

Progressive

August/September 1994

# Rentals

The magazine of the rental-purchase industry





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APRO

PR

# Progressive Rentals

The magazine of the rental-purchase industry

Volume 14, Number 4

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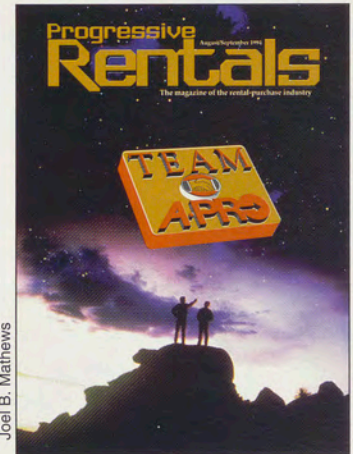
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### Convention revisited

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**ON THE COVER:** A new concept, Team APRO, was introduced at the 1994 APRO convention—first in a video for association members shown during the general session and business meeting.

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As our industry matures, we can't forget to

# Communicate

FIRST, LET ME SAY THANK YOU TO ALL APRO MEMBERS AND THE BOARD OF DIRECTORS, FOR HAVING THE CONFIDENCE IN ME TO BE YOUR PRESIDENT FOR ONE MORE YEAR. AS I'VE SAID BEFORE, LAST YEAR WAS A MAJOR HIGHLIGHT IN MY LIFE, AND I'M SURE THIS YEAR WILL BE NO DIFFERENT.

•••••

As I write this message, I hope that all of you had a fun and educational convention in Orlando. One of the highlights I would like to share with you is the board elections. We had the largest number of ballots cast in APRO history. From that election, I can assure you that APRO has one of the most active boards that I have had the pleasure to work with in my five years on the board.

This board works for you. If you would like your opinion heard, don't hesitate to call a board member and express your concerns. I can promise you they will listen and speak their minds.

•••••

BY

KEVIN QUINN

This brings me to my main message of communications. As APRO becomes a larger and more mature association, the job of communications becomes larger. Communications is an important part of any size group, but communications breakdowns become a greater problem as groups grow larger. To make our communications better with the members, we have further improved *Progressive Rentals* magazine and *Network News*, and last year installed a fax-on-demand information system, APRO Facts Line.

Over the past year, however, we had a breakdown in communications among our leaders on the board of directors. During our battles with the Internal Revenue Service and the legislative branches of state and federal government, a good deal of sensitive information has been distributed. Because of the newness of dealing with so much sensitive information, there was a breakdown

in communications between the APRO Executive Committee and the full board.

To ensure these breakdowns do not happen this coming year, the head of each department at the APRO home office is filing a report in a twice-monthly newsletter to be distributed to the full board. Also, each committee chair will deliver a report to the full board once a month. The follow-through of the communications effort is your part, as a member. I urge members to contact a board member, APRO's Bill Keese or myself if you feel the need for additional information on anything. Our phone lines are open.

Through the years, as a regular member and then as a board member, I have become frustrated at times with some members' comments. They say APRO is not doing this or that. I can relate, since I had once made similar comments. But when I made those comments back then, a board member told me to put up or shut up. Now I'm a board member.

I now hear some of the comments I used to make coming from other APRO members. To those people I say, put up. This year we all must continue to work together. I urge you all to travel to Washington, D.C., and work your representatives on Capitol Hill. Write and call your congressmen and senators. Easiest of all, make your fair-share contribution to the Team APRO Fund, which will help us win our current battles.

Through our publications, your communications with the board and your physical and monetary contributions, you will always be "in the loop."

I guarantee that the APRO Executive Committee, the committee chairs, the full board and the APRO staff are all working for the betterment of the rental-purchase industry. I promise that we are all working for you.

I urge all of you to join us in our battles and talk to us about your concerns. Together we will spread the pride of the rental-purchase industry and quiet our critics. When we do this, we will all enjoy the power of good communications. **PR**

# The Truth.

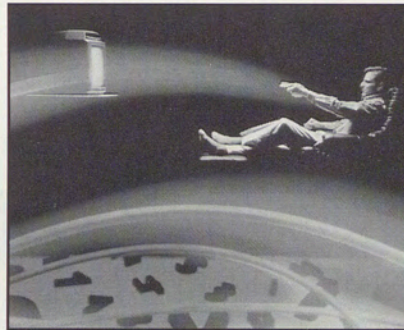
It's no lie that the audio/video market is growing by leaps and bounds. 1993 saw camcorder sales pass 3 million units (for the first time in any year). Sales of home theater-ready audio and video products are growing 30% annually. Projection TV sales currently top \$1 billion and will grow an average of 10% over the next 4 years. But there's still a question as to whether or not you'll turn up your sales volume. You will after you see what the world's coming to this winter at CES®. Fax the coupon below. Like the truth, it's right there in front of you.

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*It's imperative we direct APRO's focus toward*

# *Ethics, right now*

NEW OFFICERS WERE ELECTED AT THE BOARD MEETING FOLLOWING THE RECENT CONVENTION IN ORLANDO. KEVIN QUINN WAS RE-ELECTED AS YOUR APRO PRESIDENT FOR THE NEXT 12 MONTHS. ADDITIONALLY, BOB SIMONS WAS ELECTED FIRST VICE PRESIDENT; CHRIS KORST WAS RE-ELECTED AS SECOND VICE PRESIDENT; RICH BARTEL WAS ELECTED SECRETARY; AND TED WILSON WAS RE-ELECTED TREASURER.

•••••

This year's election by the membership, held at the general session, saw two new board members added to the 16-member board. We welcome Sandi Blackwell and Larry Sutton to the board. The 1994-95 board promises to be the most active and involved of any since the founding of the association.

Prior to the convention, the board voted to amend the bylaws to make both the tax and accounting and public relations committees standing bodies. This change emphasizes the importance of these two issues, coupled with our ever-present legislative concerns.

Another committee that will be extremely active this year as never before is the ethics committee. There are many important reasons for this.

The ethics committee will be chaired by Charles Cloud. Also on the committee are Sandi Blackwell, Allen Lewis, Norm Slatton, Larry Sutton, Bill White and Ted Wilson. An interesting side note is that there were more first-choice requests by board members to be on this committee than any other body.

Now, it has been my experience since joining the APRO staff that much has been said over the years about ethical behavior in the marketplace, primarily by Ed Winn and various board members, both past and present. These discussions have

primarily taken place in printed articles in *Progressive Rentals* and in seminars held either at the mid-year conferences or at the annual convention.

However, unethical practices by a few over the years have managed to tarnish this entire industry. There are still a few dealers in the industry whose employees continue to "cross the line" and cause problems for themselves, their bosses and the industry. This problem is at the heart of all our legislative, legal and image troubles.

Those who need the information on the benefits of ethical behavior and the price everyone pays for unethical behavior are the same dealers who refuse to attend APRO events, who have not read or paid attention to the articles condemning unethical behavior in *Progressive Rentals*, or those who have not sufficiently trained their employees on how to deal with the public.

The producer of *Larry King Live* gave us fair warning last year. Courts of law, state and federal legislative bodies, and the media aren't interested in the safe landings made every day by the airline industry. These groups are interested in the crashes.

You must remember this: Legislators, judges, and reporters are not interested in the majority of rental dealers, who treat their customers with great respect. Elected officials and the news media become very interested when they hear about dealers violating the dignity of customers.

Folks, there's a strong message here. The occasional "crash" of unethical behavior by anyone in this industry, from the accounts manager to the chairman of the board, will continue to cost every one of you sleepless nights, headaches, and a lot of money. The rental-purchase industry is in the spotlight, whether we like it or not.

The entire board, not just the ethics committee, will step up the discussion level on this topic until the issue is once and for all settled. As we continue to mature as an industry, we must act like a mature industry. **PR**

•••••

BY

**BILL KEESE**

# Customer survey refutes critics with facts

THE ASSOCIATION OF PROGRESSIVE RENTAL ORGANIZATIONS NOW HAS MORE AMMUNITION IN THE PUBLIC OPINION FIGHT WITH THE SELF-ANNOINTED CONSUMER ADVOCATES WHO REGULARLY ATTACK THE RENTAL-PURCHASE INDUSTRY.

• • • • •

America's Research Group, one of the nation's most highly regarded consumer and marketing survey firms, announced the results of its extensive examination of the rental-purchase industry. ARG's survey was directed by C. Britt Beemer, who acted as chief investigator.

Beemer, who unveiled the random, nationwide telephone survey of 809 rental-purchase customers to the APRO staff on Sept. 2, reports that the results of his investigation overwhelmingly support the industry's long-held belief that rental-purchase is a valuable consumer option. Beemer says his survey also shows that consumers are far more intelligent regarding rental-purchase than the paternalistic consumer advocates claim.

Eighty-nine percent of all rental-purchase customers contacted said being able to return the item rented when they wanted was a major reason for renting. Avoiding credit hassles was important to 88.1 percent of customers and 95.1 rented an item because they wanted to "have it today."

When asked why they returned the item rented, 68.5 percent of customers said they were simply through renting it. Just 8.4 percent said they were displeased with the rental-purchase arrangement, 4.3 percent were unhappy with the rental store and 2.8 percent were unhappy with the product.

The report pleases APRO Executive Director Bill Keese.

"While the survey results support what we have always known about this industry, this scientific study will play an important role in defending our dealers against the unsubstantiated claims made by some aggressive consumer groups," Keese says. "These

groups, such as U.S. PIRG and Legal Aid, attack us time and again, but they do nothing but recite sensationalized horror stories for the news media. Facts are really secondary to their collectivist cause."

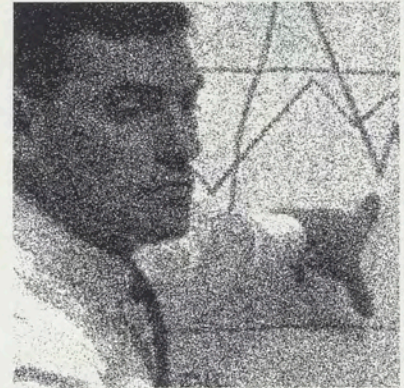
Unfortunately for the industry, Keese adds, the news media are too often suckered in by these exaggerated stories. Stories such as those printed in *The Wall Street Journal* on Sept. 22, 1993, insult rental-purchase customers, dealers and their employees. That's why the national association for RTO commissioned the survey.

Says Keese: "This is a thorough and scientific survey, conducted by a highly regarded neutral party. The results from this survey are very much in line with the findings of Sen. Warren Rudman's investigation of Rent-A-Center. Our customers appreciate our services."

According to Keese and the survey, customers visit rental-purchase stores with a specific need in mind. The customers weigh the options of retail and rental, and make their choice. The survey shows that 63.66 percent of customers think the end price of rental-purchase is fair and 96.66 percent were happy with the quality of merchandise available. As for the rental-purchase transaction, 87.64 percent of customers said the conditions were fully explained to them.

Of the overall survey group, 19 percent fell behind on rental payments at one time or another. Eighty percent of that group said they were able to get caught up on the payments.

While some rental-purchase opponents claim that the industry "preys" on the poor and on minorities, survey results show no such tendency. Just 15.33 percent of those surveyed get some kind of government assistance, such as Social Security, worker's compensation, unemployment or public housing. As for the race issue, the survey shows 74 percent of customers are white and 21.8 percent are black. In describing their employment situation, 47.1 percent of those surveyed identified themselves as blue collar, 22.99 percent as white collar, 19.97 percent as



Joel B. Matthews

*Eighty-nine percent of all customers said being able to return the item when they wanted was a major reason for renting.*

retired and 3.9 percent as self-employed.

The survey also addressed the issue of customer treatment. Beemer has extensive experience surveying the electronic, appliance and furniture retail marketplace. According to the RTO survey, 89 percent of rental-purchase customers contacted said they were treated as good or better by dealers than by retailers.

The survey has a margin for error of plus or minus 4 percent.

In all, 93.08 percent of those surveyed thought the rental-purchase dealer from whom they rented ran a reputable company. Retail survey figures show 14 percent of customers not being satisfied with the stores they visit, compared to 12 percent for rental-purchase.

Despite the differences between retail and rental-purchase transactions, the rental-purchase industry will probably always be unfairly compared to the retail industry, according to Beemer. He suggests that the industry confront the issue of pricing goods. If final rental-purchase prices cannot be dropped, dealers need to do a better job of explaining the many values included in the rental-purchase transaction, such as free repairs, free loaners and no obligation to purchase.

—John Massey



*Seizing opportunities:*

# *Public relations begins with you*

FIRST CAME THE LEGAL FIGHTS, THEN THE LEGISLATIVE WARS, AND NOW WE FIND OURSELVES DOING BATTLE WITH THE NEWS MEDIA. PROMOTING THE BENEFITS OF OUR INDUSTRY TO THE PUBLIC IS A TOP APRO PRIORITY. TO THAT END, THE APRO BOARD OF DIRECTORS HAS APPOINTED A PUBLIC RELATIONS COMMITTEE TO GUIDE THE EFFORTS OF OUR ASSOCIATION AND WORK WITH OUR PUBLIC RELATIONS COUNSEL, THE AKER PARTNERS.

National Consumer Week is sponsored by the U.S. Office of Consumer Affairs each October. This year, National Consumer Week is scheduled for Oct. 23-29 and your APRO Public Relations Committee is recommending you capitalize on this opportunity.

As this is written, we are planning an APRO Customer Information Program. The program is designed to educate your customers on the benefits of rent-to-own, demonstrate our concerns for customers and promote the value of professional affiliation with APRO. Every store needs to participate in this program for success.

The main feature will be the APRO Consumer Information Card, which explains the value of the rental-purchase option to consumers as a risk-free transaction. We have developed the slogan "It's Your Option: The Value of Risk-Free Rental-Purchase." On the back side, we describe the advantages of doing business with an APRO dealer. We tell customers that APRO has worked to gain rights for them—rights that equal or exceed those the government says they should have. We want them to know they can trust an APRO dealer.

It's an easy way to tell your customers you are committed to fairness and quality treatment. What's more, it makes it easy for you to be a leader in our public relations efforts during National Consumer Week and in your own community.

Some ideas for that week:

Schedule a customer appreciation day

during the week. Invite customers in for refreshments. Something as inexpensive as cookies and punch or hotdogs and sodas can go a long way toward building good will within the community. Consider inviting the news media and community leaders and tell them you are happy to discuss the way you conduct business.

Have a customer of the month. Take a photo of your customer and display it in your store. Recognize your good renters or those who have made referrals by giving them an extra value or discount.

Consider a Halloween promotion, since trick-or-treat time caps National Consumer Week. You could distribute bags of candy or maybe throw a Halloween party with a costume contest for the neighborhood kids. You could also record the event on video tape and do a sales promotion of video equipment during the last week of October.

It's always important to keep up with community relations. As a good neighbor, be open to helping consumers in the area with food drives, advertisements in school programs, and donating goods and services to worthy causes. When doing such work, try to get a little recognition for it; perhaps send a news release to your community's newspaper. These small efforts can yield positive results.

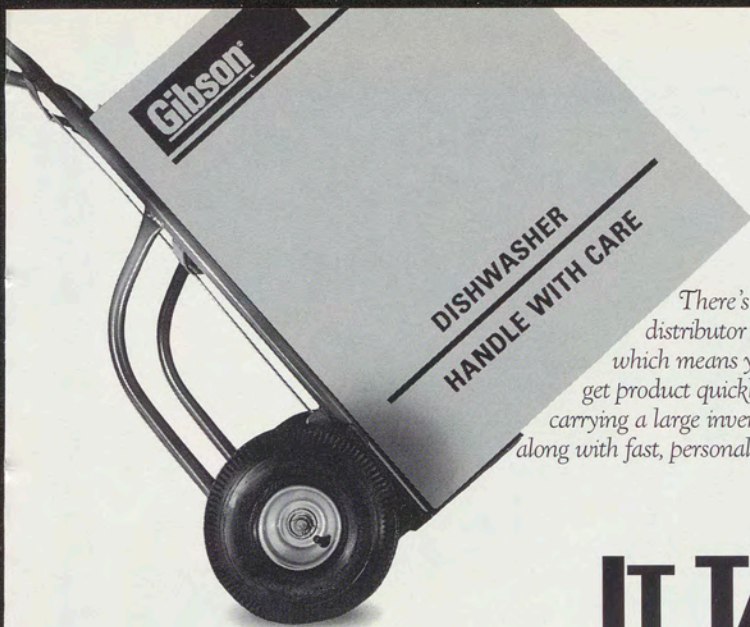
**PR**

*Bob Simons is owner of North Charleston, S.C.-based All Star Rental. He is an APRO board member, serves on the APRO Executive Committee as first vice president and chairs the association's public relations committee.*

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BY

BOB SIMONS



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# IT TAKES MORE THAN A GOOD APPLIANCE TO MAKE A GOOD RENTAL APPLIANCE.

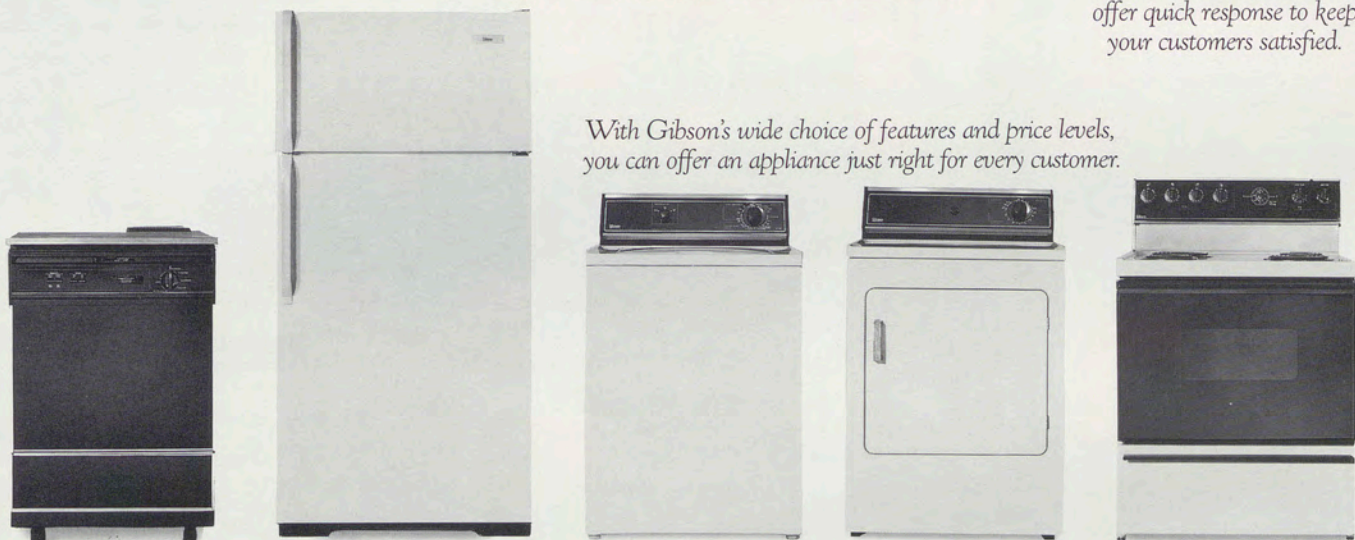


If an appliance ever needs repair, authorized Gibson service people will offer quick response to keep your customers satisfied.



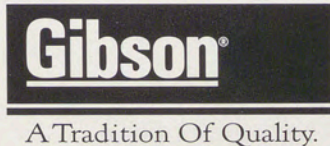
Our Golden Warranty protects our rental customers with a two-year parts/labor guarantee on refrigerators and laundry products, as well as exceptional coverage on all appliances.

With Gibson's wide choice of features and price levels, you can offer an appliance just right for every customer.



Gibson knows that to make it in today's rental market, you need more than just well-made appliances. That's why we back our rental customers with local distributors who provide immediate product availability and dependable dealer service. Then, we top it off with Gibson's Golden Warranty, the industry's strongest manufacturer's warranty.

So why not find out more about how Gibson's rental program can help keep your costs low and your profits high. Just call us toll-free at 1-800-458-1445 for the name of the Gibson distributor nearest you.





.....

BY

DANA K. CASSELL

# Recording the Promotional Pulse

UNLESS YOU HAVE UNLIMITED RESOURCES, THE MONEY AND EFFORT YOU SPEND ON A PROMOTION MUST RESULT IN ENOUGH RENTALS, PROFITS, OR TRAFFIC TO JUSTIFY THE COST OF THE PROMOTION. BUT HOW DO YOU KNOW HOW MUCH IS ENOUGH?

IN SMALL STORES, THERE JUST ISN'T ENOUGH TIME AND MONEY TO GET INVOLVED WITH COMPLICATED PROMOTION-MEASUREMENT METHODS.

Even so, you can use certain rule-of-thumb comparisons to review the results of a promotion and judge its success.

To compare results with costs, you have to start early in the process—before you even make up the promotion. The question to answer first is: What do you expect the promotion to do for your store? Your answers could be: increase actual dollar volume of transactions; increase store traffic; keeping your store's name before the public; move a certain number of specific products; increase customer count; and position your store's image as "the experts" in your market area.

Once you have determined what you want the promotion to do, your next step is to be sure you're planning a promotion that can accomplish this.

## Right-away response

Immediate-response promotions are designed to make the potential customer visit your store and rent a particular product within a short time—today, tomorrow, next week. Examples are promotions featuring special prices, special packages or seasonal items.

Check results daily or at the end of the promotion. Because all promotion has some carry-over effect, it's a good idea to check also at two weeks from end, three

weeks from end, and so on. This will help you determine exactly how much fall-out business the promotion caused.

In weighing the results of your immediate-response promotions, you can use a number of devices and techniques:

- **Coupons.** You can use coupons not only to help judge a promotion's effectiveness, but also to determine the effectiveness of different media. For example, feature one item in a newspaper ad, then different tag lines for various other specials or free items on several radio stations.

Make one clerk responsible for noting how many of each radio special is asked about. That person also needs to record the dollar amount of each transaction involving a coupon. At the end of the promotion, calculate the average dollar per coupon or special, then compare average transaction and number of transactions during the promotion to similar figures from a week when no promotion was running.

This is a seat-of-the-pants approach, but over the years it can help you determine which media outlet works at what particular time. When using coupons, ask yourself if enough business was generated to pay for the ad. If the coupon is run

CONTINUED ON NEXT PAGE

Continued from previous page

over several weeks, be sure to include the date run on each coupon so you can determine the number of returns for the first, second or third week it ran.

• **Customer count.** Use cash-register receipts to record the number of customers each day. Chart your weekly count on a graph, keeping an aver-

age for each week of the year. If you run a three-day promotion in the early spring and the count shows more customers than average for that week, you may attribute the increase to the promotion.

Customer count doesn't always mean more dollars, but there's a certain success in getting someone into the store and making him or her a paying customer—whether they're rent-

ing a low- or high-end item.

Also, keep records of daily dollar transactions, then compare them to the previous year. If you are up 50 customers, with an increase in dollars, your first reaction likely would be that the promotion was a success. Then you look at how much money you spent on advertising over and above your normal expenditure. If you spent \$800 extra, but didn't bring in enough business to offset that cost, then the promotion was not successful.

• **New customers.** Judge the success of promotions by keeping track of how many new customers come into the store. Also compare daily dollar volumes—transactions with a promotion going on to transactions when no promotion is running. However, whether the store has success with highlighted goods isn't the only important factor in judging the success or failure of a promotion.

If you get enough new names for your newsletter and promotional mailing list—even if dollar amounts aren't very high—the promotion can be considered successful.

• **Store traffic.** While some business owners do not consider store traffic in evaluating a promotion, getting people into the store can be a primary goal. If you're promoting big-ticket items, you might not move them that day, but you might see some action a week later. By getting people into the store to look at the items being promoted, you create customer awareness of the other products in your store, especially non-seasonal items they'll come back for later.

• **Direct-mail dollar volume.** Direct-mail promotions are the easiest of all promotions to monitor. In most locations, you can anticipate a 10-day delivery time for bulk mail, so direct mailings usually need to begin about two weeks before the promotion starts. Monitor all transactions involving those items promoted by the mailing for a couple of weeks after the start of the promotion. Normally, you can attribute those rents to the direct mailing.

To evaluate the promotion, compare money spent for the event with money brought in by the promotion. If mailing costs represent less than 10 percent of the money generated by the promotion, you can consider it suc-

## BP Oil offers control over fuel

PICKUPS AND DELIVERIES ARE A CONSTANT IN THE RENTAL-PURCHASE INDUSTRY. IF YOU'RE DOING BUSINESS, THEN YOU'VE GOT VEHICLES ON THE ROAD. ALL THE WHILE, YOU ARE BURNING GASOLINE, USUALLY TO THE TUNE OF \$1 OR MORE PER GALLON.

•••••

Fueling delivery vehicles is a regular and unavoidable cost of doing business in RTO, and BP Oil Company is marketing a program to the industry that will allow owners and managers to track and control the costs of keeping delivery fleets rolling. Leslie Slaughter, BP Oil national account manager for fleet marketing, was selling her company's program at this year's APRO convention and trade show.

BP Oil's fleet programs vary from a simple summary of total fuel consumption each month to a detailed report that records everything from odometer readings, time of day and sub-total costs per store. If a dealer wants his fuel costs broken down, BP Oil has a program to do it.

"We are very big in the delivery industry," Slaughter says. "We do business with Federal Express and Airborne, for example. We have several clients with large sales forces on the road. Now we are seeing a lot of RTO dealers spending a lot of volume with us."

Once it was common for big companies or municipalities to have their own gas pumps for their vehi-

cles, and this allowed for tight control on distribution. However, Slaughter says, tough new environmental laws governing underground fuel tanks has sent them looking for programs like BP Oil's.

"The biggest concern expressed by owners and managers has been with sending a driver—generally a low-wage employee—out the door with a credit card or cash. We eliminate that process, but you can still track your vehicles, see what kind of fuel is being purchased, how much and when."

What BP Oil gets out of the deal, of course, is fuel sales, Slaughter says. Dealers get control of an expensive part of their business and convenience. There are 8,100 BP Oil stations across the country.

Four BP Oil account managers service the country and they work with customers in finding the nearest filling stations. The fleet programs offer customers any tracking system they demand. Some dealers need driver identification numbers and vehicle numbers to appear on their invoices. Some customers just want odometer readings and the time of day the vehicle was fueled. If a dealer has several stores, special sub-totaled bills go to each store, with the full invoice being sent to the home office. If a company's account manager asks for the fueling records on computer disk or tape, all he or she has to do is ask.

"There's also no hassle for drivers," Slaughter says. "They don't have to look for one special sign to see if they can get fuel. Our programs are available at every BP station."

—John Massey

cessful. If promotional costs make up more than 10 percent of the total amount brought in, the promotion was not successful.

• **Items rented.** This approach uses the number of each item rented to evaluate promotions. For example, let's say your promotion runs Wednesday through Sunday. Visually count the items being promoted on Tuesday night or Wednesday morning before you open the store. When the promotion is over on Sunday evening, write down how many of each item you've got left. By subtracting, you know how many you've moved. If you're tracking results in more than one location, on your results log have a column for each store showing what they actually moved, and whether they are all out on rent.

Also look at rentals of specific items, comparing this year's and last year's figures. Look at each item in a promotion and circle the hottest-moving item. That's No. 1. Then look at your next best-moving item, no matter its price. Figure out your gross profit on those compared to what you made in

past promotions, and compare the amount of money you put in versus what you are getting in rental payments.

When comparing rental increases over some preceding period, allowances must be made for abnormal situations. For example, rain on the day an ad appears may affect its pulling power. Sometimes more people come in during bad weather because they're not able to enjoy their scheduled outdoor activities. Other times, bad weather keeps people home. It's a good idea to note weather conditions on all promotions for future results comparisons.

Similarly, promotion response will be affected by other special events in the area. There will probably be several promotions going on for the same demographics. You may be looking at women ages 18 to 49, for example, but perhaps another store—rental or retail—is also promoting a product that appeals to the same group. During those times, you are competing head-to-head for the same dollars. It's a good idea to keep a diary or log

in which you note such conditions.

## Image-building promos

Image-building promotions are those used to keep a store's name and merchandise before the public. These promotions are also called "attitude" and "institutional" advertising. Such promotions remind people of your regular merchandise or services. These promotions may be used to tell the public about new or special services, or to position your store in the minds of consumers.

The effects of image-building promotions are harder to measure than the effects of immediate-response promos. That's because resulting transactions usually come long after the promotion has ended.

For example, customer classes and seminars can be effective promotional tools, but their value may be more in establishing your store as "the experts" than in stimulating immediate rentals.

To evaluate, sit down immediately after your seminar is completed and

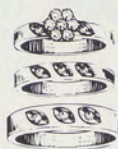
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Continued from previous page

write out answers to the following questions. It's critical that you actually put your answers on paper—that's the only way they will still be there when you get ready to plan your next clinic or seminar.

1. What did we do right?
2. What did we do wrong?

3. What could we have done differently or better?
4. How many people attended? Where did they hear about us?
5. What questions did they ask? Were we able to answer them all? Was there time to answer everyone's questions?
6. Did the speaker get the topic across? Was he or she effective?

7. Was the physical setup adequate? How could it have been better?

8. If we served refreshments, how many of what? What was left over?

9. What comments did attendees make after the course?

10. How did our total costs (money and time) compare with rentals realized as a direct result of the class? (You may not be able to answer this question for several weeks.)

There are a number of simple, yet effective research tools to evaluate your image-building promotions: personal interviews with customers; short questionnaires sent in the mail to customers; a suggestion box; questions asked at demonstrations or talks; conversations with neighboring rental dealers and retailers; candid interviews with people on the street; group discussions with employees and customers; reaction sheets for customers to fill out at point-of-transaction; return-mail postcards included with products rented; and telephone surveys.

You may be able to enlist students from high school or college business classes to help you with some of these. The more feedback you receive from your market about you and your store, the better will you be able to judge whether image-building promotions are working.

Keeping track of results and evaluating your promotions can lead to better promotional planning. You can learn to identify those critical time periods, or windows, during each of the four seasons when you need to be promoting.

### Looking back

At the end of each promotion, make an evaluation while details are clear in your mind. Even a one-page evaluation put in a notebook will give you a starting point when planning the next promotion. Go back to the beginning: What was the objective of your promotion? Did you reach that goal? What part of the promotion package should you have changed? What went really well? Then use this knowledge to have an even better promotion the next time.

**PR**

*Dana K. Cassell is author of the book, "How to Advertise and Promote Your Retail Store." She has published more than 1,000 articles in business and trade publications.*

# Get The Facts

**24 Hours a Day  
7 Days a Week**

Now you can receive important information about the rental-purchase industry any time you need. All you need is a touchtone phone and a Fax machine to receive the document. Just call the APRO Facts Line, and you will be greeted by a voice that will guide you through the system. Or you may order immediately if you know the document numbers.

For the latest on what's happening on the congressional front, order documents 500 & 501. (Note: These documents require a member access code.)

**512 • 794 • 0258**

## Utilimaster: King of the RTO road

Picture a Harley-Davidson. An American classic roaring down the highway. It's the iron horse of choice, from Wall Street power brokers to outlaw biker gangs. Born to be wild.

And what could be better than owning a Harley and writing it off as a business expense? Now, that's cool.

But before you spend a couple of hundred bucks on a leather jacket and a tattoo, the Harley-Davidson you'll want for your rental-purchase store weighs a few tons and rides on four or more tires.

Gregg Kinkade, director of marketing for Utilimaster, will talk about motorcycles if you insist. After a while, though, he's going to try and sell you a delivery truck.

A subsidiary of Harley-Davidson, Utilimaster offers a wide range of custom walk-in trucks, parcel delivery vans and freight truck bodies. The engines may vary, but every

Utilimaster body is backed by the Harley-Davidson reputation.

Kinkade says 21-year-old Utilimaster, an APRO associate member, sees the rental-purchase industry as a perfect market for its delivery vehicles.

"We came to (the 1993) APRO show with a questionnaire to find out just what people in this industry liked or didn't like about our vehicles," Kinkade says. "People in this industry like our Aerocap van and the side step, easy-access delivery van. They want to be able to stand a refrigerator up inside, but they also want easy access for loading. Our units have the lowest access heights in the industry."

In his research of the market, Kinkade has seen the unique nature of the rental-purchase industry. Lots of pickups and deliveries during a business day. Products ranging from stereo systems to beds, sofas and refrigerators.

"When you deliver a refrigerator in a cargo van, you have to lay it on its

side and tell customers not to plug it in for about 24 hours because of what it does to the freon," Kinkade says.

Dealers also want to make as many deliveries as possible on one trip, so they often find themselves filling vehicles to capacity. In a small van, that means lots of wear and tear on inventory and the vehicle.

"RTO dealers want a high-capacity truck that will hold up," says Kinkade. "We are not the cheapest manufacturer, so a dealer has to look at his options. If you're not in the business for the long haul, you'll want a cheaper unit than we can offer. A delivery vehicle is a major capital outlay.

"If you plan to be in this business for a while, we offer the best quality for the money. For three years running we've been voted the best transportation company in the world by *Fortune* magazine. Our truck bodies are made to last 10 to 12 years."

—John Massey

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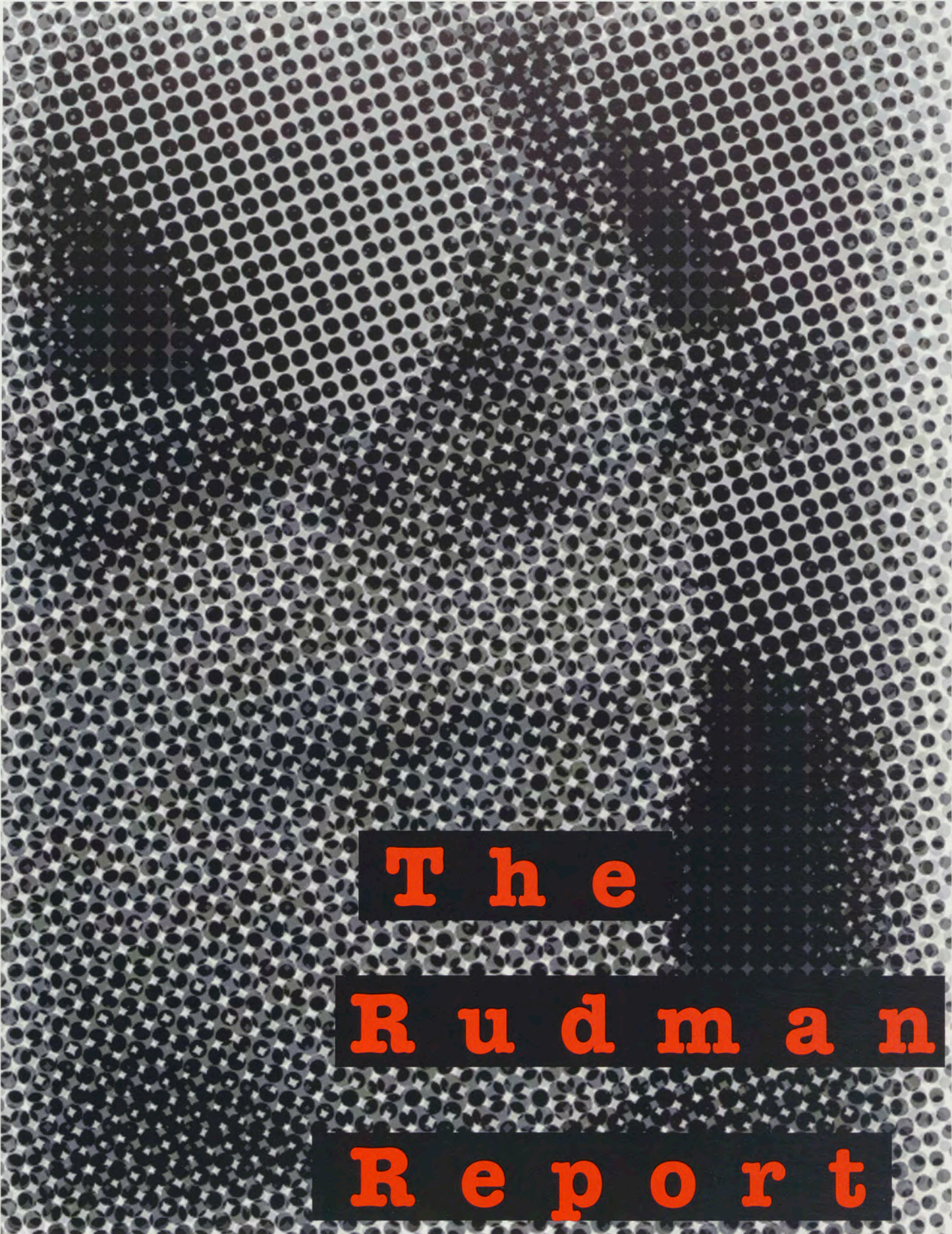
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Loss prevention, skip tracing and collection services for the rental-purchase industry.



Joel B. Matthews

# Results show how wrong WSJ was

SEPT. 22, 1993, WAS A BLACK DAY FOR THE RENTAL-PURCHASE INDUSTRY. NO ANTI-RENTAL-PURCHASE LAWS WERE PASSED; THERE WERE NO BAD COURT DECISIONS. INSTEAD, *THE WALL STREET JOURNAL* RAN A LONG, FRONT-PAGE "EXPOSÉ" ON THE LARGEST RENTAL-PURCHASE CHAIN IN THE COUNTRY, RECOUNTING TALES OF EVERYTHING FROM HIGH PRICES, TO COUCH PAYMENTS AND CUSTOMER SLAVERY.

Most negative rental-purchase stories are written by lawyers and are full of mind-numbing legal arguments about the business. Or, they are written by professors of consumer affairs and are filled with even more mind-numbing statistics about consumer behavior.

But *The Wall Street Journal* piece was written by a talented, if opinionated, journalist with a flair for the provocative. The article, entitled "Peddling Dreams, A Marketing Giant Uses Its Sales Prowess to Profit on Poverty" made for compelling reading and sent shock waves through the industry. Four days later, U.S. Rep. Henry B. Gonzalez introduced his anti-rental-purchase bill into the House of Representatives, following up on a promise he had made during the oversight hearings on the industry held before his House Banking Committee six months previously.

Naive readers, no doubt, found the timing remarkably coincidental. Practiced politicians felt certain that the fix was in.

It was an article that hurt. It hurt the people of Rent-A-Center, both high and low, and it hurt everyone else connected with the business. It hurt, in part, because of where it appeared—on the front page of the most respected business newspaper in the country, if not the world. It hurt, finally, because it painted such an ugly picture of the business, a picture which, if true,

could only cause all people related to it to hang their heads in shame.

The article was specifically about one company and some business practices in that one company, and a lot of rental dealers elected to read it that way, attempting to minimize the devastating assertions made as pertaining to Rent-A-Center only. The problem with that attitude is that the attack came not against some mom-and-pop operation with dirty windows and no experience in the business; it came against the acknowledged industry giant. (The article asserted that Rent-A-Center holds a 25-percent market share of the U.S. rental-purchase business.) Attacks on the giant have a way of reverberating throughout the kingdom, and thoughtful dealers understood immediately that the government, if spurred to action, would not kill the giant without also killing everyone else in the business who necessarily are within the giant's shadow.

It was not a balanced piece, nor was it intended to be. It was no more fair than the Gonzalez hearings had been. This article will not re-chronicle all of the allegations of downright sleazy behavior recited in *The Wall Street Journal* article. Thematically, the article, quoting exclusively from fired employees and disgruntled customers, accused Rent-A-Center of

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BY

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using "high-pressure, coercive and abusive" sales techniques at the front end of the transaction to load customers up with more products and "other fees" than they can afford. Then, the company would "harass, intimidate and threaten" customers at the other end of the transaction to recover the merchandise and re-rent it to others to make "eye-popping" profits," which the article defined as a 16 percent return on revenues of \$560.3 million.

Moreover, the article alleged that the company did all of those things on purpose as a part of the overall corporate design. Former employees were quoted in the article as saying that the company's policy toward employees was to "burn and turn" them. The article painted the false picture of a callous and brutal company caring little for its own employees and even less for its customers. Beyond the ugly picture painted of Rent-A-Center, the article also attacked the industry, alleging that

*The article has received a fair amount of attention. It has made its way into the congressional record at least twice. It has been attached to motions and briefs in several lawsuits. It has been referenced in tax audits by Internal Revenue Service agents, and continues to be cited in other media coverage of the industry.*

it charges its predominantly low-income and helpless consumers interest rates in excess of 200 percent.

The article has received a fair amount of attention. It has made its way into the congressional record at least twice. It has been attached to motions and briefs in several lawsuits. It has been referenced in tax audits by Internal Revenue Service agents, and continues to be cited in other media coverage of the industry.

An immediate question that arose was whether the factual allegations could possibly be true. Rental dealers and business people generally might expect news reports in *The Wall Street Journal* to be accurate, but some of the allegations in the Rent-A-Center article were so far-fetched that many rental dealers had to wonder.

One "fact" reported was a VCR in the Rent-A-Center system that generated over \$5,000 in rental revenues. At \$10 per week, that VCR would have had to stay out on rent continuously for 500 weeks—more than nine-and-a-half years. That is a long time for a rental VCR to remain in inventory. And, in fact, that is one of the allegations *The Wall Street Journal* later retracted in a short corrections and amplifications paragraph in October as not being true. Overall, however, *The Wall Street Journal* has continued to stand behind its story in the face of intense pressure from Rent-A-Center officials and charges of possible business libel.

What happened next was that Thorn EMI PLC, the British parent company which owns Rent-A-Center, hired former U.S. Sen. Warren Rudman from New Hampshire, a former vice chairman of the Senate Permanent Subcommittee on Investigations and now a partner in the New York law firm of Paul, Weiss, Rifkind, Wharton & Garrison. Thorn EMI PLC hired Rudman to conduct

an independent investigation into the truth of the allegations contained in *The Wall Street Journal* article and into Rent-A-Center business practices generally.

After an in-depth investigation and two independent studies, one economic and one on consumer and employee attitudes and behaviors, Rudman presented his findings to the EMI board of directors in February. Thorn then requested that Rudman oversee certain additional economic studies relating to the rental-purchase transaction. The study was completed in late May.

The results of the Rudman report make for interesting reading, certainly, for Rent-A-Center officials, but also for the industry generally. The overall summary conclusion of the Rudman investigation reads:

*"... as a general matter, the conduct described in The WSJ neither comports with company policies nor reflects RAC's customary business practices .... Our investigation has led us to conclude that the depiction of Rent-A-Center set forth in the Journal article does not accurately reflect the company's overall day-to-day operations."*

Because the article was full of statements from former employees and customers, the Rudman investigative team attempted to make contact with every person mentioned in the article. The investigative team also visited more than 75 stores, interviewed some 200 employees and 125 customers to document actual day-to-day operations in Rent-A-Center stores. Rudman also hired Hoffman Research Associates, Inc., to conduct a telephone survey of current and former Rent-A-Center employees and customers to measure company business practices and attitudes, and how consumers felt about the rental-purchase

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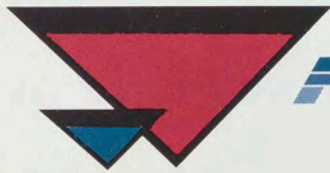
PLEASE INQUIRE IN  
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# TOP 10 REASONS TO CHOOSE



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## 1. CONSUMER VALUE

*FORESIGHT* provides a comprehensive package of benefits, giving you the option to choose the coverage you want. Benefits include:

- ▶ **TWO YEAR** Extended Service Protection.
- ▶ Involuntary Unemployment Coverage.
- ▶ Leased Property Insurance.
- ▶ Lease Cancellation Insurance.
- ▶ \$10,000 Accidental Death and Dismemberment Protection.
- ▶ Discount Benefits with consumer information provided at the point-of-sale.

## 2. SERVICE AND SECURITY

Reputable, Experienced & Qualified Backing.

- ▶ Warranty administered and underwritten by the oldest and largest third party warranty administrator in America with over 30 years experience and \$15 billion in assets.
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- ▶ Discount benefits and travel services available to customers via a toll-free number, 24 hours a day, 365 days a year.

## 3. PROFIT-ABILITY

Each dealer determines their level of profit by selecting the benefits they offer and setting the selling price.

## 4. EASE OF ADMINISTRATION

Uncomplicated and easily administered for the store and home office.

- ▶ Limited data required for monthly reporting (*dollars collected and number of new members*).
- ▶ Ability to capture data through modem, tape transfer, diskette, hard copy report or any other medium.
- ▶ Claims handled at *FORESIGHT* level rather than by the insurance company, to guarantee prompt, efficient service.
- ▶ Tailored procedures manual for each store location providing answers to all questions relative to sales, administration and claims at the salesman's fingertips.

## 5. DEALER SUPPORT

Before and After Implementation.

- ▶ Video Training.
- ▶ Customized Consumer Booklets.
- ▶ Sales Person Incentive Programs.
- ▶ Monthly Newsletters.
- ▶ Manager of the Month & Year Recognition.
- ▶ Field Training.

(Top 10 Continued on next page)

NEXT PAGE

## TOP 10 REASONS TO CHOOSE **FORESIGHT** PREFERRED CUSTOMER CLUBS CONTINUED...

### 6. **FORESIGHT PROGRAM STRUCTURE IS TRIED AND PROVEN**

*FORESIGHT* passes the test.

- ▶ The *FORESIGHT* structure is consistent with legal criteria for group insurance by providing sufficient non-insurance consumer value to justify the overall consumer cost.
- ▶ The *FORESIGHT* program has been granted written approval for solicitation in every state that has examined our Club approach.
- ▶ The Program structure and its consumer value offering can be proven worthwhile by comparing the cost of the non-insurance benefits presently sold to the public outside the rental purchase industry to the cost of the entire benefit package with insurance included to rental purchase customers. *FORESIGHT'S* non-insurance value far exceeds the cost for the program in its entirety.

### 7. **PRODUCT FLEXIBILITY**

*FORESIGHT* provides a menu of benefits and their corresponding costs. Dealers select the benefits for their program and set their own consumer price.

### 8. **AN ALLIED PARTNER**

*FORESIGHT* supports the Rental Purchase industry and its causes.

- ▶ *FORESIGHT* sought and received congressional support of the La Rocco Bill in Congress.
- ▶ *FORESIGHT* is working with **A•PRO** committee members to gain Senate support.
- ▶ *FORESIGHT* provides major sponsorship to **A•PRO** conventions and seminars.
- ▶ *FORESIGHT* is a regular advertiser in **A•PRO** publications.
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*Innovative marketing strategies mean you don't have to spend a fortune to rent*

# Jewelry

.....  
 BY  
 JOHN  
 MASSEY

ALL THAT GLITTERS IS NOT GOLD. JUST ASK SOME JEWELRY MANUFACTURERS WHO ARE COURTING THE RENTAL-PURCHASE INDUSTRY THESE DAYS.

RICH ANDERSON, VICE PRESIDENT OF THE FASHION CRAFT CORPORATION'S RENTAL/RETAIL DIVISION, SAYS HE'S ENJOYING GREAT SUCCESS WITH HIS INNOVATIVE JEWELRY MARKETING PROGRAM FOR RTO. MARK SINGER AT GLOBAL JEWELRY MANUFACTURING IS SEEING SIMILAR SUCCESS THANKS TO MARKETING IMPROVEMENTS.

Fashion Craft, an APRO associate member, has been manufacturing fine jewelry for 60 years, mostly for retailers. However, while company executives saw jewelry's great potential in RTO a few years back, they also saw cautious dealers backing away from the sizable investment it takes to build a nice jewelry inventory. With the new product also came the risk of theft from within and from outside the store.

These days, Anderson is marketing full cases of imitation jewelry to the rental-purchase industry, and interest is growing.

"We make sample jewelry that is identical to the real thing," Anderson says. "We're selling dealers a complete program, including sample jewelry, a training video, a banner and everything but the case.

When a customer decides on a ring they want to rent, we get the real thing to the dealer within three days."

The startup program will cost a dealer in the neighborhood of \$2,000, a far cry from what a case of real gold and gems would run, Anderson says. Because the sample jewelry never leaves the store, there is never an empty spot in the display case.

"I've been in the rental business, so I know the security concerns," Anderson says. "Security and pilferage are major concerns when you have \$20,000 worth of jewelry inventory sitting inside a display case. With our program, that security concern goes by the wayside."

As for the cost of the program, Anderson reports that 10 to 12 pieces kept to term

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will pay for the initial investment. In his experience with RTO, Anderson says a store in a good market can have 40 to 50 rings out on rent at one time.

"Some dealers who tried jewelry a long time ago got out because they couldn't stand the risk," he adds. "But we're seeing these dealers come back around for this program. There's no way to hurt yourself with this program."

Over at Global, Singer is also seeing rental dealers looking hard at jewelry. As an APRO associate member, Global has invested a good deal of effort into studying the rental-purchase marketplace.

"Jewelry can be pretty intimidating for someone who has spent the past 15 years renting furniture and appliances," Singer says. "These dealers don't think they have the expertise to rent jewelry. Well, we take care of that problem for them."

When dealers go with Global, they get a large catalog picturing the hundreds of items available. Under each picture is a serial number of the prod-

*Dealers will not have to spend hours ... to set rental rates on each piece.*

uct, and within that serial number is Global's suggested rental price. The price is figured by Global to allow dealers a fair profit and also to attract customers. Dealers will not have to spend countless hours over the adding machine to set rental rates on each piece.

"Anyone behind the counter can say, 'That ring will be \$14.99 per week. We'll special order that for you right now and it will be here in a couple of days.' Dealers don't have the time to train their counter people in the fine points of jewelry," Singer says. "We have a new catalog with plenty of price points, and it's very user-friendly."

The key to handling jewelry is feeling comfortable with it, according to Singer. After just a couple of quick lessons, which are provided by Global, dealers and their employees will be able to deliver another quality product at a fair price.

**PR**

*John Massey is APRO's associate editor.*

# 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 to APRO at:

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

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



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Exp. date \_\_\_\_\_

Signature \_\_\_\_\_

## Who's who in jewelry

*The following list of jewelry suppliers that cater to rental-purchase provides useful contact information, as well as a brief description of the type of products each company manufactures or distributes. All are either APRO Associate Members (\*), advertisers (+) in APRO publications or APRO convention exhibitors (Y).*

\*Y A.B.S. Artistic Jewelry, Inc.  
2936 N. Druid Hills Rd.  
Atlanta, GA 30329  
(404)636-6143  
Jewelry

Y Ell Enterprises  
2950 E. Hanna Ave.  
Indianapolis, IN 46227  
(317)783-7838  
Jewelry

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

Y Global Jewelry Manufacturing, Inc.  
117 N.E. First Ave.,  
14th Floor  
Miami, FL 33132  
(305)530-0985  
Jewelry

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

\*+Y Jerry Bogo Co.  
P.O. Box 23227  
Chattanooga, TN 37422-3227  
(615)894-4480  
Jewelry

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

Y Preferred Jewel Brokers  
77 Monterrey Dr.  
Kenner, LA 70065  
(504)443-6783  
Jewelry

+Y Prime Source Int'l., Inc.  
2004 Grant St.  
Hollywood, FL 33020  
(800)624-5448  
Jewelry

\*+Y Southern Rings  
3828 Veterans Blvd.  
Metairie, LA 70002  
(504)455-5617  
Jewelry

\*+Y T&S Import Co., Inc.  
1302 Huntsville Hwy.  
P.O. Box 1079  
(800)523-5224  
Jewelry

Y Temptations Jewelry Mart  
418 N.W. 5th  
Oklahoma City, OK  
73102  
(405)236-4653  
Jewelry

# *Southern Rings*

Southern Rings staff consists of former retail jewelers with RTO experience. They possess high work ethics and a reputation for integrity.

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*Unbelievable court ruling leaves*

# *Few options in Minnesota*

RENTAL DEALERS IN MINNESOTA SUFFERED A BLOW THIS JUNE WHEN THE MINNESOTA SUPREME COURT REVERSED THE MINNESOTA COURT OF APPEALS IN THE CASE, *MILLER V. COLORTYME*, AND RULED THAT THE COMPANY'S RENTAL-PURCHASE TRANSACTIONS, EVEN THOUGH COVERED BY THE MINNESOTA RENTAL-PURCHASE STATUTE, ARE ALSO CREDIT SALES IN THE STATE AND ARE SUBJECT TO THE STATE'S USURY LIMIT OF 8 PERCENT.

The anomalous decision means that rental-purchase transactions in Minnesota are regulated by not one, but two separate and contradictory statutes, the state rental-purchase statute and the Consumer Credit Sales Act. The Miller decision can best be understood in the context of the industry's long-running troubles in the state. The history of the rental-purchase industry in Minnesota has been previously detailed in the *APRO Legal Reference Index*, third edition, pages 131-144.

The Minnesota Court of Appeals in Miller had reversed a bizarre trial court decision, which decision was criticized in these pages, "Madness in Minnesota," *Progressive Rentals*, December 1992-January 1993, pages 26-28. With the court of appeals holding that properly constructed rental-purchase agreements were not consumer credit sales because no credit was extended, Minnesota rental dealers breathed a sigh of relief with the knowledge that their efforts to enact the Minnesota Rental-Purchase Statute in 1990 had not been in vain.

That sense of relief was short-lived. As expected, Ms. Miller and her team of Legal Aid and plaintiff's attorneys asked the Minnesota Supreme Court to hear the case. Unexpectedly, the court agreed.

The Association of Progressive Rental Organizations, the Minnesota Rental-

Purchase Dealers Association as well as the state Retail Merchants Association all weighed in as amici curiae on behalf of the rental company in the appeal to the state supreme court. The attorney general, the National Consumer Law Center, the NAACP, the Minneapolis Urban League and the Urban Coalition of Minneapolis, all weighed in on behalf of consumers.

The Minnesota Supreme Court, which observers characterize as liberal, in a move which took the industry by surprise, overruled the court of appeals on all counts and stated:

The object of all interpretation and construction of laws is to ascertain and effectuate the intention of the legislature. By defining certain terminable leases as "sales" within the Consumer Credit Sales Act, the legislature has made clear its intent to subject these terminable leases to the same consumer protection laws as ordinary credit sales. There is no conceivable reason why the legislature would amend Stat. §325g.15 Subd. 5 to define certain terminable leases as sales if it did not intend such leases to be protected "consumer credit sales" within the meaning of Minn. Stat. §326g.15 Subd. 2.

The court went on to state that the word "credit" can have different meanings in different statutes and that "we do not believe it appropriate to apply a narrow

.....

BY

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definition of credit in this context.” The court offered no expanded definition of credit but simply stated, “As a remedial statute, (the Consumer Credit Sales Act) is entitled to a liberal construction to promote, not frustrate, its objective.”

In finding that the defendant rental company’s transactions violated the usury statute, the court held that by defining rental-purchase transactions in the Consumer Credit Sales Act as “consumer credit sales” for all purposes, the legislature established that consumers who enter into rental-pur-

chase transactions are to benefit from the same protections as consumers who purchase goods through ordinary installment sales, even though rental-purchase consumers do not actually incur any debt and do not have any obligation to repay a principal amount, required elements under the state’s definition of usury.

The court then held that the first two common law elements of usury are met by operation of law rather than by any factual determination that the court could make. The supreme court agreed with the trial court that

the value of the lease services offered by the company were negligible and concluded that the company charged an excessive amount of interest as a matter of law.

The rental company argued, among other things, that having to comply with both statutes would force the company to sell goods at below-market value since the rental-purchase statute requires an early purchase option at 55 percent of the difference between the total of scheduled payments and the total amount paid

CONTINUED ON PAGE 45

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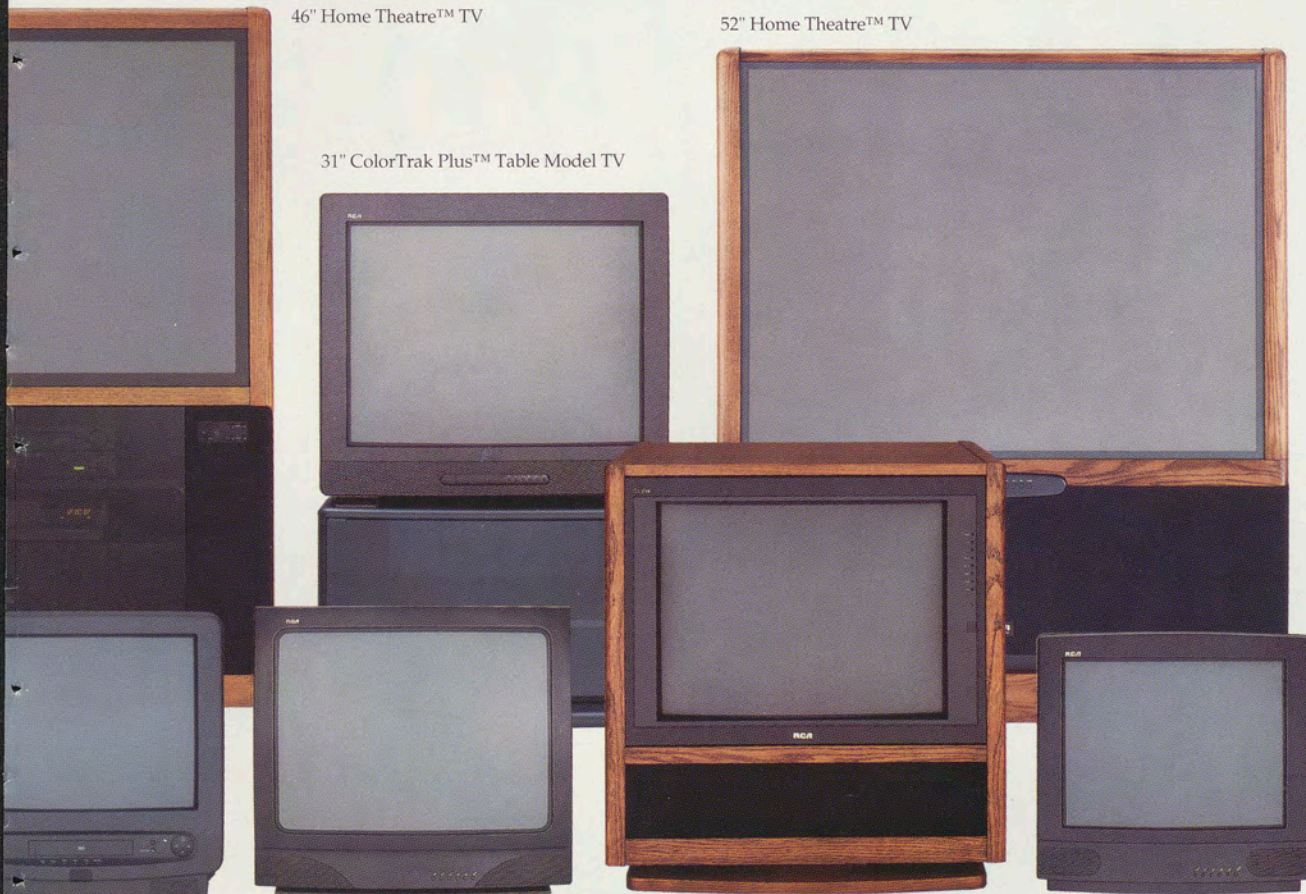
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# Covering APRO convention '94:

# Doing the Dolphin

NINETEEN-NINETY FOUR WILL GO DOWN IN RENTAL-PURCHASE HISTORY AS AN "UNCONVENTIONAL" YEAR FOR APRO CONVENTION-GOERS. THE INDUSTRY'S ANNUAL CONVENTION AND TRADE SHOW WAS AT WALT DISNEY WORLD® RESORT'S DOLPHIN HOTEL, A FAMILY SETTING QUITE DIFFERENT FROM POPULAR—AND TRADITIONALLY WELL-ATTENDED—LAS VEGAS.

But dealers, many of their top managers and families descended on the Dolphin, making APRO '94: Ride the Wave rank with the top-attended conventions in the event's 14-year history.

APRO '94: Ride the Wave came very close to eclipsing last year's APRO '93: Right on the Money record convention in Las Vegas.

To provide an accurate picture—and year-to-year comparison—of convention attendance, APRO Education Director Shelley Martinek runs the numbers in a variety of ways. A primary indicator is total hotel room nights, and the 1994 convention at the Dolphin had the most-ever room nights booked for APRO participants, 2,617. That compares to 1,963 at Bally's Las Vegas last year.

The number of dealers at the 1994 convention represents a significant jump over the last time APRO headed east—the 1992 New Orleans convention.

"Conventional wisdom says that only Las Vegas can yield record-setting numbers for us," Martinek says. "This year, we proved that isn't necessarily true. APRO strives to offer a variety to its members, both in convention locations and educational opportunities. I think the combination of business and education, and the chance to take a family vacation at a

fun place, ensured that this convention was attractive to many dealers. Historically, Vegas is our biggest draw. However, this year rivaled last year's record attendance. I guess you could say it was unconventional."

New seminars addressing hot topics such as 12-to-own and flex terms, recognition of the industry's top volunteer leaders, a dynamite general session, great parties and a big trade show made this APRO convention perhaps the best ever.

Accelerated events on the congressional and IRS fronts spurred APRO members to another level of action—spending their time and money on rental-purchase causes. APRO members participated in Team APRO efforts to raise money and results for rental-purchase's future, from raffles and personal checks to special events.

On education, members attended seminars ranging in topics from storefront public relations and the challenge of store management development, to how to talk to your congressman and how to hook your banker, to why you don't grow and employee-driven marketing.

For entertainment, there was "The Main Event" featuring former heavyweight boxing champion Joe Frazier, the marketing director of sponsor Home Line Industries; a "Beach Bash" on Pleasure Island, host-



Photo courtesy of WALT DISNEY WORLD® Resort's Dolphin Hotel

*The Dolphin Hotel was the perfect hub for APRO convention families there to enjoy a vacation as well as business.*

ed by FORESIGHT; the annual APRO/Joe Eason Invitational golf tournament, again courtesy of Whirlpool; and the grand finale "Fantasy" reception and ball, sponsored by Thomson Consumer Electronics (RCA/G.E.) and High Touch, respectively.

The convention newspaper, *APRO Convention Daily*, was again sponsored by Philips Consumer Electronics. For a historical account of APRO '94: Ride the Wave, here's a look by major event:

### General session

The 1994 APRO General Session and Business Meeting captivated members, featuring dynamic keynote speaker Brian O'Malley, who shared his greatest life challenge: Mount Everest; regular business such as the board elections; the association's first-ever convention video; and the latest industry updates from association leaders.

G.E. Appliances sponsored the general session's keynote speaker.

During the general session on Thursday, Aug. 4, APRO members

in good standing cast their ballots to elect a new board of directors for the association. Eight positions were up for grabs because of the staggered two-year terms of the full 16-member APRO board.

Thirteen candidates made a bid for the eight open seats. Six board members were re-elected: Rich Bartel, Rentown USA, Vancouver, Wash.; Wayne Chambers, CWD Enterprise Two Ltd., Houston; Charles Cloud, Fastway, Little Rock, Ark.; Chris Korst, Rent-A-Center, Wichita, Kan.; Bob Simons, All-Star Rental, N. Charleston, S.C.; and Bill White, Action, Mesquite, Texas.

Saundra Blackwell, ColorTyme, Irving, Texas; and Larry Sutton, Champion, Tampa, Fla., were elected to the APRO Board of Directors also.

Following an APRO staff-produced video, APRO President Kevin Quinn welcomed attendees and gave a brief update. The now-second-year president also assured attendees that their membership dues are being put to good use and that the association is financially sound.

"We have grown to a point where it's getting so it's hard to find a place to hold our conventions," Quinn added. "This year APRO also saw its largest-ever growth in membership."

Attendees were then introduced to inspirational keynote speaker Brian O'Malley. O'Malley, who has worked as a fireman, paramedic and police officer, took the audience on a moving four-month journey up the face of Mount Everest. He noted that everyone has personal mountains to climb, and it's important to set reasonable goals and continue to welcome challenges.

"The key to success is what you gain in having tried," O'Malley said. "You face a similar challenge as an association and I wish you well."

Following a brief intermission, Quinn introduced the chairs of the APRO committees. The chairmen limited their reports, but reminded attendees about the in-depth seminars scheduled for Friday and Saturday.

Rent-a-Center's Chris Korst, chair of the government relations commit-

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*Continued from previous page*

tee, reported that this past year's activities in Washington, D.C., have successfully defeated anti-RTO legislation proposed by Rep. Henry B. Gonzalez and Sen. Howard Metzenbaum.

Korst said: "In Las Vegas last year this committee made a commitment to the association that we were going to take on Congress straight-on and defeat the Gonzalez and Metzenbaum proposals to put us out of business. One year later, on behalf of this committee, we have met our objectives. We continue to gain support for this association's position in Washington."

Korst also gave special praise to government relations committee members Sandi Blackwell and Tracey Morgan, who co-chair the grassroots sub-committee.

On the state level, Korst said the industry has seen fair legislation passed in New Hampshire and Vermont. He also expressed confidence that well-balanced legislation will be passed into law in California in the near future. (Editor's note: Since the convention, assembly bill 722 passed the California Legislature and sits on Gov. Pete Wilson's desk. The RTO statute becomes law with or without the governor's signature after 30 days, or Oct. 1. A veto is possible, but not expected for this long-negotiated bill.)

This year has also seen unfavorable



*Charlotte Haynie, Gerry Walts and Ann Cleek won the ladies division golf tourney.*



*Dick and Miriam Eichlin of STAR Rentals, left, enjoy FORESIGHT's 'Beach Bash.'*



*The general session gave way to a Minnie-led parade to the exhibit hall.*



*Longtime industry vendors and friends Ken Gay and Tom Kitchens ham it up.*

court decisions handed down in Minnesota and Wisconsin.

Bob Simons, chair of the APRO Public Relations Committee, reported that plans are in the works to begin a campaign to overcome the industry's image problem.

"We've got to change our reputation," Simons said. "We know what we're about, but the rest of the world does not. We will be building our committee after this convention, but we are already working with our Washington public relations firm, Aker Partners, on giving you tips on what to do when the media contacts you. We've also got a three-step program that Colburn Aker has developed."

Simons said the program will begin by adopting a slogan for the industry, then kick off a public relations campaign during National Consumer Week in October, followed by a consumer education campaign (see page 10 story this issue).

Wayne Chambers, chair of the association's tax and accounting committee, took the podium next and gave a brief update on the industry's continued concerns with the Internal Revenue Service.

### Awards and recognition

Highlighting the last night of convention festivities, the "Fantasy" ball awards banquet and dance (sponsored by High Touch) honored outstanding



Thomson Consumer Electronics' Tim Shannon hosted the pre-banquet reception.

### All photos from APRO '94: Ride the Wave! Aug. 3-7 WALT DISNEY WORLD

accomplishments in rental-purchase over the past year. (Thomson Consumer Electronics sponsored the pre-banquet reception.)

APRO Executive Director Bill Keese thanked convention sponsors, recognized 1994's APRO Rental Advertising Excellence (RAE) award winners, and announced the official golf tournament results.

APRO President Kevin Quinn pre-

sented most of the awards and concluded the event with a champagne toast.

Ron Waters, APRO director of government affairs, honored Missouri as the state association of the year. Gary Romine, Missouri president, accepted the award.

Waters also mentioned the state presidents' award reception (sponsored by Voyager Insurance Companies/Nationwide Club Administrators) on Wednesday, Aug. 3, where state association presidents received distinctive gavels from the national association for their contributions to the rental-purchase cause.

Forty-nine gavels—each bearing the

CONTINUED ON NEXT PAGE



APRO President Kevin Quinn makes a champagne toast to officially end convention activities at the grand finale 'Fantasy' ball, sponsored by High Touch.



APRO Executive Director Bill Keese presents a crystal decanter to Quinn.



APRO Education Director Shelley Martinek got into the act at the 'Fantasy' ball.

*Continued from previous page*

individual's name, the words "state president" and the particular state—were commissioned by APRO government affairs staff and presented to state presidents in attendance. Some gavel recipients were newly elected state presidents; some were outgoing.

Also at the meeting, these special APRO/state association awards for 1994 were announced:

- Most improved association—New York.
- Largest delegation at a state event—Arkansas.
- Largest delegation at a regional event—Northwest Rental Dealers Alliance (Idaho, Washington, Oregon).

Waters announced the APRO Legislator of the Year Award winner—California state Rep. Betty Karnette.

APRO Vendor of the Year went to two deserving recipients—Tim Shannon of Thomson Consumer Electronics and Bonnie Nitzsche, "Bonnie The Flyer Specialist."

Gary McDougal, American Rents, was named APRO Rental Dealer of the Year. The Tennessee dealer is very active in political races this fall and in APRO's ongoing grassroots congressional efforts (see page 54 story this issue).

Florida dealer and newly elected board member Larry Sutton earned the APRO President's Award of Excellence. Meanwhile, Wayne

Chambers, APRO president from 1991-93, received the APRO Presidential Recognition Award.

Throughout the entire evening the dance troupe Le Masquerade provided entertainment—and encouraged participation—for "Fantasy" ball attendees.

### New board meeting

Following Saturday night's "Fantasy" finale the newly elected board of directors met for the first time the next morning, Sunday, Aug. 7. As the last official order of business at the convention, the board elected asso-

**RIDE THE WAVE!**

**APRO 1994 IN ORLANDO**  
AUGUST 3-7

Robin Scott

ciation officers for the coming year. (For more on APRO's top officers, see page 49.)

### RAE awards

Participation in APRO's Rental Advertising Excellence (RAE) Awards continued to grow this year as com-



Even the youngsters got out on the dance floor during Saturday's 'Fantasy' ball.

panies competed for the most prestigious advertising honors in the rental-purchase industry.

Laurie Derton, APRO's RAE contest coordinator, said entry numbers rose by 50-something between 1993 and 1994, and indication that the contest continues to gain recognition and esteem.

With more than 185 entries across seven categories—including print material, direct marketing, newspaper, radio, television, specialty items advertising, and billboard/outdoor advertising—participation in future RAE contests is not likely to wane, according to Derton.

Here's a look at the 1994 RAE award winners:

Catalog brochure less than 4 color—gold, Diamond Leasing, Kenneth Moye; silver, Renters Choice, Ernie Talley; and bronze, Diamond Leasing, Kenneth Moye.

Catalog brochure, 4 color or more—gold, Rent-Way, Bill Morgenstern; silver, Colorama, Kevin Webb; and bronze, Action, Bill White.

Letterhead, logo or trademark design—gold, TVCO, Gary Ferriman; silver, Home Source, Ron Kosydor; and bronze, Aaron's Rental-Purchase, Ken Butler.



Everyone had a blast at the 1994 APRO convention and trade show—Ride the Wave!

Poster, less than 4 color—gold, Aaron's Rental-Purchase, Ken Butler; silver, Alrenco, Mike Walts; and bronze, Renters Choice, Ernie Talley.

Poster, 4 color or more—gold, Aaron's Rental-Purchase, Ken Butler; silver, Renters Choice, Ernie Talley; and bronze, Renters Choice, Ernie Talley.

Door hangers, coupons, contests—gold, Champion, Bill Ogle; silver, Renters Choice, Ernie Talley; and bronze, Rent To Own Warehouse, Todd Baker.

Order solicitation—gold, Instant Rent To Own, Wayne Sutton; silver, Alrenco, Mike Walts; and bronze, Elmen Enterprises, Robert Elmen.

Direct campaign—gold, Buddy Bi-Rite, Norm Slatton; silver, TVCO, Gary Ferriman; and bronze, United Household Rentals, Darrell Tissot.

Newspaper black and white, half page or less—gold, Renters Choice, Ernie Talley; silver, Action, Bill White; and bronze, Countryside Rentals, Darrell Tissot.

CONTINUED ON PAGE 48

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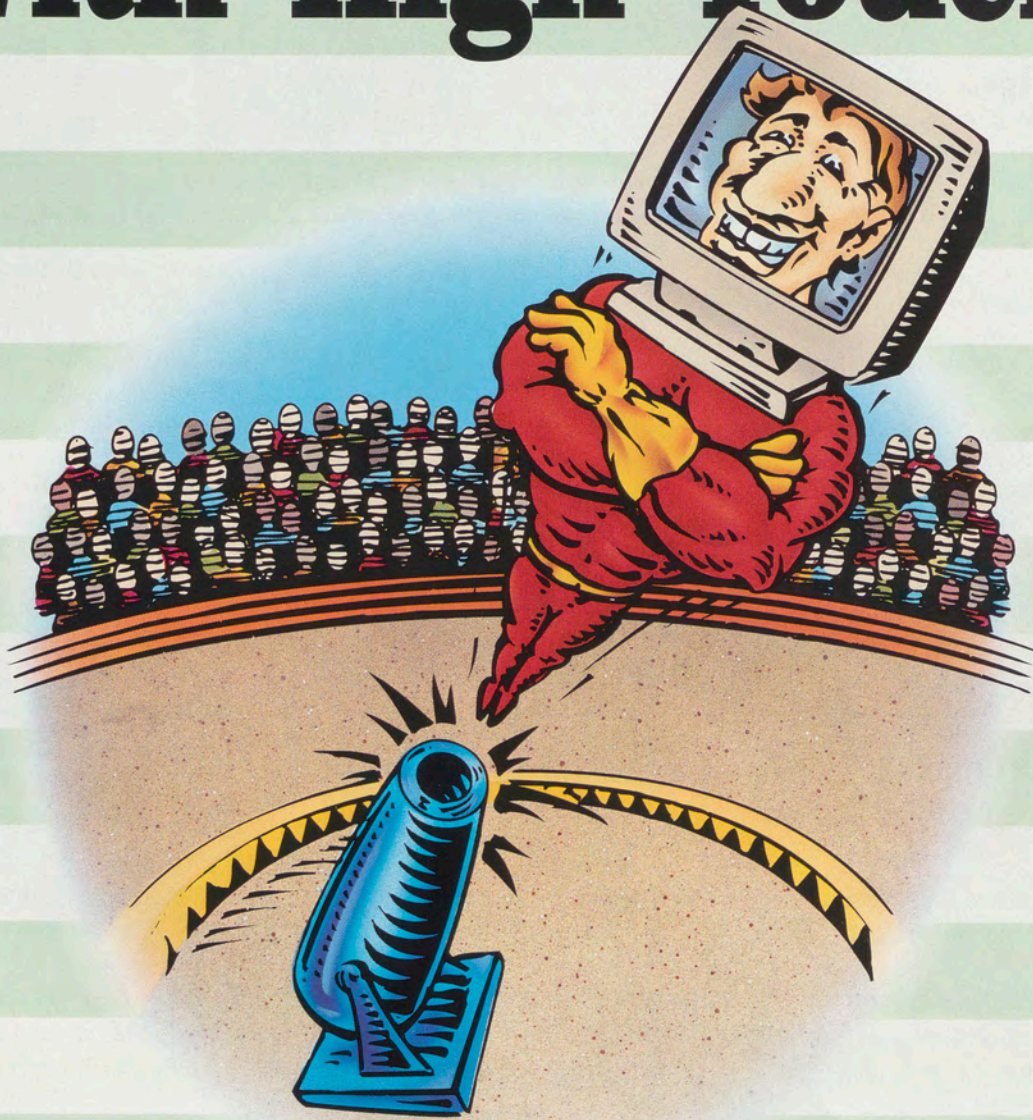
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Continued from page 20

business generally and about doing business with Rent-A-Center specifically.

The questionnaires, the methodology for conducting the interviews and the findings and conclusions were all incorporated into the Rudman report.

The Hoffman survey polled 647 customers, both active and former, about customers' treatment by Rent-A-Center employees at the time they entered into their rental-purchase agreements, when they were late with payments, and whether they had experienced anything related to the specific abuses cited in *The Wall Street Journal* article. The Hoffman survey also polled 428 Rent-A-Center employees, both active and former, on similar issues.

Finally, Rudman hired Lexecon, Inc., a Chicago-based economics consulting firm, whose members include a recipient of the 1992 Nobel Prize for Economics. The economic study was commissioned to determine whether doing business with a rental-purchase company was a rational economic decision, whether the rental-purchase industry was truly competitive or whether Rent-A-Center, because of its size, had the ability to manipulate rental rates and, generally, the economics underlying the rental-purchase transaction.

The Rudman report began with a history of the development of the rental-purchase industry in this country and described the typical characteristics of the rental-purchase transaction:

*"The rent-to-own transaction has the following features: immediate access to merchandise that the customer might not qualify to purchase on credit; free terminability of the payment obligation, and the consequent relief from a long-term, fixed obligation (with the prospect of legal action and adverse credit history in the event that payments are terminated); freedom from responsibility for maintaining or servicing the merchandise (these are typically the responsibility of the vendor in a rent-to-own transaction); and the absence of a credit approval process or (in most*

*cases) a required down payment or security deposit."*

The report traced the history of Rent-A-Center from its start in 1973, when Tom Devlin opened his first store, to the present behemoth, which owns more than 950 stores in 49 states, plus a franchise program with another 150 outlets, and which employs more than 7,000 people.

In response to *The Wall Street Journal* article allegations that Rent-A-Center takes advantages of unsophisticated, poor consumers, the Rudman report countered with a finding that Rent-A-Center customers are neither especially poor, nor unsophisticated.

According to the Rudman report, rental customers understand the nature of the rental-purchase transaction they are entering. This understanding includes the knowledge that rental-purchase ownership is often significantly more expensive than outright purchase. The report also found that 57 percent of Rent-A-Center customers make more than \$20,000 per year. Seventy-five percent of customers were employed at the time of

the interviews, although 50 percent of the customers were also receiving some form of public assistance, such as food stamps, public housing assistance, AFDC, WIC, disability benefits or unemployment benefits.

The Rudman report findings contradicted *The Wall Street Journal* assertion that the reason that rental-purchase customers did business with Rent-A-Center at all was because they were "flattered" by the company only to be "bled through the nose" later. Instead, rental customers enter into rental-purchase transactions with full knowledge of their choices and do so because they like the flexibility and other features of a rental-purchase transaction.

*The Wall Street Journal* article alleged that Rent-A-Center employees engaged in high-pressure sales tactics which became coercive and abusive, because those tactics were the only way to keep their jobs. The article described one Rent-A-Center policy as requiring a Saturday night close of 5.5 percent for uncollected rents and 10 percent for past-due agreements.

CONTINUED ON NEXT PAGE

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*Continued from previous page*

Failure to meet these goals supposedly meant a quick and brutal termination from the company. The Rudman report found no evidence to support this allegation, and discussed in detail the dynamic tension between getting deliveries on the one hand and collecting the money or recovering the property on the other, which exists at the store level in Rent-A-Center and in all companies because of the nature of the business.

The Hoffman survey found 6 percent of customers felt that they had been pressured in the store to sign a rental-purchase agreement. Two-thirds of the customers surveyed reported that they went to a Rent-A-Center store with a specific item or items in mind which they got.

The Rudman report also found that store employees are generally sensitive to how many items a customer could afford to rent. There was no evidence that store employees were loading up customers with "too much" stuff to ensure the customers would default and have to return all of the merchandise. Eighty-seven percent of the employees surveyed reported that if a customer attempted to rent more than the customer could afford, the employee would recommend a less expensive item.

*The Wall Street Journal* article alleged that Rent-A-Center employees routinely deceived rental customers by failing to disclose the total rental-purchase cost of ownership and by failing to explain fully the terms of the liability damage waiver program. The Rudman report found that since Sept. 1, 1993, all Rent-A-Center store merchandise has carried a price tag with the important financial terms of the transaction on it, including the total rental-purchase price. Moreover, this amount is printed in all rental-purchase rental agreements which customers sign.

Ninety percent of Rent-A-Center employees in the survey reported that they explain the total cost of rental-purchase ownership before the customer signs the agreement. They did this regularly, even though 40 percent of employees reported that they felt disclosing this amount could result

in lost rental opportunities.

As to the liability damage waiver issue, 82 percent of customers surveyed could accurately explain how the program works. Only 6 percent of customers reported that they thought it was insurance, or that it guaranteed them a replacement unit if their unit was lost or destroyed.

The Rudman report did find a discrepancy between the actual number of rental-purchase customers surveyed who elected the option, 90 percent, and the number who reported that they had elected the option when surveyed, 74 percent. This led Rudman to conclude that some Rent-A-Center customers may not be aware that they are purchasing the waiver, and recommend that Rent-A-Center management install procedures to ensure that employees more thoroughly explain the program.

*The Wall Street Journal* article was also very critical of Rent-A-Center collection policies and practices. However, the Rudman report found that 92 percent of customers surveyed who were late making payments reported that Rent-A-Center employees were "generally courteous in connection with collection activities." Ninety-one percent of these customers who made late payments reported that Rent-A-Center employees worked with them to arrange a new payment schedule or otherwise allow them some time to get caught up on payments. These statistics contradict *The Wall Street Journal* article claims that Rent-A-Center lies in wait to snatch back units when customers get behind, so that the company can re-rent them to someone else.

Twelve percent of customers surveyed who had made late payments reported being treated poorly by Rent-A-Center employees.

Some of the most sensational of *The Wall Street Journal* allegations concerned specific collection practices. For example, one of the headlines in the body of the article proclaimed "couch payments"—employees swapping sexual favors with customers for rental payments—allegedly a part of the company's repossession repertoire.

One former Rent-A-Center employee was quoted in the article: "Some store employees have boasted that they have gone out to the customers'

homes, had sex with them, and then repossessed the merchandise anyway."

The Rudman report acknowledged that rumors of "couch payments" were a part of the folklore of the business, but could uncover no specific incident where a "couch payment" was ever taken by an employee.

The Rudman report similarly debunked allegations that company employees have broken into customers' homes, regularly do blanket brochuring in housing projects, and occasionally have forced customers to work off amounts past due on an account by submitting to involuntary labor. The report noted that when and if such incidents occurred, the employees were acting in derogation of clearly stated company policies, which are imparted to employees through comprehensive and ongoing training programs.

Perhaps of most interest to industry members are the conclusions drawn by the economic consulting firm, Lexecon, about how rental-purchase transactions function in the marketplace. Lexecon concluded, unsurprisingly, that rental-purchase transactions operate differently from sales from an economic point of view. Lexecon explained that from this point of view, both renting and owning provide consumers with the use of merchandise, and that it is the consumption of services associated with actual use of a product which is of value to consumers, not necessarily ownership in an abstract sense.

An economic analysis involves studying the cost components associated with each kind of transaction, of which there are at least three—an interest component relating to tying up capital for a purchase or interest paid on money borrowed for a purchase; an allowance for depreciation and obsolescence; and capital losses or gains from changes in market value unrelated to depreciation or obsolescence. Added to these factors can be transaction costs, consumer incentives and social institutions, all of which affect the economic decision of consumers whether to rent or buy.

Looking at all of these factors, Lexecon explained that the cost to use by renting may be high relative to the cost to use by owning even in a very competitive rental market. By way of

example, Lexecon explained how the car-rental market works:

"A consumer can purchase a new car, say a standard Ford Tempo GL, for about \$12,000. If he keeps the car for a year, he will experience a decline in value of about 29 percent. Put differently, the new Tempo GL can be sold one year later (if it has been used roughly as intensively as the average Tempo) for about \$8,300. The owner also will incur insurance costs during that year of approximately \$400. Thus, the cost of obtaining Tempo use (including insurance) is approximately \$7.25 per day for the average Tempo owner who holds the car one year.

"In a perfect capital market with no transactions cost, no unanticipated depreciation from technological change or unexpected price declines and no differential care or other differential use incentives between rental and ownership, economic theory suggests that one could rent a new Tempo at about this rate. However, in the unquestionably intensively competitive automobile rental market, a new Tempo rents for approximately \$33 per day, or roughly four-and-a-half times more than the use cost to an owner. This does not mean that firms that rent automobiles are 'gouging' consumers or that the businesses of selling or renting automobiles are noncompetitive. Nor does it mean that an average rental car 'pays for itself' (i.e., pays for a full year of use cost) in the first quarter of the year.

"The disparity between the rental rate and the ownership-use rate occurs because of the extra costs incurred by rental firms for marketing, promotion, maintenance of adequate inventory, disposing of inventory at the end of its useful life, risk of default on rental payments, risk of unanticipated depreciation, risk of extra abuse because renters take less care than owners, the commitment to replace a non-working Tempo with a working Tempo immediately; and the like.

"Why do people rent cars when their rental cost on a per-period basis is so much higher than buying? The obvious answer is that even with this vast disparity, people rent cars ... because often the option of using

them only briefly and then returning them is less costly than owning

...  
"(One reason for this) is that there are significant transaction costs associated with buying and selling used cars.

"And these transactions costs are incurred by all individuals, the wealthy as well as those with significant budget constraints. Put differently, the 'bid-ask spread' in the used automobile market is high and the time and inconvenience costs of selling are very great as well. If there were no such transactional costs in buying and selling cars, a business traveler could fly from New York to Detroit, purchase a car at the Detroit airport, use it for five days, return to the airport, sell the car and have a total out-of-pocket cost of about \$37 (five times the daily \$7.25 use rate)—an obvious impossibility.

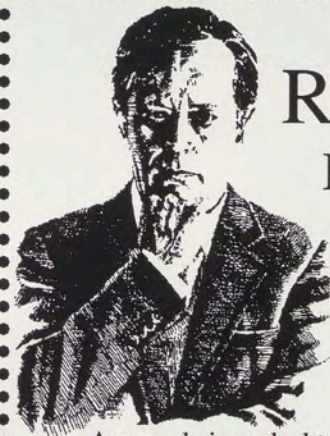
"The transactions costs of buying and selling are so great that this strategy is certainly vastly more expensive than a five-day rental at

\$33 per day. That is why firms such as Hertz, Avis and Dollar thrive in the automobile rental business even though they charge much more than the daily ownership-use rate and typically deal with consumers with access to sufficient credit or cash to purchase an automobile.

"All of this shows that while ownership typically provides the lowest use rate for a durable good, conditional on using the durable for an extended period of time, ownership is not always the superior or most economical alternative. Ownership has the significant disadvantage of requiring a person to commit a sum of money 'up front' to acquire a good with a per-period service value (say weekly or monthly) that is only a fraction of the purchase price.

"Typically, that investment cannot be recouped in full, or even in large part, by those who own and then resell, even if true depreciation is very small.

"Many of the goods offered by  
CONTINUED ON PAGE 47



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*When fishing for good help, here's how to ...*

# Catch a keeper

JUST-RELEASED GOVERNMENT INFORMATION REVEALS THAT OUR ARMED FORCES WILL SPEND A RECORD AMOUNT THIS YEAR TO RECRUIT THE FEWEST NUMBER OF SOLDIERS EVER. IN FACT, IT'S REPORTED THAT SOME RECRUITING OFFICES AVERAGE ONLY ONE NEW SIGNUP A YEAR.

.....

If this sounds a lot like your company's success rate, read on. But first, readers concerned about political correctness should cross out "personnel" wherever it appears in this article and write in "Human Resources." Do the same for "he" and "she." We may not be on the cutting edge here, but at least we know where it is.

One real problem with recruiting is that everybody is looking for super-heroes. You end up hiring some guy only because his last boss said he does the work of three people. Months later, you figure out those were Larry, Curly and Moe.

Always remember that the world is run by "C" students. If you don't believe this, read any newspaper.

It's important to define the requirements for working in a rental store. There aren't that many; if there were, half of us wouldn't be here. A crucial ingredient is drive, also described as the total absence of fear of failure. You'll know you're headed in the right direction if your recruit confesses to a lifelong urge to bungee jump from a light plane over a dark, crocodile-infested swamp.

If this same recruit can both read and write—or knows somebody who can—then you have one for the "A" list. That's made up of all the applicants you want to hire. All the other names go on the list of people you'll really hire—the "B" list. The "F" list is made up of all the folks you've already hired.

Beyond desire, look for intelligence. But intelligence without common sense can be worthless. For example, not rushing into a burning apartment building to save the landlord to whom you owe a year's back rent is a sign of intelligence; not hanging around after you set the fire is common sense. There is a difference, albeit a subtle one.

Forget the arcane psychological profile tests advertised in human resources journals. All they can do is tell you whether your candidate really murdered his parents or just wants to, and whether he's clever enough to hire a smart lawyer in case he really does. Anyway, you don't want to hire anybody who passes this kind of test.

A better alternative is the in-depth personal interview. This is where you ask questions designed to give you about a 30-day head start on figuring out why the guy quit when he finally does (remembering that planning is a part of the hiring process). A good place to start is, "Who was the chief breadwinner in your family?" Among the unacceptable answers are "Uncle Sam," and "Two-Gun Malloy." What you want to know is whether the candidate's upbringing prepared him for a life of labor and hardy perseverance, or just hard labor with some hope of parole.

Once you've narrowed the list to those candidates who are possessed of sufficient desire, intelligence and sound family values (they didn't steal anything off your desk during the initial interview), go on to role playing. It is a next-to-final step in the selection process, and one that's best done in a neutral setting.

The unemployment commission is a good place to do role playing. If it goes badly, you'll have lots more people to choose from without missing a beat. Just look around. In the event you don't like any of the new recruits and decide to rehire the people you fired last month, you won't have far to go to find them.

The plan is simple. In Scenario I, you

.....

BY

BUD HOLLADAY

play the role of an irate customer to see how the candidate handles stress and conflict. In Scenario II, you play an irate boss to see how the candidate handles stress and conflict. In Scenario III, you play an irate family member to see how the candidate handles stress and conflict. There is no Scenario IV, because by now somebody usually gets punched out, thus ending the exercise—but not before telling you what you wanted to know.

Your final act before hiring should be to conduct a thorough background check. Some experts suggest doing this early so you don't waste time on the fakes, frauds and con artists who make a living fabricating wonderful but wholly worthless resumés. A better idea is to save it for last so disappointment won't cloud your judgment. Or you could go ahead and hire those people on the theory that you can never have enough executive material on the payroll.

With the proliferation of lawsuits and damage claims in today's workplace, many employers are loathe to divulge much more than whether Joe

Smith worked there and was last seen alive when he left. You can get a much better handle on Joe Smith's standing with the old firm by simply calling there and asking for him by name. If they suggest unnatural acts and slam down the phone, you might want to cross Joe off your list. You should also think twice if they transfer you to somebody in Security who wants to know if you happen to have Joe's current address and a recent photograph.

Finally, any recruit who makes it past all of these hurdles has to be a "keeper"—somebody who can come in and make an immediate impact on the bottom line. But before you get too excited about that, remember your cousin Larry, who skipped town with the bank deposits last year. He also made an immediate impact on the bottom line.

It proves that in hiring, as in life, everything's relative. **PR**

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

# 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.

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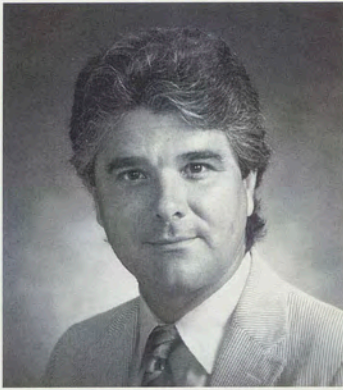
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*Natural law of market forces not enough anymore*

# *Economic studies to once and for all settle the big issues*

THE INDUSTRY MAY BE INCHING TOWARD HAVING THE ECONOMIC TRUTH UNDERLYING RENTAL-PURCHASE TRANSACTIONS REVEALED FOR ALL TO SEE. IT WOULD BE NICE TO BE ABLE TO SAY, "ONCE AND FOR ALL," BUT TRUTH, ESPECIALLY ECONOMIC TRUTH, DOES NOT SEEM TO WORK THAT WAY.

.....

BY  
ED WINN III

.....

A serious problem the industry has had for years is that critics came forward early on with their version of the truth, which was that this business was getting away with charging unsophisticated and impoverished consumers obscene rates of interest—100 percent, 200 percent, 300 percent or more (as long as it was three digits)—for the necessities of modern life.

People in the business have known instinctively that could not really be the case—one might suppose that real loan sharks make a lot of money—but the refutation of this persistent "truth" advanced by the other side has been problematic until now. Circumstances have forced the industry's hand, and it must now, at considerable expense, come forward with some comprehensive economic analyses of the rental-purchase transaction for the world to see.

These analyses will include such imponderables as calculating the value of ter-

minability and, perhaps, even the value of not checking credit before renting a TV.

This analysis will plumb the depths of intent and just how badly, if at all, the industry is disappointing consumer expectations. It will dissect rental-purchase rates into its components, and determine whether rental rates are too high, too low, or like the baby bear's porridge, "just right" for the economic role they fill.

They will assess what portion of a rental-purchase transaction, if any, is really a sale. These analyses will contain a macro component examining the rental-purchase industry's place in the U.S. economy overall, and a micro component, examining how the dollars flow into and out of a rental company.

One problem to date has been that the marketplace functions very well without this type of analysis. Buyers and sellers, lessors and lessees—they negotiate and get together without any "independent economic analysis" based on supplies and demands, needs, and desires and appetites that simply exist without analysis. And rental dealers have been renting TVs to customers all of these many years at rates dictated by the complex of factors driving competition at the consumer retail level, without worrying too much why the rental-purchase transaction was or was not a rational consumer choice in economic terms.

If there had not been enough customers to support the business, rental dealers might have engaged in these kinds of analyses before throwing in the towel, but the

demand for rental-purchase has been growing, not shrinking, for a long time now.

Several forces are currently at work, which together require this industry to engage in this in-depth economic analysis. Henry Gonzalez may have started things last year with his oversight hearings on the industry in Congress. *The Wall Street Journal* joined in with its attack on Rent-A-Center. Now the Internal Revenue Service appears to have joined the fray with its obstinate position in an increasing number of audits of rental companies. Added to these forces are the usual number of attacks by Legal Aid lawyers, which are not new, but still contribute to the cauldron of confusion surrounding how rental-purchase transactions function from an economic point of view.

Rent-A-Center actually began the economic analysis when it had to hire a \$700-an-hour University of Chicago economist to help defend a lawsuit in Minnesota. It continued the effort when former U.S. Sen. Warren Rudman hired an economic consulting firm to help with his investigation of the article in *The Wall Street Journal*. APRO has picked up the ball

*Several forces are currently at work, which together require this industry to engage in this in-depth economic analysis. Henry Gonzalez may have started things last year with his oversight hearings on the industry in Congress. The Wall Street Journal joined in with its attack on Rent-A-Center. Now the Internal Revenue Service appears to have joined the fray with its obstinate position in an increasing number of audits of rental companies. Added to these forces are the usual number of attacks by Legal Aid lawyers, which are not new.*

by commissioning a consumer research group to conduct a nationwide survey of rental customers to determine their attitudes and understandings about their rental-purchase transactions. Soon, the association will be hiring economic experts in the IRS lawsuit to do battle with the IRS economic experts.

Out of all the studies by these experts, the industry might reasonably expect some truths to emerge. Either rental-purchase is a scandalous and inherently deceptive transaction

that is a blight on the American economy and everybody in the business ought to be run out of town; or, rental-purchase is a viable economic alternative for millions of Americans and fills a useful niche in the American economy.

If the proof of the marketplace over the past 30 years is not enough, maybe some thoughtful and comprehensive economic studies will help advance the debate. Let us all hope so. **PR**

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

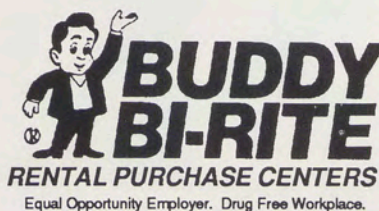
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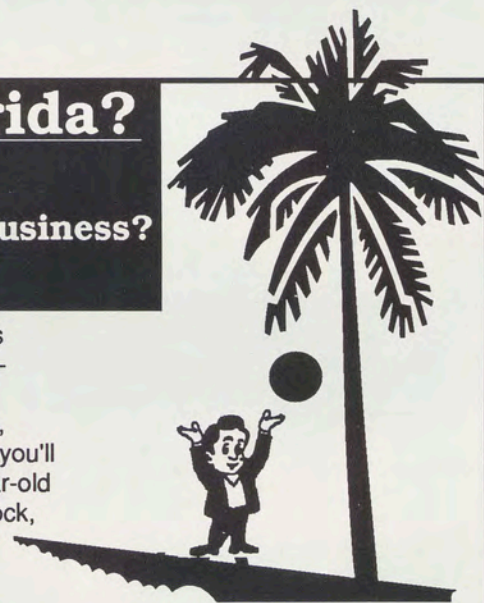
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# Outgoing board members share opinions; Ga. floods not all bad

For this issue, we interviewed two longtime APRO board members whose terms ended at the Aug. 3-7 convention. Also, we talked with a store manager whose business was affected by the extensive floods that plagued part of Georgia in mid-summer.

—John Gormley, editor

•••

Roger Sharp  
Regional supervisor  
RTO, Inc.  
Huntington, W.Va.

**On congressional issue:** "We need to let them (Congress) know that we are a force and we are interested in getting this (legislative) thing over and done with. We're the largest consumer transaction that is not legislated, and it needs to be done—to put it to rest and let us get on with helping our communities. The bottom line is, if we hadn't spent \$1 million last year and weren't going to spend \$1 million this year as an association for federal legislation, what could we have used that \$2 million for? We could've set up college scholarships to anywhere in the United States, and put some of our customers' kids through college. That's the type of thing that I'd like to switch our emphasis to."

**On industry's public image:** "Anyone who thinks we're bad people—I want to show them what we're really about. I want to show the efforts we put forth in helping people out in California after the riots, after the

fires out there, after the earthquake, after the floods in the Midwest, after the hurricane in South Carolina. Those are the type of people I know who are associated with APRO.

"Right now, because of what Legal Aid's doing to us, we're not able to do 100 percent of what we'd like to do. I guarantee you our people put back into their communities, because that's where our living comes from."

**On his board service:** "I was the top vote-getter six years ago, and today I'm not serving on the board; I was told I was ninth this year, and by a slim margin. I think it's great that the industry's grown like this. The only thing that would make it not positive at this point is if the association does not go after a bill being actually put to a vote on the floor."

•••

Mac McCullar  
CEO  
First American Rental  
Lithonia, Ga.

**On proper role of the board:** "Delegating and following up; holding people accountable. It's the same issue as in any well-run business."

**On industry education/maturity:** "Whether it be human resources, to ADA (Americans With Disabilities Act) to just basic management philosophies—how do we get there? Our industry is a young industry and it's growing. But the thing about it is, we haven't reinvented the wheel. Rent-to-own is no different from any other

business. That's why I've been able to learn so much from other businesses out there, because management's management. Human resources is basically human resources. It's all part of growing a business. The rental business is really quite simple, if it weren't for all the legal and legislative issues."

**On industry growing pains:** "A lot of people grew, but some didn't have the management capabilities or expertise to really manage it."

**Assessing the board:** "We've taken some giant leaps, but we're not perfect—we're never going to be perfect. We've got a good board. The two people who came on (Saundra Blackwell of ColorTyme and Larry Sutton of Champion) are excellent. As time goes on, I'm sure we'll have more strong people step up. And just because I'm no longer on the board, I still plan on serving the industry."

**On his political involvement:** "We've participated in quite a few campaigns, even Oliver North's (U.S. Senate bid in Virginia)."

•••

Davis Gill  
Manager  
Gill's Electronics  
Albany, Ga.

**When the floods hit:** "July 7, that's when it started coming over the banks. The Flint River did most of the damage to our merchandise."

**How it happened:** "It was kind of a surprise. We had a lot of customers in homes on the Flint River.

"What they didn't expect to happen, the river came inland another mile; it covered a whole part of town. I'd say 20 (percent) to 25 percent of our accounts are in that area. By 3 or 4 o'clock that afternoon it was too late. We lost a lot of merchandise."

**On customer treatment:** "If they were good customers, basically we said, 'Don't worry about it. Come see us when you get back on your feet.' And you won't believe how much that's paid off."

"When these people got money, they had to choose where they wanted to go spend it. If you had treated them right in the past—given them good service and good products—they were going to come back to your door."

PR

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on the account. And since the usury rate in the state is set at 8 percent, the difference between those two amounts can only be 8 percent on an annual basis. The supreme court's blithe response to this argument was, "Loss of profits is not a valid defense to a usury claim."

Rental dealers in Minnesota are naturally concerned with what the appropriate response should be in the aftermath of Miller. The decision is an extremely negative one, and it can be safely said that the highest court cares little about the survival of the rental-purchase industry in the state.

Accordingly, rental dealers are understandably reluctant to take any significant legal risks insofar as new business methods are concerned. Several dealers have already decided to liquidate their accounts and find something else to do. Others are determined to find some profitable means of serving the customer base that exists in Minnesota and not simply abandon them. There are at least five possible business responses to the Miller decision.

The first option is, obviously, to comply with the holding in Miller and have a transaction that complies both with the Minnesota Rental-Purchase Statute and the Consumer Credit Sales Act. It is not at all clear, however, that this option is a realistic one, given the applicability of the usury statute to these transactions in the aftermath of Miller and the interest rate limit of 8 percent.

There is, presumably, an argument that can be made that the services accompanying a rental-purchase transaction have value, which value can be added to the sales price of the rental unit as principal, which amount can then be financed at an 8 percent rate. There is, unfortunately, really no guidance as how to value the service component of the rental-purchase transaction. The court in Miller, which was looking at only limited evidence in the record of what those services were or how much they might be worth, has indicated that they are worth little if anything.

One might reasonably expect a challenge to any sort of high price on the

services. If, for example, a rental company were simply to declare that the value of the lease services is what they were prior to the Miller case, and that the interest rate in the transaction were zero, the proposition would be quickly challenged. Moreover, rental dealers will be hard-pressed to go out into the marketplace to search for comparable values in consumer services, since rental-purchase companies have come to dominate the market in the rental of consumer durables.

This option would also change how dealers recover property and what they can do with it when they pick it up. A consumer credit sale in Minnesota is, by statute, also a security agreement, and dealers would be bound by provisions of article 9 of the Uniform Commercial Code.

And so, while this option must, perforce, be listed as option No. 1, it is not an option which rental dealers will likely be able to follow. The economics of such transactions simply do not work.

The second option is to get out of the rental business and get into the sales business. While not a favorite legal doctrine in Minnesota, the time-price doctrine is still, nonetheless, alive and well in the state. The time-price doctrine allows the seller to put a cash price on goods and to have a higher time-price if the customer elects to make payments over time. The difference between the cash price and the time-price is not interest under Minnesota law.

There are certain formalities required of agreements to comply with the time-price doctrine. This is how retailers in the state get around the usury statute there. Rental dealers contemplating this alternative would be wise to shop neighborhood retailers who are carrying their own paper to get some sense of how time-price is working in the state. If, for example, on a cash price of \$500, the time-price in the marketplace were \$700, it would be risky for a rental dealer to jump into the sales marketplace and offer cash prices of \$500 and time-prices of \$1,200.

The time-price doctrine was judicially created and can as easily be judicially dissolved. The courts have expressed disapproval of the doctrine

previously. Pricing beyond what the marketplace will bear will probably not work from a business point of view and, additionally, would add materially to the legal risk of such a transaction. Dealers will still have collection and repossession limits as set forth in the UCC with this option.

A third option, and one that is related to the second, is to draft a rental-purchase agreement that complies with the state's rental-purchase statute and then attempt also to structure the transaction so as to comply with the time-price exception to the usury statute. That would keep rental dealers in the rental business, although a rental transaction under the state's rental-purchase statute is now also a consumer credit sale in the state. The risk here is that attempting to use time-price in a rental-purchase agreement would give the supreme court a reason to whittle down the ability to use time-price in the state.

It would be easy, for example, for a court to say that the time-price doctrine still exists in the state, but it does not apply to rental-purchase transactions.

A fourth option is to take the purchase option out of the rental transaction altogether and go to straight "rent-to-rent." This means simply that rental customers have no option whatsoever to obtain ownership of the property. The question here is whether the marketplace will support such an option. Anecdotal evidence is that it might if that is the only option available. If, however, customers have a choice between renting property without an option and renting property with an option, they will invariably elect to rent with the option to purchase, as the option has significant value to consumers.

Minnesota rental dealers would be ill-advised to attempt to vary the rent-to-rent theme as has been done in Pennsylvania. This is because of the considerably more hostile legal environment in Minnesota than even in Pennsylvania. In Pennsylvania, dealers have varied the rent-to-rent theme by offering straight rental programs with rebates, frequent renter points, and other mechanisms whereby customers can end up owning rental

CONTINUED ON NEXT PAGE

Continued from previous page

property, even though the transaction, from a strictly legal point of view, is a rent-to-rent transaction.

No one knows whether these various methodologies will work in Pennsylvania, since they have not yet been tested in court. They would certainly be challenged in Minnesota.

A fifth option in Minnesota is to avoid compliance with the rental-purchase statute as well as the Consumer Credit Sales Act and to structure a transaction that complies in every respect with the Federal Consumer Leasing Act. That statute applies to all consumer leases with a minimum term of longer than four months.

Therefore, rental dealers would have to offer a rental agreement with a minimum term of at least four months and a day. There is no maximum lease term and dealers could offer agreements with a minimum term of one year, 18 months, 24 months or longer. Importantly, though, rental dealers could not advertise or market "no obli-

gation," a mainstay of the rental-purchase business since its inception, because there is an obligation in a consumer lease.

At the other end of the transaction, the consumer leasing act applies whether or not there is a purchase option. If there is a purchase option in the transaction, the details of the option and when it can be exercised must be disclosed. Importantly, for the entire transaction not to be characterized as a consumer credit sale under federal and state laws, the purchase option would have to be more than "nominal." This was the central issue in the Starks case, in which Rent-A-Center had rental-purchase options equal roughly to two months' rent on the end of 16-month agreements. While RAC won that case, it was expensive.

Dealers are better advised to make determinations in the marketplace as to the value of used property. A fair statement of the law in Minnesota is that if a purchase option is equal to or greater than the fair-market value of the property at the time of the exercise of the option, the purchase option cannot be nominal.

Dealers could collect evidence of the value of used merchandise from blue books (pawn shops use these regularly when determining the value of property taken in pawn), and Greensheet and classified advertisements for used property. It would be useful to keep these filed and to collect such information on a regular basis to justify the size of balloon-purchase options.

In the event that a customer wished to exercise the purchase option but could not pay cash, then the dealer could finance that transaction by bringing the customer into the store and having the customer sign a conditional sales agreement that complies with the Federal Truth in Lending Act, as well as the Consumer Credit Sales Act. Interest for such a transaction would be ordinarily be limited to 8 percent, although there is no particular reason why a dealer could not, to facilitate purchase of the property, enter into a time-price transaction at that point.

This is obviously a more cumbersome means of doing business than a straight rental-purchase transaction. However, the rules have changed dramatically in Minnesota since *Miller*, and it can be fairly said that desperate

times call for desperate measures. Lessors of vehicles have been using and complying with the Consumer Leasing Act for more than a decade with few complaints. There is even a model furniture leasing form in the regulations. This option is more fully explained in the *APRO Legal Reference Index*, third edition, pages 19-29.

There still remain a number of active lawsuits pending in Minnesota. Several can be expected to move quickly now that the state supreme court has spoken. Rental dealers have not ruled out the possibility of returning to the legislature to ask whether it was, indeed, that body's intention to put them all out of business. But there are few dealers left in the state; perhaps not enough to make a significant impact on the legislature. Most of those remaining have the immediacy of lawsuits to defend.

Any solution to the problems in Minnesota, which would bring it and the remnants of the industry there back into the mainstream of the RTO business in America, seems far away. **PR**

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

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RAC, for example, such as consumer electronics, furniture and appliances, are highly illiquid assets with very thin resale or second-hand markets or no such markets at all. Thin markets have wide bid-ask spreads and often are not even organized formally. In some cases the only way to sell such an item is through a classified newspaper advertisement, a visit to a swap-meet, or the like. The costs of disposing of such goods after they are purchased, therefore, are very high and often approach the purchase price of the good itself.

"A used sofa bed or dinette is worth much less two or three weeks after purchase to a person who wants an immediate sale for cash than it cost when 'new.' Indeed, a rule of thumb in the furniture business is that used dinettes or beds (even if only a few weeks old) have only 'scrap' value. Consequently, purchase tends to 'lock-in' the consumer to a specific item, even if circumstances (foreseen or unforeseen) arise to make such a commitment undesirable *ex post*.

"Rental is not subject to this problem. That is why renting often is efficient even when the renter has cash in hand sufficient to pay in full for the durable good. If this were not true, firms such as Avis, Hertz, Blockbuster, Gingiss, and renters of real estate would only serve individuals who are liquidity restrained as discussed below."

These factors operate on all users of products, not merely "liquidity restrained" consumers. Lexecon went on to note that renting provides an additional advantage to people without the cash or credit to consider the buy choice in the rent-buy decision. For these consumers, the choice is to rent or to do without.

Lexecon also determined that the rental-purchase industry is highly competitive and that Rent-A-Center does not have the market power to manipulate rental rates and raise them above market rates. Part of the economic analysis concerned the ease of entry and exit into the business. Lexecon concluded that rental-pur-

chase and rent-to-rent transactions combined account for only 3.6 percent of the total retail market for the kinds of goods offered in Rent-A-Center stores. If rental rates were supra competitive—above what they would be in a truly competitive market—Lexecon observed that retailers could add rental-purchase transactions as an adjunct to the sales business, thereby adding competition and presumably pulling down rental rates.

Lexecon validated the Rent-A-Center keep rate to be about 28 percent and to vary by quarter from 25 to 33 percent. It did so by taking into consideration rewritten rental-purchase agreements and other variables to which consumer advocates have been pointing when arguing that the industry's reports of its keeping rates are artificially low.

Lexecon determined that for many consumers, rental-purchase transactions are a rational economic choice and, therefore, not the product of widespread company deception on credulous and unsophisticated consumers. As an example of rental-purchase consumer "savvy," Lexecon studied the exercise of early purchase options. There is a point during the rental term where the early purchase option is "in the money"—when it is cheaper to exercise the early purchase option than it would be to purchase equivalent property from a retail source. Lexecon found that few rental-purchase consumers exercise their early purchase option when they are "out of the money."

Lexecon attempted to compare rental-purchase rates with pure rental rates, but was unable to do so in the markets it researched, because many items offered by Rent-A-Center are not available on a pure rental plan. When a comparison was possible for computers, furniture and some TVs, Lexecon found the Rent-A-Center rental rates often to be lower than pure rental rates.

The Rudman report did much to contradict the allegations in *The Wall Street Journal* about Rent-A-Center's business practices and about the industry generally. Unfortunately, *The Wall Street Journal* owns a printing press and Warren Rudman does not. Far more people have read *The Wall Street Journal* article than are ever like-

ly to see the Rudman report. When shown the Rudman report, *The Wall Street Journal* elected not to give its issuance any coverage at all in the paper.

Nonetheless, there is important information in the report about how the business really works. The report's findings are based on interviews with real people—customers and employees, present and former. It may be the first comprehensive economic analysis of the rental-purchase transaction by an unbiased source.

Over time, as the results of this initial study are disseminated and elaborated upon, the truth about the business will be made known.

Critics will be less free to invent facts about the business. Left only to argue that the rental-purchase transaction is an option that American consumers simply should not have because some think that is bad policy, is an argument that will certainly fail in this country.

PR

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

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Address \_\_\_\_\_

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

Continued from page 35

Newspaper black and white, more than half page—gold, Talley Lease To Own, Ernie Talley; and silver, Renters Choice, Ernie Talley.

Newspaper, color, half page or less—gold, Talley Lease To Own, Ernie Talley; silver, Action, Bill White; and bronze, Countryside Rentals, Darrell Tissot.

Newspaper, color, more than half page—gold, Talley Lease To Own, Ernie Talley; silver, Instant Rent To Own, Wayne Sutton; and bronze, Countryside Rentals, Darrell Tissot.

Newspaper free-standing insert—gold, Rainbow Rentals, Jason Alford; silver, Elmen Enterprises, Robert Elmen; and bronze, Home Source, Ron Kosydor.

Radio, 60 seconds under \$100—gold, Countryside Rentals, Darrell Tissot; silver, Diamond Leasing, Kenneth Moye; and bronze, Talley Lease To Own, Ernie Talley.

Radio, 60 seconds over \$100—gold, Rainbow Rentals, Jason Alford; silver, Champion, Bill Ogle; and bronze, Champion, Bill Ogle.

Television, 30 seconds or less under \$1,000—gold, Diamond Leasing, Kenneth Moye; silver, Diamond Leasing, Kenneth Moye; and bronze, Woodville Rental, Zale Kohler.

Television, 30 seconds or less over \$1,000—gold, Aaron's Rental-Purchase, Ken Butler; silver, Action, Bill White; and bronze, Champion, Bill Ogle.

Television, 60 seconds or less over \$1,000—gold, Rainbow Rentals, Jason Alford; and silver, Rainbow Rentals, Jason Alford.

Specialty items, unit cost \$2 or less—gold, Home Source, Ron Kosydor; silver, Action, Bill White; and bronze, Action, Bill White.

Specialty items, unit cost over \$2—gold, All Star Rental, Bob Simons.

Point-of-purchase material—gold, Alrenco, Mike Walts; silver, Action, Bill White; and bronze, Rent To Own Warehouse, Todd Baker.

Billboard/outdoor—gold, Rental Mart, Earl Ritter; and silver, Save-All Rentals, Scott Savell.

Transit poster, interior or exterior—gold, Renters Choice, Ernie Talley; silver, Fastway, Charles Cloud; and bronze, Fastway, Charles Cloud.

Other—inflatable, etc.—gold, Fastway, Charles Cloud; and silver, Home Source, Ron Kosydor.

## Trade show

This year's trade show had 210 exhibitor booths. Rental-purchase dealers got their first look at the exhibit hall on Thursday, Aug. 4, following a noon ribbon-cutting ceremony with APRO President Kevin Quinn, executive director Bill Keese, and Mickey and Minnie.

Business was brisk in the 1994 trade show, and a raffle giveaway of vendor-supplied products helped keep dealers in and around the exhibit hall.

## Golf tournament

The 1994 annual golf tournament included a ladies division for the first time. Veteran organizer Ted Wilson again coordinated the tournament. Also special this year, tournament namesake Joe Eason made an appearance and participated on team No. 1-A.

Here are the results:

First place—Larry Bogie, Greg Erath, Britt Allred, John Weiss.

Second place—Wayne Silmon, Paul Rice, Rich Anderson.

Third place—Norm Smith, Tom Kitchens, Mike Kent, Ken Gay.

Fourth place—Terry Beville, Steve Owens, Larry Sutton, Wayne Garrison.

Fifth place—Bill Kelly, Steve Booker, Mick Walts, Bob Saunders.

Closest to the pin, hole No. 3—Larry Bogie.

Closest to the pine, hole No. 12—Bob Miller

Longest drive, hole No. 4—Ann Cleek.



Robin Scott

*APRO '95: Make It Grand should be true to its name, returning dealers to Vegas.*

Most accurate drive, hole No. 18—Danny Bozof.

### WOMEN

First place—Charlotte Haynie, Ann Cleek, Gerry Walts.

Second place—Jane Wilson, Angie Quinn, Nancy Quinn.

## Looking west again

The rental-purchase industry's 1995

convention and trade show returns to an old venue, Las Vegas, but at a new location, the MGM Grand. The 1995 APRO convention and trade show—APRO '95: Plan to Make It Grand!—is set for Aug. 7-11.

APRO's vendor relations committee is scheduled to meet at the MGM Grand in November to go over plans for next summer's big event. **PR**

## 1994-95 APRO officers elected

APRO's full board traditionally meets on the day after convention ends to elect association officers for the coming year.

This year, the board met on Sunday, Aug. 7, when Kevin Quinn was re-elected by his peers on the APRO Board of Directors to serve as chairman of the board and president of the association.

Quinn is president of Puyallup,

Wash.-based Quality Rentals. He is a 12-year APRO member, veteran board member and effective fund-raiser.

Here's a look at other members of the 1994-95 APRO Executive Committee:

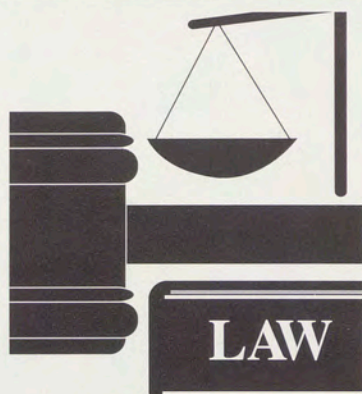
**First vice president.** Bob Simons, All Star Rental, N. Charleston, S.C. Simons was APRO's secretary for two consecutive terms. Simons is also the new chairman of the APRO Public Relations Committee.

**Second vice president.** Chris Korst, Rent-A-Center, Wichita, Kan. Korst

was re-elected to this post. He also chairs the highly successful APRO Government Relations Committee.

**Secretary.** Rich Bartel, Rentown USA, Vancouver, Wash. Bartel is also chief fund-raiser for the association's federal programs—congressional, and tax and accounting.

**Treasurer.** Ted Wilson, Alrenco, New Albany, Ind. Wilson was re-elected to the same post he has held on the executive committee the last three years. Wilson is a former two-term APRO president, 1991-92. **PR**



*Bad or actually good? That all depends ...*

# Gridlock

I AM BETTING THAT BY THE TIME YOU GET TO READ THIS COLUMN, IT WILL BE APPARENT TO ALL WHO PAY ATTENTION TO CONGRESSIONAL ACTIVITY THAT GRIDLOCK HAS COME INTO FULL BLOOM. THIS IS A BIT OF A GAMBLE FOR ME TO MAKE NOW (IT IS MID-AUGUST AS I WRITE THIS COLUMN), SINCE THERE IS STILL TIME FOR CONGRESS TO GET ITS ACT TOGETHER AND FINALLY PASS A HEALTH-CARE BILL.

.....

But most insiders already recognize the tell-tale signs of that old byproduct of partisan politics haunting the halls of this Congress. The most recent case of gridlock came in the fight over a crime bill, but don't think that brief case is as bad as it can get on the Hill.

I said "still time for Congress to get its act together" and not the president because, under our representative form of government, "the president proposes and Congress disposes" in the normal course of action at the federal level. Most Americans erroneously endow the presidency with all political power, including legislative power, and blame him when anything goes wrong, especially with the national economy.

The president used to also erroneously get the credit when times were good, but we seemed to have collectively awakened to the disingenuous claim of presidents to take credit for good economic times. At least current polls of American voters don't seem to give President Clinton much credit for the current economic recovery we are experiencing. Most voters will, however, be more than willing to hold him accountable for his inability to keep the economy booming should it turn sour before his re-election bid.

The president is guilty of promising voters that he could break the gridlock if we would elect him to the presidency—and then not looking strong enough to keep gridlock at bay forever. Truth is, gridlock was already in place when he got there and he has been able to break it long enough to get some pet projects passed, like NAFTA and the last budget. But these projects passed with close votes and were not won by a substantial enough margin to ensure his reputation as a heavyweight on Capitol Hill.

I predict that gridlock will resurface again and again until and unless Clinton is perceived to be strong enough to banish it. He is not there yet, and if he doesn't get there soon, voters will probably hold this against him in his re-election bid.

Only Congress is authorized to pass laws, and if we are unhappy with laws on the books that don't seem to do the job (like our criminal code) or the lack of a law that would seem to do the job (three strikes and you're out of society forever), then we must place the final blame on Congress.

Now here's the important part: This is exactly the way the founding fathers wanted it to be. If they were still around, they would almost to a man be delighted with gridlock. That's the way they hoped it would work when they wrote the Constitution. They so distrusted governmental authority that they deliberately devised a system of "checks and balances" (remember that old phrase from your Civics text?). The idea was to slow down the legislative process and require overwhelming consensus before a new law or tax could be imposed on the people. They did not envision the two-party system and probably would have discouraged its development. But they would be pleased, I bet, with the effect it's had on slowing down the legislative process even more.

How is this relevant to our association's federal legislative program? It is relevant

.....

BY

RON WATERS

*Gridlock works to our benefit as a special interest group concerned about anti-RTO legislation being passed by Congress. When gridlock occurs, it works as another wall between us and bad legislation ... It also frustrates those of us who are trying to pass compromise legislation.*

because it affects our agenda, just as it does other special interest groups' agendas.

Gridlock works to our benefit as a special interest group concerned about anti-RTO legislation being passed by Congress. When gridlock occurs in Congress, nothing can get past the grid and it works as another wall between us and bad legislation.

The recent Metzenbaum amendment to the bankruptcy bill, which would reclassify the RTO transaction as a secured transaction for bankruptcy proceedings, is the case in point. Added to the Senate Judiciary Committee version of the proposed "Bankruptcy Reform Act" on the floor of the U.S. Senate, the association is opposed to its inclusion in the House Judiciary Committee version of this bill. We have engaged the APRO grassroots network to lobby members of the House committee to take it out of their version of the bill.

Our strategy is to influence the House to not include this provision in its bill, so that a conference committee will be formed to address the differences in the two versions. We hope to persuade the Senate conferees to drop their version in conference. Notice that there are two presumptions in that strategy. We are confident we can make it a reality, but a lot of networking will be necessary to make it happen. It would be all right with us if Congress is so gridlocked over health care or some other bill that it never gets the time to take up bankruptcy legislation. (*Editor's note: For late-breaking news on the bankruptcy issue, see page 52.*)

As it is, Congress only had about 20 days in September to finish everything it intends before holidays and the congressional recess. All representative seats and 34 senate seats are facing an election this fall.

Perhaps now that the crime bill has passed, Congress can finally turn its

attention to bankruptcy legislation in time to pass the House and Senate before adjournment. In any event, the delay has worked to our advantage and against Sen. Metzenbaum's last-ditch attempt to cripple RTO before he retires this fall.

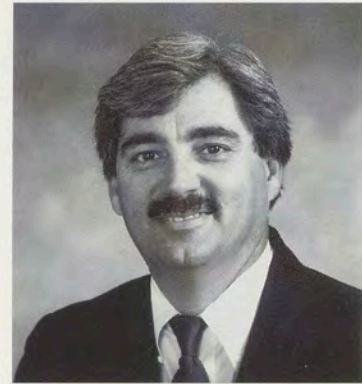
Conversely, it also serves to frustrate those of us who are also trying to pass compromise, industry-supported legislation. Congress seems incapable of focusing on more than one big issue at a time, and everything else gets put on the back burner until gridlock is broken on the big issues. Most business groups, however, are not trying to pass federal legislation. Business groups hope to amend legislation if it affects their industry, but they are perfectly happy if nothing happens on the issue in the end.

As a business group, we should give a collective sigh of relief over the resurfacing of gridlock, since it helps ensure that the Congress will probably not get around to passing restrictive regulations on our industry this year. As individual citizens, frustrated by Congress' seeming inability to do anything, we remain ready to support any politician who appears capable of breaking congressional gridlock.

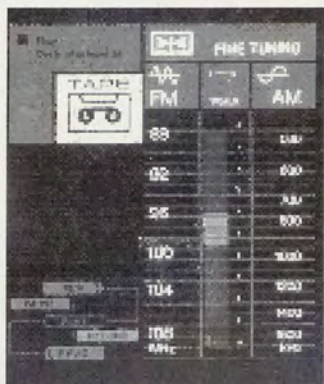
No president—regardless of political party—can single-handedly break gridlock in Congress. That person must also have an extraordinary majority from his party elected at the same time to the House and Senate, and must also possess a personality strong enough to cower normally large egos into doing it his way and now.

Congress as an institution has not been so cowered by a president since Watergate, and probably will not be again for a while. Voters will continue to be frustrated with Washington politics until someone strong enough is finally back in the White House. That could be a long wait.

Until then, we'll have to be satisfied with no news is good news. **PR**



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



## Anti-RTO bankruptcy amendment stalls

The federal bankruptcy issue heated up during September with the U.S. Congress back in session, and its members hurrying to complete their business in time to hit the campaign trail before the November elections.

APRO's lobbyist in Washington, D.C., John Raffaelli, reported on Sept. 14 that the U.S. House Judiciary Committee chief of staff apparently changed his mind about recommending the inclusion of the Senate-side Metzenbaum RTO amendment in the House bill.

Richard May, APRO assistant director of government affairs, added that the association's grassroots focus has shifted in recent months to the bankruptcy issue, and all the calls and letters from dealers to Capitol Hill paid off.

According to the latest intelligence, and contrary to previous rumor, a hearing on bankruptcy in the House Judiciary was not scheduled for late September. Chairman Brooks was supposedly pre-occupied with telecommunication legislation, also one of his responsibilities during the last few weeks of a busy 103rd Congress.

Ron Waters, APRO director of government affairs, attended a subcommittee hearing of the U.S. House Judiciary Committee on Aug. 17 on proposed bankruptcy amendments currently under consideration in Congress.

He reported that there was no oral testimony mentioning "rent-to-own" during the Aug. 17 hearing and, although there was some reference to RTO contained in written testimony submitted to the subcommittee, "rent-to-own" wasn't one of the major issues under consideration.

On April 21, industry foe Metzenbaum amended S. 540 to include language that would apparently exclude rental-purchase property from repossession in personal bankruptcy cases. Since then, association leaders, with the grassroots help of dealers from across the country, have fought to have that language excluded from the House counterpart to that bill, H.R. 2326.

"We are more confident than ever that the anti-RTO bankruptcy amendment proposed by Sen. Metzenbaum is going nowhere," Waters said.

## California Legislature passes RTO bill

Richard May, APRO assistant director of government affairs, confirmed Wednesday, Aug. 17, that a conference committee of the California Legislature unanimously passed Assembly Bill 722, the rent-to-own statute, with 42 minor amendments.

The California full Assembly and Senate concurred, and the bill met the legislative deadline of Wednesday, Aug. 31—the end of the session. The bill then went to Gov. Pete Wilson's office, where he may, of course, sign it—although the bill automatically becomes law after 30 days, or Oct. 1. A governor's veto is possible, but unlikely after such hard-fought negotiations in the legislature.

"I just got off the phone with Rent-A-Center attorney Ron DeMoss, who was on the scene," May said on Aug. 17. "He reported that this would be one of the strictest RTO laws in the country, but one that

California dealers—who live and operate in an ultra-liberal state—can live with."

May added that with passage in California, 95 percent of the U.S. population will be covered by rental-purchase statutes. It also brings the total number of industry-supported state laws to 38.

## Taylor 'DAREs' to make a difference

Michigan rental-purchase dealer Mark Taylor joined forces this summer with fellow business people and the Washtenaw County Sheriff's Department in Ypsilanti to support Drug Abuse Resistance Education, also known as D.A.R.E.

D.A.R.E., which targets the nation's youths and educates them about the dangers of drugs and alcohol, received \$9,500 from a golf scramble fund-raiser organized by the law enforcement agency and 30 local businesses. Among the door prizes for golfers was a brand-new VCR donated by Taylor, owner of Michigan Rent-To-Own.

Said Michigan Rent-To-Own manager Brian Snyder: "It's something we like to give back to the community. The people of Ypsilanti have been good to us—we feel it's time to give back."

## Vinson & Elkins challenges IRS position

The law firm of Vinson & Elkins, which represents APRO and the rental-purchase industry in its legal battles with the Internal Revenue Service, filed a petition in July to halt all IRS audits of RTO dealers until the U.S. Tax Court can make a determination on the controversial sale-vs.-lease and depreciation issues.

It is conservatively estimated that a loss in U.S. Tax Court could cost the rental-purchase industry \$1 billion in back taxes and penalties.

"Several IRS agents in the field have erroneously determined that rental-purchase transactions are installment sales rather than leases for

federal income-tax purposes, even though no publicly applicable IRS ruling has been made," said Samuel B. Sterrett, former chief judge of the tax court and counsel with Vinson & Elkins.

"It is critical that the tax court make an early determination on this issue before the nation's 8,000 rental-purchase stores are forced to incur substantial legal and accounting expenses unnecessarily to defend themselves from these tax collection actions," said APRO Executive Director Bill Keese. "Based upon the size of our industry, we estimate this could result in a one-time tax hit in excess of \$1 billion to our members, many of whom are small-business owners."

The petition filed by Vinson & Elkins alleges that the IRS erred in determining that a rental-purchase transaction is an installment sale and in requiring dealers use the accrual method of accounting.

A ruling that rental-purchase transactions are installment sales and not leases would contradict laws passed by 38 state legislatures.

## Tele-Track adds collections program

APRO associate member Tele-Track, Inc., announces the introduction of a high-tech collections service to go with its loss prevention and skip-tracing services, which are geared to the needs of the rental-purchase industry.

In the new collections program, every skip account or placement is immediately run against the Tele-Track national database of known skips, providing employment information, addresses and phone numbers. Company officials report that the new collections program gives Tele-Track subscribers an extensive, nationwide net to snare those who take their merchandise.

Tele-Track provides collections services on a no-collect, no-fee basis. **PR**



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# Tenn. dealer McDougal staying busy during fall elections

THE NATION WILL BE ELECTING A NEW U.S. CONGRESS THIS FALL. ALL 435 SEATS IN THE HOUSE OF REPRESENTATIVES AND 34 IN THE SENATE ARE UP FOR GRABS.

.....

Also on ballots across the nation are races for governor, mayor and city council, and school boards. On election day, Tennessee rental-purchase dealer Gary McDougal looks to be busier than the many local, state and federal candidates.

McDougal, the 1994 APRO Dealer of the Year, has taken the rental-purchase industry's grassroots political effort to heart. Not only does McDougal spend his time and money to visit his federal representatives in Washington, D.C., but he jumps into Tennessee's political scene at all levels.

During the campaign process, McDougal and several other Tennessee dealers contact the many campaign headquarters throughout the state and offer to loan them products for their offices. McDougal says he and his fellow dealers have



loaned everything from sofas and tables to refrigerators and microwave ovens.

"We target those people we really want to help and make ourselves known and available to all viable candidates," McDougal says. "When election night comes down, we make sure all of them have TVs to watch the coverage. Prior to that, we'll loan them the types of product you need to set up a temporary office."

McDougal says these type of campaign contributions are inexpensive for dealers, but they pay big dividends in the end.

"When we provide these things, we aren't looking for any special favors from the winners," McDougal adds. "This just helps to let these people know who we are and what we do for a living. We're not bad guys. We're businessmen getting involved in the political process."

The name recognition helps, McDougal says, especially when a nasty attack comes against the industry from so-called consumer protection groups, such as U.S. PIRG and Legal Aid. These groups pose as protectors of the people, but each such group has a specific political agenda, relying heavily on knee-jerk political responses to their attacks.

However, when an elected official knows a person in the rental-purchase business, the official is likely to study both sides of the issue. The industry has seen remarkable success when rental-purchase is studied objectively.

"The whole political process is connected," McDougal says. "The peo-

ple running for U.S. Congress are connected with your sheriffs. You never know who is who's friend in politics. You want people at all levels to know you are helping."

McDougal cited an instance where he attended a dinner for U.S. Sen. Jim Sasser, not personally knowing the senator. However, at the dinner McDougal recognized a juvenile court judge he had helped at one time. The judge turned out to be a longtime acquaintance of Sasser.

In another case, U.S. Rep. Bart Gordon of Tennessee saw the media attacks against RTO and signed on to the anti-industry legislation without studying both sides of the issue. McDougal and other volunteer state dealers were angry initially, but they didn't give up on Gordon.

"We supported (state Sen.) Tom Rochelle in his election, and he is very familiar with how we do business," McDougal said. "When we needed help, he spoke with Gordon for us and calmed him down. Now, Gordon is not outspoken against us, because he knows more about this industry."

APRO staffer Richard May, assistant director of government affairs, says the Tennessee dealers have played a huge role in protecting the entire rental-purchase industry. He encourages others to follow their lead.

Says May: "What these dealers are doing is the very definition of grassroots. APRO members like Howard Fell in New York, James Baber in Mississippi and our members in Florida are all making the same kinds of efforts. Ohio dealers like Dan Weiss, Ernie Lewallen and Darrell Tissot are helping Mike DeWine in his U.S. Senate campaign against Howard Metzenbaum's son-in-law.

"It's a matter of our dealers taking the attacks on RTO as personal attacks. All it takes is a little time, effort and money right now. The return on your investment is the survival of your business."

—John Massey



Gary McDougal was named 1994 APRO Dealer of the Year, in large part because of his dedication to the rental-purchase cause with officials.

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