WITH FUN-IN-THE-SUN ACTIVITIES, PROVIDE PLENTY OF EDUCATION AND RELAXATION.

•••••

The first getaway—APRO Rental Dealer's Vacation Seminar—will take rental dealers out of the country, to the exotic Jack Tar Village in Puerto Plata, Dominican Republic. The all-inclusive land package is just \$549 each. It covers all meals, drinks and tips on this beautiful island in the Caribbean. All you'll need is airfare and some gambling money for the casino, if you're so inclined.

The second getaway—APRO 1993 Mid-Year Conference—also gives APRO members a break from the winter cold. The Doubletree Resort in Palm Springs, Calif., offers a lush, country club setting with superb facilities. And, it's just 10 minutes from Palm Springs Airport and two hours from Los Angeles.

Here's more information on APRO's spring '93 getaways:

APRO Rental Dealer's Vacation Seminar

March 8-12

Jack Tar Village, Dominican Republic

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.

On the education side, a motivational speaker and roundtable discussion on the RTO industry are part of the program.

Deadlines are early and space is limited on this one, so call APRO's Shelley Martinek at (512)794-0095.

APRO 1993 Mid-Year Conference

April 29-May 1

Palm Springs, Calif.



Jack Tar Village in the Dominican Republic offers a variety of fun activities for participants in APRO Rental Dealer's Vacation Seminar, March 8-12.

This three-day national rental dealer conference is packed full of informative and educational seminars on the topics rental dealers want to know more about—in a beautiful and relaxing resort atmosphere.

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, and a private, 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 way to unwind and enjoy the outdoors.

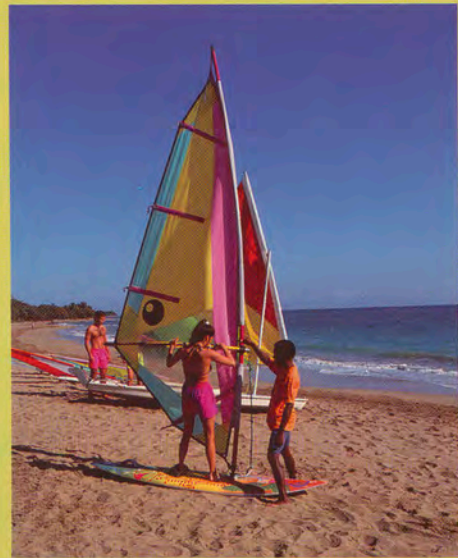
Golf will be available throughout the conference. Simply call (619)322-2270 to schedule tee times in advance. Be sure to mention you are with APRO. Green fees for 18 holes, including cart, is \$75.

On Thursday, April 29, High Touch will sponsor a get acquainted hospitality suite at the Doubletree with complimentary drinks and snacks.

APRO has secured the discounted hotel rate of \$85 single/double. Please call 1-800-637-0577 for your reservations—by March 28.

APRO getaway No. 2 has a full, three-day seminar program. Here's a look at what you'll get the first day:

Day one—Friday, April 30



Photos by Kirk R. Tuck

Building Your RTO Business With Advertising

Some highlights of this highly requested seminar include:

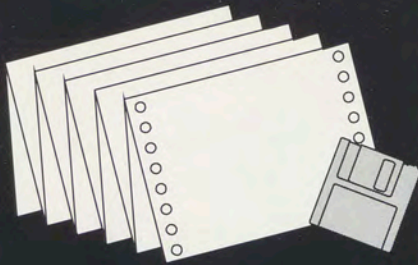
- Personalized critique of your rental advertising.
- Guidelines for developing rental advertising on a tight budget.
- Increasing the selling power of your advertising.
- Writing your own brochure or ad.
- Headlines: The most important part of advertising.
- How to gain more response from ads and brochures.
- Marketing research.
- Direct mail.
- Copyrighting.

The presenter, Gary Beals, is president of Gary Beals Advertising & Public Relations Agency. Founded in 1973, the agency has served clients in such areas as industry, retail, real estate, food service, agriculture, medical and non-profit human care services.

As a full-service marketing agency, the firm provides planning, research and a full range of communications.

Beals has spoken for the American Rental Association along with financial expert Somers White, who was the featured APRO speaker last spring in Phoenix.

Seminar days two and three will include a roundtable discussion, and tax and accounting update. Industry experts will lead both. **PR**



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Continued from page 38

that there's still a need to fill the basic wants and needs of the customers. Bartel keeps his business focused on providing these staples—electronics, furniture and appliances.

"We've done a very good job on that and we continue to grow in those particular areas," Bartel said. "We haven't really gotten to a market that has stagnated to a sense that we need to introduce a new product."

Although Bartel has done some research on jewelry, he still says that there are several reasons why he hasn't gotten into the jewelry side of RTO. "I look at the jewelry counter and see that there's \$10,000 of idle inventory sitting there that I probably will never turn over. We have 19 stores. That's \$190,000 in dead inventory, with a low turnover and no proven factor. I could take that money and open a new location, and I could easily get 500 new accounts in a new area within 12 months. So why should I not take that same concept that we've been successful with and open a new location in an untapped market?"

Another reason Bartel has not decided to go with jewelry is because of the time-consuming training factor. "It's a long process just to teach a person about the corporation. Then, introducing a new product like jewelry? They don't know the first thing about it. That's a whole sophisticated type of education process. In my opinion, it would take twice as much time to teach them about jewelry than any other thing."

Looking at those dealers already involved in jewelry, they say that

while they don't think it'll ever eclipse one of the big three product types, it certainly is an item they would not want to be without.

Callender says that for jewelry to be really successful, dealers need to pay attention to the "fad" items. "For example, the 'X' pendant is popular now, because of the Malcolm X movie. It's important to keep up."

As far as trends go, Ginley says that he moves a few watches and cocktail rings, but wedding sets are gaining in popularity. Another big item is the gold chain. Callender says about 30 percent to 40 percent of his jewelry rentals are gold chains and bracelets.

While some dealers have not been successful with jewelry, there are those who have come out ahead. It comes down to interest, product knowledge, training and effort.

Full-O-Pep's David puts it simply: "Those who take the time will make the dime."

Alrenco's Walts believes that jewelry, after years of a "wait-and-see type of attitude," has finally gained widespread acceptance among RTO companies. However, acceptance doesn't necessarily mean action.

"By now, most dealers have heard multiple horror and success stories," Walts said. "They are weighing the risks against the potential gains: 'Do we have the money and management time to devote to make the product work?' I would think that most dealers have come to the conclusion that it can be a viable RTO product. But some have decided to tend to other parts of their business for now." **PR**

Laura Mallon is a former APRO summer communications intern (1991) and sometimes freelancer.

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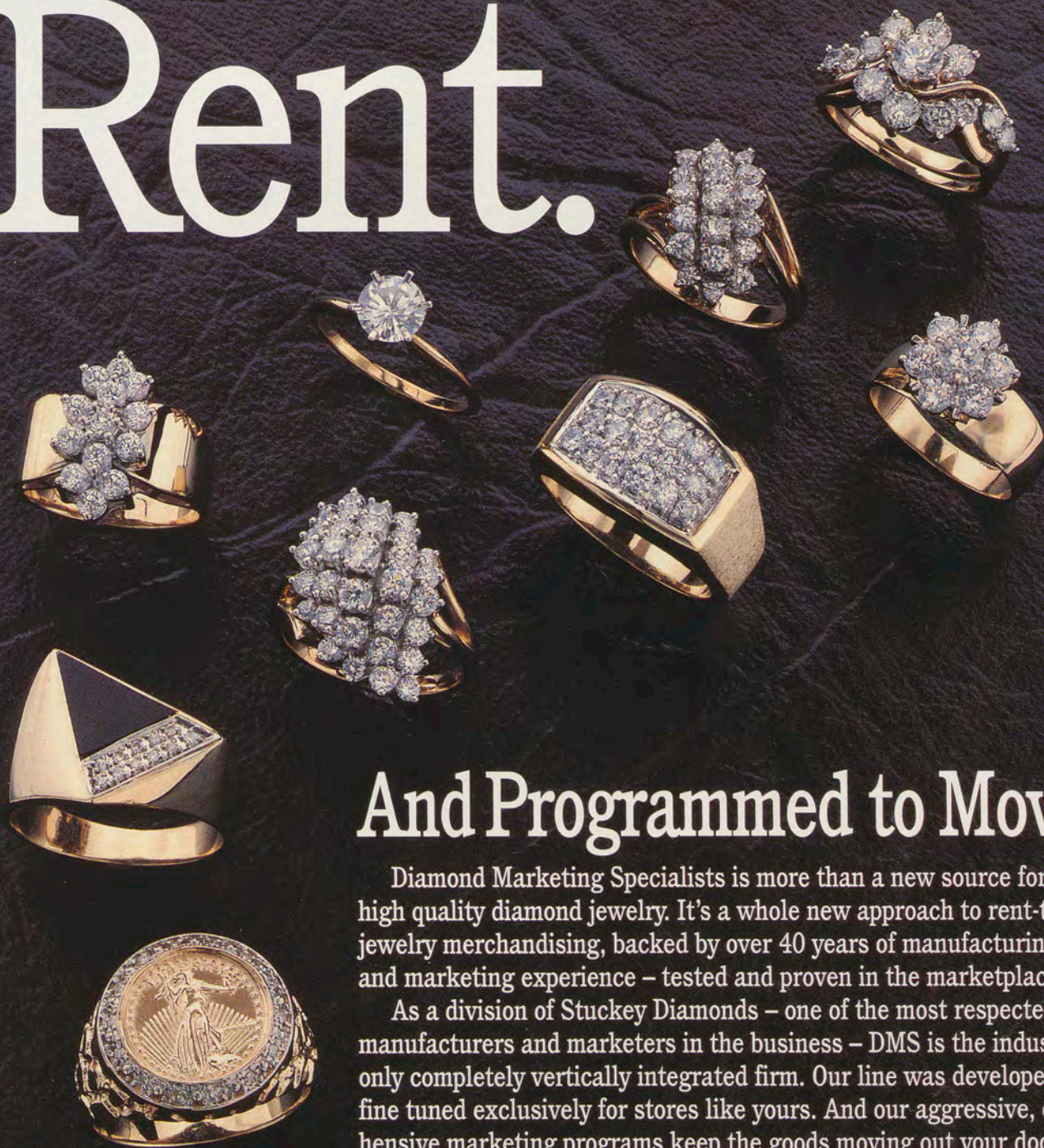
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Continued from page 33

legislation during what's left of the session in '93. In fact, Assembly Bill 1988, with support from state RTO members, was voted out of committee during the first week of December. That was over the vocal objections of the state banking department, the public advocate's office, the New Jersey Consumers League and New Jersey PIRG and a lot of negative press. The outlook is still good for final passage during spring of 1993, but not without some compromise amendments and a lot more media madness.

OREGON—Democrats may have taken control of both chambers once the dust settles on three undecided races, but the state RTO association still plans to press forward with model legislation before opposition surfaces that will make likelihood of passage even more difficult. There's at least a 50/50 chance of passage, depending on who is named chair of the committee of jurisdiction.

PENNSYLVANIA—If it's possible

for the situation to get worse, it probably did with the Republicans losing control of the Senate chamber, so Democrats now control both chambers. It doesn't bode well for any industry attempt to turn around the anti-RTO law.

UTAH—Republicans control both chambers and a recently formed state RTO association has retained a lobbyist to attempt passage of the model bill. Prognosis is excellent for passage.

WEST VIRGINIA—Republicans now have two members of the state Senate instead of one, but lost five members of the lower chamber. Other recent developments in the state continue to make this the most likely arena of disaster in spite of a determined effort to pass favorable legislation.

WISCONSIN—Republicans gained seats in both chambers, but Democrats still control, making passage of any model RTO legislation difficult to achieve—in spite of a focused attempt during last two years by the state RTO association. **PR**

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for training and store development in 80-100 stores. Requirements: Experience in planning and presenting training seminars, as well as one-on-one training; competent in all phases of store operation; ability to audit and analyze store operations, arriving at alternate solutions; multi-unit experience. Must have excellent communication skills, and be able to work with a variety of personality types. Must be organized, able to work with a minimum of supervision, and able to travel extensively (85%). Sales training experience a plus.

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Attn. RTO vendors:

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Call APRO marketing staffers Cindy Ganther or Carolyn Fitzsimmons at (512)794-0095 to lock in your lower rate.

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:

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