

Progressive

October/November 1993

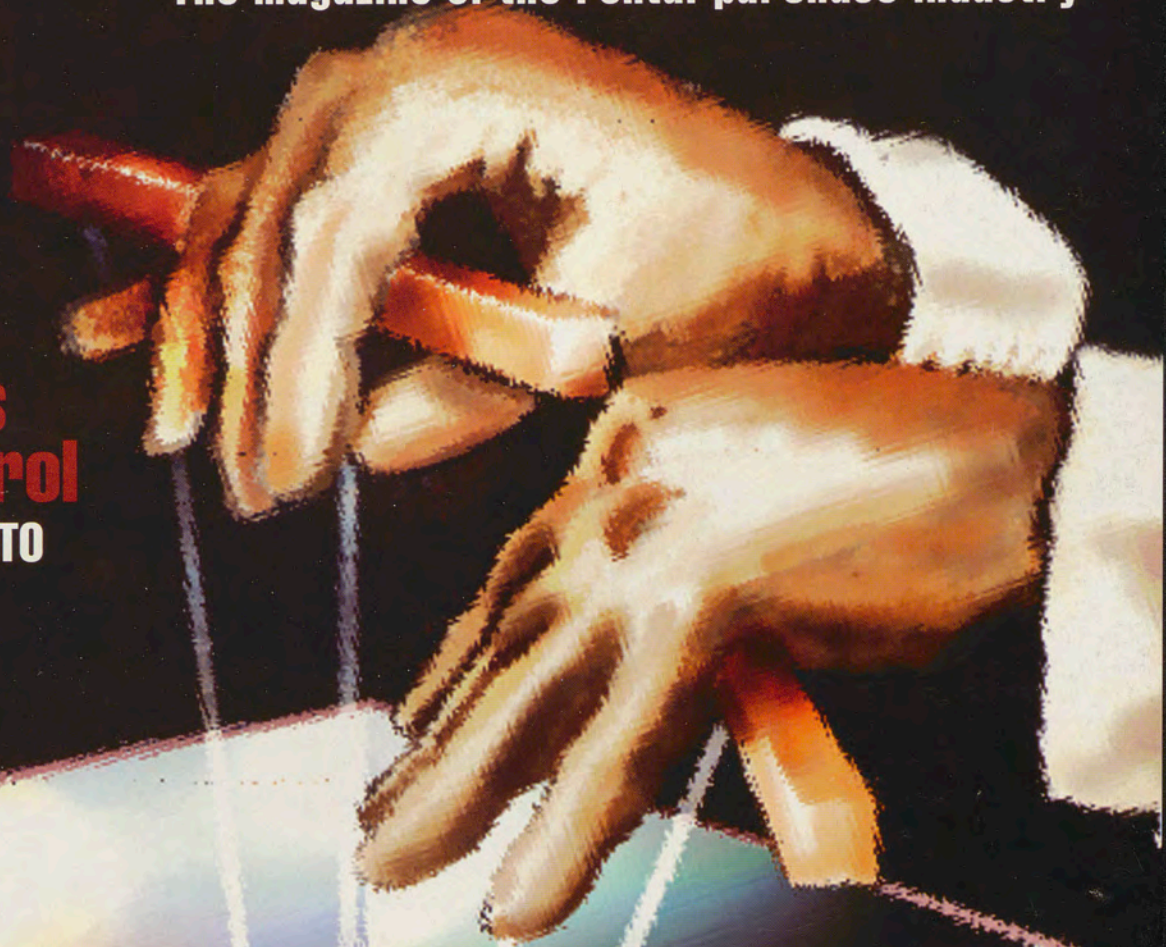
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What's going
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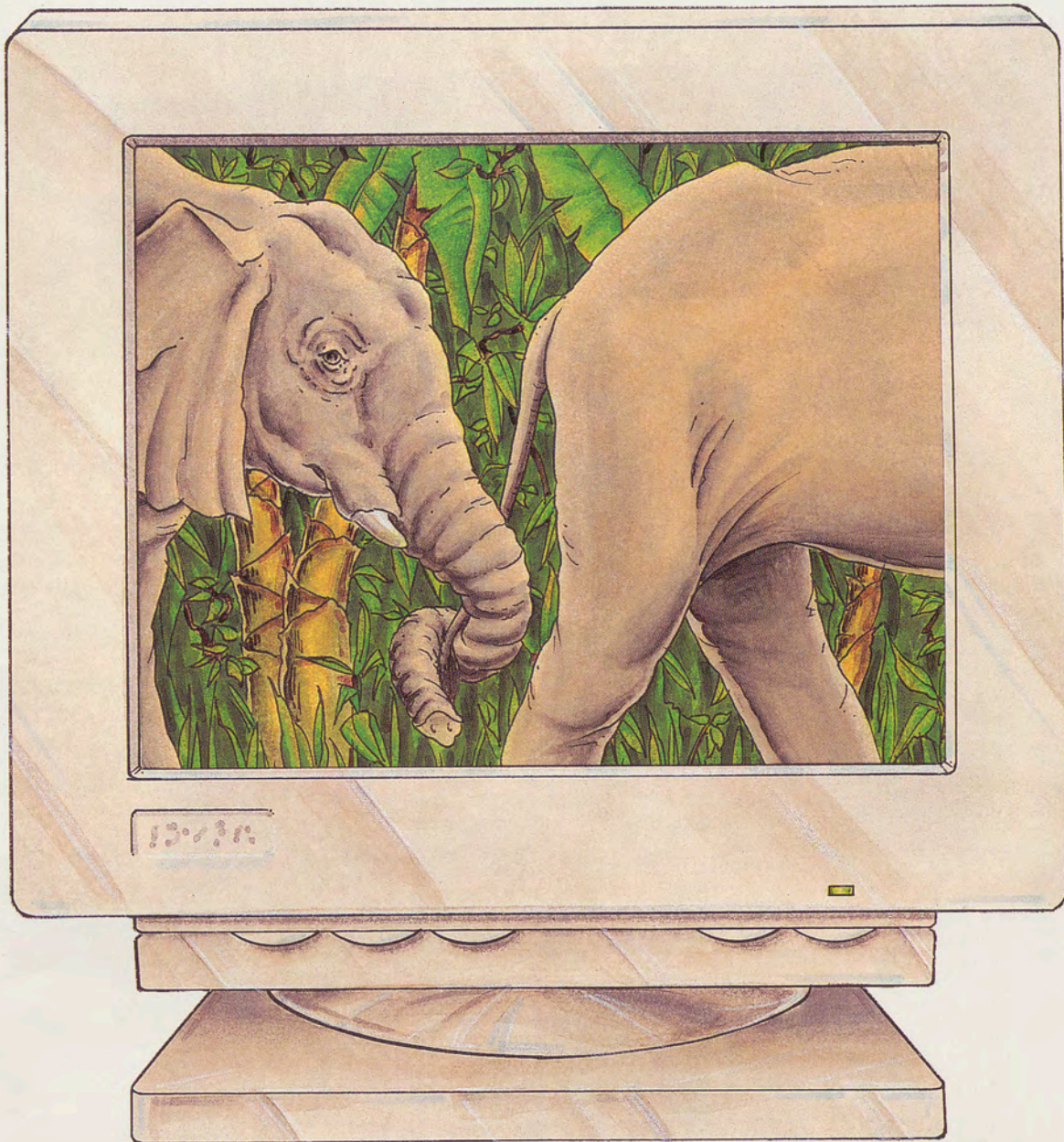
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APRO

PR

Progressive Rentals

October/November 1993

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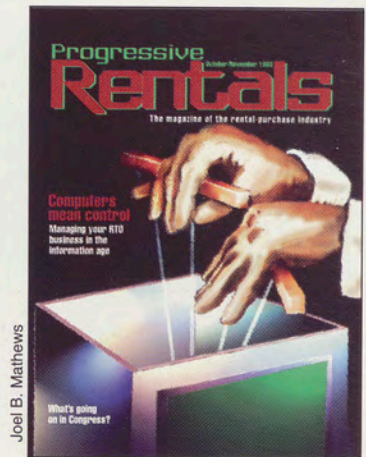
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Joel B. Mathews

ON THE COVER: Progressive rental-purchase owners and operators have, over the years, embraced some exciting technologies. It looks like 1994 will usher in some new developments to boost your profits.

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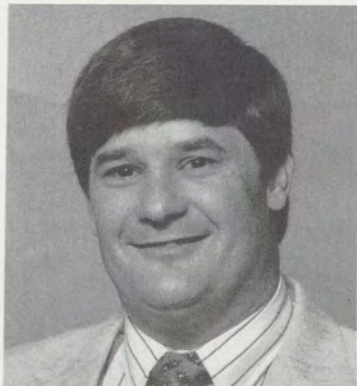
News & Products

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Educating Congress an uphill battle; trust our

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"I HAVE BEEN TO THE MOUNTAIN AND THE MOUNTAIN IS LARGE." THAT IS HOW I FELT AFTER MY RECENT TRIP TO WASHINGTON, D.C., WITH BILL KEESE, RON WATERS AND CHRIS KORST. IT WAS AN EYE-OPENING EXPERIENCE FOR MANY REASONS. THERE WAS THE SIZE OF OUR PROBLEM, THE SIZE OF THE GOVERNMENT AND THE DEPTH OF OUR FIGHTING FORCE.

.....

First, the size of our problem is larger than some would believe and smaller than others think. The problems are twofold; one being the Gonzalez and Metzenbaum bills themselves and the other being the lack of awareness by government that these bills even exist. It's tough enough to find those in government who know of the LaRocco bill or even this industry. Most of the people in government I spoke to had not heard of the bills. They were not familiar with our industry, nor did they know what the bills would do to the industry.

To fix the problem, we must know what Gonzalez and Metzenbaum are trying to do to our industry. The two main problems with both bills is that they are a form of price-fixing and they want to classify our transactions as credit sales. Price-fixing is one thing Congress does not want to be known for, and we must make it known that price-fixing will be one of the consequences if either of these bills is passed. Congress must learn what we do in our business. This can only happen if every dealer makes phone calls, writes letters or meets with their congressman. Teach them about the service we provide to millions of Americans.

These look like simple problems until you actually see the size of our government. There are more than 400 members of the House and 100 senators. Because of their busy schedules, you are often speaking with congressional aides, who then forward the information to their bosses. Our problem is not the biggest

nor the first thing on the government's agenda, so we must be persistent and direct with every opportunity we have to speak. You must stay on them for cosponsorship of our bill, and keep trying until you receive a definite "YES."

The size of this part of the mountain seems even larger when you consider the number of committees, subcommittees and floors on both sides of Congress that a bill must go through to become a law. Also, with the federal legislature, each dealer is a constituent to a few members of Congress, much unlike the state legislature, where you are a constituent to the whole.

This all seems overwhelming until you meet the team of guides who will help us on our climb. John Raffaelli, our lobbyist, and his firm, are very well known on the Hill. They know who to talk to. My own congressman told me that we have the man who can get the job done. Bill Keese, Ron Waters and Chris Korst are also very qualified in how to communicate with Congress. They can speak the lingo and they take to dealing with Congress like a duck does to water. If we need a glossary of terms for our business, then Congress certainly does.

The other players on our team are the dealers from across the country. You should all give yourselves a pat on the back for the work you have already done. I know we can count on one another to continue this hard work in the future.

With all of these challenges in front of us, we need the proper tools and communications with base camp so they don't get lost or snowed in during our climb.

As I said in the beginning, the federal legislative effort is like climbing a mountain. We must take careful and confident steps, with the consistent determination to continue the climb no matter what unexpected storms appear to bog us down. We will succeed. I am confident after what I saw in Washington and Austin.

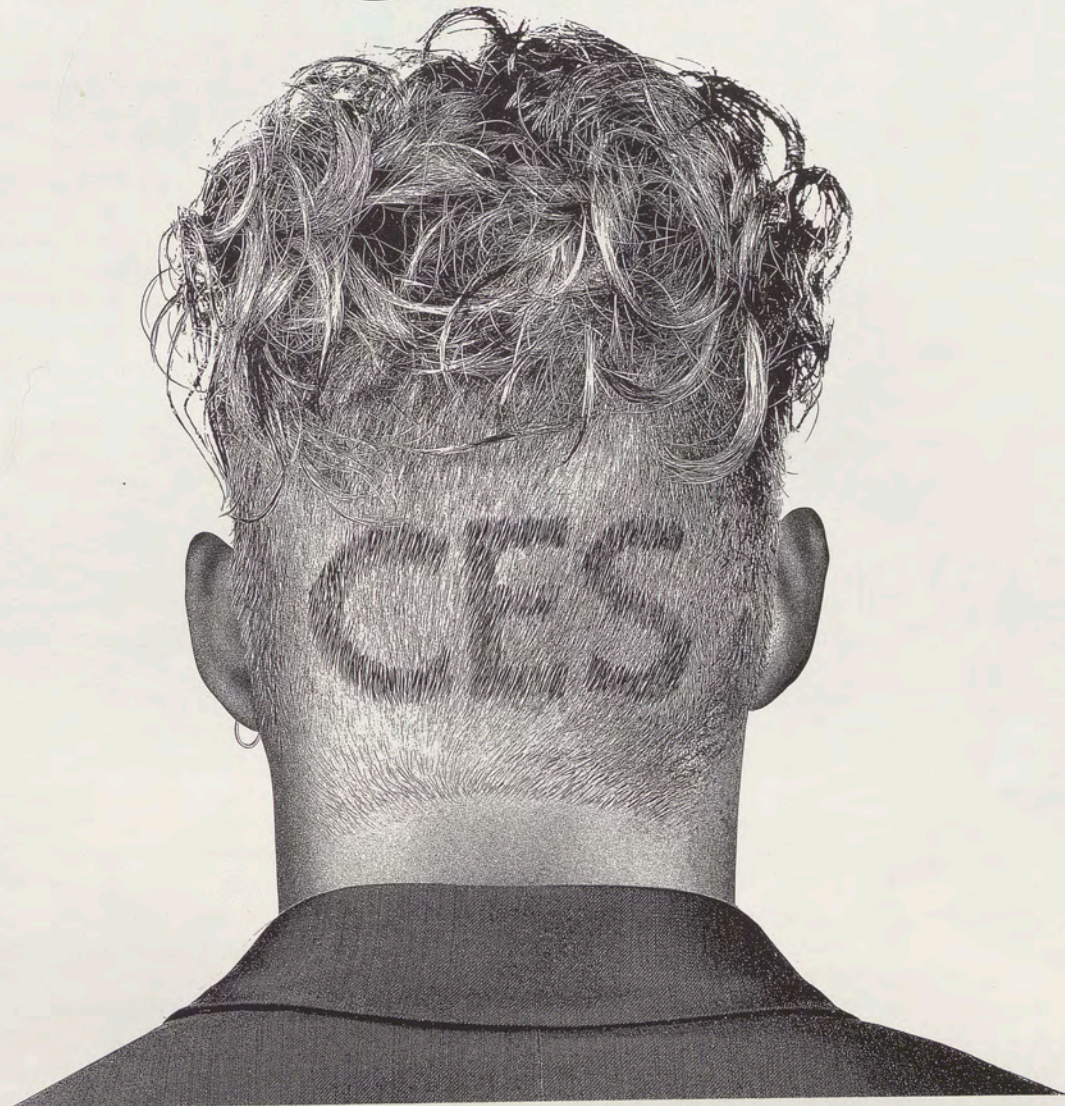
This holiday season should give us all a chance to give thanks for our families, our friends, the things we have and the strength to accept the things we don't. May God bless each and every one. **PR**

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BY

KEVIN QUINN

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When will we get a fair shake? Probably never

How legal aid has the media duped

REPORTERS, EDITORS, NEWS DIRECTORS, ANCHORS. VERY FEW OF THEM, APPARENTLY, WILL EVER GIVE OUR BUSINESS A FAIR SHAKE. YOU KNOW IT, AND I KNOW IT. MY MAIN PROBLEM WITH THE MEDIA? SENSATIONALISM IS SO OFTEN MORE IMPORTANT THAN THE TRUTH.

•••••

You see, the truth—as in how things really are—is usually too complicated to explain in a sound bite that lasts only a few seconds. Or a newspaper story that fills 10 to 12 column inches. Journalism is the process of boiling down complex issues into easy-to-digest chunks of information. Journalists quickly determine the main premise of a story (usually before the first interview), and then go about weeding out all kinds of contrary or conflicting facts that don't support their preconceived notion of the truth.

•••••

BY
BILL KEESE

A perfect example is my interview for the *CBS This Morning* segment on our industry, broadcast on Oct. 20. Interviews are cut, spliced and interposed with imagery in such a way as to take information out of context or otherwise leave a slanted result.

Unfortunately, a lot of innocent people are hurt in the wake of this process. That's a shame, because I always thought the media to be an important part of our free society: watchdogs against evil and corruption; mechanisms for education and, sometimes, justice.

In our case, lies such as "loan sharking" and "usury," which connote images akin to the Mafia, are far more titillating than the actual truth. The rental-purchase business is about hard-working people catering to consumers who need the same products as all Americans, but also want a lot of service options without going into debt.

The nearly universal media portrayal

of RTO is nothing more than the tired consumer advocate charge of a predatory business circumventing legal caps on interest rates. Of course, you and I have told reporters countless times how there can be no interest applied to a transaction which never incurs any debt on the part of the consumer. All the debt and obligation rests squarely with the rental-purchase company. In fact, any RTO business owner who has had to convince a bank that it should lend him money knows that he's risking his good credit and livelihood for the sake of his customers—many of whom do not have credit of their own.

No matter how often we labor to explain this key difference between our business and retail, it doesn't seem to matter with the media. The message is still the same, in Tennessee as it is in New York.

A case in point involves two competing television stations in the same Nashville market. On Oct. 4, both TV stations broadcast the same anti-RTO report—with identical scripts and footage except for the anchors' introductions. The news directors and producers for these two stations were no doubt embarrassed and angry once they found out they had bought the same independently produced anti-RTO story as their direct competition. On top of that, both reports were aired on the same day during the local evening news—the exact same time slot! I only wonder what kind of ties the freelance producer of the story has to legal aid.

This proves, to me at least, that some members of the media do not bother to question the credibility of their sources, so long as those sources fit their own preconceived notion of the "truth." The consumer advocates have used the media shamelessly. They have the continual allegiance of the media because they know what makes for good sound bites and headlines. Truth be damned.

A troubling irony is that these same "advocates" would actually hurt the very consumers they purport to protect.

A troubling irony is that these same "advocates" would actually hurt the very consumers they purport to protect. It is the height of arrogance to arbitrarily decide how certain people should not have the right of choice—if they're apt to make the "wrong" choice. Of course, this is condescending at best, borderline fascist in the extreme.

Consumer advocates used to argue that, with cost disclosures in place, consumers would not choose to "rent-to-own" anything. The industry, through this association, supported full disclosures in state legislatures around the country. Now, after a vast majority of states have rental-purchase legislation providing for this very thing, people are still choosing the RTO option. Realizing this, consumer advocates had to find a different tactic. That's when their emphasis changed to outlawing the option entirely.

Here's the underlying philosophy of the anti-RTO consumer advocates: "If rent-to-own customers don't know any better, we'd better make sure they benefit from our superior intelligence. Let's just fix it so they can't make a bad decision. After all, they don't know what's best for them. We do."

To that I say, come down out of your ivory tower and walk in some real shoes. I deeply resent this paternalistic view of our customers, and I believe they deserve better than that. Make no mistake: the Gonzalez approach to rental-purchase legislation won't protect consumers. To the contrary, it will take away basic consumer rights. And that is fundamentally un-American.

Without the rental-purchase option, many would be denied access to goods and services which help constitute the standard of living in our free society. Is this what Congress really wants? Let's make sure our elected leaders on Capitol Hill know the consequences.

PR

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While some bear down on the RTO industry, bullish Bill Morgenstern hopes to make his rental-purchase company a Wall Street star

Rent-Way's gone public

AT A TIME WHEN OTHERS ARE BEARING DOWN ON THE RENTAL-PURCHASE INDUSTRY, BILL MORGENSTERN IS BULLISH ON THE FUTURE OF RTO. AFTER 18 MONTHS OF HARD WORK AND TOUCH-AND-GO NEGOTIATIONS, MORGENSTERN SUCCESSFULLY TOOK HIS PENNSYLVANIA-BASED RTO COMPANY, RENT-WAY, PUBLIC IN AUGUST.

.....

BY

JOHN GORMLEY

Rent-Way's initial offering brought in a little more than \$5.6 million in working capital. The stock is traded on the National Market System (NASDAQ: RWAY). Five-and-a-half million dollars is not a large amount by Wall Street standards, but company president and founder Morgenstern says it's a "shot in the arm" for Rent-Way's growth.

Rent-Way currently has 20 stores in three states—Florida, Ohio and Pennsylvania. That total should change quickly, thanks to the recent infusion of money to finance Morgenstern's expansion plans, which include "opening up five stores or so in 1994—as well as preparing ourselves for potential acquisitions."

Talk about creative financing. Many RTO dealers find the task of educating bankers on the viability of their individual businesses—and the rental-purchase industry overall—challenging, to say the least. But the task of educating the cautious Wall Street investment community, not to mention the vigilant Securities and Exchange Commission (SEC), constitutes a whole different level.

Call it the big leagues. From Morgenstern's perspective, the job is only half over. After convincing the investment community that his company and industry represent a good opportunity, Morgenstern must now deliver. And he fully intends to accomplish what's outlined in the Rent-Way prospectus.

After everything he's been through to this point, it's safe to deduce that Morgenstern must have a much keener understanding of how Wall Street works. Conversely, and more important for the RTO industry, rental-purchase is now more integrated—more mainstream—in the investment community. By virtue of Rent-Way successfully joining the NASDAQ, the entire industry should enjoy an enhanced stature.

"I think what we did, more than anything else, was develop a network of people that can propel our growth into a national presence," Morgenstern says.

For *Progressive Rentals* readers, Morgenstern shares his experiences from the arduous process of going public, some

CONTINUED ON PAGE 12



Continued from page 10

of Rent-Way's short- and long-term goals—and his thoughts on the industry's future.

...

PROGRESSIVE RENTALS: It must have been quite an education.

MORGENSTERN: It certainly was a tremendous educational process—a learning experience that took on a life of its own.

PROGRESSIVE RENTALS: How long did it take?

MORGENSTERN: The whole process was close to 18 months long. We worked to put together a team of bankers, lawyers and investors. Financial statements were compiled, the prospectus drawn up and all the legal issues addressed. The last step was a prospectus that informed the general public about the company and industry, the potential rewards and risks.

PROGRESSIVE RENTALS: What was the process like?

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MORGENSTERN: The whole process of going public—I can give it to you in a short series of events. Number one, having a concept of what you want to do once you sell a portion of your company and raise the money. One must be able to convince people that you can do what you say you're going to do and that, in fact, it is an attractive investment for them to make. So that's step one—finding investors who are interested in your story and who have confidence in the fact that you can do it.

PROGRESSIVE RENTALS: And step two?

MORGENSTERN: Number two is going through the entire legal process of disclosure. This included complying with local, state and federal regulations.

PROGRESSIVE RENTALS: What is your business plan?

MORGENSTERN: There is tremendous opportunity for well-managed and capitalized companies, such as us, to grow both through new market share and by acquisition. In anticipation of the future, we have built a corporate infrastructure that offers resources to our stores that is unavailable to individual store owners. With a solid management team now in place, and an advanced computerized information system, our strategy to add new stores without a substantial increase in overhead is now complete. We are implementing our vision to make Rent-Way the recognized leader in every market in which we do business.

PROGRESSIVE RENTALS: How did the actual experience differ from what you had anticipated going in?

MORGENSTERN: The process took more management time than I anticipated. The ebb and flow of events was often determined by outside forces like the SEC, the lawyers and investment bankers. We assisted in the due diligence process so the com-

fort level was reached by all parties involved.

PROGRESSIVE RENTALS: At the same time you were trying to take your company public, some members of the U.S. Congress were publicly criticizing the industry. Did this affect your negotiations?

MORGENSTERN: We operate in a regulated environment, and that needed to be disclosed just as every other detail of our business. We respect our customers and their right to choose solutions that make sense for them. In our view the customer is in control; therefore, the rental store must provide quality products that are priced appropriately.

There are millions of people who take advantage of the services that we offer. Rent-Way is going to be there to serve its customers, making them feel welcome, wanted and important. These words form the bedrock of our philosophy for serving our customers.

PROGRESSIVE RENTALS: Were you able to raise the capital you felt like you needed?

MORGENSTERN: Yes. We had a firm commitment offering. We didn't try to raise a lot of money—we only raised \$5 million. But for us, it was a nice shot in the arm for what we wanted to do.

PROGRESSIVE RENTALS: Is it true that the costs of taking a company public are about the same, whether it's \$5 million or \$500 million you're trying to raise?

MORGENSTERN: Yes, and it's never a sure thing. It was never a sure thing until the last moment. In fact, the night before the deal ... there were last-minute issues being hammered out with the lawyers. I sat in my office on the phone until a quarter-til-five. I went home thinking that the deal wasn't going to fly. I went home, took a shower and came back to the office. Within several hours, by 10:30 (a.m.),

they had put the deal back together again.

PROGRESSIVE RENTALS: Just about everyone is familiar with the Tom Devlin and Rent-A-Center example (see December 1990-January 1991 *Progressive Rentals*). Besides Rent-A-Center, Aarons and Comcoa are two more rental companies that have public histories. Did you follow any of their examples? How much did you rely on their precedents?

MORGENSTERN: None. On Wall Street, the investment community always looks at other businesses within the same industries to try to compare. They certainly did look to those two and tried to compare operating revenues, operating incomes—that type of thing, to look forward to what our company might be able to do.

But to say that we used any mold that they had previously laid out, no. Our company is unique in its structure, its form and its ownership. Its financial situation ... everything is totally different.

PROGRESSIVE RENTALS: Okay, so you've gotten past the educational process with investors, for the most part. What happens now?

MORGENSTERN: The next stage. Getting out there and making it work—that's the fun part. We are using the money we raised to implement our strategic plan and to continue the growth of the industry.

All I can say at this point is that we will execute our use of proceeds as was spelled out in the prospectus, with a primary concentration on opening up five stores or so in 1994—as well as preparing ourselves for potential acquisitions.

PROGRESSIVE RENTALS: Sounds good. Anything else you'd like to add?

MORGENSTERN: Volumes, but that doesn't necessarily fit within the mold (laughs). Summing up, I can say that I have tremendous confidence in this industry as a whole.

There's still a lot of opportunity out there. Combining the right management talent and the equity resources, there's a lot of room for other key players in this industry. We plan on capitalizing on that.

PR

John Gormley is APRO's director of communications.

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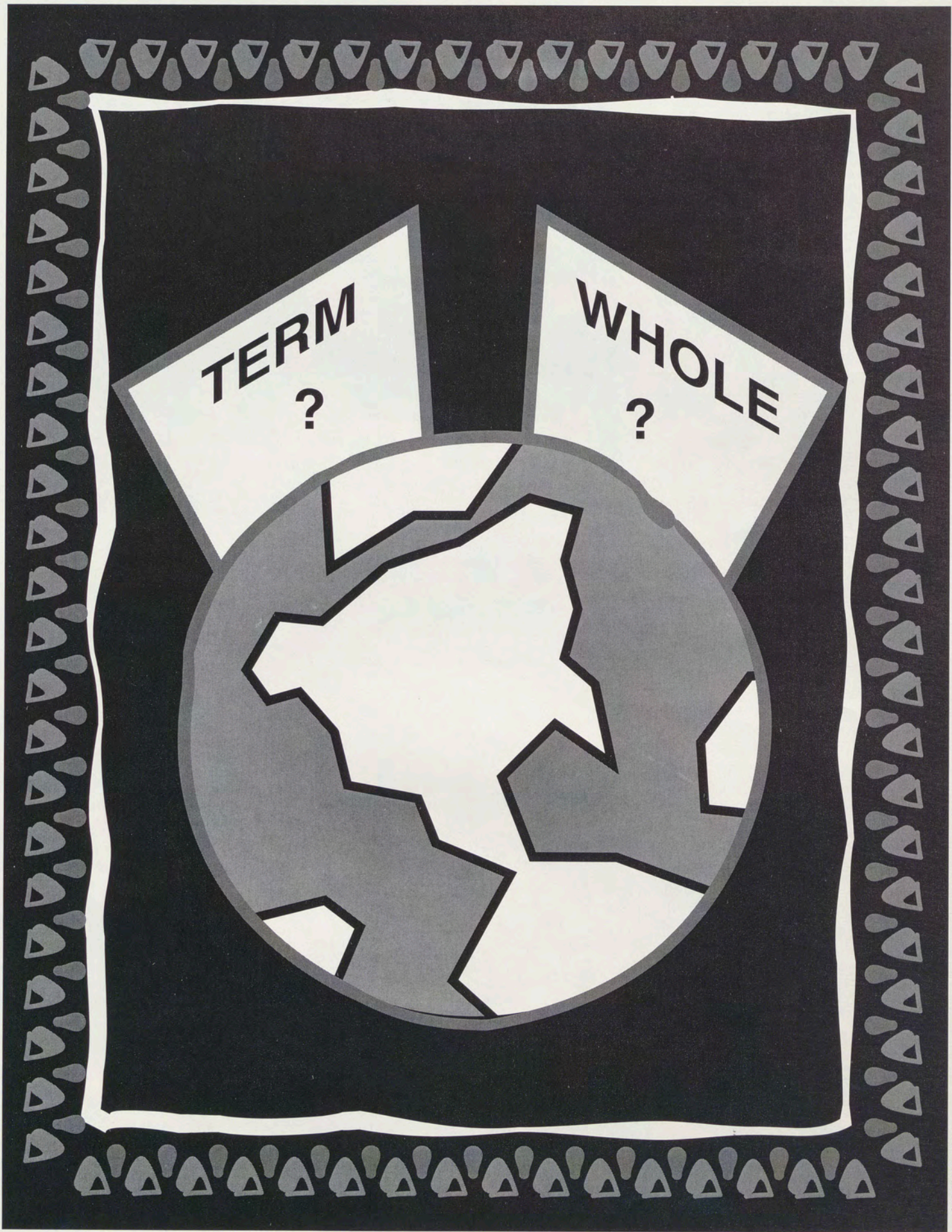
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Joel B. Matthews

Understanding the myriad of complex options when it comes to life insurance

Insuring your future

.....

BY

J. R.

GANDY

INSURANCE, INSURANCE, INSURANCE. IF YOU WATCH TELEVISION OR READ THE NEWSPAPER, YOU HAVE HEARD THE PRESIDENT AND OTHERS PORTRAY THE INSURANCE INDUSTRY AS THE EVIL EMPIRE THAT IS MORE CONCERNED WITH PROFITS THAN WITH THE WELL-BEING OF SOCIETY.

Yet, we have lenders who require proof of life insurance before closing on a loan and we have states that mandate proof of liability coverage on the automobiles we own.

With demand for insurance coverage at an all-time high, there's a real need to know the tangible benefits.

Webster's Dictionary defines insurance as "coverage by contract whereby one party undertakes to indemnify or guarantee another against loss by a specified contingency or peril."

We know we may need it, but we always seem to defer our insurance decisions until the last minute or following near-tragedy. Is it because we feel that the money paid in insurance premiums is a waste? If we had certainties instead of uncertainties and we knew an approximate date when we would expire or the crisis would certainly develop, then we could accomplish

all our planning through investment alternatives. In that case, we would not have a need to reinsure the risk.

The unknown—and the timing of the unknown—is the problem with measuring the risk of not having insurance.

Obviously, the life insurance industry is not immune to the consumer's plight. We all realize that we will die. We just prefer to think of our pending death as an event which will happen several more years from now. However, we also have statistics that show that a certain number of individuals will die before their natural life expectancy because of accidents, illness, the absence of a healthy lifestyle, etc. This is the scary thought: that chance of an early death coming well before old age.

So what do we do? We talk to an insurance agent, or financial planners and advis-

CONTINUED ON NEXT PAGE

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ers. This is the point where the old saying "ignorance is bliss" really starts to hit home. The terms that you discuss in the process, the life insurance illustrations and the fine print can all be very confusing. In addition, if you are financially successful, you may look into estate planning in conjunction with the purchase of the life insurance, to make sure you are not adding to your existing estate tax problems.

For business and personal needs, there are really two fundamental types of life insurance:

- Term-type products that do not have a cash value; and
- Permanent-type products that do have a cash value feature.

Term products with little or no cash values:

- Annual renewable term.
- Level term (5-, 10-, 15-year products).
- Decreasing term.
- Joint/survivor term.

Permanent products that have a cash value:

- Universal life.
- Traditional whole life.
- Interest sensitive whole life.
- Variable universal life.
- Joint/survivor whole life and universal life.

It is easy to see how most people—everyone outside of the insurance industry—can get confused by the different types of insurance available. Let's assign some simple definitions for basic types of insurance plans:

Term insurance is the current pricing of mortality and expenses (including commissions) for the insured at a given age based on the applicable CSO (commissioners standard ordinary) table. As the insured ages, the mortality cost will increase.

Permanent insurance is similar to the above term definition in addition to having a cash value that increases so as to offset the increasing mortality expense. It also lowers the net amount at risk. Permanent insurance also has differing degrees of product guarantees that should be studied.

Example: A \$1 million term policy has a net amount at risk of \$1 mil-

lion. Therefore, the mortality cost is based on this constant amount every year.

A \$1 million permanent policy with a \$200,000 cash value has a net amount at risk of \$800,000. As the cash value increases from premiums paid and excess interest earnings, the net amount at risk will gradually lower to the point that it does not exist and the contract is referred to as "endowed," meaning that the cash values approximate the stated death benefit.

This typically happens at the stated contract maturity. The effect of this is to control and even lower the mortality cost of the insurance contract and also minimize contract expenses.

When looking at the face value of both types of policies, it appears as if the permanent policy would always make the most sense. However, this policy is also more expensive to acquire from a cash-flow perspective.

So how do you decide?

It is often said that if the need is seven years or less, then term products should be used; if the need for insurance is seven to 10 years or more, then a permanent product should be considered.

What do you do if you cannot afford to buy that permanent product now? One solution is to purchase a term product that you plan to convert within a known amount of time. Another solution is to purchase as much of the permanent product as you can currently afford and buy the balance of your coverage with term insurance that you can convert at a later date.

When policies are compared this way, it all sounds great in theory. But how well does it apply in practice, especially when the decision is not as clearly defined, the insured is older and there is a large disparity between a term premium and a permanent premium? This type of decision may require a little more involvement in the process.

Let's use a discounted cash-flow method to compare the economics of term versus permanent insurance. To illustrate the point, we'll assume the insured is a 55-year old male, a smoker. The death benefit is set at \$500,000 with a 6-percent interest factor.

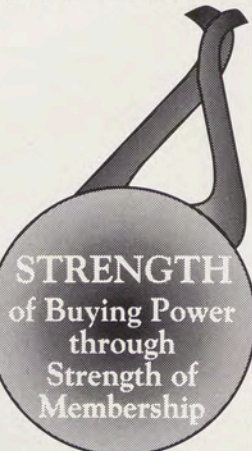
In this example, a 15-year level universal life premium is the less expen-

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sive option, because of the internal buildup of cash values. It therefore becomes a current asset on the financial statement. While this exercise is not the only consideration in purchasing life insurance, it can assist in "peace of mind" regarding the insurance decision.

Assuming that interest rates, policy expenses and mortality expense have performed as originally projected, the universal life policy should now be considered a paid-up policy. The level term premium guarantee has probably now expired and the insured is faced with either:

- Continuing the term policy at annually increasing premiums;
- Converting (if the option is available) to a permanent product; or
- Searching for a new term product, if his health will allow him to pass a new insurance examination, now at age 70.

When you know the economics, you can begin to explore a few of the more common situations.

Personal risks

Mortgage/lender requirements.

These are used to pay off the balance of the note in the event of death. Term protection is usually sufficient for this task.

Family-income protection. This type of coverage replaces the income of the family "bread winner." This is very important to a young family or to one which has not had the chance to build a significant net worth. This could be term or permanent coverage, depending on personal circumstances.

Estate tax. The Internal Revenue Service demands a final estate tax at your death, and the graduated tax tops out at 55 percent of your net worth. With planning, the effect of this tax can be mitigated so that your heirs may not have to share all the fruits of your lifetime of labor with the government.

Life insurance can provide substantial discounts (50 percent to 80 percent, depending on age and satisfactory evidence of insurability) to the final estate tax by prefunding it. This is almost always a permanent need, but term insurance could provide a temporary fix.

Retirement/investment. While most

CONTINUED ON NEXT PAGE

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Robin Scott

APRO 1994 IN ORLANDO
AUGUST 3-7

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Comparing life insurance plan types

Example is based on coverage for a male, age 55, smoker; \$500,000 of death benefit; 6-percent interest factor; 15 years of comparative costs.

15-year level		Level universal life
Year/Term premium	Vs.	Premium @ 6.5% lt. credit
\$6,425 over 15 years		\$14,171 over 15 years
5	<\$ 28,688.30>	<\$ 23,831.74>
10	<\$ 50,125.87>	<\$ 41,373.23>
15	<\$ 66,145.27>	<\$ 51,943.41>

Continued from previous page

people do not associate investments and retirement with life insurance, occasionally universal and variable—these have participant-directed investment accounts and some companies offer nationally recognized mutual fund managers—life insurance can be an effective supplemental retirement.

Some may have the tax-deferred buildup of cash values and the possibility of extricating an income from these policies as retirement income, tax-free. An added bonus is that personally owned life insurance is creditor-protected in some states. Call your state insurance department for details.

This type of planning calls for cash value growth on a tax-deferred basis, an aspect of permanent coverage in a traditional whole life, universal life or a variable universal life product.

Business insurance

Buy and sell or corporate stock redemption agreements. Typically, there is a clause stating that the surviving shareholder or corporation would buy the decedent's interest at the time of death.

This type of insurance is usually purchased in an amount sufficient to retire the business interest at a value defined by the agreement. This can be satisfied by either term or permanent insurance, depending on the amount of time the insurance is needed.

Keyman coverage. This may be appropriate if the loss of the key man would result in a business hardship. This provides coverage until a suitable replacement with similar skills is identified and is working at the appropriate production level. The appropriate amount of insurance

would be the amount of the anticipated loss that would occur. This can be either term or permanent insurance, depending on the time the insurance is necessary.

Coverage for loan protection. In business, this is almost always a requirement by banks. Often the owners or principals of the corporation are also on the note personally.

This is probably a term need, unless the liability is of a perpetual nature, such as a business line of credit. In that event, permanent would probably be more cost-effective over the long run (seven to 10 years or more).

Non-qualified retirement plan. Golden handcuffs can be an excellent way of attracting and retaining key people, and can be used to provide retirement plan alternatives.

This is always a permanent insurance need, if the plan is to be fully funded on a current basis. Otherwise, it is a half promise dependent on the future earnings and cash flow of the corporation. Permanent coverage allows the cash or equity accounts of the policy to grow on a tax-deferred basis, with the possibility of benefits being distributed on a tax-free basis.

Remember: When buying a life insurance policy, check to be sure that the insurance company has been rated in the top categories by at least three of the four rating services available—A.M. Best; Standard & Poor's; Duff & Phelps; and Weiss Safety Ratings.

PR

J.R. Gandy has been working with business owners in the rental-purchase industry and with APRO members since 1984. Areas of expertise include insurance analysis and brokerage, estate planning, business succession and retirement planning. He can be reached in Houston at 1-800-959-3611.



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U89B

Vendors share their experiences on seasonal RTO promotions

For this issue, we decided to try something different. We interviewed a couple of respected vendors rather than rental-purchase dealers. We wanted to get their perspectives on products and promotions going into the Christmas holiday renting season.

John Massey, APRO's new assistant editor, edited this section.

John Gormley, editor

•••

Bonnie Nitzsche
Owner/operator
Bonnie "The Flyer Specialist"
West Chester, Ohio

On which seasonal products are being heavily promoted by dealers: "They are emphasizing a lot of electronics, and some of the smaller electronics like nice shelf stereos with the speakers that are attached. They are doing some of these new (pro studio) speakers that MTX and (Welton) Techwood have out. These are speakers that are added on to boost the power of your present stereo system.

"They are doing smaller things too, like boom boxes and pagers; things that make good stocking stuffers. Some of them are doing scanners, like those hand-held police scanners. I have a couple of dealers who are doing audio systems for cars and those alarms that you put in your car or in your home.

Another product dealers are emphasizing is jewelry. If they have jewelry, they are really playing it up."

•••

John Blair
Executive director
TRIB Group
Atlanta

On which items will be popular this holiday season: "I think wide-screen (TVs) are going to be popular, so we have to look at that. I even think things like vacuum cleaners are going to be good. I think the main topic would probably be furniture, though, because of the holidays with guests coming over. Living room furniture should be a hot item this fall, along

with some of your accessory items, like nice pictures.

"Of course, when you get around to the holidays, you're going to have to be geared up for the camcorder business. Jewelry is going to be a hot item for Christmas, too. Jewelry is very successful. Personal computers should also be a hot item for Christmas this year."

More on hot products for the holidays: "If I had to pick the best items, I'd have to put furniture and jewelry together as the hottest items this year. With camcorders, those will be short-term leases, just for the holidays; they will be a hot item. Also, look for some of your entertainment centers to really be hot this year. That deal from Fisher, their Studio 24, is really a great item. Fisher is now a big business for us, and we're really going to do well with them this year."

On TRIB's status as buying group for the RTO industry: "Right now we're with just over 700 stores. This has been TRIB's biggest year. We've been getting bigger operations to come on board with us. Our volume is going to be up at least 20 to 30 percent this year when compared to last year.

"This is the greatest year for TRIB, and we've never really pushed the growth of this thing. Our membership is there, and what we offer is the value people are looking for. Prospective members are calling us right now, as opposed to us making phone calls. The only time we've really promoted membership has when we've gone to conventions."

On TRIB's overall philosophy: "We try to keep it clean. That's the main thing. We've got a good board behind us and we've really got some good, quality members with us.

"I think ethics is the key to the whole thing. We are a buying organization and we do some things for our members that some of the others don't do. We have a great line of communication between our members, and we don't want any member to hesitate to pick up a phone."

PR

Quality RTO Reading

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

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

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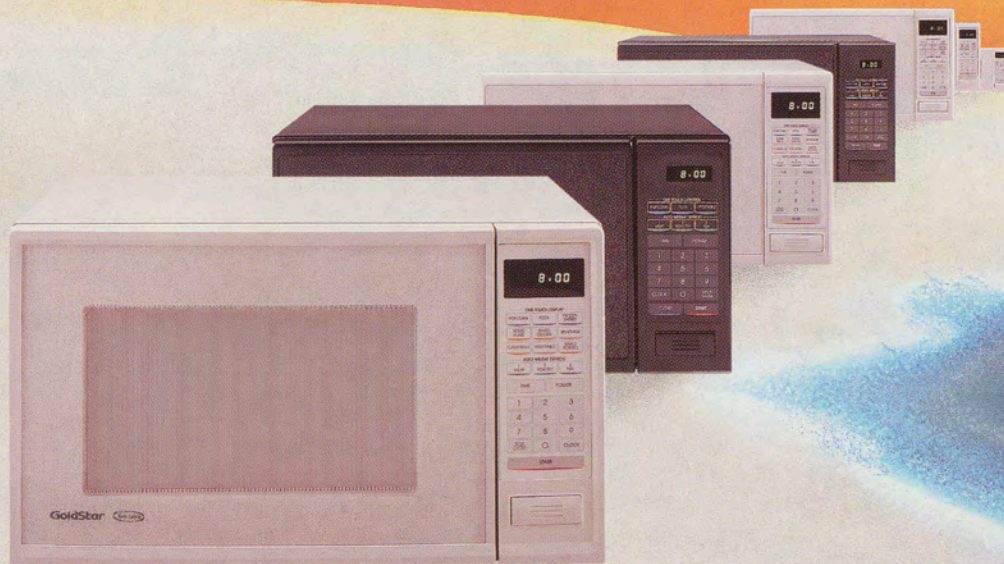
NOTE: Please pay by check or (circle) Visa/MasterCard or AmEx.



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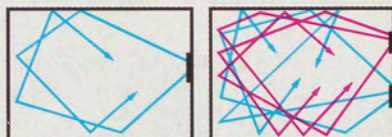
Catch The Wave of the Future

The Next Generation of Microwaves Has Arrived

Finally, there's a new reason for everyone to buy a new microwave. Introducing *Multi-Wave™*, the improved microwave cooking system from Goldstar.

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Conventional Microwave Goldstar *Multi-Wave™*



Illustration dramatizes how Multi-Wave™ heats a glass of milk evenly without hot or cold spots.

conventional microwave ovens. Whether it's cooking or defrosting, everything that goes in a *Multi-Wave™* oven comes out perfect.

So be prepared for the wave of people coming in to buy a *Multi-Wave™* oven. Call your Goldstar representative today.



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LOOK TOWARD THE HORIZON AND SEE WHAT'S APPROACHING FAST. YES, JUST SIX YEARS IN THE DISTANCE, YOU CAN SEE 21ST CENTURY—THE AGE OF SPACE ODYSSEY, ROBOCOP, THE JETSONS ...

SOME WILL GREET THE NEW CENTURY WITH OPEN ARMS AND WIDE EYES, WHILE SOME DREAD THE THOUGHT OF ENTERING A NEW AGE. NO MATTER YOUR MOOD, THOUGH, NOTHING WILL SLOW FATHER TIME'S STEADY MARCH.

Over the past few years, the rental-purchase industry has felt times change for the better and worse. Current legislative attacks on this business is an example of the worse, but the strength and vitality of this industry is an excellent sign of the better.

Of the many great trends in this growing industry over the past decade, maybe greatest has been the enthusiasm with which progressive owners and operators have embraced the exciting technologies that have become available. Recent breakthroughs in automation have allowed these RTO entrepreneurs to streamline their businesses, maintain control and offer consumers better value and superior service.

In the past it was the business owner who worked the longest hours who enjoyed the most success. Today, however, the most successful people in business are those who work the smartest. While it is still necessary to spend a sleepless night or two to keep ahead of the competition, innovative computer information systems have proven to be some of the greatest tools in the ongoing battle against waste. And wasted opportunities.

The key to success with any business is understanding what is going on at all times. Information systems today allow businesses to keep track of all inventory, follow daily receipts and expenditures, collect on delinquent accounts, interpret data for marketing aims—and much more. Where once an entrepreneur had to shuffle through thousands of cards and papers, he or she now has the information available at their fingertips within seconds.

Unfortunately for smaller businesses, the costs of keeping up with the technological advances over the past decade were impossible to compete with, financially. Over the last few years, however, the highly competitive computer industry has forced prices down into most everyone's price range.

"Dealers who have waited to computerize until prices get right or things get better—we're already there," says Les Feldser, president of Rental & Sales Software Systems in Corpus Christi, Texas. "You take \$1,000 to \$1,500 and can really buy a fast computer at any local computer store. If you go back seven or eight years ago, the price to computerize a store

CONTINUED ON PAGE 40

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BY
JOHN
MASSEY



Joel B. Matthews

Brand Power

25" Stereo TV

27" Stereo Console TV

27" Stereo TV



Portable Stereo/
Cassette Player



20" Stereo TV



25" Stereo Console TV



Hi-Fi VCR

Nipper

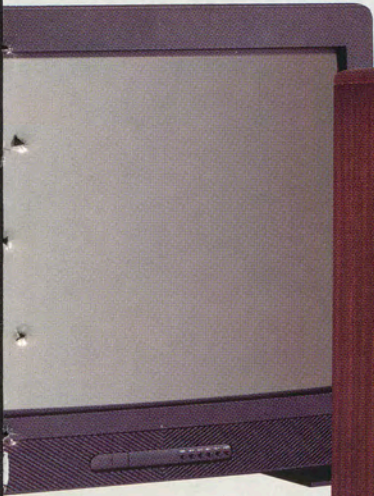
Chipper

RCA

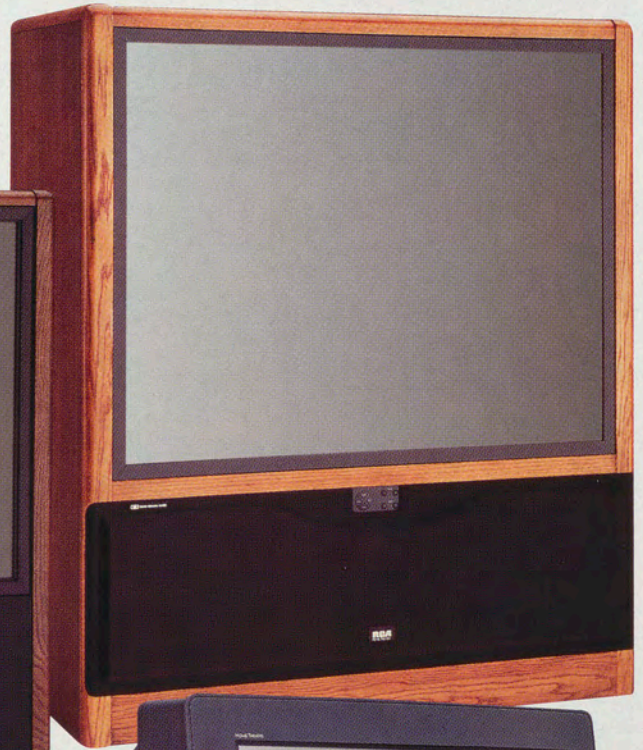


Changing Entertainment. Again.™

31" Stereo TV



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31" Stereo Console TV



Full-Size VHS Camcorder



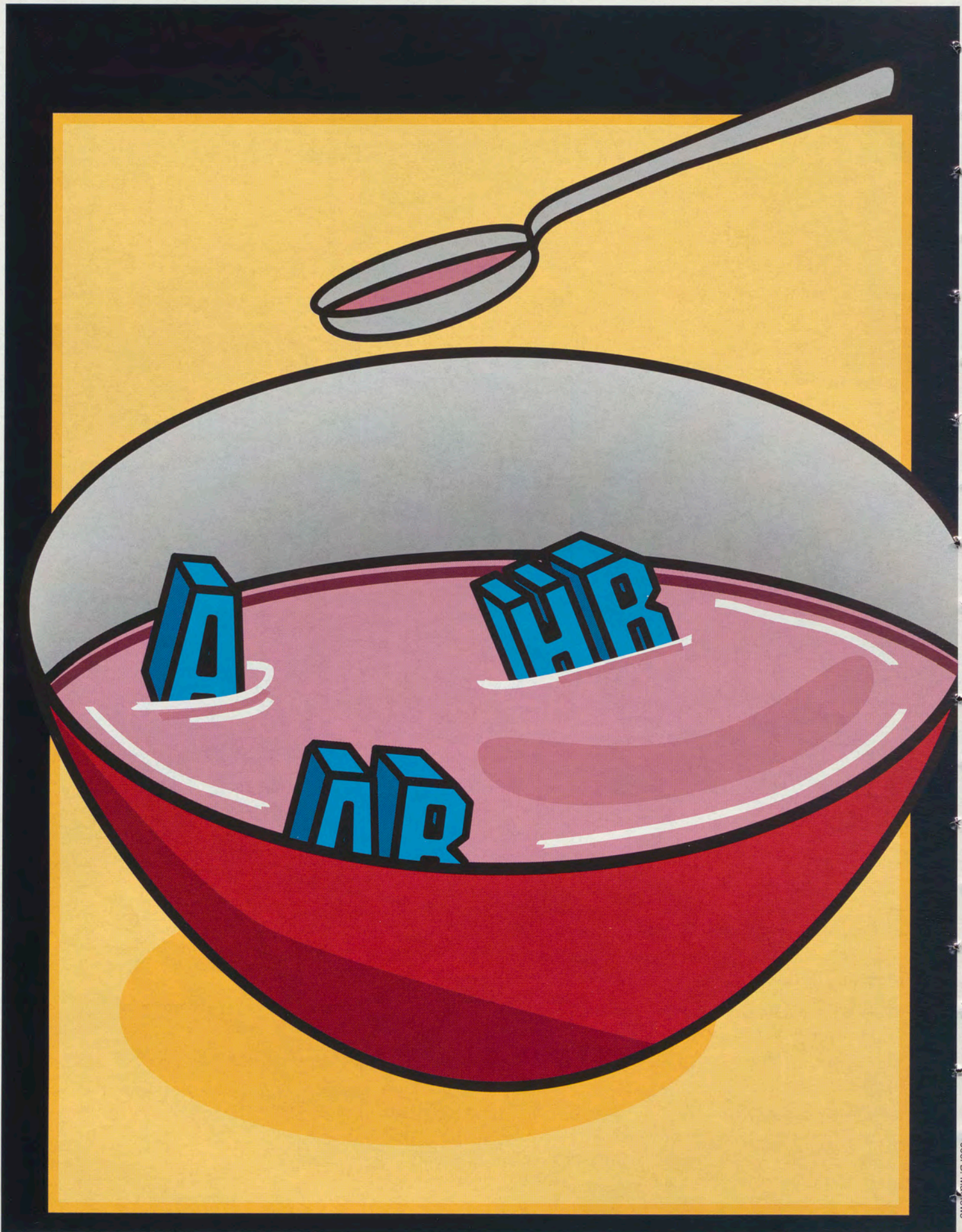
35" Stereo TV

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- **RCA Brand Power**—More consumers come back to RCA than any other brand.
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TV screens are measured diagonally.



Joel B. Matthews

*Analyzing the different bills
on rental-purchase in Congress*

Making sense out of alphabet soup

THE RENTAL-PURCHASE INDUSTRY RESPONDED WITH ALARM WHEN IT LEARNED THAT REP. HENRY B. GONZALEZ HAD CALLED FOR PUBLIC HEARINGS ON THE INDUSTRY BEFORE THE FULL U.S. HOUSE BANKING COMMITTEE LAST MARCH.

THE ALARM WAS WELL-FOUNDED SINCE THE HEARING GAVE INDUSTRY OPPOSITIONS A PUBLIC FORUM IN WHICH TO HYPERVENTILATE ABOUT THE PURPORTED EVILS OF THE RENTAL-PURCHASE BUSINESS.

The forum also provided the industry with little opportunity to respond. The details of the hearing have been chronicled previously in this magazine (April-May, page 21).

Since the hearings, a lot has happened to the rental-purchase issue. The sudden surfeit of attention has been a mixed blessing. In a year during which the industry had decided to abandon its efforts in Washington, three pieces of legislation have been introduced so far. And while the industry has not learned of any additional bills concerning the industry in the works, Congress has not yet adjourned for the year.

The first bill, H.R. 2803, to come out of the Gonzalez hearings was introduced by Rep. Larry LaRocco, D-Idaho, in July. The LaRocco bill tracks rental-purchase legislative developments at the state level, with several added consumer protection measures concerning cash price disclosures and collection practices. The LaRocco approach recognizes a rental-purchase transaction as establishing a unique relationship between merchant and consumer, a relationship distinct from that created by a traditional credit sale.

The bill then establishes contract and advertising disclosures pertinent to the transaction, as well as other substantive

limits on merchant conduct to protect consumers. The LaRocco bill adopts the philosophy underlying both the federal Truth-In-Lending and the Consumer Leasing Acts, which is that the most effective protection which the federal government can provide to consumers is full and adequate disclosure of all of the important financial aspects of the transaction. For rental-purchase transactions, this information includes the information already required by 36 states and recommended by the Council of State Governments.

The LaRocco bill calls for 11 disclosures, including the total rental-purchase price, the total initial payment, the amount and timing of rental payments, and the cash price of the property. The bill would assist consumers in the 14 states where rental-purchase transactions are currently unregulated and, additionally, would give more disclosure information to consumers in another half dozen states which require fewer disclosures than those in the LaRocco bill.

Importantly, this bill would not preempt those state laws which already call for more disclosure than is contained in the LaRocco bill, of which there are several. The LaRocco bill would require price

CONTINUED ON NEXT PAGE

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BY

ED WINN III

Continued from previous page

tag disclosures on all items in a rental store, a requirement that currently exists in only nine states.

The bill provides reinstatement rights, which range from seven to 90 days, depending upon how long a customer has rented the product. This provision would expand the reinstatement rights of consumers in 26 states with rental-purchase legislation and would extend reinstatement protection to consumers who have none in the 14 unregulated states.

Once again, the LaRocco bill would

not preempt the eight states which provide longer reinstatement periods.

Rep. LaRocco had originally developed an interest in the rental-purchase issue in 1992 because, at the time, there was no regulation of the industry in Idaho. During the spring of 1992, LaRocco introduced a federal bill with many provisions similar to those contained in H.R. 2803. The House Subcommittee on Consumer Affairs of the Banking Committee, chaired by Rep. Torres, D-Calif., held hearings on the LaRocco bill in June of 1992. That bill died in the subcommittee.

The 1993 LaRocco bill breaks new ground by adding a section on collection practices. Similar legislation spe-

cific to rental-purchase only exists in Minnesota and West Virginia, although the general state debt collection statutes that apply in 20 states to people and companies collecting their own debts would apply to rental-purchase companies. The LaRocco bill, however, would extend protection to rental-purchase consumers in 28 states which have no specific limits on debt collection practices.

As a practical matter, the debt collection limitations in the LaRocco bill are fair and reasonable and will not be a hardship on responsible rental dealers. The general intent of the section is to prohibit harassment or abuse of consumers when trying to recover rental property. Rental companies would be allowed to use reasonable means to locate a customer in default and then demand return of the property. If the consumer's response is unsatisfactory, the merchant must make a decision to involve the legal system or abandon further collection efforts. Intimidation tactics and constant harassment are not permitted.

This is an important provision in the LaRocco bill, which speaks to industry collection abuses that have been chronicled in the press recently. The bill's language is balanced and precise to ensure adequate consumer protection from abuse, while still allowing rental companies a fair chance to recover merchandise.

The LaRocco bill also provides for certain disclosures in rental-purchase advertising if the ad contains triggering terms, primarily rental rates. The intent of this section is to prevent misleading ads in which dealers advertise very low rates as a come-on and then raise them quickly after the first week without disclosing the true costs of the transaction. This section is consistent with the advertising disclosure sections in 35 of the 36 state rental-purchase statutes. Passage of this bill would extend this protection to the 15 states with no rental-purchase advertising regulation.

Another section in the LaRocco bill speaks to a concern voiced by consumer advocates lately—the industry's alleged manipulation of "cash price" under the various state statutes which require this disclosure. It is true that some rental companies may

Lobbying rules of the road

Here are eight fundamental rules to help avoid the most common pitfalls of lobbying:

1. Never tell a legislator you're smarter than he or she is. It's quite likely that a legislator is not as informed on the issue as you. Your job is to educate the legislator in a forthright manner. Don't orate, lecture or preach.

2. Develop your program in advance. If you can anticipate a problem and start talking about it right away, you can define and limit the legislative debate. That's what your marketing plan is all about.

3. Don't get divided—there is strength in unity. This is one of many reasons it's important to keep your members informed about the issue and what you are doing about it. This also is the reason to be careful about whom you invite to participate in your coalition.

4. Lobby at home. Going to the state capital can be important, but the most effective lobbying is done in the legislator's district. Visit legislators in their law offices, pharmacies or farms. At least they won't be distracted by a committee meeting or an emergency appointment with the governor.

5. Get other people and groups involved. Today is the era of coalitions. Find out who else

your issue might affect and get them involved.

6. Trust your lobbyist. Your lobbyist must have the flexibility to negotiate during the push and tug of the legislative process. Make sure he or she knows in advance which parts of your proposal you can concede and which you can't. Don't tie the lobbyist's hands too tight, though.

7. Keep informed. The legislative process frequently moves very quickly, particularly at the state and local levels. It's sometimes nearly impossible to keep up with amendments, refinements, compromises and so on. Make sure you check with your lobbyist before you write a legislative update or visit a legislator.

8. Stroke your legislators. Remember, above all, legislators almost always want to be re-elected. It's important to them to be recognized for their efforts. Give awards, hold thank-you receptions, mention them in articles, have them write for you and invite them to speak to your association. Check the lobbying and disclosure laws that apply before you present a gift or reimburse a legislator for services such as a speech.

Source: ASSOCIATION MANAGEMENT magazine, ©1993.

not be disclosing a cash price that accurately reflects local market realities. They do so less to mislead the public than out of convenience and a desire to manage cash flows, since the prices disclosed are usually too high. Those high prices, if anything, discourage customers from doing business with the company. And no one has argued that the rental companies were actually selling products at these high cash prices.

Traditionally, the federal government has not stepped into the market to regulate cash prices, except in the case of wartime emergency. The LaRocco approach to the issue is to require that rental companies disclose the manufacturer's suggested retail price, where applicable. To be sure, not all rental products come with manufacturers' suggested retail prices, and the term loses its meaning with used property. However, the disclosure would apply to those rental companies charging cash prices, primarily on low-end, heavily discounted electronics products, such as small color portable TVs and some microwaves, which are significantly higher than cash prices offered by retailers for the same items.

It should be noted that the LaRocco bill does not attempt to fix prices in any manner. The manufacturer's suggested retail price provision is merely a disclosure and not a price at which rental merchants must sell.

The industry was initially cool toward the LaRocco bill, since many rental-purchase dealers felt the need for federal legislation had passed. The industry has warmed considerably to the LaRocco approach in light of events since July. In September, Rep. Henry B. Gonzalez, D-Texas, introduced his bill to regulate the rental-purchase industry, H.R. 3136. A month later Sen. Howard Metzenbaum, D-Ohio, introduced a companion bill, S.R. 1566, into the U.S. Senate. The Metzenbaum bill is identical in every material aspect to the Gonzalez bill.

The Gonzalez/Metzenbaum approach to regulating the industry is vastly different from the LaRocco approach, and it has been vigorously opposed by the industry. The philosophy behind what can be characterized as the "anti-industry"

approach is that most rental-purchase customers want to own the merchandise they choose to rent.

The proposed bills also assume that, from a customer's point of view, there is no difference between a rental-purchase agreement and a traditional credit sale. The presumption here is that unless something bad happens requiring the customer to return the merchandise, the right to terminate without penalty will never be invoked and therefore has little, if any, value.

The problem with this approach is that it does considerable violence to the logic underlying the law of credit, which for hundreds of years has involved the mutual exchange of promises between creditor and debtor. In short: The creditor promises to extend credit by loaning money or selling something, allowing payments over time in exchange for the debtor's irrevocable promise to pay back the debt in full with interest. The Gonzalez/Metzenbaum approach ignores the lack of debt in a rental-purchase transaction. It seems they wish to change the definition of what

"credit" means in America.

The current definition of credit, which is recited in the federal Truth-In-Lending Act and is consistent with 200 years of common law in this country: "Credit means the right granted by a creditor to a debtor to defer payment of a debt or to incur debt and defer its payment."

The Gonzalez/Metzenbaum bills define credit like this: Credit "includes the right granted by a seller to a consumer to obtain possession of an item of consumer goods under a rent-to-own contract before payment of the total amount that is required to be paid to acquire ownership of the item, and is deemed to be a fixed sum equal to (I) the total of payments for the item required to obtain ownership of the item under the contract; minus (ii) the sum of (I) the cash price, (II) any fees specifically allowable under state law, except finance charges, interest or a time price differential, and (III) the termination fee under section 1004."

What this language proposes to do is create a legal right with no corre-

CONTINUED ON NEXT PAGE

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:

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Continued from previous page

sponding duty. The Congress, of course, has the power to create such rights, but it is not always the case that the marketplace acknowledge such Congressional creations, unless, of course, the Congress also funds the rights to keep the balance. Over the past 40 years, Congress has been doing this with its far-reaching entitlement programs, which give different segments of the population rights with no corresponding duties.

Many Americans wonder if such a legislative strategy is ruining or has already ruined the country.

Common sense dictates, truly, that there can be no free lunch. The federal government has told millions of Americans that there is a free lunch, and the Gonzalez/Metzenbaum bills are trying to broaden the menu. In fact, in economic terms, there cannot be a free lunch, which is why the Gonzalez/Metzenbaum approach will not work to solve whatever problems are perceived to exist within the

rental-purchase industry. The bills, if enacted, may metamorphose the industry, but they will not "fix" the industry's problems. These bills ignore fundamental economic truths, which not even Congress can change.

It is disappointing to see people in positions of power and trust attempt to restructure the marketplace to suit their views of a better (one might suppose), more egalitarian world, without acknowledging or taking into account the economic principles that underlie that marketplace. It is irresponsible law-making. The results are most often chaotic.

If the fundamental premise behind the Gonzalez/Metzenbaum regulatory approach to rental-purchase is flawed, the bills also contain a host of other practical problems for the industry.

The Gonzalez/Metzenbaum bills begin by defining cash price as "the bona fide retail price for the item as offered for sale by a seller ..." But this part of the definition only applies if the seller/rental-purchase merchant actually makes cash sales to customers

at that price. Assuming that most rental-purchase dealers do not engage in cash sales, this definition would give way to a second definition of cash price: "The average cash retail price of the item ... in the community."

The second definition is unfair in two ways. First, it is blatant price fixing. There is, in every community, an average price for a given item, derived by adding up the range of prices at which the item is offered and then dividing the sum by the number of prices. To legislate such a price, however, is price fixing. In the words of Ross Perot: "Pure and simple, end of story."

For example, during legislative debates in Raleigh, N.C., a few years ago, the industry had occasion to shop for a Magnavox 25-inch color console television of a certain style and model number. Retail prices at the time ranged from \$399 to \$799 for exactly the same television in Raleigh. Under the Gonzalez bill, a Raleigh rental-purchase dealer, by law, would have to price the same television in his store at \$599 because that is the average

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between the high and low prices. Never mind that the dealer on this item might want to compete with the discount electronics retailers and offer the TV at \$399. Perhaps he's on the high side with this item because it is popular with his customers and supplies from the manufacturer are limited. No matter ... federal law has set the price.

The federal government cannot possibly be sensitive to the vagaries in the marketplace that affect the pricing of goods. Whatever good the federal government can do for the people, it cannot fix the prices of goods at some arbitrary level without catastrophic results. The history of the Soviet Union has proven that to most people.

The second problem is that the definition leaves rental-purchase dealers to wonder exactly where their prices have been set. There is no mechanism established to determine average price or even what "community" means. Rental-purchase dealers, presumably, will have the burden of proving their prices were indeed the average when challenged by customers. Rental-purchase dealers will have to accumulate market data on a regular basis to calculate what the average price is before establishing their cash prices. For used items, which predominate in most rental companies, rental-purchase dealers will have the burden of shopping used appliance centers, TV repair shops, and even garage sales on the weekend in an effort to derive the average cash prices for the various items they have in inventory.

Whatever price they choose, rental-purchase merchants can rest assured that those prices will get challenged. The legal issue in the Starks case in Minneapolis was whether the balloon purchase option prices in the rental company's contracts were at the right level. The costs for lawyers and expert witnesses for both sides in that case are reported to have exceeded \$2.5 million. Remember, that was one company in one "community."

The Gonzalez/Metzenbaum bills go on to regulate the definition of the cash price of services in similar fashion. Rental-purchase dealers are first of all authorized to charge the bona fide cash price for any service they offer for sale outside of a rental-purchase transac-

tion. Otherwise, dealers are required to charge "the estimated bona fide retail value of the service." Rental-purchase merchants cannot simply bundle together all of the services they regularly offer and put a fair price on the bundle. Rather, they must itemize each service and its price.

Moreover, the price of "no-obligation," the right of the customer to return the property at any time without penalty, is fixed in the bill at 5 percent of the cash price of the item, another instance of federal price fix-

ing in the Gonzalez/Metzenbaum bills. The right to terminate a contract for a \$2,000 big screen television at any time and under any circumstances, then, would be \$100, which the bill allows a merchant to collect either up front or over the term of the agreement.

This "termination fee," however, is expressly made a part of the finance charge, which is the difference between the cash price of the goods and services and the total rental-

CONTINUED ON PAGE 36

Why is this Ballerina Smiling?

Because her Daddy hasn't missed a single recital this year.

Wade knew he could count on Ideal to make his life easier by providing a total computer solution for his Rent-To-Own store without a lot of hassles. Ideal made it easy every step of the way.

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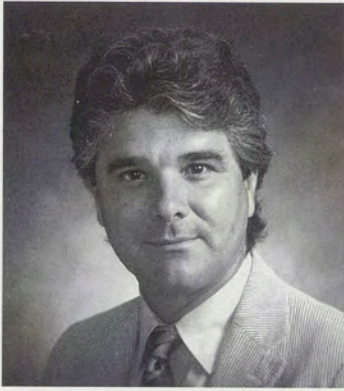
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Popular opinion based on political correctness in the ...

Age of unreason

THE NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE (NAACP), THE MINNEAPOLIS URBAN LEAGUE, AN AFFILIATE OF THE NATIONAL BODY, AND THE URBAN COALITION OF MINNEAPOLIS, A GROUP WHOSE MISSION IS TO "INCREASE THE CAPACITY" OF MINNEAPOLIS MINORITIES, HAVE ALL FILED A BRIEF IN THE *MILLER* LAWSUIT IN MINNEAPOLIS URGING THE MINNESOTA SUPREME COURT TO RUN THE RENTAL COMPANY OUT OF TOWN.

.....

This is a class action lawsuit in Minneapolis which, at last count, had involved the services of 15 different law firms. Class action lawsuits with moral overtones like *Miller* are not unlike red meat dropped into the legal shark tank. It is an ugly sight.

.....

BY

ED WINN III

Legal aid lawyer David Ramp testified during the Gonzalez hearings that he had found "ample evidence" of racism and sexism in the rental-purchase industry, but did not elaborate. The NAACP and its cohorts have now elaborated in their *Miller* brief.

I am a white male, which means, almost by definition, that nothing I say can be politically correct. But as a southerner, I did think that I understood racism and knew it when I saw it. I spent time in the 1970s teaching in an all-black, inner-city, junior high school to expiate my white man's guilt over the racist sins of my forefathers. I learned a lot and, ever since, while I meet a lot of people whom I don't like, that conclusion never depends upon what color they are. Which is still, for me, the essence of racism.

That word, racism, because it is such a charged one, has had its meaning vastly enlarged. Today, anyone who takes a position contrary to yours is a racist. It is an

unfortunate dilution of an important notion to my mind.

I thought racism in a business setting would mean not doing business with black people, or brown people, or yellow people, because of the color of their skin. Not anymore. Now racism, at least according to the NAACP, and they claim the privilege of being able to define this particular term and certain others any way they see fit to accomplish their purposes, means exactly the opposite of what common sense would suggest it means. Now, rental companies are racist precisely because they do business with black people.

The argument is an interesting one, and it presupposes both that the rental-purchase industry "preys" on the poor and that all of the preyed-upon poor are black or some other minority. It is difficult to suppose that there are no poor white people in Minneapolis. It is also difficult to suppose that rental companies really do practice discrimination, renting TVs to poor whites, instead of poor blacks or renting those TVs to black people at higher prices than to white people.

The NAACP postulates some vast credit conspiracy, which acts in concert to keep "traditional credit" out of minority communities and then allows rental companies to come in and fill the void. This argument can only make sense by being willfully ignorant of economics. This ignorance allows the NAACP to assert, "The fact is that credit-worthiness ... (has) little to do with ... income level."

This would mean that everybody ought to be able to borrow the same amount of money on the same terms as everybody else. The fact is—and everybody knows it—credit-worthiness is a function of risk. To suggest that there is no greater risk loaning money to someone who has no job than to someone who makes \$100,000 a year is a stupid argument, and it is not going to sway reasonable minds.

It is interesting to note that officials of the Urban League have threatened the industry that their group was going to open up its own rental-purchase store with low-

er rates and a better deal for "their people." I fervently hope that they will make good on this threat. A few days on the other side of the counter will help them understand what this rental business is really all about.

On a remotely connected topic, that of being in a rental store, the industry keeps trying to get Rep. Henry Gonzalez into one in San Antonio so that he can at least see first-hand the business that he is trying to legislate out of existence. We have been asking since last March, but his staff reports that Rep. Gonzalez has been too busy to visit a store.

To the industry's knowledge, he has never been in a rental store. In his public statement at the hearing last March, he equated the rental business with the small loan business of 30 years ago, which business had dunned him over a \$300 loan he had gotten to buy some furniture. It seems to me that a responsible legislator would want first-hand, eyewitness evidence about a business he or she wanted to regulate. But heaven forbid should Henry B. get confused with the facts about rental-purchase before he regulates it.

For those of you who find the business of politics confounding and seedier even than your business is portrayed to be, the tendency is to turn your head, look the other way, and hope for the best. The process, however, responds to money and also voter noise. The move is afoot to do away with PACs to give the process back to the people. That means you will have to write your own checks to support politicians who will support your business and, finally, your beliefs. That means you must know your politicians and what they stand for.

The industry has a few dealers who have done all of those things, but there are not many. There certainly are not enough dealers who are actively engaged in lobbying against the Gonzalez bill.

You cannot have read this bill without worrying about your prospects for the future. Nor can you rely on Rent-A-Center to bail you out this time around. Those of you who are engaged in the process with your time and your money, congratulations and welcome to the democratic process.

Those of you who are merely watch-

On a remotely connected topic ... the industry keeps trying to get Rep. Henry Gonzalez into one (an RTO store) in San Antonio so he can at least see first-hand the business that he is trying to legislate out of existence. We have been asking since last March ...

ing, or ignoring the process altogether, had better get going. Henry Gonzalez hopes you will ignore him and take his efforts lightly. Then, he will be able to exercise his 33 years of congressional experience and put you into another line of work.

For the next year, and maybe several, every rental dealer in the coun-

try had better follow closely what is going on in Washington and try to influence those events in every way he or she can.

Anything less than the best efforts of the whole industry may not be enough this time. **PR**

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



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MORE THAN A FEW RENTAL STORE EMPLOYEES THESE DAYS ARE WORRYING ABOUT JOB SECURITY. PICK UP A NEWSPAPER AND SOME CONGRESSMAN IS TRYING TO PUT YOUR BOSS OUT OF BUSINESS. TURN ON THE NIGHTLY NEWS AND THERE'S ANCHORMAN BRAD BLOWDRY, POINTING TO A SOFA THAT SOMEBODY PAID \$12,850 INTO. OF COURSE THEY NEVER SAY WHETHER THAT INCLUDES LATE FEES, OR EVEN CLUB DUES. WE ASSUME THE LAMPS WERE EXTRA.

.....

BY

BUD HOLLADAY

.....

But all this turmoil can create a window of opportunity for the aggressive and well-financed rental company (you'll know this describes your company if the bank hasn't sent auditors out to your store twice in the same month and nobody's come to pick up the computers yet).

Think of the number of experienced and knowledgeable rental employees who'll be pounding on your door once the boys down at Wanda's Rent 'N Rant finally give in to hysteria and accept that RentaCentral offer of three times revenue less tomorrow's pickups and all past dues in the last 12 months. It may not be what Wanda wanted, but this could be the bonanza you've been waiting for. Here's how to capitalize on it:

First you'll need to weed out all the incompetents who've managed to hang on with Wanda purely on the basis of some

old paternity tests. Next you have to find a place for these people in your company. Experience counts in this business, but obviously everybody can't be a vice president.

So this column consulted the industry's foremost experts and asked them to develop a simple method of qualifying job applicants. What follows is called the RTO Kwik Qwiz. You can use this test to measure anybody's RTO IQ, thus determining their aptitude for any of the openings you're bound to have by Monday. The Kwik Qwiz can be administered in any setting and requires only a pencil (if they don't let you handle sharp things yet, you'll want to take the Advanced Management version where it's okay to use crayons).

This is strictly a multiple-choice test. All the original essay questions were thrown out after the people from Human Resources who grade these told us their lips got tired from all the reading.

RTO Kwik Qwiz

1. What is depreciation?

- a) one of those lines on the weather map
- b) a way to account for inventory cost
- c) some kind of medical condition

2. What is APU?

- a) where you send mail to soldiers
- b) a small university in Arizona
- c) average rate per unit

3. What is a tweeter?

- a) a member of Conway Twitty's fan club
- b) something that makes a carburetor work
- c) part of a stereo speaker

4. What is ACRS?

- a) some kind of guided missile system
- b) A Canadian radio station
- c) a way of depreciating inventory

5. What are acceptable collection hours?

- a) 80 a week
- b) between lunch and Oprah
- c) from 8 a.m. until 9 p.m.

6. Gross profit is most directly affected by:

- a) rental rates
- b) arrest rates
- c) meteorite showers

7. What is ADA?

- a) a radical political group
- b) Americans with Disabilities Act
- c) both a and b above

8. What is operating profit?

- a) how surgeons get paid
- b) net profit before home office and taxes
- c) I don't know, we've never made any

9. What is equity?

- a) a play about horses
- b) an ownership interest
- c) something in my house, but not like asbestos

This is strictly a multiple-choice test.

10. When should the engine oil be changed in vans?

- a) when smoke comes out of the headlights
- b) every 200 BOR
- c) every 3,000 miles

11. What is keep rate?

- a) total receipts less what I turned in
- b) a way of counting Liz Taylor's husbands
- c) the percent of customers going to term

12. What is a store manager's No. 1 objective?

- a) remaining store manager
- b) making the district manager look good
- c) both a and b above

13. Rental-purchase doesn't include interest because:

- a) our computer doesn't have room for it
- b) we can barely collect on the club dues
- c) there's no indebtedness

14. If volume is \$50,000 what would 12 percent payroll be?

- a) way too low
- b) what my old boss used to pay
- c) \$6,000 (unless my old boss is figuring it)

15. What is full disclosure?

- a) a new Kevin Costner movie
- b) an optional feature on refrigerators
- c) a list of all fees and charges

Anyone in the rental business for more than a week should get at least 13 correct out of the 15 test questions. Anybody scoring less than 10 probably should sign up for Remedial Rental at the local junior college and then try to catch on down at Big Bob's Tent Rental when the party rush starts; that's where many of us learned the ropes (it can get to be a real circus, though).

Of course if you got a perfect 15 you shouldn't even be wasting your time reading this magazine—you can go directly into franchising. **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.

Who has the best computer software?



There are a lot of systems on the market. Best? That depends on what you are looking for.

Dependability should be a factor. Price is always a factor. Support is a factor. But what really makes a system, is whether or not you use it. The last thing you need is another software package collecting dust on the shelf.

Unlike some software, our system can be set up without expensive on-site installation. Requiring you to have an on-site crew come and set up the system, proves the system's difficulty.

Think about it, is your current system a burden to your

operation or an invisible partner in satisfying the customer's needs? Does your computer accommodate you, or do you have to change the way you do business to fit what your software can handle?

The RAM System allows you to configure the system to cater to the way you do business. Our system is developed with the needs of rent-to-own companies, like yours, as the core. We are an interactive software company, and have been since day one.

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purchase price agreed to. The finance charge is then limited in accordance with applicable state law, and those rates will vary widely from state to state, depending upon the level of regulation or deregulation of finance charge rates in credit sales.

The Gonzalez/Metzenbaum definition of a "rent-to-own" contract is broadly drafted to include any rental transaction in which a consumer can acquire ownership of the rental property. The bills effectively overrule the federal Consumer Leasing Act for all transactions not involving automobiles. Since 1976, when the federal Consumer Leasing Act was enacted, lessors of furniture, musical instruments, medical equipment and other products have been covered by the federal statute, presumably to the mutual satisfaction of all parties.

The federal Consumer Leasing Act recognizes and regulates consumer leasing transactions with or without purchase options when the initial lease term is for longer than four months. The act requires lessors to give certain disclosures in advertising and in the contract but, importantly, does not require an interest rate disclosure, even when consumers are locked into a long-term obligation. The Gonzalez bill declares that the federal Consumer Leasing Act shall have no further applicability to consumer leases with any kind of ownership option or opportunity, except in the case of vehicles.

The Gonzalez/Metzenbaum bills also limit "other charges" by prohibiting rental-purchase merchants from charging any fees except those specifically authorized under appropriate state retail installment sales statutes. A few states have not regulated these charges, but most have. There are tight limits on such charges as late fees, insurance, delivery and the like. The bill would likely prohibit damage waiver fees altogether, drastically reducing the amount dealers have been charging for various insurance products. Leased property insurance would likely be prohibited altogether, and credit property insurance, which could be offered, is limited in many states to annual rates of \$.50 to \$.80 per \$100 value

of the insured property.

Another problem for rental dealers in the Gonzalez bill is that it allows rental-purchase merchants to charge collection fees, but only when those fees are deemed reasonable "in relation to the cash price of the good ... " It may not be reasonable to hire a lawyer and file a lawsuit to recover property worth a few hundred dollars.

The bill further prohibits filing criminal charges against a customer unless (1) the merchant has "clear and convincing evidence" of a theft; and (2) the goods "are being held by customer ... " In other words, there are no criminal penalties available against consumers who rent property and then dispose of the property unlawfully through pawn or sale to a third party.

If Congress decides to adopt the Gonzalez/Metzenbaum approach, look for losses from skips and stolens to skyrocket.

The Gonzalez/Metzenbaum bills declare that all of the following federal laws are to apply to rental-purchase transactions:

The Truth-In-Lending Act, the Equal Credit Opportunity Act, the Fair Debt Collection Practices Act, and the Fair Credit Reporting Act.

It is too early to tell what the impact of these four laws will have on rental-purchase business practices other than, generally, to make rental-purchase transactions indistinguishable from credit sales, which is the overall intent of the legislation.

The Gonzalez/Metzenbaum bills have some debt collection provisions, although they are neither as precise nor as comprehensive as those contained in the LaRocco bill. For example, the Gonzalez bill prohibits any merchant conduct "the natural consequence of which is to oppress ... any person ... " A rental customer who quit paying on a unit could feel oppressed when the rental company came to retrieve its merchandise.

This is typical of the vague language which permeates the Gonzalez bill and which will surely be fertile ground for consumer protection litigation efforts as courts are called upon to interpret what this language means. Dealers will not, however, be able to pass along this increased cost of doing business, because the bills have fixed the prices dealers can charge.

Another section in the bill prohibits rental-purchase merchants from using the word "free," unless what is offered is truly free. Rental-purchase merchants would be singled out for this treatment under federal law.

Finally, after providing substantial penalties for violations of the act, the Gonzalez/Metzenbaum bills overrule state laws to the point that they are inconsistent. This language will probably overrule completely some of the state rental-purchase statutes.

In others, rental-purchase merchants face the specter of multiple overlapping disclosures in contracts and in advertising—disclosures under the Gonzalez/Metzenbaum bill (six disclosures); Truth-In-Lending disclosures (the federal box with 5 disclosures); and the state rental-purchase statutes (six to 14 disclosures, depending upon the state).

This is bad news for this industry and it is bad news for consumers as well. The easiest response to the Gonzalez/Metzenbaum approach for rental-purchase merchants is simply to remove the purchase option from the transaction. Some consumer advocates are persuaded that if there were no purchase option offered, there would be no business because consumers would not "just rent" the items they are currently renting with an option to purchase.

The fact is, at least 75 percent of rental-purchase customers are "just renting" now. Many certainly enjoy having the purchase option, while being free of any obligation to buy.

It is naive of consumer advocates to suppose that consuming America will suddenly elect to defer gratification of their desires for their consumer durables, save their money and pay cash down the road, or prowl garage sales and settle for lower-quality goods. The most probable result is that the "do-good" efforts behind the Gonzalez bill will cause the purchase option to disappear.

The very consumers the bill is designed to protect will suffer yet another indignity by losing another personal freedom in the marketplace. Meanwhile, the so-called consumer champions will declare victory and move on to the next cause. **PR**

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

Grassroots: How to help the RTO cause in Congress

HERE'S A HANDY PRIMER ON HOW TO SUCCESSFULLY IMPLEMENT APRO'S GRASSROOTS COMMUNICATIONS PLAN IN YOUR OWN EFFORTS TO INFLUENCE MEMBERS OF THE U.S. CONGRESS.

.....

OBJECTIVE: The ultimate objective is to guarantee the consumer's right of ownership option through a fair and open rental-purchase transaction, while guaranteeing the rental-purchase industry's competitive existence.

To do so, the industry must lay to rest the federal vacuum of rental-purchase legislation once and for all. Because the Gonzalez bill is not conducive to our objective, the industry must work to first kill the Gonzalez bill, and then pass into law the LaRocco bill.

Therefore, the grassroots effort becomes a primary component of the overall strategy. It is crucial for all dealers to communicate with their federal elected officials.

STRATEGY: To garner majority support for the LaRocco approach on both the House and Senate sides. Specifically, the strategy is to gain the majority support for LaRocco approach on the House Banking Committee and Senate Banking Committee.

In doing so, the industry must not portray this as a partisan issue (Democrats vs. Republicans) nor as a consumer vs. businessperson issue. This is a pure consumer issue, and the objective is to maintain the consumers' options and not to limit them as the Gonzalez bill would.

Therefore, it is imperative to convince Democrats to support the LaRocco approach while continuing Republican support.

The following prioritizes and outlines the necessary grassroots steps and actions to help complete the above objective.

This list is designed to help dealers with stores in several different regions to prioritize their grassroots communications. This shows where



Joel B. Matthews

the emphasis and extra effort should be concentrated. Remember, all congressmen/senators are important, but if you have stores in many different areas, this list will help you prioritize your efforts:

1. House Banking Committee member Democrats on subcommittee.
2. House Banking Committee member Democrats on full committee.
3. House Banking Committee member Republicans on subcommittee.
4. Banking Committee member Republicans on full committee.
5. Democratic members of Congress.
6. Republican members of Congress.

On the Senate side, S.R. 1566 has been referred to the Senate Banking, Housing and Urban Affairs Committee. Here's a similar list:

1. Democratic senators on banking committee.
2. Republican senators on banking committee.
3. Democratic senators.
4. Republican senators.

Specific steps to take

• **Phone your representative/senator in Washington, D.C.** Find out which staffer is responsible for this

issue on the banking committee. Initiate a phone conversation with the designated staff member. Ask them how much they know about the industry and the current legislative issues. Depending on how much the staff knows, this will dictate your response.

Talk to them as long as you feel you are not an annoyance. Find out what the representative/senator feels about the issue. Indicate to them you will be sending a letter to the representative/senator regarding this issue.

Find out if they need any background information and, if they do, send it to them with the letter or ask APRO to provide the information.

Tips: Always identify yourself and the place you reside or do business—whichever place is represented by the representative/senator. The office staff must know you are a constituent before they will truly help you.

Always keep notes on your phone conversations and note the names of the people you talked to. Try always to talk to the designated staff person, although other staff can be just as important. The more members of the staff who know about the issue and yourself, the better.

• **Write to your representative/senator in Washington, D.C.** Direct your thoughts to your representative/senator, but send it to the attention of the staff responsible for this issue, which you established through your previous phone call.

Tips: APRO has a sample letter to representatives and senators, which outlines the basic message dealers need to communicate to their federal elected officials. It is important, though, to write the letter in your own words, describing the concerns of your business in your own community. In fact, the letter may be more effective if it is handwritten. Also, always ask for your representatives' stance on the issue and ask them to reply to your letter.

• **Meet with your representative/senator.** If after your phone call and letter you still have not received a definite support for RTO, the next step is to personally meet with your

CONTINUED ON NEXT PAGE

Continued from previous page

representative. This meeting can take place at their district office, at their office in Washington or, preferably, in your store. To set up the meeting, first indicate your willingness to meet with your representative/senator to your designated staff person. The designated staff person will refer you to the scheduler, who will make an appointment to meet, depending on the date and time.

Schedule the meeting, then call APRO to request appropriate information, assistance, strategy and message. APRO will provide all the help you might need to make this very important meeting a success.

Tips: Keep the number of people attending the meeting as low as possible, allowing the representative/senator to feel comfortable enough to speak his mind. Unless the representative/senator is attending your state association meeting, or wants to address a large number of dealers, keep the attendees as few as possible.

Key APRO staffers make themselves available at all times and to go any place, and would greatly desire to attend each meeting in whatever capacity the dealer requests.

This three-step process never ends until your representative/senator has committed support for the RTO industry. You need to repeat this process, especially numbers 1 and 2, as much as possible with each new event that has occurred, be it legislation changes or general RTO happenings, such as the *Wall Street Journal's* anti-RTO article. One phone call or one letter is not enough to get this industry's message across to your elected official. Persistence is a valuable tool, as long as it doesn't turn into annoyance.

There are additional avenues to pursue, such as fund-raisers, speeches and dinners, which will allow you access to these elected officials so you may communicate your message.

Remember: As a constituent of these federal officials, it is your duty to let them know how you feel. Do not be intimidated by their elected

stature. Always be open and honest. Be persistent, but remember not to be an annoyance. Always let APRO know the status, the type and the result of any communication with your elected officials. APRO uses this information to follow up in Washington with our lobbyist. If you have any questions or concerns, please call APRO at (512)794-0095. Bill Keese, Ron Waters and Richard May will do everything possible to help you with your communications.

APRO has the following tools to assist you in your communications:

- Addresses and areas of all 535 congressional/senatorial delegates.
- H.R. 2803 and bill analysis.
- Sample petition.
- H.R. 3136 and bill analysis.
- State RTO economic breakdown.
- H.R. 2803/H.R. 3136 comparative analysis.
- District RTO economic breakdown.
- S.R. 1566 and bill analysis.
- State statutes.
- Sample congressional and senatorial letter.
- Legislative kit.
- Federal legislative effort talking points.

When communicating with your elected officials, your objective is as much to educate them about your business as it is to gain their support. Ignorance of our industry is the enemy. APRO has learned that whenever elected officials become familiar with the industry and the service it provides to consumers, they tend to lean toward the LaRocco approach.

When enlightened about the industry, they see how wrong the Gonzalez or Metzenbaum approaches are, and how they ultimately would hurt consumers.

The best example of this phenomena is when Sen. Howard Metzenbaum, D-Ohio, publicly announced his introduction of S.R. 1566 and stated that he, as well as his fellow senatorial colleagues, did not know anything about the RTO industry, but still believed the industry needed to be regulated.

Communication is education. Since most elected officials know nothing about this industry, it is important to begin communications in broad terms. Follow by explaining how your

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industry is pertinent to your representative/senator. Before you meet or talk with your official, obtain the APRO Legislative Kit with information to provide to your elected official. The package provides a true picture of this industry, and it is vital that these elected officials see our side of this issue.

The following is a general outline to follow when communicating with your elected official. What you spend time talking about depends on what your representative/senator knows or feels about the industry. It is important to be flexible, open and honest.

- **First, identify yourself as a business person who resides or does business in their district.** (Identify yourself as a constituent.)

- **Next, explain what your industry is about.** Explain that you offer consumers furniture, electronics, appliances and other durable household goods on a rental basis, with the option of ownership if the consumer chooses to complete the prescribed number of payments.

- **Explain the process of the rental-purchase transaction from step A to Z, but be as brief as possible.**

The customer chooses a product to

rent with the option to own. Then, according to your state law, you the business owner disclose the options and payments to the customer. If the customer agrees to the terms regarding the product, the customer signs your agreement. Not only does the customer receive the product, but he or she also receives a number of services, such as free delivery and pickup, and free repairs with a free replacement while the product is being repaired.

It is very important to explain the consumer's advantages in the rental-purchase transaction. The consumer does not incur any debt, and if the customer chooses to return the product, the agreement becomes null and void with no further obligations. (That no debt is incurred and that there is no financial obligation is the very essence of the industry. This is the main difference between the RTO industry versus the rental and retail industries).

If the consumer chooses to rent the product to term, ownership is then transferred to the consumer. During the whole process, it is the customer's choice whether to continue renting the product. Still, there is no debt nor obligation by the consumer regarding the product.

- **Explain your business in terms of your community.** Try to cover:

- The type of customer you serve.

- The number of people you employ and the taxes and revenue your business generates.

- **Tell how you conduct business.** Mention that you run a service-oriented industry rather than a retail type of business.

- **Show your cost of doing business and how it differs from retail.**

- **Tell how many of your customers rent to term.**

- **Explain why your business is pertinent to the representative/senator.**

Again, number of customers served in the legislative district, and number of employees, are important points.

- **Explain that H.R. 3136 and S.R. 1566 would dramatically change the way you do business by inaccurately reclassifying the rental-purchase transaction as a credit sale.**

There have been three bills introduced in Congress (H.R. 3136 by Gonzalez and H.R. 2803 by LaRocco in the House, and S.R. 1566 in the Senate). All three pertain to your business. By doing so, RTO dealers would be forced to rent with no ownership

CONTINUED ON PAGE 46

Powerful Information

Tele-Track provides powerful information to the rental-purchase industry... critical information that will prevent loss of merchandise, information that will lead to the recovery of merchandise or past-due payments, information that will add profits to your bottom line.

Call Tele-Track at 800-729-6981 for the information you need to increase your profits.



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APRO Associate Member

Loss prevention and recovery information for the rental-purchase industry.

Continued from page 22

would be somewhere around \$15,000 to \$25,000.

"There's really no reason for dealers to wait," Feldser adds. "The computer you paid \$15,000 to \$25,000 for 10 years ago, you can buy for one-tenth the price. And, it's three times faster. The technology is right."

And not only are today's computer systems more affordable and user-friendly, software packages that have been designed specifically for the RTO industry have been refined to a point where they address most needs of everyone—from the front lines to upper management. All the while, entrepreneurs who like to stay on the cutting edge of these technologies are finding they can use their computer systems to yield valuable marketing information. Armed with this data, dealers and top managers can make decisions that positively affect the bottom line.

Richard Goldman, president of Ideal Software Systems in Meridian, Miss.,

says his company is constantly updating packages geared toward his 300 clients in the rental industry. He calls his newest package "revolutionary."

Goldman adds: "We feel like we've developed something that will be THE system for the next several years. We've taken everything we've learned (from the rental industry) over the last 10 years, and 300 customers with their comments and suggestions, and put that into a new package. It's light years ahead of where we've been.

"One thing it allows for is more sophisticated communications, which is more applicable to the multiple stores; allowing for more communications among stores and between the home office. Also, used to be you'd print (collections) reports. Now you can actually work collections from the computer screen—having it tell you who to call and dialing the number for you; popping up for a comment: 'Did you reach them? Do you need to call them back?'"

Goldman says the new interactive collections system actually prompts store personnel on what they should

do next. Goldman says he has seen more retailers looking to get into the rental industry, so his company tries to provide the packages best suited for small and large operations. Where smaller "mom and pop" stores need modest-feature sets, the multi-store companies need more sophisticated networks to track day-to-day business and ensure security, particularly with cash transactions.

When automation means hassles and headaches, owners and managers lose interest right away. Keeping the business running smoothly, assuring customer satisfaction and turning a profit in a competitive market have to remain top priorities. Sherry Workman, vice president for sales at High Touch in Wichita, Kan., knows how the rental-purchase industry works. She makes sure that user convenience is a priority when providing services to her 800 clients in the rental-purchase business.

When High Touch can't provide customers with everything they need, it teams with vendor partners, Workman says. One that High Touch is currently working with is Central File, an advertising and mailer company.

"We wrote a specialized program that High Touch clients can dial in, via modem, and select customers designated by age of the record or other criteria—like how long they've been inactive," Workman says. "Our clients can select customers they want a mailer to go to, (and) Central File can go into its system and import all that customer information. Then, Central File massages the information and sends out the mailers for the RTO stores."

High Touch has been working hard on ways to improve marketing strategies for the RTO industry, according to Workman, and is currently taking orders for a new update that will, among other things, automate club programs. Created with the help of a club program vendor, this feature is part of a High Touch update to be released in January. Workman says RTO operations will be able to track all information on the club program, and reports may be modemed into the vendor to avoid all of the usual paperwork.

Tele-Track President Dana Webster says his company is working with

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computer vendors, including High Touch, for automatic reporting to the Tele-Track system. Many of the industry's software vendors are already writing automatic reporting features into their programs. Tele-Track subscribers will have the option to establish a computer link for reporting directly into the Tele-Track system, or use their standard touch-tone phone. Either way, the methods of flagging past and potential skips are getting quicker and more sophisticated, which means big

savings of dollars and merchandise for the entire rental-purchase industry.

With all of the proposed federal legislation which threatens to change the rental-purchase industry, companies such as High Touch and Larry Burns' Rental Information Systems in Magnolia, Ark., are developing software packages that will serve any contingency.

"Until something happens, positive or negative ... we'll have to wait and

see which direction (legislation) will go," says Burns, the company's president. "A lot of new prospects and current customers alike are expressing interest. If it comes to the passage of a (bad) law that may be changing rent-to-own in some way, the software will have to accommodate them."

As the anti-RTO forces threaten to attack the industry with the Internal Revenue Service, Burns says his com-
CONTINUED ON PAGE 45

PC systems next money-making product for RTO?

ANY DEALERS WHO CONSIDER ADDING PERSONAL COMPUTERS TO THEIR PRODUCT LINES FOR RENT MAY WANT TO FOLLOW THE LEAD OF HOWARD FELL.

NOT ONLY IS FELL PRESIDENT OF ONE COMPANY, ACCENT COMPUTER TECHNOLOGY IN BUFFALO, N. Y., HE ALSO OPERATES A PAIR OF RAINBOW RENTALS STORES.

•••••

Fell is renting computers at one of his RTO stores and has found there is an untapped market for computer rentals—both to individuals and corporations. With PC prices at their lowest, Fell says the risk of putting a few units on rent is not so great. For those dealers with doubts, Fell suggests starting slowly to see if there is a demand for rental PCs in their markets.

"For someone who's got multiple locations, you may want to start off with renting computers out of one store just to kind of test the waters," Fell says. "Anytime you put a new product into the mix, you don't buy 50 of them; you might buy one to show and one to go."

Even if the computers don't draw customers' attention, Fell says deal-

ers can sell them off for very little loss.

The biggest concern for many dealers is how to service computers once they are set up in customers' homes, and when they come back in for repairs. Fell the dealer admits to a big advantage, having Accent to provide technical support, but adds that he considers hiring a computer technician as a "necessary evil" of providing a new product.

"Dealers don't think twice about calling a repairman for an appliance, rather than trying to fix it themselves," he says. "Some companies don't think anything of having a TV technician on staff. It's like anything else: You have to invest a little bit to be able to grow. Who says you can't put a sign in your front window (that reads): 'Computer repairs and upgrades.'"

Fell says he advertises his computer rentals in the Yellow Pages, and response was "phenomenal" after he increased the size of his ad.

Raouf Bishay started with Indiana's 24-store Full-O-Pep RTO operation as the manager of their internal information systems. Having done an excellent job of managing and maintaining the Full-O-Pep system, Bishay was the perfect candidate to set his company up for computer rental. Six Full-O-Pep stores rent PCs, but all 24 stores can provide computers at customer request.

"Right now, from student to homemaker to business people, computers are becoming as important as VCRs," says Bishay, who is also completing work on a software program which will provide on-line help for PC rental customers. Most problems that come up with PC rentals are software-related. Novice users will be able to take advantage of Bishay's new

program to get them out of jams.

While putting PCs on rent may prove lucrative for some RTO dealers, the consumer may be the one getting the best deal. Fell says renting a computer will allow the consumer to trade up to the latest computer models without investing a large amount of cash.

"Also, we're finding out there are businesses all over that rent computers for temporary needs," Fell says. "One CPA firm called me wanting 15 systems for tax season. Companies will call whenever they're getting ready to do training and need five systems for a week. After a project is over, they turn it in. It's an advantage to the company because it's an operating expense, so it's 100 percent write-off. If they were to go out and buy a computer, they've got to amortize the depreciation over five to seven years. It gets too sticky and takes too long to recoup the cost."

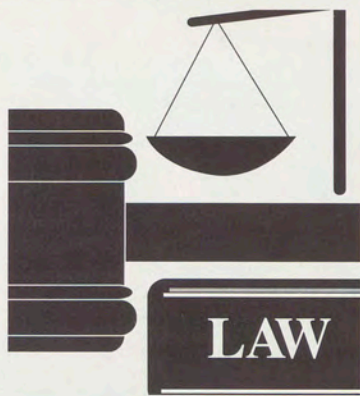
Like any type of new rental merchandise, computers offer dealers an opportunity to expand their customer base, Fell says. He has noticed a higher-income client visiting his store to look at his computer systems for rent.

"We're getting that sector," Fell says. "We're seeing people who could buy a system for roughly \$1,500, but they're concerned about making a mistake."

Fell is a firm believer that PCs fit the RTO business well. He says customers like having the opportunity to rent computers first.

"They're trying it before they buy it. This is the actual beauty of the rental industry."

—John Massey



Runs, hits and errors ... it's much too soon to tally, but at least we're finally on the

Scoreboard

I HAVE SOME GOOD NEWS AND SOME BAD NEWS ON THE FEDERAL LEGISLATIVE FRONT. THE GOOD NEWS IS THAT ALL OF OUR HARD WORK AND PLANNING OVER THE SPRING AND SUMMER ARE BEGINNING TO PAY OFF. AS YOU SHOULD RECALL, WE HAVE BEEN ABOUT THE BUSINESS OF BUILDING A GRASSROOTS POLITICAL NETWORK.

.....

The purpose of our grassroots political network is to educate and enlist members of Congress to support the LaRocco approach to regulating the rental-purchase industry—instead of the Gonzalez approach.

House banking chairman Henry B. Gonzalez's bill, H.R. 3136, would reclassify our transaction as a sale. Congressman Larry LaRocco's bill, H.R. 2803, would not.

We are beginning to see members of Congress cosign the LaRocco bill. As I draft this report there are 10 cosponsors of H.R. 2803 (the LaRocco bill), and we know of commitments from another four or five which should be official any day now. That's the good news.

The bad news is that the other side has also scored some runs. Nine members of Congress have cosigned the Gonzalez bill and, of course, we are not privy to how many other commitments they have. We know there will be others as the game progresses.

Remember, there are 51 members of the committee with jurisdiction and 435 members in the full House who could eventually have a swing at this ball. Our game plan involves capturing 26 of those possible votes in the committee and approximately 218 of those in the House (depending on how many are present and voting on the day and time of the vote

when called, since only a majority of those present and voting on the bill will be necessary).

We have targeted 36 of the committee members as prime candidates for cosponsoring the LaRocco bill. For more details on who these members are that are either targeted or have already cosponsored, call us at the APRO office. I can't give too many details here since we know that the other team reads everything we publish.

So, we are still in the very early innings of this ball game and it is way too early to call, but I predict we will win when the dust settles late next year. While the other side got up to bat first with their ability to convene the public hearing, we were the first to score when several members were officially listed as cosponsors last week (Nov. 1-5). This week the Gonzalez team scored several runs and next week we will post some more.

The co-signature process is controlled to some extent by the principal authors of the bill, whose staffs must fill out a form to send to the House clerk's office. They tend to do this weekly for several reasons, rather than every time a member calls to authorize their cosignature.

This process goes on and on until the subcommittee chair calls for a "markup session" to tally votes. He then sends the results to the full committee, where it is continued until he calls a similar markup session.

We did not anticipate such a markup session before Congress recessed for the Thanksgiving holidays, and the current rumor is that once they recess for Thanksgiving they will not return until mid-January in the House.

In the meantime, we find ourselves playing a simultaneous game of some kind in the U.S. Senate. Sen. Howard Metzenbaum of Ohio introduced an RTO bill similar to the Gonzalez bill (S.R. 1566) and already has two cosponsors of his bill. We are hopeful that, since the issue has been raised now in the Senate,

.....

BY

RON WATERS

The purpose of our grassroots political network is to educate and enlist members of Congress to support the LaRocco approach to regulating the rental-purchase industry—instead of the Gonzalez approach.

We are beginning to see members of Congress cosign the LaRocco bill. As I draft this there are 10 cosponsors.

someone will step forward and offer the LaRocco approach as an alternative.

Previously we had been satisfied with building a "firewall" of protection in the Senate designed to stop any anti-RTO legislation that made it over from the House. With the introduction of the Metzenbaum bill, we feel it necessary to get out in front of that firewall with some kind of counter offer. The Senate is expected to be in session until early December before breaking for the year and returning in mid-January of 1994.

So the message of this issue's column is, thanks to your efforts, we are beginning to see results on the federal legislative front of our two-front war. We are getting the job done with your help and need to push just a little harder to finish the battle, if not the war.

Back in April of this year, during the spring APRO board meeting and seminars in Palm Springs, Calif., we unveiled a plan of action and set a financial goal of raising an extra \$1 million to implement the plan of action (see *Network News*, June issue, page 9). I am proud to report that we have already raised \$800,000 toward that goal! I feel confident that we will reach and surpass our original goal.

My sincere thanks to all of you who contributed an extra \$300 per store toward this effort. A complete list of contributors is available from the APRO office and will soon be published in *Network News*.

I especially want to thank those state associations who have contributed to the task force fund. Alabama challenged the other state associations to match or better their \$2,000 contribution made during APRO's annual convention in Las Vegas.

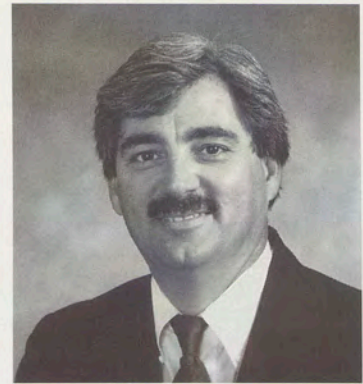
Since then the Ohio Rental Dealers Association has matched that contribution with its own \$2,000 and

Kentucky raised the ante to \$5,000. Colorado's association saw that raise and added another \$5,000 for a total of \$10,000 to the cause. Several other state associations have contributed \$1,000 toward the effort.

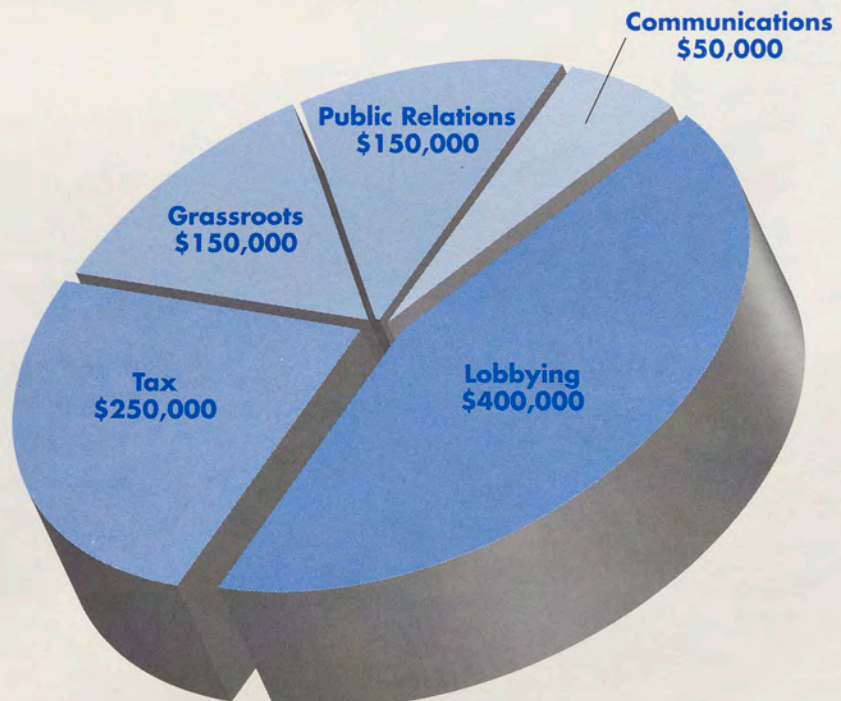
Remember, this money is committed to hiring lobbyists to represent our case in Washington, hiring public relations firms to tell our side of the story to the media and hiring attorneys to litigate the IRS issues facing the industry. A full accounting of how much money has been raised and how it has been spent is forthcoming in the next issue of *Network News*.

Since this is the last column before the holidays, I want to wish everyone a happy holiday season, full of joy and thankfulness for the opportunities this great country has brought us. This is the season to look around your home at small faces and old friends and remember what makes it all worthwhile. See you next year!

PR

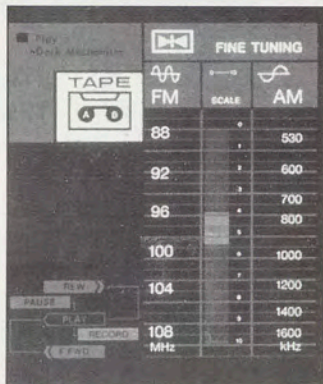


Ron Waters is APRO's director of government affairs.



This represents the association task force's budget goal and division of priorities.

Kim McBride



APRO annual report wins national award

APRO's 1993 annual report has been awarded a certificate of achievement in this year's ASAE Gold Circle Awards competition held by the American Society of Association Executives. The certificate is the second-highest honor in the nationwide competition.

The RTO trade association's first-ever annual report, unveiled at the Las Vegas convention, was a special project led by APRO Executive Director Bill Keese, who will be honored at ASAE's Management Conference in New York on Dec. 5.

ASAE's Gold Circle Awards recognize the most creative and professional publications and public relations projects by associations.

This year's competition drew more than 1,100 entries in 22 categories, ranging from best association communications programs and public relations



APRO's national contest winning entry for annual reports.

campaigns to magazines and annual reports.

"All of us here at APRO strive to do the best job we possibly can," said Keese. "I am very pleased with this particular award because it reflects the professionalism and the pursuit of excellence that all of us strive for in this association."

In 1991, *Progressive Rentals*, edited by APRO Director of Communications John Gormley, won ASAE's national award for most improved magazine among trade organizations.

ColorTyme endorses Tele-Track service

ColorTyme, Inc., just recently signed an agreement with Tele-Track, Inc., endorsing the Tele-Track loss prevention and recovery information service for all ColorTyme stores.

Tele-Track's services are designed to provide information which will help to pinpoint potentially risky customers during the application verification process. Tele-Track also provides rental-purchase stores with assistance in recovering stolen merchandise, collecting back payments and NSF checks.

"Tele-Track has been a great investment for us," said Martha Trevino, who oversees six ColorTyme stores in south Texas. "I would recommend that all rental-purchase stores use Tele-Track. It would save big money."

By year's end, Tele-Track expects to have 200 ColorTyme stores taking advantage of its services. For more information, contact Dana Webster at (800)729-6981. Or, write to Tele-Track, 3841 Holcomb Bridge Rd., Norcross, Ga., 30092.

Massey joins APRO staff in Austin

The APRO national office in Austin, Texas, welcomed a new staff member Nov. 8.

John Massey, 29, has been named assistant editor for APRO's main publications,



John Massey joins APRO staff as assistant editor.

Progressive Rentals and *Network News*.

A veteran journalist, Massey joins APRO after serving as editor for two sports magazines and three small newspapers in his home state of Louisiana. A Baton Rouge native, Massey also worked for two years in the athletic department at Louisiana State University, where he earned his bachelor's degree in English.

Massey's duties will include writing, editing, layout and, eventually, start-to-finish production of *Progressive Rentals* and *Network News*.

"John Massey is highly qualified to step in and make an immediate, positive impact on our editorial operations," said John Gormley, APRO director of communications. "He has the unique range of talent, skills and experience needed for the demanding job of association publishing."

APRO plans for 1994 winter markets

APRO is again participating in the winter markets of interest to the rental-purchase industry. So that you won't miss out, we are publishing registration and housing information for the following markets:

CES—1994 International Winter Consumer Electronics Show

Jan. 6-9, Las Vegas
Call CES at (708)991-9923, extension 277, for registration and additional information. You must call from the telephone on your fax machine, as this is a fax

on demand service. If you do not have a fax, call (202)457-8700.

Visit the APRO booth #T-1 in the Las Vegas Convention Center. Also, be sure to visit the APRO hospitality suite during CES.

Atlanta Winter Furniture Market

Jan. 15-18

Call 1-800-ATL-MART to register for the market. Call Destination, Inc., at 1-800-241-6405 (in Georgia 1-800-282-0456) for discounted air and hotel information.

Visit the APRO booth in the Merchandise Mart, 7th floor, Gift Mart entrance.

San Francisco Winter Furniture Market

Jan. 22-26

Preregister by calling 1-800-879-MART. Call by Dec. 10 to take advantage of special air and hotel packages for qualified buyers. Special travel discounts are available to mart attendees through Travel Fair. Call 1-800-472-4172 for details.

Visit the APRO booth located in the Mart 1 lobby. Also, visit the APRO hospitality suite.

Mississippi Furniture Market

Feb. 17-20

Call (601)844-1473 to register for the market. Travel and lodging information available. Call 1-800-844-0841. Visit the APRO booth at the market. Also, note the APRO hospitality night on Friday, Feb. 18, at the BenchCraft showroom.

BenchCraft is sponsoring the APRO hospitality night.

Plan now to get away

Join APRO for a relaxing vacation with other rental-purchase professionals at the 1994 APRO Vacation Seminar in March. Watch future issues of APRO publications for date and location, or call Shelley Martinek at the APRO office for more information—(512)794-0095.

Also, plan to attend the 1994 APRO Mid-Year Conference, in Reno/Lake Tahoe in May.

PR

pany is also working on programs that will assist dealers in meeting all of the tax-collectors' reporting requirements. Workman at High Touch and Feldser at Rental & Sales Software are also making contingency plans in the event of harmful legislation. Both agree that should a worse-case scenario happen on Capitol Hill, the rental-purchase industry will make necessary adjustments to stay in business.

"The industry is strong enough that, although it may take a hit, it's not going to go away," Workman says. "We as automation suppliers have to be prepared to respond as quickly as possible. As far as the legislative tax issues, the flexibility to be able to not only aggregate the data, but also disaggregate data for specialized information needs, is very important today. We're putting a foundation there to have the flexibility for whatever our clients need to do."

Feldser says instant access of inventory and transaction reports is vital when the IRS shows up to audit a business. His company creates packages that help with marketing and sales strategies and with tracking every business transaction.

When faced with an audit, Feldser says "the dealer can print out any information needed. He can show new inventory and rental-asset inventory. (The program) will show depreciation, book value—everything is tracked. The audit is really no problem at that point."

Bud Gates, CEO of Rent-A-Center, knows how important it is to have information automated so it is readily available. From legislative and tax issues to customer satisfaction, he says his company has found that automated systems can be tremendous tools in controlling stores. He added, however, that automation suppliers should continue to develop innovative systems for the growing rental-purchase industry.

"Automation must respond by not only collecting and maintaining a database of information, but by providing the flexibility to import, export and custom report the information that is available," Gates says.

With the abundance of accurate and timely data, managers are able to make more informed decisions. Owners and managers have seen that automated information systems have given them greater control of their destinies in a highly competitive marketplace.

"Automation providers must make a paradigm shift from concentrating on how to predict which reports dealers may need, to how they can give dealers the flexibility to tailor, change and enhance their own specific reporting needs."

With the abundance of accurate and timely data, managers are able to make more informed decisions. Owners and managers have seen that automated information systems have given them greater control of their destinies in a highly competitive marketplace. And with the support of dedicated information systems suppliers, the industry grows stronger.

While getting automated has helped this industry to trim waste from within, and thus increasing profits, some dealers see computer systems as the next great product line for rental-purchase. Prices have come down to a point where a dealer's initial investment is fairly modest, and some say there is a great, untapped market out there. The more cautious dealers in the industry are keeping watch on those dealers who have already added computers to their items on rent.

Howard Fell knows the computer business and the rental-purchase industry. He is president of Accent Computer Technologies, which is a computer software and hardware provider. He also owns two-store Rainbow Rentals in Buffalo, N.Y., where he is now providing personal computers to his customers from one of his stores.

"It's such a new area for RTO that a lot of dealers are a little gun shy," reports Fell. "They are looking at expenditures, but they are not looking at the potential that comes with it. It's like anything else—you have to invest money to make money."

At Accent, Fell custom-designs computer systems for other RTO dealers, who either buy them to help manage their businesses or offer them for rent to customers.

Fell's advice to dealers who may be considering adding computers to their product lines? Start with one or two units in one store, get a technician on staff for system setup and service, and advertise.

PR

John Massey is APRO's assistant editor.

Who's who in computers

The following list of computer companies that cater to rental-purchase provides useful contact information, as well as a descriptive line on the type of products and services offered, whether hardware or software-focused. All are either APRO Associate Members (), advertisers (+) in APRO publications or APRO convention exhibitors (Y).*

*+Y Rental

Information Systems, Inc.

P.O. Box 1165
834 Jeanette
Magnolia, AR 71753-1165
(501)234-2200
Software systems

*+Y Rental & Sales Software Systems

457 Robert Drive
Corpus Christi, TX 78412
(512)993-1790
Software systems

*+Y High Touch, Inc.
1900 N. Amidon #200

Wichita, KS 67203
(800)326-6059
Software systems

+Y Ideal Software Systems

P.O. Box 2928
1500 Roebuck Dr.
Meridian, MS 39302
(601)693-1673
Software systems

+Y Eddings Computer Consultants

1811 Abby Aldrich Ln.
Katy, TX 77449
(713)347-9888
Hardware/software

Y M&A Technology, Inc.

4323 Alpha Rd.
Dallas, TX 75244
(214)490-5803
Hardware/software

+Y Accent Computer Technology

P.O. Box 70
Buffalo, NY 14223-0070
(716)695-8000
Hardware/software

Y Star Micronics

1521 N. Cooper St., Suite 200
Arlington, TX 76011
(817)860-9158
Hardware/software

Michigan assn. supports Toys for Tots

THEY ARE THE FEW AND THE PROUD, BUT THE MARINE CORPS RESERVE UNITS OF MICHIGAN ARE NOT ALONE IN THEIR ANNUAL TOYS FOR TOTS CAMPAIGN.

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Members of the Michigan Rental Dealers Association have donated time, space, equipment and manpower in hopes of making the 1993 toy drive even more successful than last year's, which provided toys to 55,000 children.

John Burnett, president of the Michigan association, says members in his state have volunteered space in their stores to collect toys and also have put posters in their front windows and bumper stickers on their vehicles to promote Toys for Tots.

"It's really a marvelous program," Burnett says. "This is an opportunity to give something back to our communities."

And the Michigan association doesn't just get involved with the community during the holiday season, Burnett added. Just recently members donated a TV-VCR combo unit to the DARE anti-drug program of the Battle Creek PD.

Coleman Enterprises President David Coleman recently received a letter of thanks from the American Lung Association of Michigan (ALAM). Coleman Rentals and Rent-A-Center teamed up and donated the use of a large-screen television and VCR for the Lung Association's Camp Sun Deer.

Carol Hetzel, director of ALAM's lung disease care and education program, says the TV was a big hit with



the 75 asthmatic children and the camp counselors. Dennis Bishop, a Rent-A-Center manager in Detroit, made sure the equipment was delivered and working for the week.

Coleman Rentals made the front page of the *Kalamazoo Gazette* recently when the newspaper ran a touching feature article on Willie Hampton, manager of Coleman's Benton Harbor store. Hampton grew up on the mean streets of Kalamazoo's north side.

Having fallen victim to drug addiction, Hampton was on the road to an early death when he found safe harbor with Safe House, which provides counseling and support to recovering addicts. Hampton earned a degree at Davenport College in 1989. Now at age 39, Hampton is a trusted member of the Coleman management team and living in the suburbs with his wife and three children.

Impressed with Safe House's mission and particularly with its rehabilitation help with Hampton, David Coleman and his sister Denise Coleman-Hogue, co-owners of Coleman Enterprises, donated a company van to Safe House.

Continued from page 39

option. Rental prices would remain the same, yet the ownership option would be eliminated and the consumer would actually lose options.

The LaRocco approach maintains the ownership option, while still ensuring the consumer full disclosure and protections during the entire rental-purchase transaction. (Hand over the H.R. 2803 bill analysis and/or the H.R. 3136/H.R. 2803 bill comparative analysis from the APRO Legislative Kit.) Also explain how the LaRocco bill is similar to the approach 36 states have already adopted on rental-purchase legislation.

• **Request support for the LaRocco approach.** Ask your representative to oppose H.R. 3136 and S.R. 1566 and support H.R. 2803.

Provide your business card and volunteer to answer any questions. If they need industry figures or other information, refer them to APRO or Washington lobbyist John Raffaelli.

—Richard May


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Contact: James R. Gandy

(713) 621-9946

(800) 959-3611

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