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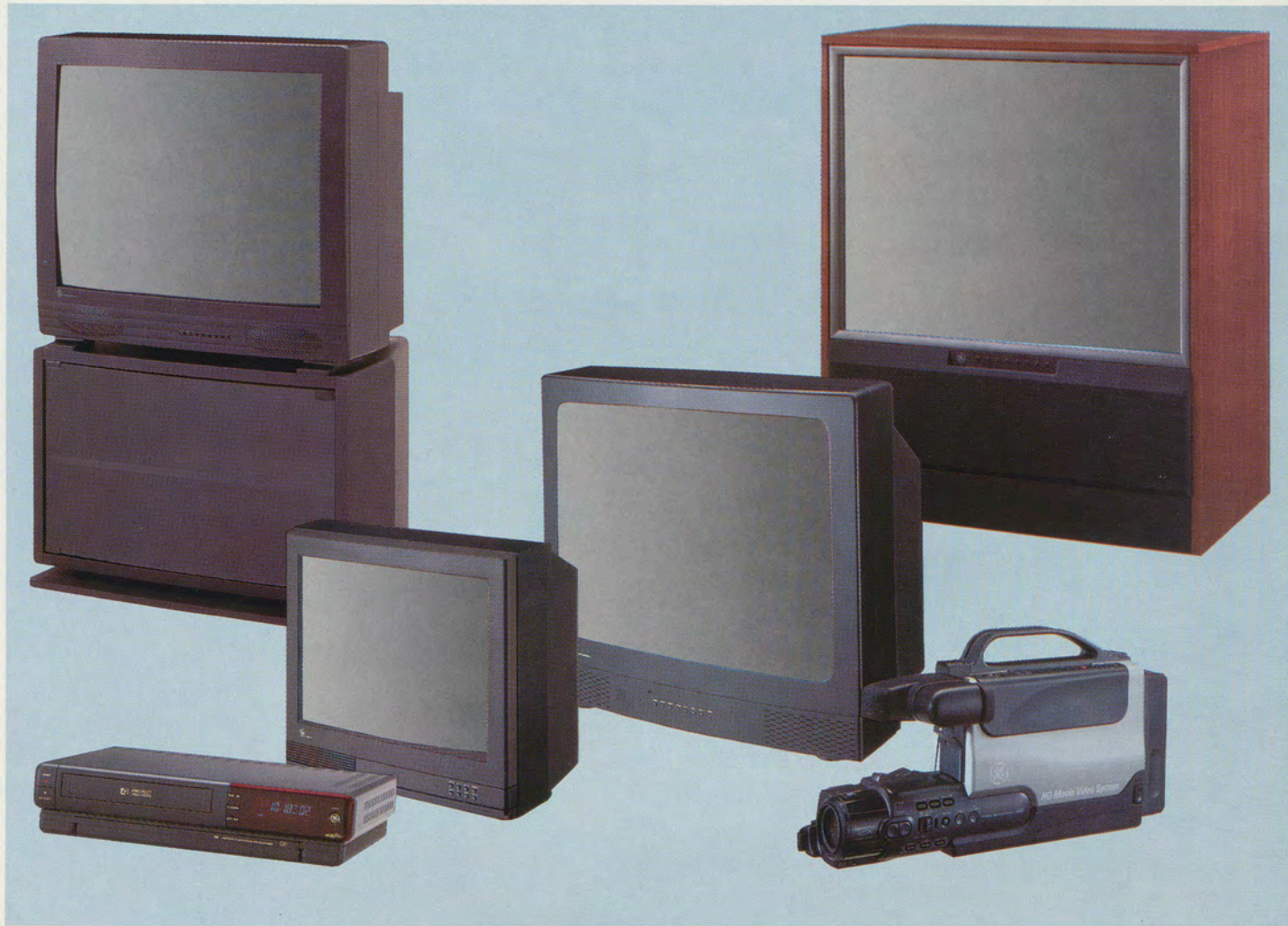
February/March 1993

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**Annual  
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PR

# Progressive Rentals

February/March 1993

The magazine of the rental-purchase industry

Volume 13, Number 1

## Features

10

### RTO training, pyramid style

Kent Sutherland examines how RTO employees are customer-service providers, not collectors. A pyramid model—the customer, the system and the provider—builds success in the rental-purchase business.

18

### Court says RTO's not a sale

The U.S. Seventh Circuit Court of Appeal handed down a ruling in January which differentiates rental-purchase transactions from installment sales. The decision is another victory for RTO in the courts.

22

### The use of information gap

Software systems for RTO have gotten pretty powerful. The problem is, you've still got to have people who can understand the numbers. Bud Holladay helps bridge the gap.

26

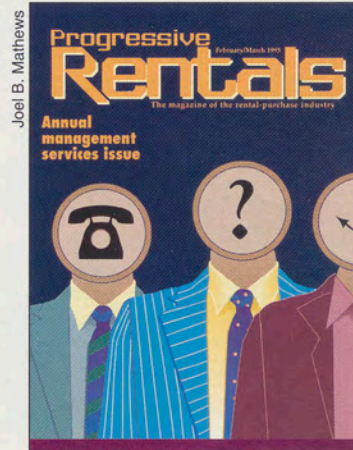
### RTO oldtimer and the sea

Jerry Dunaway built Remco with partner Chuck Sims years ago, but Dunaway's real love was deep-sea fishing. Today, master outdoorsman Dunaway runs THE top charter boat.

34

### Handwriting's on the wall

Any time a new employee is hired, there's a lot at stake. The negligent-hiring theory strikes fear in the hearts of RTO dealers everywhere, but handwriting analysis can help prevent hiring mistakes.



**ON THE COVER:** Demands on managers and owners in the rental-purchase business are intense. That's why this issue is devoted to management services—loosely defined as anything that can help you handle the myriad tasks and issues that come with the territory.

## Departments

6

### President's View

8

### RTO Perspective

14

### RTO Finances

30

### RTO Message

38

### Govt. Relations

40

### RTO Humor

46

### News & Products

# HERMAN


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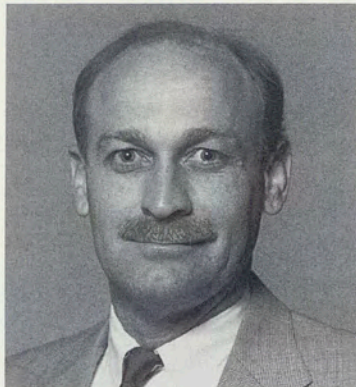
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*This isn't just lyrics from an old Beatles song, but a signal for us to heed the call—before it's too late:*

## ***Come together, right now***

TOWARD THE END OF LAST YEAR (OCTOBER-NOVEMBER 1992), WE TALKED ABOUT QUESTIONS AND ANSWERS. THE QUESTIONS INVOLVED AREAS IMPACTING OUR RENTAL-PURCHASE INDUSTRY, BUT THE ANSWERS WERE STILL FORTHCOMING. NOW, AS THE END OF FIRST QUARTER 1993 APPROACHES US, WE'RE GETTING CLOSER TO SOME ANSWERS.

•••••

Unfortunately, it looks like some of them won't be the answers we have strived and hoped for. This is despite a lot of hard work and continued vigilance on the part of APRO's elected leaders and members.

Anticipated outcomes to some of the ongoing legal, tax and accounting questions—on the state level with legislatures and court cases, and nationally with the Internal Revenue Service (IRS)—would negatively impact RTO operations.

Facing up to reality is rarely pleasant. However, we as an industry still have a lot of options. Granted, inaction is one of them. It is my belief, though, that to adopt a wait-and-see attitude—in short, simply sitting back and hoping for the best—would be very irresponsible.

Options that do represent responsible courses of action include:

- Bringing appropriate court challenges to decide complex and extremely relevant tax issues, which could mean a protracted and expensive battle; and
- Working with the U.S. Congress to bring possible legislative relief, which could ultimately provide an umbrella solution to this set of problems.

We may very well need to do both.

Some may argue that to pursue these courses might "open up a whole 'nother can of worms" and bring on even more problems. And, I must admit, I do believe in the wisdom of the old maxim,

"Discretion is the better part of valor."

But that doesn't apply to our current situation. For one thing, we are in the fishbowl. We no longer enjoy the freedom of anonymity—the freedom to just run good businesses. It's not about renting products, providing customer service and posting receipts. Not anymore. Sometimes I wish it were still that simple, because we could focus on keeping our customers happy and making enough money to continue doing so.

Today's reality is this: We are being watched. RTO has been targeted by consumer groups (with the aid of the media) who want us outlawed and by government collection arms who want our money. No one in the RTO business, not one single dealer or store clerk, is exempt from external scrutiny.

So, don't worry that battles in tax court or discussions with Congress will bring us further into the spotlight. Whether we like it or not, the spotlight is squarely upon us—and many dealers are squinting from the harsh glare.

We are trying to advance in the middle of a regulatory and judicial mine field. Certain tax rulings, even though they would not outlaw RTO, would put many companies out of business nonetheless. We need a comprehensive, proactive plan to address all these areas—not just state RTO legislation, which remains an important component.

A key part of any trade association's job (translation: APRO) is to keep its members informed. That's what this column is about. Beyond that, associations are responsible for using all available intelligence and resources to protect and enhance their members' well-being. To accomplish this, we all must work together. Rank and file APRO members need to get more involved, while those dealers who aren't members need to join.

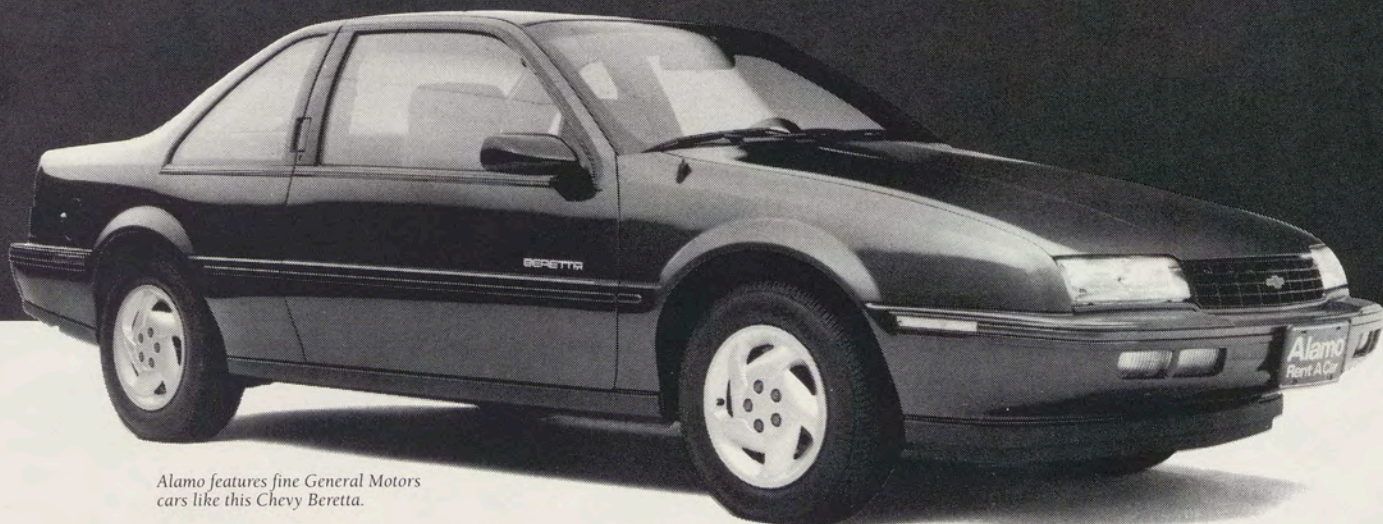
We are at a tenuous spot on the RTO history timeline. It's more crucial than it ever has been—and perhaps ever will again—that we all participate in APRO to our fullest abilities. **PR**

•••••

BY

WAYNE CHAMBERS

# Alamo's multiple choice test.



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- This certificate and the car rental pursuant to it are subject to Alamo's conditions at the time of rental. May be redeemed for the basic rate of the Alamo self-drive car rental which does not include taxes and other optional items.
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## Challenging anti-RTO media coverage

# Business Week's weak job

RECENTLY, *BUSINESS WEEK* PUBLISHED A VERY NEGATIVE ARTICLE ABOUT OUR INDUSTRY. AS WITH ALL SUCH EXPOSÉS, IT STARTED WITH A PRECONCEIVED VIEW POINT, DERIVED PRIMARILY FROM OTHER NEGATIVE PRESS BEING PERPETUATED BY LEGAL AID AND OTHER CONSUMER GROUPS.

HERE IS MY RESPONSE, SENT TO THE EDITOR OF *BUSINESS WEEK* SHORTLY AFTER PUBLICATION OF THE ARTICLE.

•••••

Dear Editor:

In the Jan. 25, 1993, issue of your magazine, you ran a story entitled "Neither Fish nor Fowl—but Some Call it Foul" about the rental-purchase industry.

I am the executive director of the national trade association, the Association of Progressive Rental Organizations. Your premise that our industry thrives in a regulatory limbo, preferring chaos to order, is absolutely wrong. Quite the contrary. Our industry has been promoting fair and equitable regulatory legislation for nearly 10 years. To date, 31 states have, through a very intense deliberative process, adopted regulatory statutes clearly defining the parameters of the rental-purchase transaction and mandating extensive consumer disclosures; all of which this industry endorses.

The alleged abuses cited in the article have occurred in states with no regulations. Specifically, our industry has attempted on several occasions, in states like New Jersey, to pursue the passage of fair and equitable legislation as recommended by the Council of State Governments' Committee on Suggested State Legislation regulating the RTO industry.

It is sad and ironic that whatever abuses and consumer complaints may have occurred, they occur in those states where consumer advocates and legal-aid attorneys have been able to block the adoption of the suggested rental-purchase

legislation. The fact is that there are few, if any, complaints in those states that have adopted this type of legislation. Last June, representatives of the Federal Reserve Board and the Federal Trade Commission testified before Congress that there were no consumer complaints on the RTO industry on the federal level and that a check by their agencies resulted in no meaningful complaints in those states that have adopted rental-purchase legislation.

In the article, Margot Saunders, managing attorney for the National Consumer Law Center says, "They do have some higher business costs, but it's hard to believe that justifies what we call interest rates and they call 'time-price differentials ...'" One must wonder whether consumer advocates and legal-aid attorneys are actually interested in helping the consumer make a more informed choice, or is their true agenda to eliminate this industry that serves more than three million people a year—the same consumers that the retail and financial institutions have shunned for decades.

Consumer advocates have been blocking legislation by insisting upon applying interest-rate disclosures on the rental-purchase transaction. Legislative bodies, federal agencies, and state and federal courts have declared the rental-purchase transaction is a lease and not a credit sale. There are no other lease transactions of any kind where the interest rate is applicable. To apply interest rates to the rental-purchase transaction is misleading for consumers and is designed not to assist the consumer in making a more informed decision, but to re-characterize the rental-purchase transaction as a credit sale.

Additionally, interest is assessed for the use of money. Interest is never assessed for the use of products or services. The cost in a rental-purchase transaction is for the cost of doing business and the convenience of the terminability of the contract, and is not assessed for the use by the consumer of money.

Who has given Ms. Saunders and others the authority to redefine the usage of the term "interest?" Perhaps better jour-

•••••

BY

BILL KEESE

nalistic practices on the part of publications such as yours could insist upon accuracy in the defining of terms and issues that are relevant and meaningful, instead of misleading terms and issues that are calculated to cast confusion and doubts on an industry that has been providing products and services to millions of happy, satisfied and grateful people.

Sincerely,  
Bill Keese, executive director

...

There is one aspect of this article, and other recent articles, that I'm impressed with. Many dealers contacted the APRO office about this and other recent articles. It is imperative that we have a network of RTO dealers that share this type of information.

The network is working better all the time. There is one other thing that has occurred with the publication of this article: many dealers who read it took the time to write the editor and express their viewpoints. We need more of this.

Keep up the vigilance. *PR*

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Trying to decipher their terminology so that you finally understand what TQM (total quality management) is all about, and how in the world it applies to your business, can give you a massive headache.

## Fact or fantasy?

These folks mean well, and they have every right to make an honest living, but what in the world is all the fuss about?

After all, those of us in the rental-purchase business have long understood the value of customer service. None of us would still be in business if we failed to take care of our customers.

Personal research has led me to conclude that the above statement is actually believed by a lot of people who work in rental stores every day. All the while, their back room is full of repaired primary units that have been gathering weeks of dust awaiting redelivery to the customer. They routinely put off service calls until they finish "working credit" and even end up rescheduling most of them because they "haven't had time to get by there."

If most of us would take the time to actually research the reasons behind our high number of expired accounts, we just might find our own failures to be the root of the problem and our customer service to be more fantasy than fact.

Blaming customers for business loss will slowly liquidate any service industry. For

a rental store, it can be equivalent to suicide. The store atmosphere where employees are not taught and made accountable for providing consistent, true customer service, is not a pleasant environment for those employees nor the customers.

## The business transaction

Every business transaction is carried out in two distinct but simultaneous acts.

First, there is the exchange of money for goods and/or services. Customers come into or call your store to fill a need in exchange for money.

Second, there is the personal communication and interaction. Some type of personal contact always occurs. This leaves an impression in the mind of the customer and the employee.

In RTO, this dual transaction occurs every week with the majority of customers because we must resell our service to them. That can add up to a lot of bad feelings if we think we are in the collecting business.

The best merchandise, even at a fair price, is usually not worth the hassle of daily or even weekly harassment from some fuzzy-cheeked little Hitler who is enamored with his title. If he views himself as a collector, the "hit-man syndrome" takes over and his entire attention can become focused on the few hard accounts. This warped focus creates the wrong kind of habits in dealing with customers.

.....

BY

KENT SUTHERLAND

## Customer-service strategy

A good strategy is driven by three key elements which must be constantly measured and understood in their individual perspective. I try to teach it in the form of an equally-sided triangle with three critical facts which are true of each leg of the triangle.

They're listed here in my own priority order. You may choose to view the priorities differently.

**The customer.** The customer enters into the business relationship assuming that someone in the organization will understand his priorities and meet his own expectations. His priority is centered around a need for entertainment, clean clothes, unspoiled food, etc. He assumes the organization will meet that need for a specified amount of money. But, he also expects to receive more than a refrigerator or a television set. He expects the product to always satisfy his needs on demand, and he becomes frustrated when that expectation is not met.

And, yes, most customers also expect to pay for the service they receive and receive what they pay for.

**The system.** This refers to the various policies and procedures which have been devised by some faceless, nameless person to outline the priorities, assumptions and expectations of the company. The system mandates all of the business priorities. Customers do not get to vote on them. But they vote with their feet and their money.

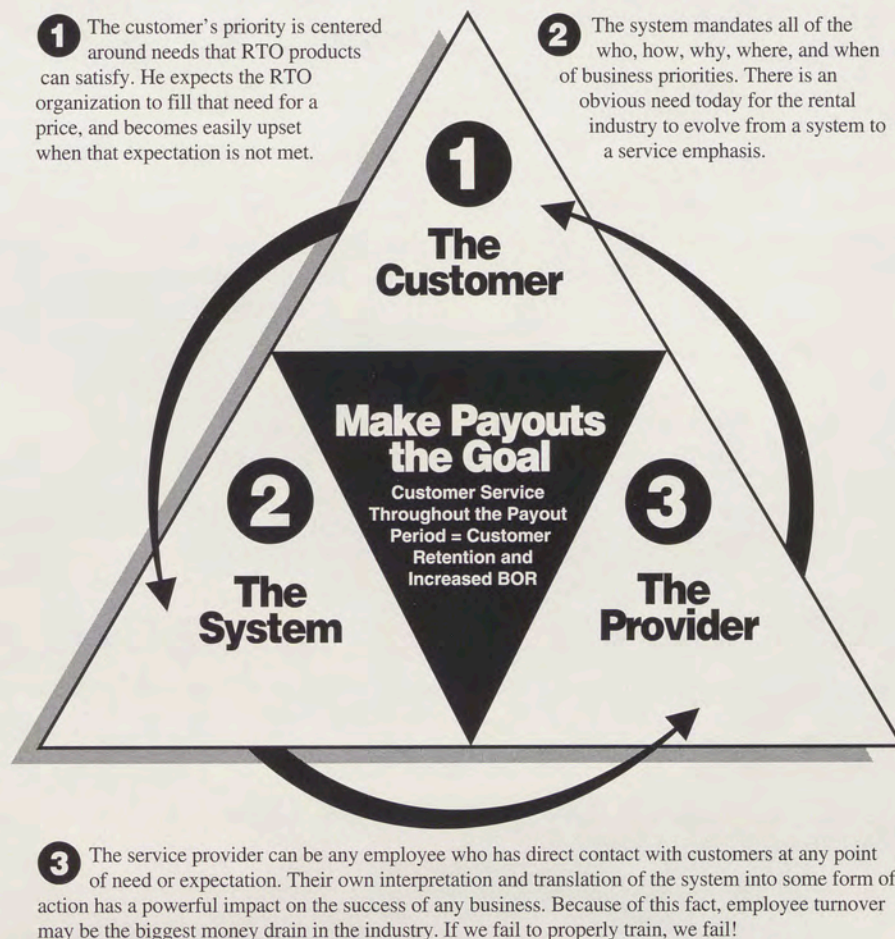
Your customers aren't interested in your system or company policy. They only want their own priorities and expectations met. That's what they are paying you for.

**The provider.** The service provider can be any employee who has direct contact with customers. Their own interpretation and translation of the system has a powerful impact on the success of any business. Because of this fact, employee turnover may be the biggest money drain in the industry. If we don't properly train, we fail!

You might be surprised at the results if you were to poll all of your service providers. Their perception of your service might not measure your interpretation. But then, maybe it does.

I have surveyed hundreds of front-line men and women whose understanding of their operating system rewards and applauds all the wrong

# Building Blocks of the Customer Service Pyramid



things. Any service provider who takes great pride in his card close and ignores customer dropoff and BOR is poorly trained, at best.

## Change your company's operating system

Today, the rental industry obviously needs to alter its emphasis from a systematized institution to one that focuses on service.

According to APRO's 1992 industry survey, our industry-wide keep rate is 22.8 percent. Does that mean we are so bad at customer retention that we've settled for poor as average? If your pickup-to-delivery ratio is kept in the low 70 percentile, does that mean you can still make a marginal profit?

Why not devise a system which accepts nothing higher than a 50 per-

cent pickup-to-delivery ratio? And why not train service providers to actually focus on the customer? I challenge you to sit down and figure out the bottom-line impact for your store or company of decreasing your pickup percentage by only 1 percent.

I read recently that increasing your customer retention by 2 percent has the same effect on your bottom line as decreasing your expenses by 10 percent. That is absolutely awesome! But if your front-line providers are more concerned about their card close than payouts, they will fail to formulate the right habits in dealing with customers. The collector, pay-or-pick, mentality becomes too expensive. And, because it's system driven, it only creates more customer and employee turnover.

CONTINUED ON NEXT PAGE

## Clubs provide service, revenues

### Make payouts the goal

Customer retention is a strange new world for many of us, but it is the shape of the future. RTO is as viable in the marketplace as ever, but we must be willing to come into the 1990s and leave the 1970s behind.

Payouts should be celebrated instead of seen as a loss. Just because an account pays out doesn't mean we have to lose the customer or the BOR, but the quality of our customer service will always be noted in the customer's mind.

Measure your customers' perception of your service. Measure the current value of your system and how it is translated into action. Measure your providers' perception of the system and their customer relationship.

Then work hard every day to train, train, train every person who comes into contact with customers. **PR**

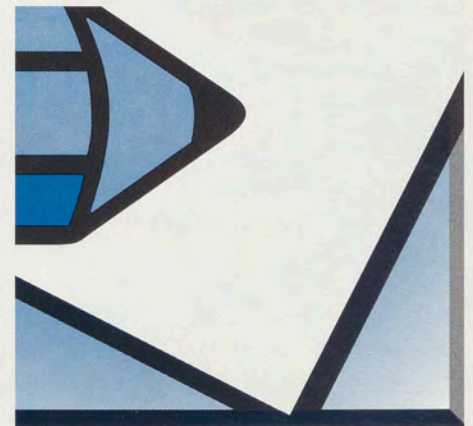
*Kent Sutherland is director of human resources for Mesquite, Texas-based Action TV & Appliance Rental.*

WHAT IF YOU COULD MAKE EXTRA CASH WITH EACH RENTAL? WHAT IF YOU COULD RENT EACH PRODUCT AND WITH ONE PITCH POCKET AN ADDITIONAL \$3?

.....

What if you could send your customer home with a payment \$5 higher but so satisfied that he or she refers your business to others? What if you could earn this extra income without increasing your inventory? Since becoming members of club programs, RTO dealers across the country are no longer asking "what if." Dealers are marketing insurance, extended warranties and a host of other benefits along with their usual products. Although the types and lengths of coverage may vary from program to program, most extend the following core benefits:

- An extended warranty after the



customer takes title;

- An accidental death and dismemberment policy; leased-property insurance; and

- A package of discounts.

"We are very customer-oriented, and this is good for our customers," said Ed Cintron, store manager for ColorTyme Rentals in Jacksonville, Fla. "Our club program sends a message to our customer base that says, 'We're not only concerned about you,

## Who's Who in RTO management services

*Coordination is the key to operating an RTO store. This requires a number of management services, from insurance to point-of-rental signs, to advertising and club programs. Each company listed supports APRO as an associate member (\*), advertiser (+) or convention exhibitor (X). In addition, (>) denotes special consultant to the RTO industry.*

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*Both clubs also offer comprehensive marketing support in the form of procedure manuals, store posters, counter cards, lapel pins, software support, membership cards ...*

we're concerned about your family, too.' My satisfaction comes from knowing my customers are happy and that they are protected."

As icing on the cake, club programs may also offer discounts on amusement parks, eyewear, travel, hotels and motels, movie tickets, prescriptions and rental cars.

The cost of club programs to dealers varies, usually running anywhere from \$3 to \$7. From there, dealers may charge a price they deem fair; however, the fee usually covers all the products that a customer rents.

Cintron's salespeople pour the cost of the club into their overall presentations to customers. When asked how much it costs to rent a particular item, they quote one fee that includes weekly rental, tax and insurance.

"If someone asks, 'Why so much?' " said Cintron, "then we explain the benefits of the club and emphasize that this allows the customer to finance the warranty. It sells itself."

Gary Charlesworth, regional vice president for ColorTyme in Philadelphia, reports an 80 percent market penetration with his club.

"We've had a good response so far," he said. "We've increased our waiver percentage from 5 percent to 8 percent in five months. We used to offer a program ourselves and collected an average of \$6 a month per rental agreement. Now we're collecting an average of \$9.70 per rental agreement."

Executives from two club programs agree that the boom is on.

"A club program can double the impact of a dealer's existing leased-property insurance or damage program within a 90- to 120-day period," said Danny Wright, president of FORESIGHT, which is headquartered in Norman Okla. "By offering more value, dealers can earn more money."

"There is a big demand for club programs," said Alan Stein, president of Nationwide Club Administrators in Coral Springs, Fla. "If one of our dealers signs 100 contracts in a month, he or she should see at least a 50 percent penetration with the NCA

concept," he added. "More than one out of two customers buys into the program."

Since opening in November, Cintron's store currently has more than 400 units on rent. "Our total insurance take for one month is \$2,000," he said. "That's a lot compared to what we would normally get. Plus, the club program is such a good selling tool. A common complaint with rent-to-own customers is that as soon as you own the merchandise, it breaks down. The club program gives our customers a two-year warranty. There's no question that it has impacted our sales."

D.D. Patteson Sr., special program coordinator for Rentronics in Houston, has also experienced the positive impact a club program can bring. His outfit recently sponsored a contest to promote club participation. Almost 700 new members signed up. Based on the relationship of club signups to deliveries, the largest five ratios nabbed winning spots. Winning stores as a whole received a prize as did the top salesperson from each store.

Patteson's success is proof that clubs and RTO can go well together. Expounding on that idea, both FORESIGHT and Nationwide offer exciting marketing concepts that run the gamut from contests for salespeople to incentive programs for RTO operations that become club members.

Both clubs also offer comprehensive marketing support in the form of procedure manuals, store posters, counter cards, lapel pins, software support, membership cards, etc.

Although it sometimes affects price, club programs may also supply comprehensive administrative support and program customization.

The cost of clubs to dealers is easily justified by the added business.

"If you build good relationships with your customers, your store will grow big and fat and juicy," Cintron said with a laugh. "You look out for your customers and they'll look out for you."

—Susan de Blanc

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# Need a new source of capital? Try SBA

*Government-backed loans through the Small Business Administration could help*

ANY ARTICLE ON SMALL BUSINESS ADMINISTRATION, OR SBA, LOANS FOR RENTAL-PURCHASE OPERATIONS MUST START WITH A BRIEF RECAP OF BUSINESS CONDITIONS IN RECENT YEARS. WHILE WE MAY ARGUE SPECIFICS, ALL OF US CAN AGREE THAT ALL REGIONS OF OUR COUNTRY HAVE WITNESSED GREATER OR LESSER RECESSIONS—SOME AREAS STARTING EARLIER, SOME AREAS STARTING LATER.

Overall, let's say that even though statistics are subject to misrepresentation, it looks like the economy may be turning more positive.

One of the most important symptoms of our recent turbulent times has been the incredible shrinking banking system. Hardly anyone can boast that their bank survived untouched by our economic changes. For many of us, we saw one or more of our primary banking relations end in failure. Most of us have witnessed changes in our bank's structure so that we are currently dealing with a branch office, resulting in bank-policy decisions being made by faceless people in far-away cities.

For many of us, after years of perfectly satisfactory credit relationships, our credit has been cut off for no apparent reason. Some banks faced such severe capital limitations that they could not continue to loan.

The traditional lenders to the RTO industry have had their own problems, and each has decided to exit the industry as quickly as possible. That situation has left rental dealers with large loans owed to unfriendly lenders and few alternative sources of money.

One strong player has stepped into the gap for many businesses and it could be an answer for a lot of rental dealers. As never before, businesses and banks are seeking Small Business Administration (SBA) guarantees.

To provide a thumbnail description of SBAs, it can be said that the typical process is for a lender to express a willingness to extend credit to a commercial customer if or with an SBA guarantee. The business or the business and the bank together make application to the SBA to obtain approval for a guarantee covering as much as 90 percent of the face value of the loan.

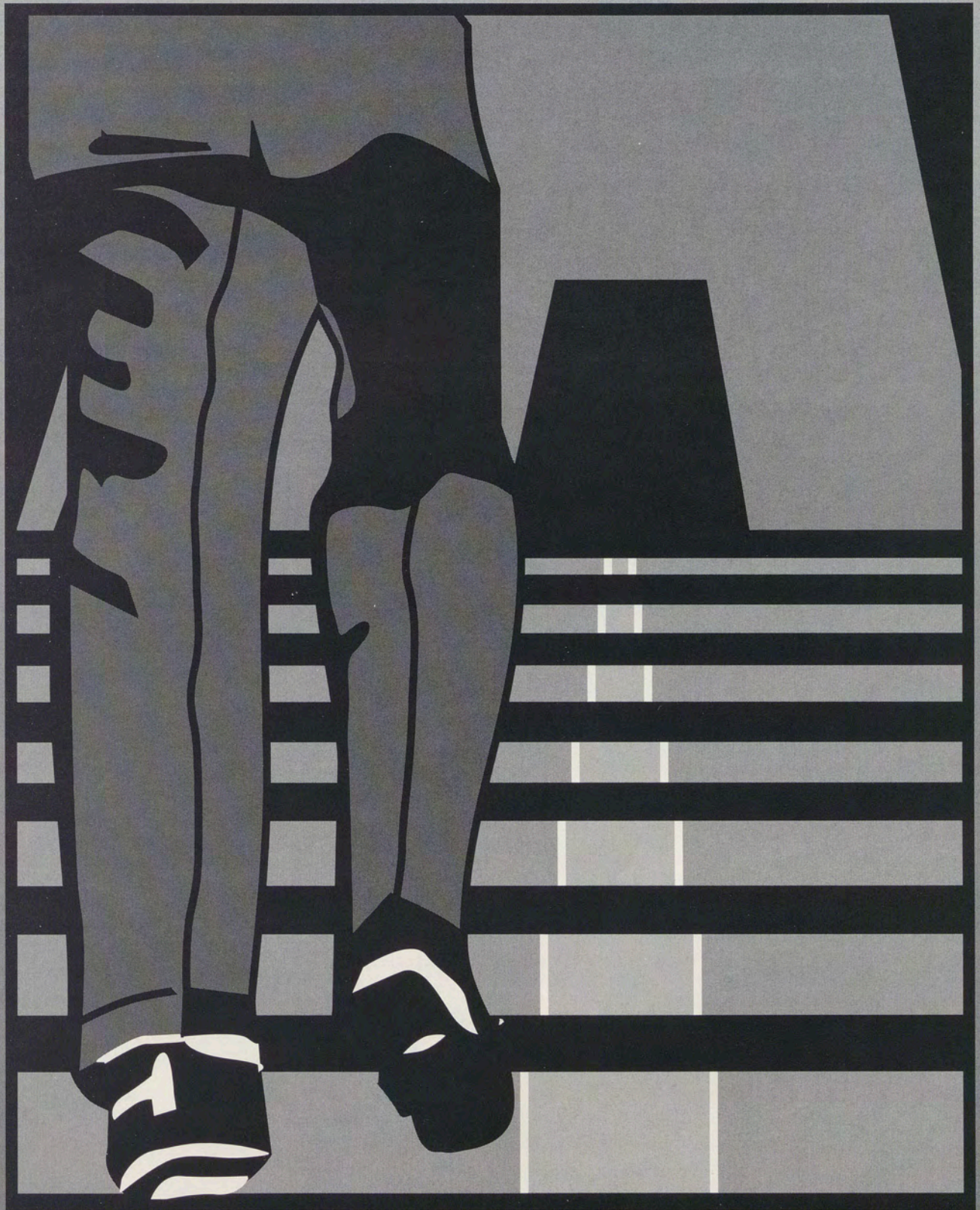
In most cases, professional assistance is obtained to complete the SBA application because of the time-consuming nature of the process and the necessity for specific preparation requirements which may be unfamiliar to the participating banks. Once SBA approval is obtained, the local bank services the loan and the banking relationship is left intact.

While SBA loans once carried a presumption of substandard quality, many banks are now encouraging them for any qualifying commercial loans. The reasons are many, such as:

- Decreased exposure by transfer of risk to the U.S. government.
- Potential of enhanced earnings by sale of the guaranteed portion in the secondary market.
- Helps meet Community Reinvestment Act requirements.
- Increased lending limits to a specific borrower.
- Guaranteed portions aid risk-based

CONTINUED ON PAGE 16

.....  
BY  
MICHAEL  
ELLSBERRY



capital adequacy guidelines. The benefits to the borrower include:

- SBA guarantee helps the banker feel more comfortable in extending credit.
- Better terms are sometimes available which can increase probabilities of success.
- As stated above, the combination of the SBA and the bank working together can result in significantly larger loan amounts.

It is worthwhile to note some of the terms and conditions for eligibility in the SBA program. RTO stores fall under the SIC (Standard Industrial Classification) categories for SBA purposes that limit the sales of eligible businesses to a maximum of \$4.5 million. However, the SBA is currently working on size revisions, and larger businesses are expected to be eligible in the near future.

The SBA maximum guaranteed portion is \$750,000. Consequently, loans rarely exceed \$1 million. The

prospective borrower will be required to make a capital contribution—30 percent to 50 percent of the total capitalization for the store.

For existing firms seeking capitalization, there will be a requirement to show that the business has a history of profits (and expected to be of sufficient quantity to amortize the loan in the future). Delinquent taxes are not permitted. Debt-to-net worth ratios after the loan is made will need to be in the neighborhood of no more than 3 to 1 and will be compared to RTO industry standards.

Working-capital loans can have a maturity of five to seven years and will carry an interest rate of prime plus 2-½ percent.

Fixed-asset loans may have maturities of seven to 10 years and a rate of prime plus 2-¾. Real estate and building loans can have maturities of 25 years. There is a 2 percent guaranty fee on the portion of the loan backed by the SBA and payable to the agency.

The SBA will look at your loan package in much the same way as your

banker does. For new or existing business loans, the application should include many of the elements of what would be considered a business plan:

1. Personal financial statements and résumés of anyone who owns more than 20 percent of the company and résumés only of key managers.
2. What is the past and future marketing strategy and relevant marketing data to prove its workability?
3. Company past financial history and projections of income and cash with the loan.
4. An overall description of the particular RTO business.
5. Uses of the funds. APRO has sample business plan guides available.

The prospective borrower cannot use the loan for a partial buyout of an existing owner nor can the funds be used for floor-plan financing. "Floor-plan financing" is a term which may mean different things in different industries. While this seems to limit one important financing need for rental stores, it could still be significant, if SBA financing were able to take care of all the other financing a start up or growing RTO business needed.

As an additional note, as a pilot program the SBA has started a "greenline" loan plan for businesses needing traditional lines of credit.

The SBA looks carefully at loan requests which are to pay off existing creditors. Any amount more than \$1,000 must be itemized. More importantly, the SBA will be interested in whether there is managerial incompetence in the accumulation of excess debts. Of course, SBA financing to pay back sales taxes or payroll taxes would be unacceptable, as those funds might be considered to have been unlawfully converted.

It is acceptable to obtain SBA-guaranteed financing for changes in ownership, and the SBA is particularly interested in preserving a small business which might not be able to survive without selling out.

It is also worthwhile to consider some personal guidelines. A criminal record will not necessarily disqualify an applicant. Excluded are persons applying who are currently incarcerated, on parole or probation, and those with criminal cases pending. However, SOP (standard operating

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procedure) does indicate that those with serious criminal records will face higher levels of scrutiny. It is important to review frankly your situation with an SBA packager, but a single minor criminal record coupled with a strong application will not doom the loan. Evidence of good credit history is important.

Another aspect of personal qualification deals with personal financial resources. While subject to individual evaluation, it should be obvious that the SBA will not be interested in financing businesses where the owner has substantial funds available and could have provided necessary funding without SBA guarantees.

While these personal and business requirements may seem to make SBA financing difficult (and these are only a part of SBA procedures and guidelines) such a conclusion is incorrect. The SBA is interested in making loans and, with the help of your bank or other SBA-approved lenders and an SBA packager, the process can be successfully undertaken. Some concluding general comments will leave a

more positive picture.

In a recent Southwest business publication, Chuck Hertzberg, assistant administrator of the SBA for financial assistance, was quoted as saying, "We're seeing banks we've not dealt with before coming to the program."

It is right for the RTO business and it is right for a lot of businesses. In the article "Crunch Fuels SBA Lending" the author, John Edwards, reports that "during the last federal fiscal year, the amount of SBA-guaranteed loans nationally rose 35 percent to \$5.49 billion from \$4.06 billion in 1991. The number of new SBA loans rose to 26,832 from 20,607."

The SBA is working hard to keep up with its increasing business. For the best possible presentation of your loan package, it may be worthwhile to investigate retaining the services of a specialist in the submission of SBA applications. Your banker may be able to recommend a firm with whom they are familiar.

SBA procedures are standard nationwide, and these "packagers" are increasingly working larger areas.

Fees will vary by area, but a broad range would be from \$750 to several thousand dollars depending on size, complexity of the loan and any additional services to be performed.

Packagers typically maintain excellent banking relations and, since many of their clients come to them because of a need to find a new bank, they can be very helpful in that regard also.

Because of changes in our business and banking environments, the pursuit of an SBA-guaranteed loan is increasingly viewed as a desirable option. If the SBA had not stepped into the "credit-crunch gap," our economic situation would be much worse. Don't overlook this opportunity. **PR**

*Michael Ellsberry has a master's degree in business administration from the University of Texas at Austin. He worked briefly for an RTO chain, starting, as he tells it, from the bottom up—as an account rep, sweeping floors and delivering TVs. He is currently associated with Scott & Co. in Dallas, which specializes in SBA loan packaging, and can be reached at (214)516-1454.*

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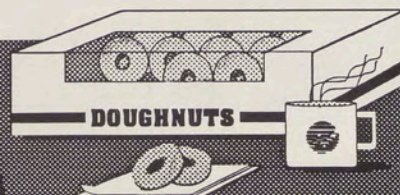
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*Latest decision only reaffirms the rights of rental-purchase dealers*

# *U.S. Court of Appeal says rental-purchase is no sale*

WHILE THE CHARACTERIZATION OF RENTAL-PURCHASE AGREEMENTS HAS OFTEN BEEN LITIGATED, ONLY FOUR TIMES HAS THE ISSUE BEEN CONSIDERED AT THE UNITED STATES COURTS OF APPEAL LEVEL.

THE FIRST TIME WAS IN 1981 WHEN THE FIFTH CIRCUIT RENDERED ITS *PER CURIAM* OPINION IN *SMITH V. ABC TELEVISION RENTALS OF NEW ORLEANS INC.*, 618 F.2D 597 (1980). IN ONE SHORT PARAGRAPH, THE COURT HELD THAT A TYPICAL RENTAL-PURCHASE AGREEMENT WAS NOT A CREDIT SALE UNDER THE FEDERAL TRUTH-IN-LENDING ACT BECAUSE THE TRANSACTION WAS TERMINABLE AT WILL BY THE LESSEE.

The latest circuit court pronouncement comes from the Seventh Circuit on an appeal from a bankruptcy court ruling, *In re: Powers*, No. 92-1678 (Jan. 7, 1993).

In recent years, bankruptcy courts have often been called upon to determine whether a consumer rental-purchase transaction is a "true lease" or an installment sales contract under the Uniform Commercial Code. Even though bankruptcy court is a federal court charged with implementing a federal law, the bankruptcy code, the code specifically instructs judges to refer to state law to make the lease-versus-sale determination.

In *Powers*, the rental customer filed a Chapter 13 bankruptcy. The bankrupt's wage-earner plan listed the rental company as a secured creditor with a claim in an amount allegedly equal to the value of the rental merchandise, approximately \$2,000, and the balance of the account, \$1,000, was listed as an unsecured claim. Unsecured creditors were offered 30 cents on the dollar in the plan. The rental company objected to confirmation and filed a motion to lift the stay challenging the characterization of the transaction as a sale.

The bankruptcy court initially ruled the several rental-purchase transactions were credit sales, relying heavily on the customer's statement of his intention to purchase the goods and a comparison of the similarities between a sales contract and a rental-purchase agreement.

In explaining away the no-obligation feature of the transaction, the court characterized it as "nothing more than (the rental company's) waiver of the right to collect a deficiency which has no economic value to (the company) ... (The company) need not concern itself with recovery of a deficiency from the particular contract customer because it has designed into its method of doing business alternate ways of avoiding the economic impact of a deficiency."

The rental company appealed this decision to the federal district court. The district court reversed, rejecting the bankruptcy court's "economic realities" and "parties' intent" analysis in favor of a focus on the lessee's lack of obligation to continue making payments. In so doing, the district court deemed itself bound by the Seventh Circuit's earlier holding in *In*

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BY

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re: *Marhoefer*, 674 F.2d 1139 (1982).

This is the pivotal no-obligation lease-versus-sale decision in the country and involved the lease of commercial equipment. The *Marhoefer* court went back to the law before the UCC was adopted and discovered that the law of conditional sales required a buyer to be bound to pay the full purchase price before a sale could exist. The *Marhoefer* court found the unconditional obligation to pay for the full value of the merchandise to be a threshold requirement for re-characterizing a lease into a sale.

The district court in *Powers* went on to note that the initial payment in the rental-purchase agreement was small in comparison to the total cash price of the property; that by the terms of the agreement, the customer was not building up equity in the property by making rental payments; that the useful life of the property extended far beyond the initial term; and, finally, that the rental company was truly a rental company.

The legal-aid lawyer representing the consumer then appealed the district court's decision and invited the Seventh Circuit to reconsider its reasoning and conclusion in *Marhoefer* by arguing that the "incidents of ownership" and "economic realities" tests gave a more proper answer to the lease-versus-sale question.

There is no bright line between these two tests, and they both refer to the numerous factors courts have considered when confronting the lease-versus-sale issue. Some of those factors include:

- 1., the size of the purchase option and what economic incentive/compulsion there may be for the lessee to exercise it—the lower the price, the greater the incentive to exercise, and the more likely a sale was intended;
- 2., the buildup of equity in the property by the lessee during the lease term, although courts have not agreed on a precise definition of equity and have tended to use the term to support their conclusions—no equity buildup and therefore the transaction is a lease and vice versa;
- 3., existence of a penalty for early termination of the lease;
- 4., the extent to which rents paid equal or exceed the purchase price of the rental property or alternatively;
- 5., are the rents "exces-

*The latest circuit court pronouncement comes from the Seventh Circuit on an appeal from a bankruptcy ruling. The first time was in 1981 ... (when) ... the (Fifth Circuit) court held that a typical rental-purchase agreement was not a credit sale under the Truth-In-Lending Act.*

sive" or do they merely reflect an amount sufficient to compensate the lessor for the loss of use of the property over time;

- 6., who pays the taxes, insurance premiums and bears the other burdens of ownership, maintenance, risk of loss and the like;
- 7., what is the relation between the lease term and the useful life of the property—the closer the lease term corresponds to the useful life, the more likely a sale because of the lack of any reversionary interest in the lessor;
- 8., is there a security deposit required—a factor more typical of sales than leases, although apartment renters typically leave security deposits with landlords;
- 9., what is the nature of the lessor's business—the presence of a financing lessor or financial intermediary with no ownership interest in the property tends to cause transactions to be characterized as sales;
- 10., what are the lessor's remedies upon default—acceleration of the payments due tend toward characterization as a sale; and
- 11., has the lessor filed a UCC-1 financing statement.

The problem with these various factors is that they are many, they have infinite permutations and combinations in real-life transactions, and they have never been applied consistently by the courts. An Illinois bankruptcy court correctly summarized use of these factors as follows:

... It is unfortunate that the courts have relied on these so-called incidents or burdens of ownership. The factors are basically irrelevant as they can also appear in true leases, and merely add to the confusion in analyzing these cases. *In re: Loop Hospital Partnership*, 35 B.R. 929 (Bankr., N.D. Ill. 1983).

The Seventh Circuit rejected the legal-aid argument and affirmed the district court in *Powers*, holding that the transactions were true leases under state law, citing *Marhoefer* as the controlling decision in the circuit. In a

footnote, the court effectively overruled *In re: Fogelsong*, 88 B.R. 194 (Bankr. C.D. Ill. 1988), an earlier rental-purchase bankruptcy court opinion which had held a series of rental-purchase agreements to be credit sales using an economic compulsion analysis.

In addition to the no-obligation feature of the rental-purchase agreements in *Powers*, the court noted the following elements which led it to the "true lease" conclusion:

1. The transactions dealt primarily with used furniture;
2. The agreements referred consistently and repeatedly to the rental concept. There was no sales language in the agreements;
3. The agreements clarified the ownership options and explained that the lessee would not obtain ownership unless he fulfilled all of the obligations for ownership;
4. The only required rental term, two weeks, is quite short in relation to the total term necessary to obtain ownership, more than two years; and
5. The amount of a rental payment is small in relation to the purchase price of the goods.

Importantly, the court noted that even for customers who intend to rent long enough to obtain ownership, they have the ability to change their minds because of the no-obligation feature.

Then, the court noted the self-evident economic truth that this flexibility has value to the consumer/lessee for which the rental company is compensated by having a lease arrangement with the consumer instead of a sale.

This conclusion is in sharp contrast to the Minnesota state trial court's recent decision in the *Miller* case in which one of the holdings was that the no-obligation feature was of no value to consumers as a matter of law.

On a cautionary note, the Seventh  
CONTINUED ON NEXT PAGE

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Circuit warned that one of the reasons the rental-purchase transactions were true leases was because the rental company was a true lessor. The court suggested that a retail seller could not use rental-purchase agreements to avoid retail installment sales laws unless they intended to get into the business of renting and rerenting used goods.

Two other U.S. Circuit Courts have considered aspects of rental-purchase transactions, but have not ruled with the certainty of the Seventh and Fifth circuits. The Eighth circuit considered rental-purchase issues back in 1982 in *Clark v. The Rent-It Corp.*, 685 F.2d 245 (8th Cir. 1982), cert. denied 459 U.S. 1225 (1983). The case went to the circuit court on appeal from an Iowa federal district court's dismissal of a consumer's claim for damages under the federal Truth-In-Lending Act. Unfortunately, between the time the district court ruled and the consumer appealed, the rental company went

out of business and did not present any arguments before the Eighth Circuit.

Even listening to only one side of the argument, however, the Eighth Circuit did not rule that rental-purchase transactions were credit sales under state law, although it did reverse the lower court's dismissal. The Eighth Circuit sent the case back to the lower court for a full trial on the merits. The Eighth Circuit thought that a given rental-purchase agreement might be a credit sale depending upon "the practices of the trade, the course of dealing of the parties, and the intention of the parties ..."

The court suggested that the following facts, if proven, would cause a rental-purchase transaction to be characterized as a sale:

1. If the customer was led to believe by the rental company, and did actually believe that he was buying the rental property.

2. If the rental company's business is aimed at low-income consumers who do not have credit but who desire to buy TV sets and other merchandise.

3. If the rental company had numerous rental-purchase agreements "go to term."

The court did not explain why the existence of these particular facts would mean that a rental-purchase agreement was a disguised credit sale, and because the company was out of business, those facts were never proven. Nonetheless, the *Clark* case is often cited by industry opponents as authority for the proposition that rental-purchase agreements are disguised credit sales, although that is an incorrect statement of the case.

The only other circuit court to consider rental-purchase issues has been the Sixth Circuit in a 1988 decision, *In re: Puckett*, 838 F.2d 471 (6th Cir. 1988)(unpublished).

The fact that this case is unpublished is not insignificant.

*Puckett*, like *Powers*, originated with a consumer bankruptcy and the lease-versus-sale determination under §365 of the bankruptcy code. The rental company in *Puckett* was not a stand-alone leasing outlet and, rather, con-

CONTINUED ON PAGE 45

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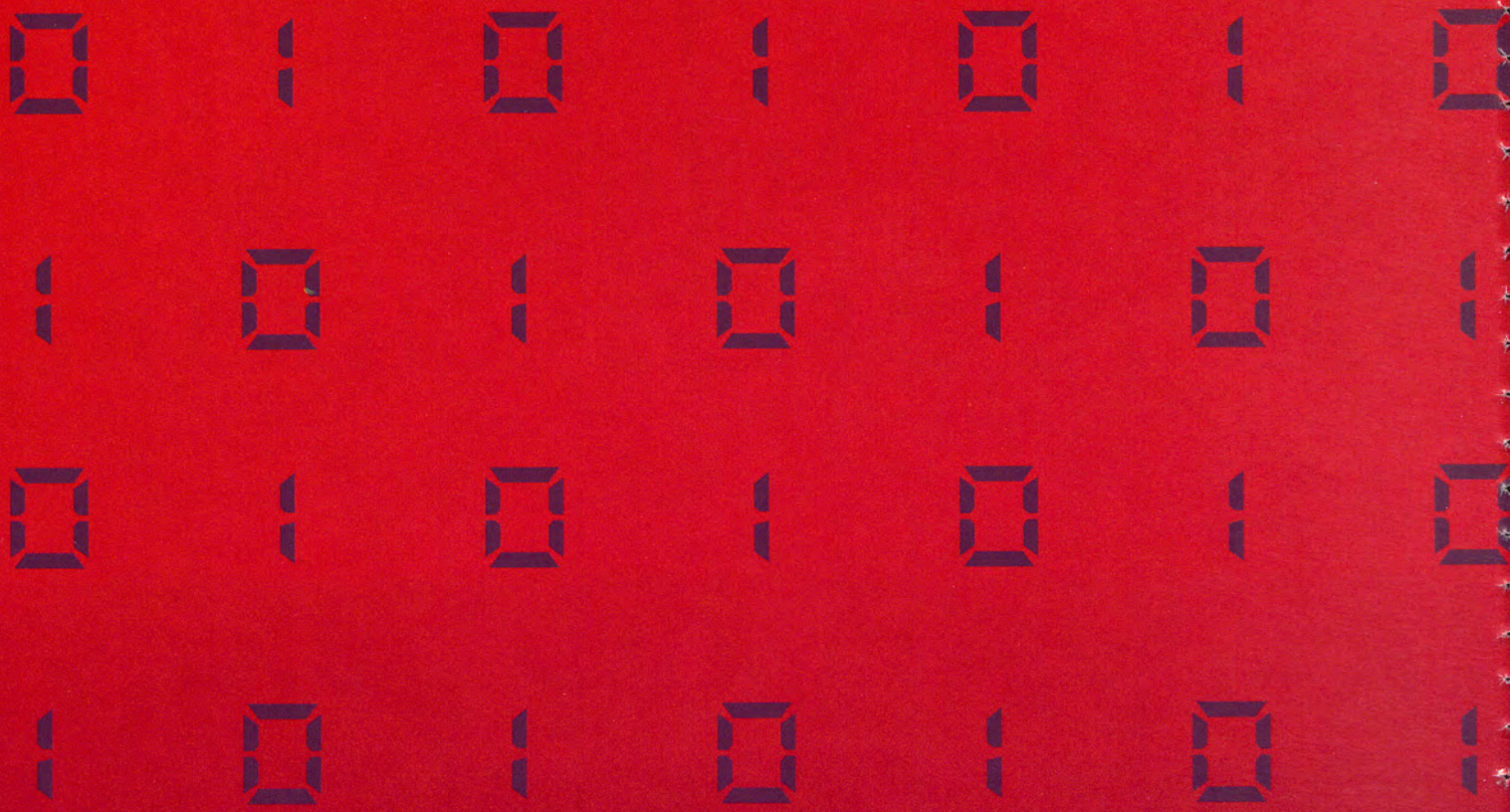


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*Computers are powerful, but they can't interpret the numbers; you've got to bridge the*

# Use of info gap

THE PROBLEM WITH MOST GOOD SOFTWARE SYSTEMS IS THAT NOBODY KNOWS WHAT TO DO WITH ALL THAT GREAT INFORMATION. MEANWHILE, STORE EMPLOYEES CONTINUE DOING WHAT THEY ALWAYS HAVE AND MANAGEMENT KEEPS ON BANGING THE SAME OLD DRUM.

Then, after about a year or so, the head honcho looks around and wonders what good all these computers are when nothing seems to be much better.

You likely bought a computer system to get better, faster, more complete and accurate information. And you probably do. But that doesn't necessarily mean your management is better, faster, more complete. They can be all those things, but only if everybody in operations fully understands all reports dealing with inventory and unit revenue, and then tracks and follows up on them daily until certain things are happening on a routine basis. A quick scan once a month won't do the job.

But first you must answer this two-part question: What factors have the greatest impact on sales, revenue and profit, and what do we have to know about them if we want to make each of those better?

Nearly all that information is contained in the management reports available from your computer system, regardless of its level of sophistication.

Unfortunately, some companies spend more time teaching people how to generate a report than what to do with it. Some of this is the fault of software vendors who know bytes but not BOR, but mostly it's the result of rental management too lazy or too uninspired to make changes.

Getting the most from your software means that some people in your company are going to have access to data they've never seen before, and this new perspective might make them either (a) curious why they aren't making more money, or (b) curious how they still have a job at all. Meantime, other folks will demand

information that either can't be easily generated or is superfluous. All that is part and parcel of being in the computer age.

Revenue drives the business. Computer reports dealing with revenue must be imprinted on the brains of operations people. They must track and compare these almost daily because they describe what's happening to cash. And what happens to cash happens—ultimately—to the company. Supervisors have to know the red flags that indicate problems, and then how to fix them. When money is falling through the cracks faster than grain through a wagon bed, nobody has much time for trial and error.

Essential to improving the return from your inventory is understanding average rental rate across all items. Retiring debt (original cost of goods) requires generating a predetermined amount of rental income. When that income goes down on a per-unit basis, you're in trouble. When it goes up, you need less inventory. Hence, less debt. Knowing why, how, and by whom that average rate is being manipulated is critical to making your marketing efforts fulfill your financial expectations. Otherwise, you haven't a rental store, but a bazaar.

But too many place all the emphasis on gaining BOR, and not enough on increasing the yield from BOR, or understanding what impacts that yield. So companies end up the year with good growth, but debt is up instead of down, and still there are only scanty profits. And, believe it or not, nobody catches on.

Increasing average rate by only 35 cents across 3,500 BOR can produce \$1,200 more

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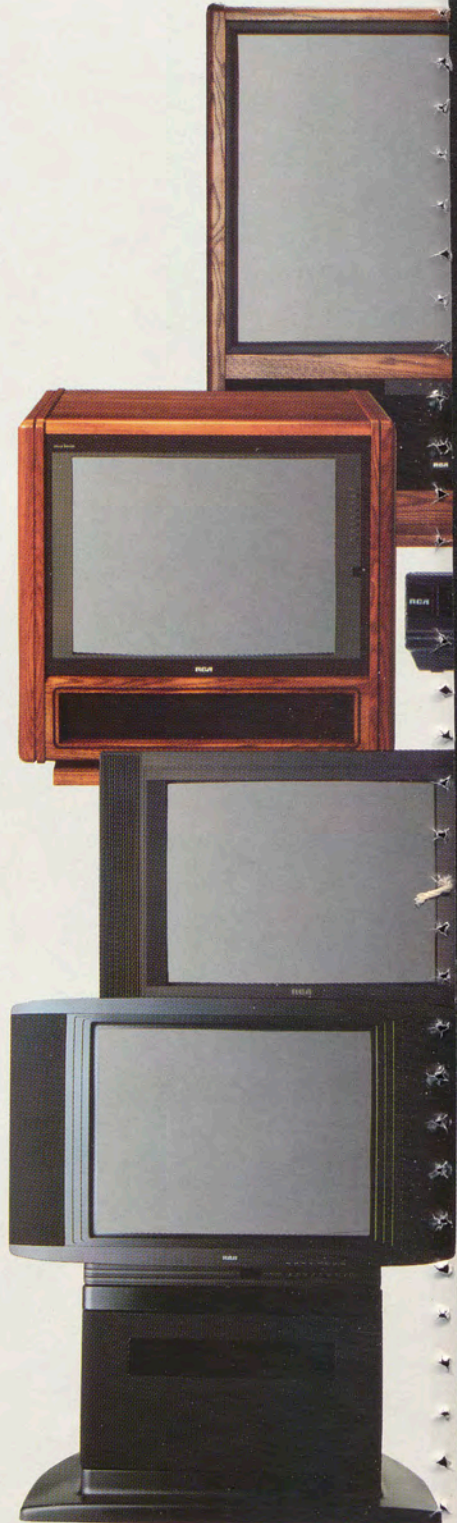
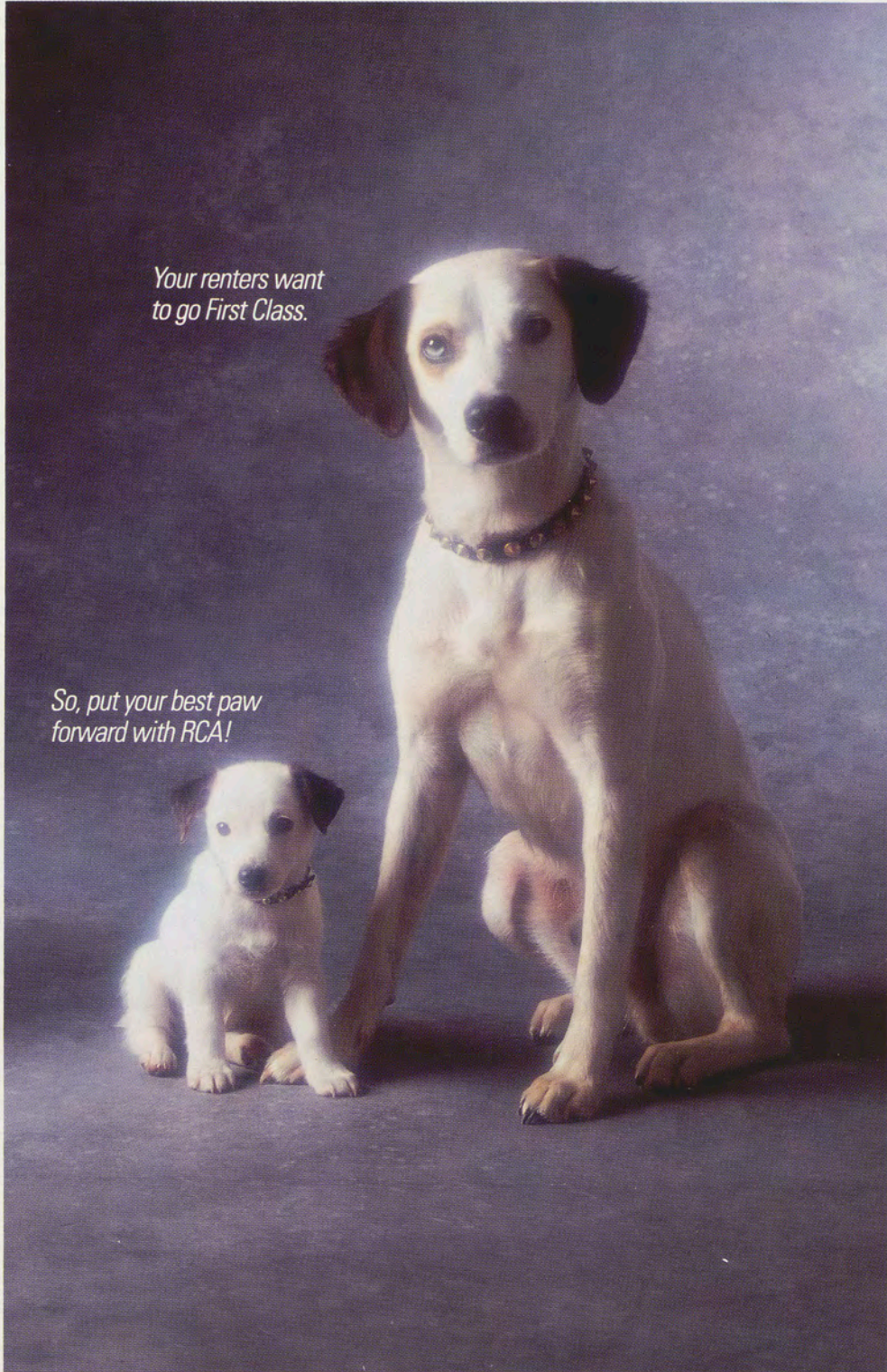
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BUD HOLLADAY

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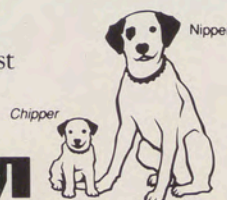
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*The RTO oldtimer and his  
love affair with the sea:*

# Papa Dunaway

ERNEST HEMINGWAY'S NOVEL *ISLANDS IN THE STREAM* IS SET IN THE MID-1930S. THE PROTAGONIST, THOMAS HUDSON, SPENDS MUCH OF HIS TIME IN THE CARIBBEAN—PLACES LIKE BIMINI AND CUBA. HUDSON IS A FAMOUS ARTIST AND ACCOMPLISHED DEEP SEA FISHERMAN. THERE ARE UNMISTAKABLE PARALLELS BETWEEN THE AUTHOR, HEMINGWAY, AND HIS PRINCIPAL CHARACTER, HUDSON.

Jerry Dunaway, not a fictitious but real-life character, knows about comparisons. People say he reminds them of Hemingway, both for Dunaway's striking physical likeness to "Papa" and corresponding robust lifestyle.

"Well, I've heard that," said Dunaway with a grin. "I don't know anything about Ernest Hemingway. People say there's a resemblance, and I guess that he kind of led a ... life ... he liked to drink some ... and was off fishing all the time. I can identify with those things. It's kind of what I do."

Dunaway is an accomplished outdoorsman. He holds 15 International Game Fish Association (IGFA) world records; his wife, Deborah Maddux Dunaway, holds 24. They've both made the world's top 10 open water anglers list in each of the last six years. He was the first man to record a super grand slam—catching a sailfish, white marlin, blue marlin and swordfish in the same day—off Cozumel in 1981. Dunaway became a member of the elite 1,000-pound club in 1989, when he caught a 1,060-pound black marlin along Australia's Great Barrier Reef.

He is an entrepreneur. Dunaway runs what is universally considered to be the

top charter outfit on the planet. Dunaway's custom-built fishing boat, the 48-foot Hooker, accounts for 56 IGFA records—"more than most countries," he confirmed.

He's also a rental dealer—or at least used to be. Dunaway was Chuck Sims' partner at Remco until they sold the company in 1983. Dunaway is involved in the rental business to this day, but he's no longer on the front lines. He is partners with Wayne Chambers and Chris Williams in Houston-based CWD Enterprise Two, Ltd., which started out as a Remco franchise. But Dunaway leaves day-to-day company matters to his partners.

His real business, Hooker Services, is charter fishing. Dunaway's clients fish the Pacific Ocean out of Costa Rica and Panama, where his two boats remain year round. Dunaway tackles the challenge with the same zest for excellence that helped make Remco the RTO standard-bearer through the 1970s and into the '80s.

"I don't sit still on something," said Dunaway, "I just improve it. I get very involved ... because I want the experience to be first class and I wanted to be recognized in the fishing world as being the very best fishing team. Through time I've accomplished those goals, because we are

.....  
BY  
JOHN  
GORMLEY



Photos courtesy of Jerry Dunaway

***Jerry Dunaway, who has been compared to the late great American novelist Ernest Hemingway for his similar looks and robust lifestyle, is one of the world's greatest sport fisherman and a veteran RTO dealer. He runs the most respected deep-sea charter operation anywhere.***

recognized as that.”

Former partner and longtime friend Sims said: “Dunaway’s had a passion for fishing every since I’ve known him. Dunaway tends to be goal-oriented. He really has that ability to focus. It becomes a mission—like for his fishing business. There is no better fishing experience. When you go fish on his boat, the tackle you use will be the finest available anywhere. He’s a world-class fisherman, and the people he’s got on his boat—they perform to that level.”

Most of Dunaway’s clients are experienced anglers. However, he also takes on company trips, including RTO clients. He and Sims learned the value of management-incentive trips during their days at Remco, when they kept up company boats for their employees.

“We were believers in contests and trips,” recalled Dunaway. “Money, for employees—that’s not a motivator. I found that out a long time ago. The experiences of life are. It takes money for those things to happen, but it’s the experience that motivates. We didn’t ever get involved with contests using cash incentives. That came about through their (employees’) pay systems and bonuses. But when it came to incentives, management contests as rewards for jobs well done, it was always in the form of trips.”

Company trips with Hooker Services usually range from three to six fishing



***Dunaway’s wife Deborah, who also holds multiple world records, releases a Pacific Sailfish on ‘The Hooker.’***

days, with accommodations on the plush 110-foot “mothership,” the Madam, which can comfortably handle 10 guests plus crew. And while he’s admittedly no travel agent, Dunaway helps his clients with the details of their adventures.

“I don’t book airline travel,” he said, “but I tell them what flights they should take to make it work. I don’t just farm it out to some travel agency to ensure our clients are met at airports. I have people to meet my customers at the airport, escort them

through customs ... take them out to their transportation. For people who are skeptical about going to a foreign country and not having a lot of assistance, I make sure they are staying at the right hotels. They don’t have a bad experience on their trip. Everything falls in line with the quality that the fishing trip’s going to be.”

When it comes to RTO clients, Dunaway has a special understanding of their needs. “I’m familiar with the rental business ... and the importance of store managers not being out of their stores at certain times,” Dunaway said. “I’m able to identify with that for the rent-to-own dealers and make a trip ... so managers are back in their stores when they should be. They’re not missing from their stores on the first, second and third of the month. And they’re not missing on Fridays and Saturdays.

“Even though it’s thousands of miles away, the men don’t have to be gone over weekends.”

Since Dunaway developed management-incentive contests for Remco, he knows the key questions RTO companies have to ask and answer ... What areas need improvement? How do we structure a contest to encourage improvement in those areas? He doesn’t get involved in the contest details of client RTO dealers—how they handle that is strictly up to them. However,

CONTINUED ON NEXT PAGE

Continued from previous page

he does have some general thoughts on the subject.

"Most dealers are using some sort of a rating sheet, one way or another, on their business—something aside from just profit-and-loss statements," he said. "You don't need to always design it around profit, but the mechanics of what makes the business work. Consistent improvement is very important. Spend some time in your office figuring out the contest and what's it going to take for him (the manager) to compete with himself, not necessarily compete with everyone else."

Because Hooker Services' charters are usually booked up six months in advance, the time it normally takes for RTO clients to set up management-incentive contests and name winners should dovetail nicely, Dunaway believes.

Late last year, Dunaway completed trip plans for three RTO dealers, including one from the Pacific



Photo courtesy of Jerry Dunaway

Dunaway's 'mothership,' *The Madam*, has all the creature comforts for charters.

Northwest. That dealer and his top performers will go fishing in June.

Dunaway's crew on the *Madam* and Hooker stay off shore of either Panama or Costa Rica, depending on what time of year it is. He says he's tried all the top fishing spots around the globe, and has settled on the best general location for consistent catches and good weather.

"We've taken our boats to Africa, Australia, Hawaii—we've been everywhere with my boats," said Dunaway, who used to have a dry-dock system on the *Madam* so the smaller Hooker could piggy-back across open ocean. One year ago, he converted the stern section of the mothership to allow for a party deck, and more staterooms and cold-storage space below. Now, the Hooker is towed by the *Madam* during long hauls, and just ties up alongside in between fishing runs.

"Probably, all in all, the best fishing in the world—maybe it inches out someplace else—is right down there in a little pocket that's only about 1,200 miles total distance apart; all along that coast. The fishing's just great. There's marlin and sailfish every month of the year. Water's calm, and no hurricanes. It's convenient, easy to get to. You fly out of here (Houston) and in three hours you're in Costa Rica."

Dunaway began offshore billfishing in 1969 and has fished in 16 countries. Today, he is perhaps the foremost authority on light and ultra-light tackle—catching big fish with small-number test lines. His crew members on the Hooker specialize in a technique that is, literally, the reverse of bait-and-switch.

While pulling along a hookless "teaser" lure, crew members and angler scan the seas. Once a billfish is spotted following the teaser, one of the mates takes it away while the angler drops in a natural bait on the appropriate tackle. At least four classes of tackle are ready to use at all times, with baits already rigged and



Joel B. Matthews

Dunaway's daughtership, *The Hooker*, fishes the Pacific off Costa Rica and Panama.

neatly placed in a cooler.

It may seem unorthodox to some, Dunaway admits, but success speaks for itself. Before 1986, Hooker team members had amassed \$300,000 in tournament winnings. These days, they just keep wracking up world records—for themselves and their charter clients.

"Preparedness meets opportunity," Dunaway said, another smile breaking out across his tanned face. "We're off down there where they're (fish) at. We have the right tackle. We check everything to a 'T.' There's never a hook goes in the water that's not sharp. There's never a line go in the water that has any kind of bad spot on it."

Shimano provides Dunaway's reels. All lines are Stren, made by DuPont. In addition, Dunaway's rods are custom built and provided to him free of charge. It's a situation similar to other professional sports—stock car racing, for example—where the very best enjoy corporate sponsorships.

But this level of professionalism isn't intended to intimidate novice anglers who may be part of a winning RTO team. The Hooker crew is experienced with guests of all skill levels, Dunaway points out.

"My crew is trained to handle somebody who doesn't know, who's not experienced, to get them out having a good time—and make sure that they catch a fish."

Back during his days at Remco, Dunaway was the tactical, detail-oriented partner. Sims, meanwhile, was the visionary and risk-taker. The combination worked well.

"I'm pretty pragmatic," Dunaway admitted. "When there's a job to be done go do it and do the job as good as you can. Then improve it and make it better. That was kind of my methodology. Chuck and I were different in our approach to things. He was always thinking of how you get bigger."

Dunaway says he hasn't changed much. He's still somewhat of a perfectionist, and the same high standards apply to his charter fishing operation. "It's absolutely done right. If I find something wrong I fix it and I fix it permanently."

Papa Hemingway would no doubt approve of his look-alike and kindred spirit.

**PR**

*John Gormley is APRO's director of communications.*

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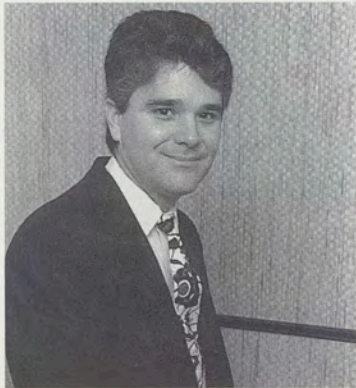
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*The consumerist charge of high prices has its pits*

# *RTO vs. retail: apples, oranges*

AN OLD ISSUE IN NEW CLOTHING IS MAKING THE ROUNDS AND BEARS CONSIDERATION BY RENTAL DEALERS EVERYWHERE, SINCE THE ANSWER MAY ULTIMATELY AFFECT HOW THEY PRICE THEIR PRODUCTS. THE CRY FROM CONSUMER ADVOCATES, ALWAYS CONSTANT AND SHRILL, HAS BEEN THAT RENTAL-PURCHASE PRICES ARE HIGH—ANYWHERE FROM JUST “TOO HIGH” TO “OBSCENELY HIGH.”

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Most dealers have seen charts purporting to show \$200 TVs being sold for \$1,200. The comparison is most often between the rental-purchase price of a heavily discounted, low-end electronic product and the cash sale price for the same item at a power retail discounter. The difference is a significant amount, and trumpeted by critics as the interest rental customers are being charged.

The industry's response has always been first to argue that the comparison is a false one, but the industry's argument has not been carefully considered, as a rule. It is the same VCR or microwave or 19-inch color portable that is being priced, and allegations of triple-digit interest rates have an immediate and irresistible appeal to shock-mongers everywhere.

The explanation of why the comparison is false takes some time, and understanding the explanation requires a willingness to explore both sides of an issue. The industry can quickly and easily start recounting the advantages of renting with no obligation, but we have never made the explanation is pithy or as sexy as the disclosure of 100 percent-plus interest rates made with the proper mixture of

outrage and dismay.

Clorets used to sell its gum with the slogan, “It costs a little more, but it does so much more.” I do not remember the ads ever being very specific about exactly what the gum did, but the ad told that story more quickly and succinctly than the rental-purchase industry has managed to so far.

In the absence of a fair hearing on the false-comparison argument, we have argued our costs of doing business as a justification for our now concededly high prices. This is a slippery and dangerous slope that the industry starts sliding down. First of all, it sounds like a concession that our prices are, indeed, “too high” when, in fact, the marketplace is controlling rental rates and therefore rental ownership pricing. And it is a highly developed, highly competitive marketplace. If the rental pricing were “too high,” and without an economic discourse on the elasticity of demand, then people would spend their money other ways.

To respond by pointing to our costs of doing business invites scrutiny of our collective books by antagonistic strangers, and that cannot help us as they look for “funny” bookkeeping practices or anything else that would invite legislation, litigation or both. The books of most companies are private and our costs of doing business ought to be private. This higher-cost-of-doing-business argument, when the industry is called upon to prove it, opens up all expenditures to attack. The owners are making “too much money.” They drive company cars that are “too fancy.” The books are being “cooked.” Call in the IRS and so on. The industry needs to be careful about justifying its legitimacy by showing the world its costs of doing business. Mercedes Benz is not showing everyone how much it costs to build a car.

There have been a few cases, and West Virginia is a current one, where it has been important to distinguish rental from retail more effectively. There seems to be some

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BY

ED WINN III

virus running around the legislature there which has made legislators unable to make the distinction from the consumer point of view, and so to attempt further clarification, it has been necessary to trot out the cost of doing business comparison. It is too early to tell what the consequences of the argument will be.

The issue that rental-purchase prices are "too high" has also arisen in regulated states because dealers who are required to disclose a cash price have been insensitive to the marketplace. It is literally true that cash-price disclosures have little to do with the rental-purchase industry and may finally prove misleading.

In Ohio, Connecticut and elsewhere, consumer champions have periodically compared retail cash prices and rental-purchase cash prices. On many items, furniture for example, the rental-purchase industry is very competitive. But on some low-end electronics, rental-purchase cash prices can be higher than most other prices in the marketplace. This is particularly the case if the dealer wants to keep his cash flow constant and merely divides a desired rental-purchase ownership price by an early buyout percentage to derive the cash price.

In Connecticut, most recently, consumer watchdogs found rental dealers offering VCRs for sale at \$450 when retailers were offering and presumably selling the same VCRs for \$300 all over town. The watchdogs decided that the rental dealers' cash prices were "too high."

Note that this is not the argument that the rental ownership price is "too high." This is the argument that the rental dealer's cash price is "too high,"

which is an unusual argument in the retail world. There is really no law against having high prices until they are so high that they are unconscionable. Even then, there are few, if any, pure unconscionable pricing cases in the land.

Unconscionably high prices are usually accompanied by other merchant behavior that is, in some way, overreaching. The usual remedy for a merchant whose only sin is that his prices are "too high" is the marketplace—he will simply be put out of business because of uncompetitive prices.

That has not happened in the rental-purchase industry insofar as cash prices are concerned because rental dealers are not really competing with discount cash sellers who insist on cash or a credit card for the low prices they offer. Rental customers are not cash buyers. All of which demonstrates that the marketplace is far more complicated than rental-purchase critics care to admit.

Nonetheless, the move is afoot to rein in rental-purchase cash prices as a means of controlling the rental-purchase ownership price. This is not an easy thing to do, as both sides are discovering. Discussions have included limits on cash prices at no higher than the highest price in the relevant market area; no more than 10 percent higher than the highest price in the relevant market area; no higher than the manufacturer's suggested retail price; no more than a certain percentage over the dealer's cost.

All of these suggested limits have their problems. Relevant market is an imprecise term and capable of multiple interpretations. Rental dealers would have to wonder every week

whether they have shopped enough and would never be certain that they had. A lot of rental products have no regular manufacturer's suggested retail price at all. Moreover, small manufacturers might be willing to offer juicy suggested prices for big customers. Pegging cash prices to costs is also subject to manipulation by dealers and vendors and could put small dealers who have high wholesale costs at a big disadvantage in various markets.

Despite those problems, the issue of rental-purchase cash prices is on the table in Connecticut, West Virginia and probably Minnesota as well. The 1990 Minnesota Rental-Purchase Statute declared that the state Commissioner of Banking was to establish rental-purchase cash prices, presumably for the entire state. Three years later, the commissioner still has not set any cash prices.

There may be offered ways to restrict rental-purchase cash prices that have unintended results. It would not do to have a price control system that subjected rental-purchase dealers to anti-trust penalties for price fixing.

As long as consumer champions can go out into the marketplace and find rental-purchase cash prices for products significantly higher than anyone else, the issue is likely to persist. At the same time, while not ignoring the retail marketplace entirely even though they are not properly a part of it, rental dealers want to price their products the way they damn well please, like everybody else, without having the government stumble in and try to start doing it for them. **PR**

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

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"A mystery shopper can be your eyes and ears concerning how your

employees interact with customers," said Wesley Miller, co-owner of ShopAmerica in Toledo, Ohio. "Most RTOs have developed a sales track for phone and in-store sales. We give RTO managers feedback concerning whether or not this track is followed."

Although store visits are available, most RTOs prefer phone shopping since so many RTO sales are clinched that way. ShopAmerica develops a 10-to-12-question questionnaire that shoppers use to qualify the skills of their salespeople. Standard questions include:

- Was the phone answered promptly and properly?
- Did the salesperson attempt to determine your needs for the product?
- Did the salesperson defer discussion of the price until the product features or program benefits were discussed?
- Did the salesperson explain the rental-purchase program?
- Did the salesperson attempt to step the customer up in product?



- Did the salesperson display a good attitude?
- Did the salesperson explain the current promotion?
- Did the salesperson close the rental?
- Did the salesperson ask if you were a new or previous customer?
- Did the salesperson attempt to get your name, address and telephone number?

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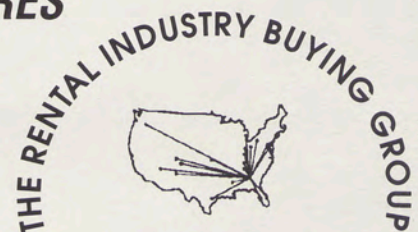
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comes away with almost 100 points. Additional points needed for a perfect score are contributed by the commentary—the subjective part of the “test.”

Hmmm ... then should the shoppers be shopped? Mike Scott thinks so.

Scott, vice president of operations for ColorTyme in Lexington, Ky., recently received a mystery shopper's report that required a little subjective consideration on his part.

“We have one individual who is consistently a top performer,” said Scott, “but in this round, he got a very low score. Fortunately, we receive both audio tape and written reports from the mystery shoppers. When I listened to the tape, I determined that the shopper was simply in a bad mood.”

Scott oversees 26 stores in Kentucky, Ohio, West Virginia and Florida, and has been using the service for almost a year. Calls are made to his stores at least once a month, and twice a month during peak seasons. It's a practice he plans to continue despite the inherent subjectivity.

“This is a good way to overcome objections,” he said. “We teach the three Ps: program, product, price. Unless we have the opportunity to explain the program and the product, it seems like we're overcharging. Mystery shopping teaches salespeople how to tell the difference between a customer who simply wants a price and someone who could really be interested in the program.

“The most common thing that happens is that they'll do a great job in making the sale but won't ask for the order. They don't close,” added Scott.

Like Scott, Ernie Lewallen is a big fan of mystery shopping. As copresident of United Household Rentals in Cincinnati, Lewallen sanctions up to 24 calls a week to his six stores (five are in Ohio; the other is in neighboring Kentucky).

When Lewallen finds salespeople with weak spots, he “retrains, retrains, retrains.” And it has paid off.

“We started mystery shopping in the summer of 1992,” Lewallen said, “and we have seen a dramatic rise in output.

“If you don't do your job as a salesperson, if you don't continue your sales approach, the shopper will drop

you like a hot potato. They'll just hang up on you. With the good salespeople,” laughs Lewallen, “the shopper doesn't know how to get off the phone.”

Both Scott and Lewallen reward their employees for a job well done.

“Our top scorers receive \$100, \$75, \$50 and \$25, respectively,” Scott said. “The salespeople are very competitive. We also send out weekly reports that include results of the contests. People like the money, but recognition is most important.”

Lewallen says he rewards employees with tickets to special events like baseball games or outdoor concerts. Really good scores earn dinner and perfect scores mean they go in a limo.

But is mystery shopping stacked in favor of the salespeople who can pick out the shoppers?

“I have a new customer who called recently saying that we had to do a better job, that his people knew all of our shoppers already,” Miller said. “So I asked him if all of his scores were 100s. They weren't. A lot of times salespeople think they recognize a shopper, but in reality, it's just another customer calling. We're very careful about making random calls.”

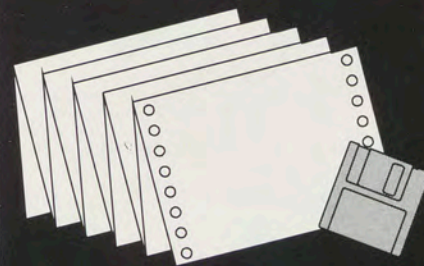
Some of Miller's clients have remarked that accents are a dead give away. Granted, speech may differ a little from North to South—but from northern Ohio to southern Ohio? Yup.

“We were calling another location in Ohio,” said Miller, “and the manager said our accents were giving us away. He said his people were picking up on it immediately. So we changed our accents. He called back and said that was even worse.”

As a result, ShopAmerica sometimes looks to regional independent contractors to do its mystery shopping. However, this hasn't been a major problem. “People are so transient these days,” added Miller, citing statistics which show that 15 percent of all RTO customers are transfers from other areas.

“The bottom line is that the more your people are exposed to the sales track the better they perform,” maintained Miller. “If they don't practice the approach before the mystery shopper calls, if they don't really know it and feel comfortable with it, it shows.”

—Susan de Blanc



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*No, this isn't akin to psychics and freak shows, but apparently a valuable tool:*

# *The handwriting's on the application*

ANY TIME A NEW EMPLOYEE IS HIRED, THERE'S A LOT AT STAKE. BESIDES THE INESCAPABLE COST OF TRAINING, THERE ARE ISSUES OF WORKER LONGEVITY AND LIABILITY THAT EVERY EMPLOYER HAS TO CONSIDER.

EACH OWNER, PERSONNEL DIRECTOR AND MANAGER WANTS TO MAKE THE RIGHT HIRING DECISIONS. TURNOVER IS COSTLY. SO IS THEFT. WHAT'S MORE, LEGAL LIABILITY FOR EMPLOYEES' ACTIONS CAN BANKRUPT A COMPANY.

Because the RTO business involves a lot of contact between customers and workers, it's crucial to have the right people on your payroll.

Robert Fishman, president of Plantsville, Conn.-based Rentown, says the cost of making a hiring mistake today can be astronomical.

"I don't think people realize the liability they're exposing themselves to," Fishman said. "Do you need someone who is a sexual harasser? How about a child molester? All you need is for someone to sue your company because this guy grabbed a girl and raped her. Think about how much that lawsuit's going to cost you. It's probably going to cost \$100,000. The limit has gone out of sight."

For the past eight years, Fishman has used handwriting analysis to help evaluate prospective new employees. He's convinced that the practice has paid off.

"It's just a tremendous thing because I'm hiring people who will complement the company; who will work in the company's best interest—even at the risk of not hiring some hotshots," said Fishman, an eight-store dealer with locations in Connecticut, Massachusetts and New Hampshire. "It means passing up people who may have been super salesmen, but instead you get people who are capable, honest and stable within the company."

Since handwriting analysis is a management tool, it's up to the dealer to weigh the "graphoanalyst's" assessment against other factors in the hiring process.

"You can still override the test," Fishman said. "It doesn't mean you have to follow what the test says. It's just that every time I've disregarded what was said, I regretted it later. It's about 80 to 90 percent accurate."

Fishman points out that handwriting analysis is not intended for existing employees: it's designed for job applicants. "I wouldn't use it on the people you already have in the company," he said, "although you could send in a sample of their handwriting to get an opinion. I wouldn't fire somebody based on it."

The tests that Fishman's company uses, six total pages split into three parts, take about an hour for job applicants to complete. Fishman says he pays about \$25 per test. The tests include questions and answers designed to expose applicants' attitudes on areas such as employee theft and dishonesty; and sections in which applicants provide handwritten samples.

Jim Bickerton, owner of Graphoanalytical Imaging in Westwood, Mass., offers testing and handwriting analysis to clients ranging from police departments, computer companies, food retailers, the banking industry and several RTO dealers.

.....

BY

JOHN GORMLEY

Bickerton can get results back to clients within 24 hours of receiving the completed tests—as long as they are the originals. Bickerton cannot accurately evaluate faxed handwriting samples.

Because he is an expert in grapho-analysis and thanks to the testing system's accuracy, Bickerton can identify basic character traits such as dishonesty. He can also spot tendencies toward violence or indicators of drug abuse. Sometimes, test takers are affected by temporary conditions; for instance, a damaged sense of pride after losing a long-held job.

These kinds of factors can explain a lot about individuals, and an understanding of them can help RTO employers make solid hiring decisions.

Handwriting analysis can help RTO businesses differentiate the good from the bad. It can also help avert disaster. When warning flags go up on a particular applicant, dealers know they should probably check him or her out further before making a decision.

"I just had one rent-to-own dealer who was going to hire a fellow and it turned out that fellow was a child molester," Bickerton said. "And it turned out that that fellow was a breaking-and-entering type of person and a real arch-criminal. It was a situation where, had he taken that person on, he (the dealer) would have been personally liable for any and all misdeeds that this fellow created. The bonding company wouldn't bond him, knowing that he had that kind of record."

Bickerton's tests provide checks and balances to ensure fairness to the applicants who take them. Fishman says the system works, not only for him but for other RTO dealers as well.

"He (Bickerton) can back up his suppositions (on the handwriting samples) by the analysis of the other test—that true-false test," said Fishman. "He can do handwriting (analysis) 95 percent of the time and know what they're going to put down on the other part. But he still correlates; he still has those things (back-up methods) to correlate to."

Michael Myers, a four-store dealer who, like Fishman, is in Connecticut, also uses Bickerton's testing methods. "I use it to screen everybody that is



entering this company at management level and above," Myers said, adding that he doesn't use the test for hourly employees. "It's not a pricey test. With the quantities I buy, I think I pay about \$21 apiece for them. But let's say you give it to four hourly people to come up with one acceptable one, you'll start burning through those at a pretty hefty rate."

Whenever he has used the test and followed the recommendations, Myers says he's never been disappointed. "It's just uncannily on the money. I think one of the reasons is because it deals with what I would call broader and more global type of personality characteristics, rather than getting down to picking nits.

"I've probably gone through 70 or 80 (tests)," added Myers. "Of those, I've only been surprised two or three times."

Another Bickerton client in RTO, six-store dealer Bill Wendell of Blue Ribbon Rentals in Ohio, uses the test for every new job applicant—whether salaried or hourly. Wendell says the cost is worth it because of the protection against negligent hiring that the testing system provides his business.

"We've never found it to be wrong," he said. "We have violated the advice that the handwriting expert has given us sometimes and then, as we got to know the associate over a 60- to 90-day period, the traits that the handwriting revealed—that he (applicant) was able to cover up in an interview—made themselves evident. And we

regretted violating the handwriting analysis."

Wendell, who has required the tests for virtually all new job applicants during the last five years, believes it's better to spend a little up front rather than pay through the nose later.

"We've tested probably 800 to 1,000 applicants," Wendell said. "I'm paying \$20 or \$25 a test, but when you multiply that over ... 1,000 people I'm very pleased to have spent that \$20,000 to \$25,000 to keep the people out who could do us harm. I want to be proactive and avoid the problems before they occur. I'll spend \$20,000 to \$25,000 over a five-year period instead of getting sued perhaps three to five times—and settling out of court for \$50,000 or \$100,000 at a time.

"I mean, we have real criminals who apply to us for jobs. Drug addicts and rapists and thieves—burglars and car thieves. You've got to do the best you can to keep those people out of your company."

Fishman agrees that an ounce of prevention is worth much more than a pound of cure.

"Our people are the most critical element in our business," he said. "To me it's (handwriting analysis) the cheapest outlay I have and the greatest asset—one of my secrets of success, if you want to call it that."

Myers points out that the handwriting analysis and personality profiles not only weed out undesirables, but can also help spot diamonds in the rough.

"I find in rent-to-own that there are a lot of people who can do the job if they possess the kind of morals, values and general good ... character ... that we need," said Myers. "I'll take somebody who has no related experience, above-average intelligence but really solid character before I'll take somebody who's got all kinds of hot-shot experience but has an attitude problem. I think that pretty much sums it up."

*(Editor's note: For more information on Bickerton's services, call 617-326-0042. Also, see related article on negligent hiring theory and pre-employment checks, October-November 1992 issue, page 32.)* **PR**  
John Gormley is APRO's director of communications

revenue each month, or about the same return as gaining 20 or 25 units. That's enough to print and distribute 15,000 four-color flyers. Or it's \$14,000 more debt reduction this year.

A 75-cent improvement on those 3,500 BOR creates an additional \$31,500 cash in a year. That's the same amount you'd get from renting 45 more BOR. You've added the profit of another store without adding debt or overhead. More money from less inventory makes owners happy, makes managers more money, and lets the banker smile on your parade.

A 35-cent increase in average rate can be realized with very little effort. It doesn't mean raising prices. People simply must be taught how to rent high-yield units, collect more efficiently on low-yield units, and not cut rates to get deliveries when a better sales pitch would accomplish the same thing. Since overhead rarely varies regardless of the mix of goods on rent, why not increase your number of high-yield units before adding more (new) BOR?

The report detailing "average cost of goods" is vital to your pricing and buying strategy. This average cost of goods should increase at the same rate as your average rental rate. If cost goes up 3 percent, then average rate better go up 3 percent. If not, you're either buying too high or pricing too low, or both.

Combine either of those with low-income performance and an idle count about 3 percent too high and you can start the bailout. Try to run a number of stores without knowing what any of those mean and the bailout has already begun. You're just not in on it yet.

These ideas sound simple—and they are—but they're not being used in half the rental stores out there today. Fortunately, price is one problem you can fix immediately if somebody reads the reports. And it produces nearly instant results. Always, improvement begins with awareness.

Once you've solved pricing, you can improve collection efficiencies. Your computer probably already reports the maximum rent available from all BOR in a period. It should also tell you what

happened to that money. Of the amount not deposited, how much was given away in free time and for what reasons? How much rent was uncollected because of bad accounts, pickups made long after the due date, and poor service? If nobody knows how critical this report is, it's time to learn.

Free rent given away for all reasons should never amount to more than 2 percent to 3 percent of maximum potential, while the amount uncollected due to other reasons will add a like amount. This lets you realize about 95 percent of maximum potential rental fees.

Revenue reports detailing average rental rates, free rent, rent lost on pickups, rent still outstanding at month's end and total rent produced paint a picture of how well the operations people are doing at the only thing they're paid to do: generate revenue.

Inventory fuels cash flow and only cash flow can create more inventory. (The fatal error here is in confusing debt with cash.) Both have to be managed in lockstep and with a fair understanding of how the financials work. If you don't want field supervisors to know this, then fire them and hire auditors for about a third less money. But forget about any expansion plans, and don't look for a sudden increase in awareness among your managers.

Analyzing revenue reports tells you how much money is available if everybody does the right thing. Inspecting the inventory reports tells you whether you're likely to continue getting it. "Idle inventory reports," "down for service" reports and "average cost of goods" reports measure how efficiently the operation uses the single most valuable resource it owns: inventory.

The inventory reports can also provide a glimpse of how your sales effort works—a backroom full of aging inventory with few units in service and none junked out lately says you're not selling; you're only filling orders for new products. Everything else is simply pushed into a corner.

Older products that should be rented on shorter terms at full rates are stacked in the back. Nobody wants to clean them, fix them or move them. To gain BOR, you have to add new inventory. You don't have to drive to seven stores to figure all this out; just

read the reports.

If you're only half lucky, some ambitious assistant manager begins renting the old junk for half price (this is revealed in the report describing all units rented in a period). While this improves BOR, it doesn't generate enough revenue to cover overhead, which is why you set a rate of \$15 in the first place and not \$7.50. Well, he tried. Of course, when the inevitable downturn comes and the "new" goods start coming back, you find yourself looking at even more used inventory. So the cycle begins all over again.

For a real shock, assume that every unit allocated to store No. 1—both idle and BOR—is on rent at exactly the right rate. That's the rent-producing potential for all the inventory you've bought and shipped to store No. 1. Now subtract a percentage of that amount corresponding to the idle rate you think you can live with (usually 15 percent to 20 percent). What's left is the amount of rent that store No. 2's BOR should produce at 100 percent efficiency. Add the amount of fees generated at 100 percent fee recovery (according to your lost fee report).

Now do the arithmetic and compare the total income produced by store No. 1 on a "perfect" basis to what it actually produces. The difference, multiplied by 12, is the amount of cash you will not see this year. Or, likely, any year. And it's all reported every day by your computer.

Everything your employees and supervisors do every day at every location—all the statistics reported on those computer reports hanging nicely there in the storeroom—affect that number. But nobody reads the info.

After rates and efficiencies, somebody finally has to look at those closeouts. Consider this: If your company requires a 10 percent Saturday closeout, mightn't it be more than coincidence that everybody gets exactly 9.9 every week? When closeouts are too consistent (varying no more than a tenth of a point), go to your audit-file reports or transaction reports and examine all payment transactions after 4 p.m. on Friday and Saturday. Those are the bewitching hours, that awful time when it finally begins to sink in: "We're not gonna get our close."

And never mind the computer code.

Seldom does any store have six "clerical errors" and five "promo adjustments" at 6:50 p.m. on Saturday. Look for rate changes or any changes to accounts—and take no prisoners.

If you find these kinds of entries being made on Thursdays instead of on Fridays or Saturdays, it means store personnel are even better than you thought and are probably ready for some real challenges. Already, they can divine by Thursday which accounts won't pay on Saturday. Audit due dates and dates paid and you'll likely discover a large number of accounts that should have been written off long ago. They've been carried as BOR for so long now that some people think they really are.

The most troublesome thing about management reports is that they often reveal things we may not want to know. The guy who was great on BOR now looks like a dolt on revenue. And the woman who always got screamed at for not gaining big on BOR turns out to have the best return on inventory cost. Former standouts in the closeout department now have trouble making the cut.

All that is no reason to panic. It only means you're finally getting a real picture of your company's performance. Now you can fix what's wrong. What you've been getting was a collection of fanciful figures resulting from shortcuts, exceptions and variations. But they kept the big boss happy.

Perhaps the most valuable use of computer-generated management reports is making the comparison between what's actually happening to what we think should be happening. Or, where we are compared to where we want to be. Potential versus actual.

The gap between those might be called the "information gap." Or, more accurately, the "use of information gap." The many successful companies now producing good results on a regular basis already have closed it. A good number of them have exactly the same computer software as those still struggling.

So what's the difference? Quality of management. Pure and simple. Anything else is only an excuse. **PR**

*Bud Holladay is Alrenco's vice president of marketing. He is a former RTO dealer and founder of APRO.*

## Dealers share their opinions on timely rental-purchase topics

*(Editor's note: For this issue, we identified a couple of dealers who saw the Jan. 24 NBC Nightly News broadcast, either live or on videotape, to get their thoughts on media coverage of RTO.)*

•••

"Tiger" John Cleek  
Owner/dealer  
Cleek's Rent-To-Own (3 stores)  
Columbia, Mo.

**On NBC's coverage of RTO issue:** "When they talked about how people were paying far more money than they realized in order to own a product ... it jumped out at me that in Missouri and in every other state that has a statute, at the dealers' insistence, we have full disclosure of all costs to the customers.

"In every regulated state, customers know exactly what they're going to pay. I think every professional rental dealer in the country would love to have every state with a law or, better yet, a federal statute."

**On dealer public relations:** "You've got to start at home with your own company. We try to be real active in the communities that we do business in. We donate to children's groups and we donate to the Salvation Army. We belong to the Chamber of Commerce in all the towns where we have stores in. It's trying to let others know that we're just family people out to serve other families' interests."

•••

Richard Rose  
Co-owner/partner  
RTO, Inc. (14 stores)  
Norfolk, Va.

**On media's unfair comparisons:** "First of all, there ought to be the comparison of a financed price and all of its additional costs so we're dealing on an apples-to-apples basis. They're usually comparing a cash price to an 18- to 24-month price, which includes lots of different services that have value, not the least of which is that the customer at any time can return the item under no obligation.

"And it ought not to be our lowest-

priced item ... they get the advantage of a low-priced cash situation, let's say at a major electronics superstore where they're using that item almost as a loss leader. In an interview situation, they'll take that \$179 item and compare it to us at our regular prices. It's really very misleading. Now, when you look at a bedroom suite or living room suite—or jewelry—with the comparisons, as long as you're getting into the time element of paying for it by the customer, you're going to get a lot of similarity in the overall pricing."

**On anti-RTO movement:** "Those people who are our harshest critics don't offer any alternatives that include them taking the risk and lending the money to help people who don't have cash. The advocates don't offer alternatives for these folks."

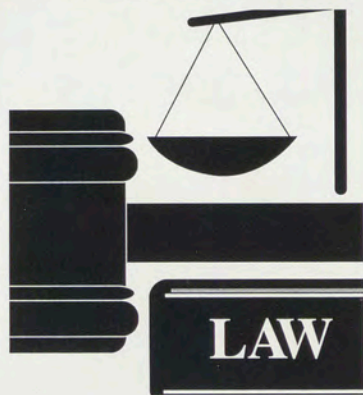
**On industry's image:** "When it comes to our business, we need to hold our heads up. There's a liquor business that's tainted with teamsters and beer distributors. There are states that are subsidizing gambling in the form of lotteries. There are medical professionals who are causing people to have operations ... and tests ... that they don't need at very high cost.

"The owners and dealers I know are good, solid business people who run professional operations and take care of their customers. Our business is simple, straightforward and there are no surprises." **PR**

### Wanted: Regional Market Managers and Store Managers

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*Maybe we can't convince the media, but we can train our own and practice damage control*

## *No news is good news*

RECENTLY I WAS WATCHING THE NATIONALLY ACCLAIMED WEEKLY TELEVISION NEWS MAGAZINE *60 MINUTES* WITH A FRIEND. WE ENJOYED WITNESSING MIKE WALLACE PULL OFF ONE OF HIS FAMOUS JOURNALISTIC AMBUSHES ON SOME UNSUSPECTING BUSINESSMAN HE BELIEVED WAS RIPPING OFF THE CONSUMER.

•••••

I admit I love to watch this kind of journalistic trick of the trade as much as apparently millions of others do, especially when it is pulled off against some business or practice I consider sleazy. Like grand-prize drawing contests that imply you have won a fantastic prize, only first you must send money or tour a condominium that the sponsor wants to sell you.

•••••

BY

RON WATERS

So I sat there laughing at the public torture of some poor shady salesman (in this case a used-car dealer accused of selling previously totaled cars that had been bought wholesale for \$200 from salvage yards, reconstructed and resold to unsuspecting consumers for \$5,000). The salesman denied, on camera, conversations that unknown to him had been surreptitiously video recorded earlier.

As we were watching this, my friend says something like, "Just be glad it wasn't a rent-to-own dealer."

But RTO is different, I protested, because our guys provide a valuable service and quality products to customers. And, besides, we don't lie to them to make the deal. My friend replies, "That's how you see it, but consumer reporters might see it differently. They are only going to hear about and be interested in the bad examples brought to them by consumer-group complaints."

All right, point well taken.

Investigative and consumer reporters, by their nature and job description, are not in their business to help you sell your business. They are never going to spend four or five (much less 15 or 20) minutes of prime news time telling consumers what a wonderful service RTO dealers provide to low-income consumers with bad credit. When Mike Wallace walks in the door of your business it will not be a "this is your life" angle he is covering; more likely, it'll be a "there goes your life" ambush.

In fact, APRO General Counsel Ed Winn reports that *60 Minutes* producers and reporters did interview him some years ago by phone regarding allegations of unethical conduct in the industry. He believes he convinced them their facts were wrong; in short, they didn't have a story. Regardless of any other reasons they didn't run with the piece, all we know is they didn't run the piece after talking with an industry spokesman, and Ed Winn deserves the credit.

In other words, no news is good news.

I am convinced that the real measure of how well we as an industry are doing public relations wise is not how many stories are surfacing, but rather how many potential stories are not surfacing.

Lately, APRO has been fielding an average of three or four inquiries a week. Usually, only one of those three interviews will end up being printed or broadcast. That is not a bad return on our energy, and it indicates we are doing something right.

Viewed from this perspective, our job as spokesmen and women for our industry becomes one of not making the situation worse when we are under attack or being ambushed. The key is not being roped into saying or doing something during the interview that helps make their story sensational. You should feel you have accomplished your task when you are interviewed and no story runs. Or, if it does run, you are not quoted or

recorded as saying or doing something sensational.

While there are some proactive public relations moves we can make to soften the edges of our public image and strengthen our relationships with public policy makers and consumer groups, perhaps the best public relations program we could launch would be an internal one aimed at our own members and their employees.

Now might be the appropriate time to concentrate on training ourselves and our employees on how to respond to a media ambush such as the one forever burned into my memory from the CBS Evening News piece done a couple of years ago.

In that piece, you may recall, a CBS News reporter ambushed an RTO store employee in New York City by going in with camera blazing, shoving a microphone into some clerk's face and asking him some "when did you start beating your wife?" question. His natural but devastating response was to hide his face behind his clipboard and protest that he didn't do anything like that but knew some competitors who did. Unfortunately, he was already on hidden camera committing the perceived sin.

I have two pieces of advice on how to respond in a similar situation. First, don't make a business habit of any behavior you aren't confident you can defend. The best business ethics advice I have heard is to be aware of all business practices of your industry and make sure you don't step too close to the line. Take a step back from the edge of the line where a certain business practice is getting too close

### Financing available

Large finance company seeking to place loans in the rent to own industry.

Attractive rates and terms. No cap on amount available. Write us with your company name, contact, phone number, and anticipated needs.

Please do not send any financial information now; we will contact you.

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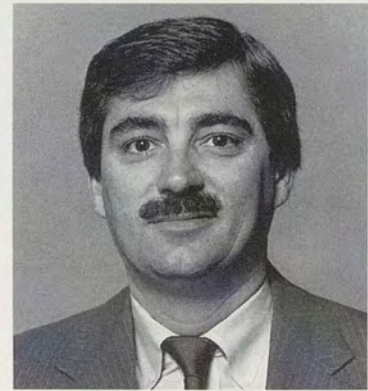
**MEJ Inc.**

**5030 Champion Blvd., Suite 6-213  
Boca Raton, FL 33496**

to call and let others push the envelope if they must. Then you will be in position to take advantage of the second piece of advice I can offer.

We must find a way to instill in our employees good morale for the business in which they are employed so that if and when your store is ambushed, their natural response to some reporter with a camera in tow will be positive enthusiasm for their business, shock that anyone would allege otherwise and candid desire to show the camera nothing like that goes on where they work. This may require some training program for employees and owners on business ethics and media-response training. Some general inspirational seminars may also be appropriate. APRO has some plans to help in this regard and will soon be releasing some media training kits and tips.

This is the season for media ambushes since this is the season for legislative sessions, and most of our media attention is generated by our legislative opponents. In the absence of being right, they must rely on media



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

heat to offset our legislative logic.

Questionable tactics? You bet.

The only reason we may not prevail in the legislative debates being waged in New Jersey, Connecticut, West Virginia and Minnesota, among other places, will be if our opponents can generate enough media heat to cause our legislative supporters to waffle.

We must do our part to not make their desire to do the right thing any harder. **PR**

## 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



*Are you a manager looking to spur the troops?*

# Morale man

ABOUT THE ONLY THING RENTAL COMPANIES NEED LESS OF THAN PAST DUES IS ADVICE. THIS IS ESPECIALLY TRUE IF ANYBODY AT CORPORATE'S BEEN ON A TRIP LATELY. YOU KNOW, ONE OF THE BIG SUITS HIGH UP IN THE MANAGEMENT FOOD CHAIN DECIDES TO KILL A FEW MINUTES IN THE AIRPORT WITH ONE OF THOSE BOOKS ON HOW TO MAKE YOUR COMPANY ONE OF THE TEN BEST PLACES TO WORK.

.....

Then, after reading the first few chapters of this tome (which was obviously written by somebody who never had to get a closeout), Mr. Destiny goes back to the office and sends out 136 memos in the next two weeks, each cleverly intended to make the rest of us do more, and do it smarter and faster, than the other guys, who—he says—are gaining on us.

Of course, those of us who used to BE the other guys know this is so much fofaw. Not only are "the other guys" not gaining on you, so far they don't even know you exist. Chill out. And pay attention to these next few paragraphs. They describe what will really make your company the best place to work.

First of all, every company must recognize the value of its workers' time. If you already have done this, and it's largely the reason why wages are frozen at pre-1971 levels, then maybe you should move on to the next item. But if not, consider the impact just a few changes can make. Like paychecks that can be cashed anywhere.

If you really want to win the hearts and minds of hardworking employees, consider moving your payroll account from that small S&L in Honduras to a real bank somewhat closer to home. Nobody enjoys driving all the way across town to the owner's checkcashing agency to cash a weekly paycheck when the gasoline costs

two bucks and the check-cashing fee takes away another 10. That doesn't leave much from a paycheck already depleted by deductions for group insurance, group retirement and group therapy.

Then there's Employee Training. Apparently, somebody has convinced most owners that training works like tire recapping: wait until a blowout's imminent, then just take the old, wornout carcass and slap on a shiny new cover—being sure to use lots of heat and pressure. At high speed and under rough conditions, severe damage is likely unless some care and thought has been included in the process.

The best way to use those outside training classes is to send only people who have been around five years or more. While they probably don't need the training as much as the guy you hired last week, they can certainly use the rest. And the new guy then gets a chance to discover that his job isn't as impossible as they said. Of course, this doesn't include people hired away from the competition. They're already convinced that every job is impossible. And they should know, having worked for 16 different companies since dropping out of high school in that dispute over whether or not the weapon was concealed, being as how it was in the same sandwich bag as their dope.

A key factor in the turnaround process is the physical environment in which your employees are expected to function 365 days a year (we'll talk about time off in another issue). Results can be spotty when your collector sits in a chair that has a pineapple can for one leg while his worktable is being used as a TV tray in the manager's office. But that's only somewhat more tolerable than driving a truck maintained by a manager who views brake repair as an option and thinks more than one headlight is overkill.

And remember that your workplace is the customer's shopping place. Take a few minutes after reading this to inspect your own store(s). Consider whether a dab of plaster and a coat of paint might do the trick on those bullet holes near the service

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BY

BUD HOLLADAY

*Never overlook the value of employee competition. To some outfits, this means ... recognizing the winner of the weekly "Keep Your Job" contest. To others, it includes sponsoring ... vocational rehab for former furniture reps.*

counter that so many people have commented on lately when arguing the \$40 late charge.

Never overlook the value of employee competition in all this, either. To some outfits, this means no more than recognizing the winner of the weekly "Keep Your Job" contest. To others, it includes sponsoring things like vocational rehabilitation for former furniture reps, or even company softball teams where the cost of shirts is so low that almost any employee can afford one so long as he doesn't mind going without medication or skipping a car payment.

But the real winner in employee participation is the owner. So think hard before dismissing those employee suggestions that might turn the company newsletter into something that'll no longer be nicknamed PRAV-DA. And later on you could even consider finally streamlining that employee-of-the-month deal so that winners might receive their plaques while they're still employed by the company.

Capping your program, and vital to its success, is a pay plan combining effectiveness and simplicity. One of the best includes a moderate base salary plus monthly bonuses for outstanding performance in key areas. If, six months later, this means your company is paying out bonus dollars for things like showing up, coming to work sober, and stopping all fights

before quitting time, then either your pay plan or your policy book has some flaws that you'll certainly want to address before expanding.

Some companies have such lucrative incentive programs that many key employees eventually quit, and use their earnings to open their own companies. At first glance this may seem counterproductive, but consider the positive effect on morale when the highest paid people always quit after a year or two, leaving plenty of room at the top for lesser, unqualified people to advance. This has the beneficial side effect of creating a whole new pool of potential executives.

Finally, you must have a means of measuring progress, a method enabling you to identify clear and significant change from the programs started as a result of this article. Of

course, if there's no improvement at all, then obviously you've screwed up and didn't read this right. Nevertheless, a system whereby management personally grades everybody each week will help your company meet the plan. At least it will help you meet all the employees.

You'd be surprised at the number of employees who still don't recognize their owners, even after seeing their pictures day in and day out down at the post office. These are the same people, by the way, who think Geraldo Rivera is an elected official, and a Kehoe plan involves heavy road equipment.

But whether you use these tips or others that aren't nearly as good, remember that any plan is only as good as its execution. We're not sure what that means, but it's in all the management books. Next time you're at the airport, pick one up. **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.*

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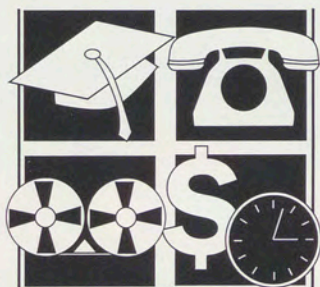
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# Group-health plan latest big benefit for APRO members

APRO LEADERS HAVE NEGOTIATED A MAJOR COUP FOR ALL ASSOCIATION MEMBERS, ANNOUNCED APRO EXECUTIVE DIRECTOR BILL KEESE.

"APRO IS VERY EXCITED TO ANNOUNCE OUR MOST RECENT MEMBER BENEFIT, THE SPONSORSHIP OF A NEW GROUP INSURANCE PROGRAM OFFERING GROUP MAJOR MEDICAL, LIFE INSURANCE AND OPTIONAL DISABILITY AND DENTAL COVERAGES," KEESE SAID.



## MEMBER SERVICES

.....  
These coverages are now available to all APRO members, family, employees and their families.

The program is underwritten by Life Investors Insurance Company of America, rated A+, superior, by A.M. Best, a highly respected statistical and reporting organization.

"This new member benefit is arranged by Mass Marketing Insurance Consultants and administered by International Benefit Services Corporation (IBS), who are dedicated to giving you prompt, courteous and professional service," added Keese.

IBS representatives will provide a descriptive brochure when they mail your proposal. Call 1-800-759-0101 or fill in and mail the form at right.

Major medical includes lifetime maximum benefit of \$1,000,000 per person with a choice of deductibles of \$250, \$500 or \$1,000. Once the deductible is satisfied, there are two plans to choose from.

Plan I pays 70 percent of the first \$2,000 of eligible expenses, 80 percent of the next \$2,500 of eligible expenses and 100 percent of eligible expenses over \$5,000.

Plan II pays 50 percent of the first \$5,000 of eligible expenses and 100 percent of all eligible expenses greater than \$5,000.

The program also provides for \$10,000 of life insurance for each insured person on the plan.

Optional benefits include weekly disability, dental and pregnancy coverages.

Even if you are satisfied with your present program, you may find that the APRO-sponsored program offers better-quality benefits and affordable premium rates, Keese said.

PR



APRO Officially Sponsored

## Health Insurance Benefit Package

To receive a free no-obligation proposal for health insurance sponsored by your Association and made available through the IBS Group Trust, complete this form and mail today!

For faster action or assistance, call toll-free 1-800-759-0101.

### REQUEST FOR PROPOSAL Association of Progressive Rental Organizations

Send requests to: IBS Marketing Department  
P.O. Box 1326 • Fort Worth, Texas • 76101-1326

#### Employer Information (please print or type)

Your Name \_\_\_\_\_ Title \_\_\_\_\_

Daytime Phone Number ( ) \_\_\_\_\_

Organization Name \_\_\_\_\_

Organization Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

County \_\_\_\_\_ Zip Code \_\_\_\_\_

Contact \_\_\_\_\_

Major Medical Deductible  \$250  \$500  \$1,000  
Co-Insurance Options  Plan I (70/30)  Plan II (50/50)

Life  \$10,000  \$20,000  1 x Salary (\$50,000 maximum)  
 Owners, Officers & General Managers-\$50,000;  
Managers-\$20,000; All Other Employees-\$12,500

#### Optional Benefits

Maternity  Yes  No Weekly Disability  Yes  No  
Dental  Yes  No Dependent Life  Yes  No

#### Employee Information

Please provide complete, accurate information on you and your employees. If more space is needed, attach a separate sheet of paper. APR193

List all employees interested in coverage (including yourself if applicable)	Position Title	Salary	Employee's Birthdate	Sex	Spouse's Birthdate	Dependents to be Covered	
						Spouse	No. of Children
1.							
2.							
3.							
4.							
5.							
6.							

# Mid-year conference set in fun Palm Springs

WHAT TO DO WHEN THE DAILY MEETINGS ARE DONE? SEVERAL OPTIONS ARE AVAILABLE TO PARTICIPANTS IN THE APRO 1993 MID-YEAR CONFERENCE IN PALM SPRINGS, WHICH IS COMING UP APRIL 29-MAY 1.

.....

First, here's the meeting schedule:

...

## Day one

Thursday, April 29, 9 a.m.-5 p.m.

### **"Building Your RTO Business with Advertising."**

Gary Beals, Gary Beals Advertising & Public Relations Agency.

## Day two

Friday April 30, 9 a.m.-noon.

### **"RTO Roundtable Discussion."**

Wayne Chambers, APRO president, moderator.

## Day three

Saturday, May 1, 9 a.m.-noon.

### **"Tax and Accounting/Legal Update."**

Wayne Chambers, CWD Enterprise Two Ltd.; and Edward L. Winn III, Overstreet Winn & Edwards.

...

Now, for the really fun part. Palm Springs has much to offer to fill up your free time during the conference. APRO has scheduled several optional programs for those who would like to really enjoy the area.

First, for those guests who are coming along, we have arranged for a tour of celebrity homes in Palm Springs. Many celebrities, such as Bob Hope, have homes in Palm Springs. You will also get information on other points of interest in the Palm Springs area, so that you can plan what you would like to do in your free time while you are here.

After the tour of homes, you will have a choice of either the Desert Museum or shopping before returning to the hotel.

A desert/mountain wilderness jeep tour is scheduled for Friday afternoon, after the roundtable discussion. The tour will depart from the Doubletree Hotel and tour some of the most beau-



Photo courtesy Doubletree Resort Palm Springs

**Participants in the April 29-May 1 APRO 1993 Mid-Year Conference will stay at a facility that offers a myriad of activities, Palm Springs' Doubletree Resort.**

tiful and remote sites in the Palm Springs/Palm Desert region. Don't miss this chance to rough it in this rugged country. Your jeep guide will inform and entertain you while you ride the back country. Dress for the sunshine, but bring your jacket because it tends to get cooler in some of the more remote areas of the tour.

Of course, Palm Springs' most popular attraction is golf. Palm Springs has more than 80 golf courses in the immediate area, many of them quite well known.

APRO has scheduled golf tee times for Saturday, May 1, after the tax/legal seminar, at the Desert Princess Resort. The Doubletree Hotel is located right on the property, so you can walk right out of your room to the golf course. However, you may try any of the

courses you like as time permits.

There are numerous other attractions in the area, including bingo and poker casinos, a living desert, the Palm Springs Aerial Tramway—and more. Hard-core shoppers will enjoy Paseo Drive. This shopping mecca is rivaled only by the famous Rodeo Drive in Beverly Hills. Plan to spend several hours strolling in and out of the fine shops located in Palm Desert.

"We are sure you will not only have an educational experience, but an enjoyable mini-vacation as well," said Shelley Martinek, APRO director of education.

For more information or to register for the conference, call Martinek at the APRO office—(512)794-0095—as soon as possible. Deadline for hotel reservations is March 28. **PR**

## APRO Educational Seminar Registration Form 1993 Mid-Year Conference

<input type="checkbox"/> Day 1-Advertising	\$75 APRO member/ \$150 non-member
<input type="checkbox"/> Day 2-Round Table	\$75 APRO member/ \$150 non-member
<input type="checkbox"/> Day 3-Tax/Legal	\$75 APRO member/ \$150 non-member
<input type="checkbox"/> All 3 days	\$200 APRO member/ \$400 non-member

NAME \_\_\_\_\_

COMPANY \_\_\_\_\_ Phone \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

Check enclosed  Charge to  AMEX  MC  VISA# \_\_\_\_\_ exp. \_\_\_\_\_

Mail to: APRO, 6300 Bridgepoint Pky. #305, Austin, TX 78730 or FAX (512) 794-0097



Vendors' role is more than supplying product

# The Big Picture

TAXES, DEPRECIATION, AUDITS, INSTALLMENT SALES, FINANCING, LEGISLATION, LEGAL AID AND THE MEDIA ARE ALL ISSUES THAT AFFECT THE CONTINUED SUCCESS OF THE RENTAL-PURCHASE INDUSTRY.

•••••

That means it also affects the continued success of each company that is an RTO supplier. Vendor relations is a partnership of knowledge and resources. Like any good partnership, that means that these issues are not THEIR issues—these issues are OUR issues.

When you were a child did you ever play "Red Rover, Red Rover?" Picture, for a moment, two teams. The first team consists of RTO dealers and suppliers, while the second team is made up of opponents to RTO and our issues.

As we clasp hands and face our opponents, what is each team looking for? A possible weak link. It's our turn. We shout, "Red Rover, Red Rover, send financing over." Financing shoots out of the line and runs straight at us—bam! When the dust settles, will our chain be broken? Did one of the suppliers, concerned about getting knocked down, let go of the hand next to him? Luckily, not this time. But what about the next round of issues? The game continues.

High Touch strives to be a strong defensive link as well as a strong offensive ally. We will be ready when our turn comes to charge across the field with RTO dealers, or to stand strong beside them.

How can we make even stronger links? Industry networking, industry participation, industry involvement and industry contribution. These are keys to keeping on top of the ever-changing game rules. We stay in shape through a number of activities. We get involved in sponsoring industry events such as convention activities and APRO seminars. We serve on APRO's vendor relations and tax and accounting committees. We have several clients who have used data generat-

ed from the High Touch system to assist in IRS cases being worked to help assure the longevity of the industry.

Why are we doing it? We are working extremely hard to assure that our clients have us to rely on for years to come, because we are good stewards of their investment in us. By performing beyond expectations, we are ensuring the success of our future and contributing to the future vision of RTO. By working for the value of the industry as a whole we are increasing our inherent return on investment to each of our clients.

The old adage, "You can't see the forest for the trees" is a good example of why a supplier to the RTO industry has to look at the big picture—the forest as a whole. If a company is working for the betterment of the forest, there will always be trees to supply to. If a supplier is just looking at each tree individually, then its vision and ability to be an outstanding player will inevitably be limited. If suppliers depend on others to water down the forest, make sure the trees aren't cut down and stand together when the storms come, then they are on the outside looking in, not a part of the industry—and therefore a limited resource.

Most business situations can be solved if you can teach yourself to look beyond the dollar sign. Business revolves around human beings. Know your customers and know where their industry is going and you'll be going in the right direction.

What does High Touch get out of it? The credibility of a valued resource. As a valued resource we get top-notch clients, which adds to our network of resources, which increases the value of High Touch as a supplier. This means an even better investment to potential clients, which means growth and profitability. And that's what ensures High Touch's long-term success. **PR**

*Sherry Workman is vice president of sales for Wichita, Kan.-based High Touch, a computer vendor to the RTO industry. High Touch has been an APRO Associate Member since 1984 and was selected APRO Vendor of the Year for 1992.*

•••••

BY

SHERRY WORKMAN

Continued from page 20

ducted its business through several different retail stores. Customers entered retail stores attempting to buy various electronics and furniture items. When their credit applications were denied, the customers were encouraged by employees of the retailer to sign up on a lease agreement with the rental company's name on it.

The rental company, acting as a third-party financier, in effect purchased the item selected from the retailer's inventory and then leased it to the customer. Among the many distinctive features of the transactions were a non-refundable security deposit equal to two months' rental payments and a coupon book showing when payments were due.

The bankruptcy court identified 14 factors which demonstrated that the rental agreements in question were sales under state law.

On appeal, the federal district court issued a memorandum opinion which adopted the bankruptcy court opinion in its entirety. The rental company then appealed to the Sixth Circuit.

The Sixth Circuit affirmed the bankruptcy court's ruling, pointing specifically to the nonrefundable security deposit and the fact that these funds were not kept in a separate account by the rental company.

The transactions considered by the Sixth Circuit bear only the faintest resemblance to traditional rental-purchase agreements. The only similarity, in fact, is the terminability feature, and in practical application, even this feature was different. Once again, while *Puckett* is often cited by industry opponents for the proposition that rental-purchase agreements are secured sales under the UCC, such a cite is not an accurate statement of the case. The transactions in *Puckett* may or may not have been disguised sales. Three courts held that they were. What they were not, in any case, were rental-purchase transactions of the type in widespread use by rental-purchase dealers around the country.

To date, with four circuit court opinions handed down, two have forthrightly and without ambiguity held that rental-purchase transactions are not credit sales, either under fed-

eral law or state law.

Two other opinions have muddied the characterization waters somewhat by wondering if rental-purchase transactions might not indeed be secured sales under state law depending upon factors far beyond the written lease documents themselves. Overall, however, the industry has fared well the few times its business has been examined at this high level of judicial review.

There is no way that industry opponents can argue around the clear hold-

ings from the Fifth and Seventh Circuits. Rental dealers, on the other hand, need only distinguish their business practices from those described in *Clark* and *Puckett* to render the Sixth and Eighth Circuit decisions inapplicable to their transactions.

The Seventh Circuit's decision in *Powers* is, finally, merely a useful and timely reaffirmation of how rental-purchase transactions ought to be viewed legally. **PR**

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



## Why is this granny smiling?

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

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

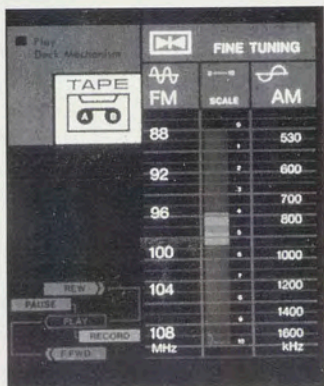
Like Wade, many respected RTO companies have trusted their reputation to the accuracy of Ideal Software. Features like full support for installation, complete training in a matter of hours, and maintenance by phone continues to get attention. Benefits like saving money, being able to update the system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



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**APRO/Allnet LD rates go even lower**

APRO is winning the battle in lowering business costs for its members, said APRO Executive Director Bill Keese.

"Because of the outstanding response to the APRO/Allnet long-distance telephone program, I am pleased to announce a new rate structure that will save members even more money off their long-distance charges," Keese said.

The new rates are .1559 cents per minute during peak periods and .1247 cents per minute for off-peak usage.

"We have already signed up more than 60 businesses on the APRO/Allnet member benefit long-distance service," reported Keese.

Some dealers are saving as much as \$10,000 a year by using the APRO member benefit, Keese added. "We have even had RTO dealers join APRO in order to take advantage of these savings."

Carolyn Fitzsimmons, APRO's marketing specialist who serves as staff liaison with Allnet, added: "The more dealers take advantage of this program, the better the price per minute."

Although some areas of the country have small, regional services that may have lower per-minute costs, many APRO members are saving substantial dollars through APRO/Allnet.

For more information, call Fitzsimmons at the APRO office—(512)794-0095.

Allnet contacts are Kenny Birstein, 1-800-536-1070,

and Janice Neal, 1-800-878-8041.

**Consulting business changes name**

Effective Jan. 1, The MARCON Group changed its name to The OUTLAW Group.

The OUTLAW Group, headed by management consultant Wayne Outlaw, provides training, consulting and performance development to increase individual and group results.

Outlaw has conducted numerous seminars for RTO clients and APRO. In addition, he has been a contributing writer to *Progressive Rentals*.

The OUTLAW Group's mailing address is: 1092 Johnnie Dodds Blvd., Building B, Mt. Pleasant, S.C., 29464. Phone: 1-800-347-9361.



**Alan Dobzinski**

**Dobzinski an independent rep**

Former APRO board member and dealer Alan Dobzinski is now an independent representative of several furniture lines to the RTO industry.

Dobzinski served on the APRO board for 10 years, 1982-92, which makes him the record holder for longest time of consecutive service, and was longtime president and founding member of the Connecticut dealers' association.

Among the furniture lines Dobzinski currently represents are Worboys Upholstery, Carozza, Orleans, Gold Bond Bedding and Landmark Imports.



**Right on the Money!, APRO's 1993 convention, returns rental dealers to Las Vegas. Mark your calendar for Aug. 13-17.**

Dobzinski can be reached at (203)795-8181.

**Check cashing on rise**

Check-cashing outlets are proliferating, *The Wall Street Journal* reports.

Listings of such outlets in telephone directory yellow pages have nearly tripled since 1987.

The Federal Reserve Bank of Kansas City estimates that in 1990 the industry took in 150 million checks with a face value of \$45 billion, generating \$790 million in fees.

Most fees are unregulated and range from 1 percent to 3 percent of the face amount of the check, but can be as high as 20 percent.

**Track vehicle activity and usage patterns**

Service Instrument Incorporated has recently introduced a new microprocessor-based vehicle activity reporting system that helps managers monitor vehicle usage patterns.

Installed with a simple speedometer connection on most trucks, buses and cars, the device known as Trip-Trak was developed to

provide a low-cost vehicle activity management system for fleets of all sizes. As part of a management information system, Trip-Trak can improve safety, customer service, driver accountability, cost accounting and maintenance scheduling.

By monitoring time, vehicle speed and mileage, Trip-Trak senses when the vehicle is stopped and started. With each stop, Trip-Trak records the distance between stops, the maximum speed for that leg of the trip, the time of the stop and its duration. Trip-Trak's memory stores this information for up to 750 consecutive stops or 99 days.

Trip-Trak uses simple, audible-feedback pushbuttons for most functions. For security, it offers password protection of calibration and reporting functions. A long-life lithium battery protects data if power is interrupted.

For more info, call (313)373-8700. Or, write Service Instrument at: 4318 Giddings Rd., Auburn Hills, Mich., 48326.

PR

Kim McBride

# With GE on your floor, what else could you possibly want?



## How about Hotpoint.

For years, Rent to Own dealers have enjoyed the profitable, top-quality, feature-filled full line of GE Appliances. Now there's more!

Hotpoint is available to your customers as well. Traditionally regarded as durable, innovative appliances by retail customers, Hotpoint's longstanding reputation will be a bonus line for any dealer's floor. For example, both GE and Hotpoint refrigerators offer new interior colors, damage protective recessed handles, rollers for

easy placement and many, many more rental convenience features.

Not only will you be able to offer the benefit of two outstanding brands to your customers, but you can continue to rely on our timely distribution system, efficient customer service and low repair costs.

And all you have to do to find out more about GE and Hotpoint is to call Paula Beckman at 800-782-8097.

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