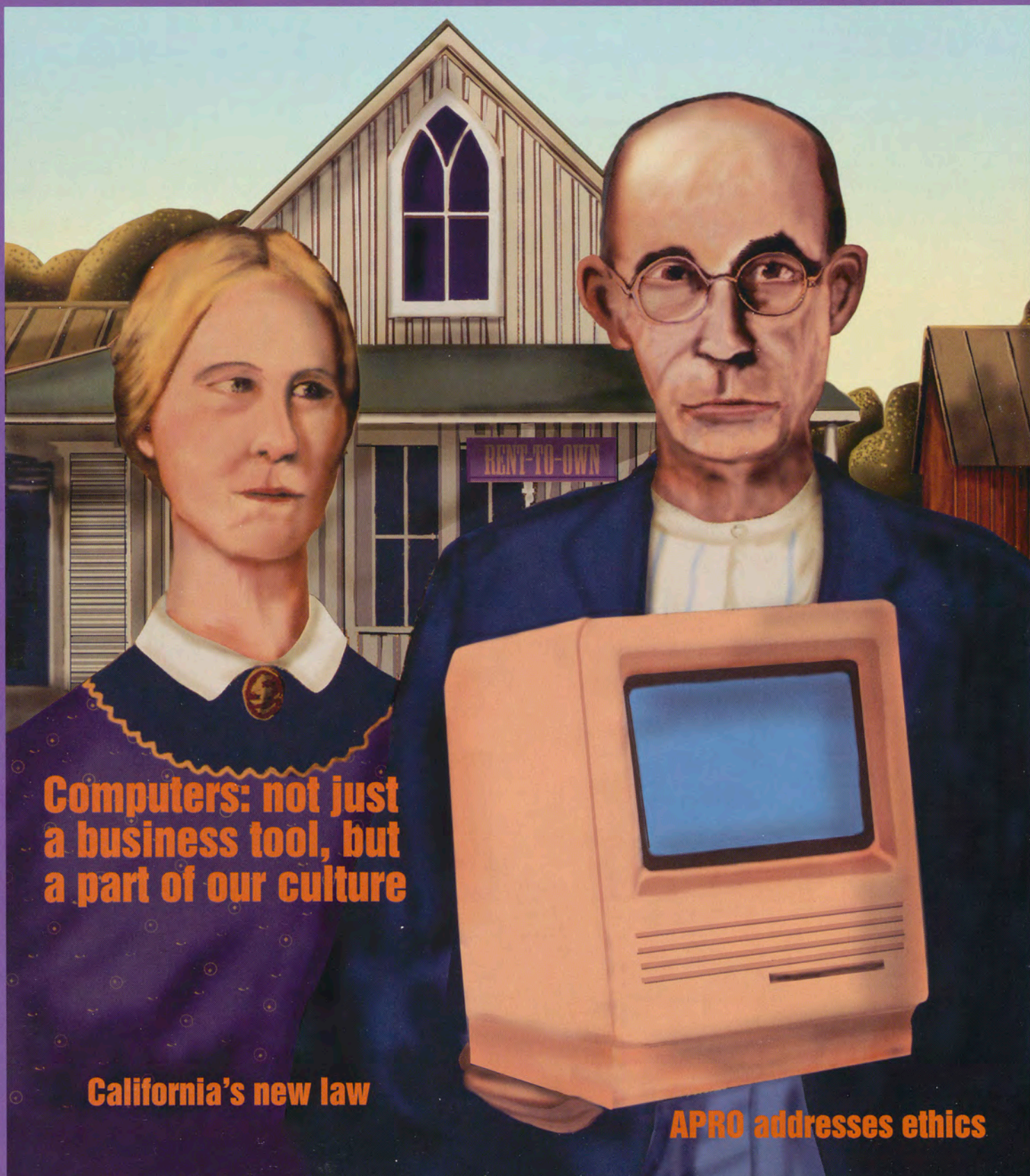


Progressive

October/November 1994

Rentals

The magazine of the rental-purchase industry



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APRO

PR

Progressive Rentals

October/November 1994

The magazine of the rental-purchase industry

Volume 14, Number 5

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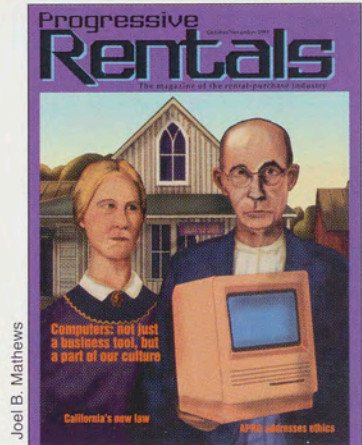
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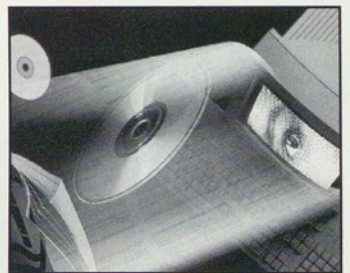
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Reality Check.

It's time to get real in the world of small office/home office products. **Nearly 11 million households plan to buy a home computer in '95 and sales of PC software will increase 15%. Consumer purchases of computer software are set to climb to \$1.5 billion by 1996. Retail sales of modems will rise 33% per year, reaching \$1.2 billion in 1998.** The big question is



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A revenue-hungry government demands more. How much must we give before the industry's

Given enough?

THE END OF THE YEAR IS NEAR AND WITH IT COME THE ANNUAL EVENTS OF NEXT-YEAR BUDGETING, TAX PLANNING AND THE HOLIDAYS. THESE ARE SPECIAL TIMES. THESE OCCASIONS BRING FAMILIES TOGETHER, THERE'S TYPICALLY LOTS OF FOOD TO EAT, AND IT'S A TIME TO GIVE. OUR GIVING SHOULD COME IN TWO WAYS. FIRST, TO GIVE THANKS FOR WHAT WE HAVE AND, SECOND, TO GIVE TO OTHERS IN SPIRIT AND SOMETIMES WITH MATERIAL GOODS.

•••••

It is at the end of 1994 that the act of giving thanks is puzzling to me. The government of the United States should take a look at this question. Our government has a huge revenue base to be thankful for. But instead, our leaders only complain because they need more money so they can spend more money on more programs.

This is an alarming situation that has no end in sight. We as business people are at the time of year when we are planning for any growth. We would not think of adding more stores if the ones we had were not working well. So why does our government think it should start more new programs when most of the ones it already has are not working well?

We can only hope that this year those in government give thanks for what they have and not worry about what they do not have.

The problem with the increase in programs is it worked the "I Want" arm of government into a frenzy. Of course, I'm referring to the Internal Revenue Service. The IRS should be thankful that our business is as strong as it is, and it should enjoy the constant revenue stream that it receives from rental-purchase.

I do not know any rental-purchase dealer who is excited about the so-called small amount in taxes they pay. But if the service gets too greedy for our mon-

ey, the revenue flow will eventually stop or stagnate.

As we grow, their revenue grows. Not in one lump sum, but forever.

Then why are both of these arms of government trying to regulate and tax us out of business? The rental-purchase industry generates millions of dollars to the bureaucrats' cause—creating more programs. At the end of '94, let's hope they will give thanks for what they have and, wisely, decide to stop trying to destroy it.

This column will come to you after the elections. From all indications there will be a lot of changes on Capitol Hill. I hope everyone in Congress adds one picture of American history to their office walls. This is a picture of the Boston Tea Party. Like then, we are now rebelling against taxes and how our money is spent. For the last two elections, Americans have been throwing their bags of tea overboard by voting members of Congress out of office. All of Congress should be thankful that the people of the United States have not reverted to the days of old and thrown them into the bay.

Last, let's look at ourselves. The rental-purchase industry is a healthy and strong one for many reasons. Foremost, rental-purchase is a business that is run in a country of opportunity; we have millions of customers who need, want and enjoy the products and services we deliver. Customers give us thanks every time they do business with us. Our employees work hard to better their companies, service their customers and better themselves for whatever their futures may bring.

We should also give thanks to all the men and women, past and present, who donated their time, energy and money to an industry they believe in.

Personally, I give a world of thanks to the members of APRO, the staff, the board and executive committee, for all they have done for an industry I love.

Finally, I thank God for blessing me with my family and the opportunities I have received. May you all have a joyous holiday season, and may God bless you all.

PR


•••••

BY

KEVIN QUINN



Gibson



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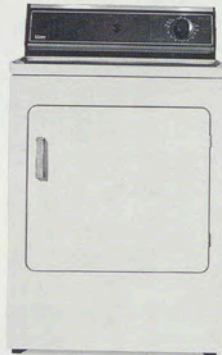
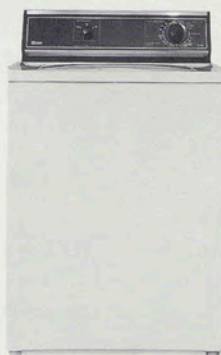
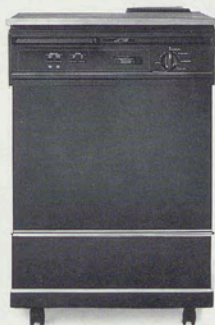


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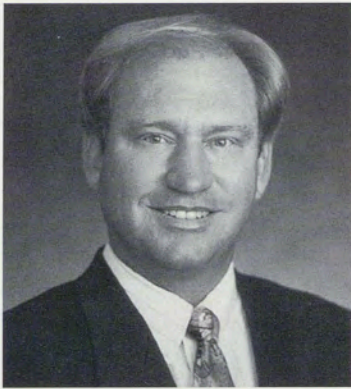
Gibson knows that to make it in today's rental market, you need more than just well-made appliances. That's why we back our rental customers with local distributors who provide immediate product availability and dependable dealer service. Then, we top it off with Gibson's Golden Warranty, the industry's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

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*We've learned about politics.
It's time to understand the importance of*

Governing

NOW IS A SAFE TIME TO WRITE ABOUT ONE OF MY FAVORITE SUBJECTS. THE NOVEMBER ELECTIONS ARE OVER, THE RESULTS OF THIS OFF-PRESIDENTIAL ELECTION YEAR ARE KNOWN AND, HOPEFULLY, EVERYONE READING THIS COLUMN IS AT LEAST CONTENT WITH HAVING CAST YOUR VOTE FOR THE CANDIDATE OF YOUR CHOICE. YOU MIGHT EVEN BE HAPPY WITH THE ELECTION RESULTS.

•••••

By now you probably think I am writing once again about politics. If you are, then you are wrong. Politics is a tool we historically employ to participate in the art of governing. It is my belief that most people confuse and intermingle the two. I commonly hear statements about the growing distaste for politics, politicians, elected officials, and the like. While this may be true, let's not cripple our governing structures with this negativism.

Maybe it's time for a quick refresher course in Civics 101.

Although there have been experiments in our nation's history with direct democracy, by and large they have failed. Even today, small communities engage in direct democracy by holding real "town meetings," where actual decisions are voted on by all citizens of that community. But there is a point when the mere size of the group becomes too large for direct democracy.

Instead of direct democracy, our founding fathers established a system of representative democracy. They knew that the citizenry was primarily involved with farming, working at jobs, running businesses, socializing with neighbors, and being a part of or raising their own fam-

ilies. Most did not have the time to study all aspects of all issues raised, discussed and voted upon in the process of governing.

The core of this revolutionary form of government was to vote for fellow citizens who would take the time and effort to study all sides of issues and then vote on the issues of governing. The idea developed for voters to elect a person in whom they would trust to "represent" their best interests most of the time based on the information available to them.

Hopefully, that representative would then cast votes in an intelligent manner and in accordance with the citizens more times than not.

All throughout our history there have been those who believe their elected representatives should vote their way 100 percent of the time. These citizens see only right and wrong, black and white. I have known people who will turn against their representative when, in fact, that elected official supported their point of view 95 percent of the time. This position, I would argue, is not only shortsighted, but also leads to lack of continuity and direction, if not chaos. Fortunately, these "true-believer types" have been in the minority throughout this nation's history.

I am concerned, however, that we are in a period of upswing in the popularity of "true believerism." I also believe that when true believerism is the popular point of view, our basic institutions are undermined.

Whether we like it or not, ours is a diverse nation with many points of view. The genius of representative democracy is that it not only allows for diversity, but encourages it. When our elected representatives are secure with the trust and confidence of the citizens to be allowed to exercise the give and take of dealing with a diverse population—and competing and sometimes conflicting agen-

•••••

BY

BILL KEESE

das—we usually get a working, and changing, solution to the many problems of a diverse population.

The alternative, which I believe we are dangerously close to, is to segment and alienate different groups of the population. Anger, distrust and violence are more likely to occur.

If you have ever felt disenfranchised from the system and have been angry at and distrustful of “the system,” you have two choices. You can choose to not participate, thereby feeling some immediate relief. You will, I would argue, probably not have a long-term solution to your anger and distrust. Indeed, this anger and distrust will only feed upon itself.

Or, you can choose to become more of a participant in the system. You will feel more discomfort at first, but this is the only method you can employ to eventually resolve the conflict and have a lasting feeling of accomplishment.

The rental-purchase industry has come from a position of political non-participation to activism in a very short period. You are to be commended for this. Now, the next step is to better understand the art of governing.

I don't know of anyone who doesn't want the opportunity to seek life, liberty and happiness. The problem remains, however, that different people pursue life, liberty and happiness in many different ways.

Although I believe my way about something is best, it is a fact of life that others will disagree and believe their way is better. The institutional framework exists for the pursuit of life, liberty and happiness. I would hope that we can close our ears to those who would undermine our institutions with the negativism espoused by true believers. Things really aren't simply right or wrong, black or white. We must be more tolerant and have more trust in the system that has given us all the opportunities we currently enjoy.

May I suggest we employ more tolerance and trust, along with democratic activism and vigilance, with all of our governing systems—the new Congress, state legislatures, city commissioners, and all voluntary organizations to which we may belong, including APRO? **PR**


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While this industry continues to win its battles, APRO's leadership studies methods to improve the RTO reputation to fend off future attacks.

The ethics challenge

ROUGHLY A YEAR AGO NOW, THE APRO ETHICS COMMITTEE MET IN AUSTIN, TEXAS, TO DISCUSS THE NEED TO UPDATE AND STRENGTHEN THE ASSOCIATION'S CODE OF ETHICS. IT SEEMED A SIMPLE ENOUGH TASK, UNTIL IT CAME DOWN TO ACTUALLY PUTTING PEN TO PAPER.

.....

BY

JOHN MASSEY

Committee chairman Charles Cloud, APRO's board member from Little Rock, Ark., discovered then that he and his fellow committee members were facing a larger chore than they had imagined. If a strong and meaningful code of ethics was to be drawn up, Cloud knew he'd have to research the subject. The more Cloud read and learned, the more complicated the job became.

APRO's current one-page code of ethics consists of eleven well-meant, but hardly specific statements of good business practices. At a meeting of the APRO Board of Directors in San Antonio this October, Cloud announced that he was ready to tackle the issue of drawing up a new code.

"This industry has taken a lot of heat from consumer groups and the news media, and most all of it is unwarranted," says Cloud. "Like any industry, though, some things do go wrong. With 8,000 stores accross the country, there will be some unethical behavior, and our current code of ethics is just too broad to address some of these practices. APRO members are the class of the rental-purchase industry, and a first-class associa-

tion needs a first-class code of ethics."

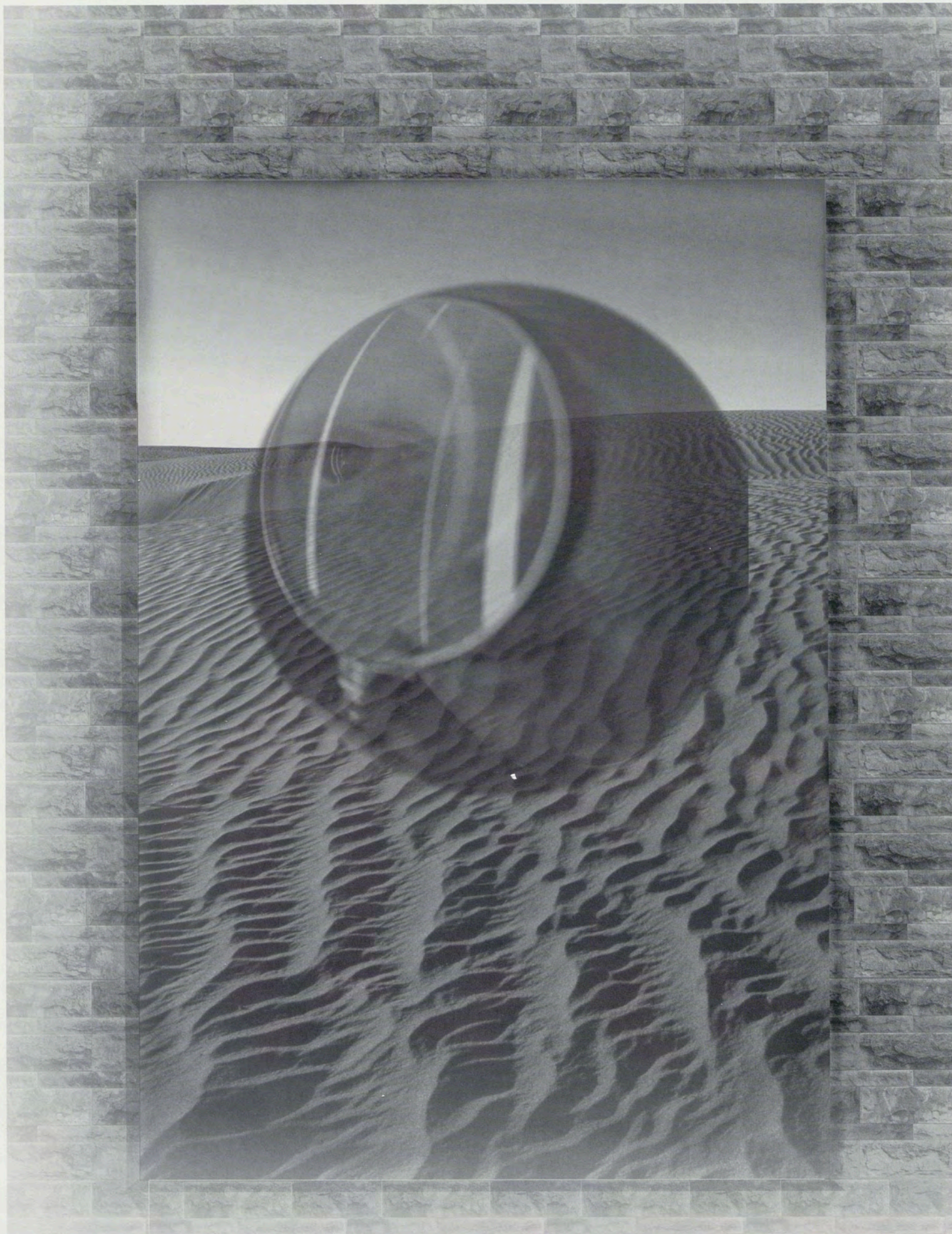
Easier said than done, Cloud adds.

In drawing up a substantial code "with some teeth," says Cloud, there are many considerations. Foremost, ethical violations must be clearly identified. What one dealer sees as an unethical business practice might be a standard business practice by a competitor. To arbitrarily rule a business practice as unethical, and then suspend a dealer's APRO membership for a violation, could very well constitute an unfair business practice by the association, as defined by the Federal Trade Commission (FTC).

In researching codes of ethics and their enforcement, Cloud discovered a number of instances where the FTC has stepped in and ruled in favor of the alleged violator. Any statement or penalty given by a professional association that would inhibit a person or organization from conducting business could be considered an unfair business practice and create a legal nightmare.

"My opinion, which is shared by all committee members, is that a stronger and

CONTINUED ON PAGE 12



clearer code is definitely in order," Cloud says. "The challenge is in drawing up one that works. We want this new code to be industry-specific, and we want to write it in such a way that we do not discourage innovations in the marketplace. I'm confident that the vast majority of APRO's membership feels the same way. We are asking for input from everyone in the business."

On page 13 is a survey similar to the one sent to 300 rental-purchase home offices. All members of the industry are encouraged to offer suggestions for a new APRO Code of Ethics. Suggestions may be faxed to the APRO office to the attention of John Massey, (512)794-0097.

In studying the issue, Cloud has been in touch with the Ethics Resource Center, a Washington, D.C.-based non-profit organization that has helped a number of Fortune 500 businesses to draw up codes of ethics. When the ethics committee believes it has the

"This isn't a project that can be completed overnight. We could draw up something in a matter of days and call it a code, but it wouldn't be something this industry could be proud of."

ingredients for an effective code, Cloud will solicit help from experts in the field of ethics.

"This isn't a project that can be completed overnight," says Cloud. "In the end, though, I think this document will address some very big issues. We need members' input to make this a strong code. It won't be worth a thing if the majority of members don't respond with their suggestions. Ideally, we'll have the new code ready by our August convention in Las Vegas. If this can be completed earlier, then we will try to get it out.

"We could draw up something in a matter of days and call it a code, but it wouldn't be something this industry could be proud of," Cloud says. "This will be a well-thought-out and well-planned document."

Perhaps the most important product of the ethics committee's efforts will be a document which further separates APRO from businesses that claim to be in the rental-purchase industry, but hang on the fringes and actually conduct disguised credit sales. Such business practices, operating under the guise of rent-to-own, could severely damage the industry's efforts for strong, yet fair federal legislation governing the unique rental-purchase transaction.

Some state laws mandate a minimum rental period, Cloud says, and true rental-purchase transactions will allow consumers to terminate the agreement any time after the state's minimum. He said dealers who run credit checks and put further obligations on consumers to continue renting should not be allowed to wave the APRO banner. Such operations resemble credit sales too closely.

Cloud adds: "It is only common sense that we address collections practices. We should follow the guidelines as presently outlined in our *APRO Collections Policy*. The task this committee faces is agreeing on all areas of recommendation and insisting on compliance. It will not

be easy, but we'll give it our best effort."

At the San Antonio meeting, the ethics committee agreed to begin drafting a code to specifically cover standards in advertising, rental agreements, collections practices, customer relations, transaction disclosures, sales practices, legal issues, compliance with state and federal statutes, compliance with tax codes, product quality, the use of industry concepts and terminology, discrimination, business practices deemed unconscionable and behavior among members.

ColorTyme's Sandra Blackwell, a new APRO board member who serves on the ethics committee, is excited about the chance to establish reasonable standards of behavior for the industry. She is also concerned about making a new code an educational tool. Rather than "demeaning" those less-informed dealers, Blackwell says, a strong code of ethics will provide a guide toward acceptable behavior. The code will give current and new members of the industry positive and achievable goals to aim for.

"The industry is attempting to address the age-old problem of marketplace morality and ethics," says Blackwell. "Few things affect us as much as the need for an honest deal. It has been my experience that the vast majority of APRO members generally operate with honesty, are committed to their employees and customers, and engage in policies and practices that do not compromise their integrity or their relationship with their peers or their communities at large. Unfortunately, the unscrupulous behavior of a few will always tarnish the reputation of the honest majority.

Blackwell sees the determination of the ethics committee to establish a meaningful code of ethics as a sign of a maturing industry.

Ethics committee member Norm Slatton Sr. is a rental-purchase veteran of more than 20 years. He is also enthusiastic about seeing a new code

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created to protect members' reputations and set reasonable guidelines for business practices.

"Of course, we're never going to try and tell somebody how much rent they can charge for their products," Slatton says. "We let the marketplace set our prices. But there are some common-sense guidelines we can establish that allow us to run profitable businesses and treat customers right. We're not here to police members' businesses, either. If we see someone stepping outside the guidelines, we'll let them know and bring them back inside."

Slatton says he's frustrated with the tremendous amount of money APRO has been forced to spend fighting legislative battles. Driven by media and so-called consumer advocates, a few politicians at the state and federal levels have reacted to a handful of customer-abuse stories and used those to paint the whole industry. Slatton says he'd much rather see money spent on educational programs for the industry.

Says Slatton: "We need to set some standards that the government, the community, our customers and our businessmen can all live with." **PR**

John Massey is APRO's associate editor.

MEMORANDUM

TO: APRO members
FROM: Charles Cloud

RE: Code of ethics
DATE: Oct. 27, 1994

Your APRO Ethics Committee strongly believes there is a need to revise the current code of ethics adopted by members of APRO several years ago. Importantly, the committee would like to have your help in this decision and your ideas to be incorporated in the drafting of the new code. A copy of the existing code of ethics is included for your review.

Would you give this matter some careful thought and please complete the following? We have included a return envelope, postage paid for your convenience. Please place a check by one of the following statements.

- I believe the existing code of ethics should be revised.
 I believe the existing code of ethics is sufficient.

My suggestions for inclusion in a revised code of ethics are: (Use additional pages if necessary.)

Name _____
Company _____
Address _____
Telephone _____

I promise to keep you involved and informed throughout this process. Please feel free to return this form via FAX to APRO, (512)794-0097, if it is more convenient.

This ethics form was mailed out to all APRO-member home offices in late October.

Small acts of kindness will often work wonders

If you haven't done so already, it's time to put your matching Mickey Mouse shorts and T-shirt at the top of your closet and get ready for the fast-approaching holiday season. Fortunately for rental-purchase dealers, the coldest time of the year is the hottest for doing business.

Every dealer has his or her own philosophy for marketing their rental goods for Christmas. If you don't have your game-plan down by now, this is probably your first or last year in the business.

As tempting as it might be to concentrate all your efforts on the shop right now, this is also the most important time of the year to look to your surrounding community. There are people struggling out there, and you can be a savior during these cold, hard months. The holiday season is

joyous to most, but it's painful and lonely for those in need.

Don't wait for folks to ask for your help. They'll probably call when it's most inconvenient for you. Beat the rush and start making calls now to shelters and other organizations that help the sick and homeless.

You may not have the time to volunteer, but you do have a storeroom full of household appliances. Microwaves, TVs, VCRs, sofas, beds and refrigerators are as good as gold to these organizations.

What are you going to do with that 18-month-old refrigerator with the scratched door? Call the local homeless shelter or AIDS hospice and ask where to deliver it. These organizations are desperate for help, and they won't notice a scratch. All this will cost you is a delivery crew for

10 minutes. It's easy for you to bring some joy into the world.

There are community centers, halfway houses and shelters for battered women that literally save lives with the pennies they get from the government and donations. Don't forget the seasonal drives by the Salvation Army and Toys for Tots. Be a hero to these people.

If you want publicity, call your local newspaper or television station and ask the news editor to suggest a worthy cause. If you don't get any attention, take a picture and send it to APRO to be run in *Network News* or *Progressive Rentals*.

Simple acts of generosity can do wonders for your spirits and the morale of your employees. You improve your image within the community—and of the industry overall.



Recognizing that California has long been a bellwether state for consumer protection legislation, California rental dealers knew that often they were negotiating, not just for the sanctity of their own businesses in the state, but in a sense for the industry and for the credibility of the rental-purchase concept in other states as well.



Joel B. Matthews

*With tough legislation finally on the books,
the industry finds another safe harbor ...*

California, here we are

ON SEPT. 28, WHEN GOV. PETE WILSON SIGNED INTO LAW THE KARNETTE RENTAL-PURCHASE ACT, IT MARKED THE SUCCESSFUL CONCLUSION OF AN ON-AGAIN, OFF-AGAIN LEGISLATIVE STRUGGLE FOR CALIFORNIA RENTAL DEALERS WHICH BEGAN SEVEN YEARS AGO.

.....

BY

ED WINN III

Recognizing that California has long been a bellwether state for consumer protection legislation, California rental dealers knew that often they were negotiating, not just for the sanctity of their own businesses in the state, but in a sense for the industry and for the credibility of the rental-purchase concept in all other states as well.

Had the California Legislature gone the wrong way on the rental-purchase issue, rental dealers could have expected other states with rental-purchase laws on the books to reconsider how rental-purchase transactions should be regulated.

But thanks to the persistent efforts of a small cadre of California rental dealers who told the true story of rental-purchase forcefully, persuasively, and as often as it needed to be told, California now lines up with 37 other states which have all determined that rental-purchase transactions are fundamentally leases, not sales,

and ought to be properly regulated as such. (Thirty-nine states have rental-purchase statutes, but the Minnesota statute does not clearly distinguish leases from sales, according to the Minnesota Supreme Court.)

This is not to say that the new California law is a model legislative formulation. In the final week of the legislature, a Los Angeles assemblyman came forward with 90 amendments to a bill which had already been bouncing back and forth between the state assembly and the senate for months. Those proffered amendments could have killed the bill and probably were intended to do so, but the deal previously stuck between industry representatives, the attorney general's office and the state Office of Consumer Affairs miraculously held. The amendments were dealt with one by one, and California rental dealers and con-

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sumers got some long-sought and long-needed legislation regulating the industry in the state.

Only in the most general sense does the new California law emulate the rental-purchase statutes in other states, which in recent years have increasingly begun to resemble the model suggested by the Council on State Governments. The California act is a disclosure law requiring contract, advertising and price-tag disclosures, but it departs from its predecessor statutes in the other states and breaks much new ground, especially in the area of newly created consumer rights.

Disclosure Box

Even the contract and price-tag disclosures (see graphic) bear a distinctive California stamp. Instead of merely requiring that contract disclosures be made legibly and coherently, which is the case in most statutes, the California act requires that the disclosures be placed in a box similar to the federal Truth-in-Lending

<p>TOTAL OF PAYMENTS \$ _____</p> <p>You must pay this amount to own the property if you make all the regular payments.</p> <p>You can buy the property for less under the early purchase option.</p>	<p>COST OF RENTAL \$ _____</p> <p>Amount over cash price you will pay if you make regular payments.</p>	<p>CASH PRICE: \$ _____</p> <p>Property available at this price for cash from retailers in this area</p>	
	<p>AMOUNT OF EACH PAYMENT \$ _____ PER _____ (Insert period)</p>	<p>NUMBER OF PAYMENTS</p>	<p>RENTAL PERIOD</p>

Under California's law, dealers will be subject to the most stringent disclosures.

format dictated by Regulation Z. The box must appear on the rental agreement immediately above the customer's signature. It must also appear on all products in the store, and if a dealer uses a catalog in the store, the box must appear on the pictures in the catalog.

Having certain important information appear uniformly to consumers

is sound consumer protection theory, but actually trying to use the California rental-purchase box is an example of the kinds of problems that can arise when translating theory into practice.

Rental dealers everywhere have long been disclosing the total of payments necessary to acquire ownership. An issue arose early on when the monthly rental-purchase total differed from the weekly total, and the dealers wanted to give customers the option of paying weekly or monthly on every payment.

Which total to disclose? Some dealers solved the problem by disclosing both totals. Other dealers always disclosed the larger weekly total and explained that paying monthly would lower the total cost of ownership. Still other dealers disclosed a total based on the initial payment, which may not accurately disclose the true ownership cost if a customer begins paying monthly and later converts to weekly payments.

However, it is this last option which is now the law in California. The box does not allow for dual disclosures.

California dealers may be faced with the specter of having to write a new rental agreement every time a customer wants to make a partial payment or change the rental term. That is an expensive and time-consuming proposition.

Providing two boxes may work on rental agreements if the document is sufficiently large. Two price tags on all units may prove cumbersome. More likely, dealers will price everything in the store with weekly rates.

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Perhaps most painful to California dealers is the loss of the ability to sell either damage waivers or leased-property insurance in the state. If the lessor retains these risks, then he cannot sell a waiver or insurance to a lessee who has no liability to begin with.

The box may, ultimately, result in diminishing or deleting altogether the savings ordinarily realized from making monthly instead of weekly payments. It may finally be easier for rental dealers to have one total rental-purchase price in California regardless of the timing of rental payments.

In addition to the usual financial information dealers routinely disclose everywhere, the California box requires a "cost of rental" disclosure, which is the difference between the total rental-purchase price and the cash price. Four other states—Georgia, Connecticut, Minnesota and West Virginia—require this disclosure in rental agreements. No other state requires this disclosure on rental-purchase price tags.

Model-year disclosure

In addition to the information in the box, the California statute requires a brand new disclosure as a part of the description of the rental property: "the model year, or if the model year is not known by the lessor, the date of the lessor's acquisition of the property." For used property, the dealer must disclose the age or model year, if known.

Foreign-language rules

The California statute requires a printed agreement in the same language as used in any sales presentation or negotiations. Dealers in several states already regularly use rental agreements in Spanish. With large Korean, Vietnamese, Japanese and

other minority populations in the state, California rental dealers may need to have rental agreements printed in a variety of languages.

No damage waivers

Perhaps most painful to California rental dealers is the loss of the ability to sell either damage waivers or leased-property insurance in the state. The attorney general has, since 1987, argued that in California, absent proof of the lessee's negligence, the lessor has non-delegable liability for loss, damage or destruction of leased property. If that is indeed the case, then a lessor cannot shift the risk of loss onto the lessee, which ordinarily occurs in rental-purchase agreements. If the lessor retains these risks, then he cannot sell a waiver or insurance to a lessee who has no liability to begin with.

It is probably not true that "misery loves company" in this case, but the law is applied to short-term car rental companies in similar fashion. The car-rental statute provides that a "car-rental customer cannot be held liable for any loss or damages due to theft of the rental vehicle if an authorized driver has possession of the ignition key or proves the key was not in the vehicle when it was stolen and the driver files a police report within 24 hours of the theft."

The attorney general told the industry during negotiations that if the legislature failed to enact a rental-purchase bill, his office intended to challenge the industry's use of damage waivers and leased-property insurance in court since, in his opinion, the charges have always been illegal. California rental dealers may have lost the ability to charge fees that they were not supposed to have been charging in the first place. For many dealers, the loss of revenues will be no less painful.

Risk of loss

Rental customers can still be held liable for damage to or destruction of the rental property due to their own negligent, reckless or intentional acts. A rental customer can also be held liable if the property is stolen unless the customer can prove the theft was due to a burglary of the home, for example, by filing a police report

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California customers have reinstatement rights twice as long as customers in any other state. (The statute) beefs up considerably the dealer's obligation to keep the rental property in good repair during the rental term.

showing forced entry. The customer can also avoid liability for theft without showing evidence of a burglary by proving that the customer did not aid or abet the theft.

California rental dealers, not customers, are at risk if the rental property is destroyed by fire, flood, lightning or other natural disaster.

California rental dealers are at risk if their property is stolen from a customer's home. California rental dealers are at risk if the boyfriend of a rental customer runs off with the rental property and the customer can show she did not help the boyfriend get away. Because the risks of loss are suddenly so much greater for California rental dealers, companies may consider insuring those risks themselves. If so, one might expect to see the costs of such insurance to be passed on indirectly to consumers by way of higher rental rates.

Reinstatement rights

California rental-purchase customers under the new law have reinstatement rights twice as long as customers in any other state. Customers initially have seven days on weekly agreements and 10 days on monthly agreements to get caught up on their payments or to return the property. If they return the property, they have one year to reinstate.

If the customer reinstates, the company must re-deliver not only property of comparable quality and condition as that originally rented, but also the same brand, if available, and with the same warranty coverage as the original property.

Early buy-out formula

The early purchase option is set in the statute as follows: cash price multiplied by the number of periodic payments remaining divided by the total number of periodic payments. The language in the statute is awkward, and the calculation is no less awkward. A weekly customer who wanted to exercise an early purchase option

after having made 13 payments on a 78-week agreement would owe 65/78ths of the original cash selling price of the property. Not exactly a calculation most customers, or for that matter store employees or store owners, can quickly do in their heads. The statute speaks to this issue by requiring the store to make the calculation for the customer whenever the customer asks—and to put it in writing.

Specifically, the statute requires the rental dealer to provide the customer two calculations in writing: 1, the early purchase option amount; and, 2, the total amount of rental payments remaining for ownership.

The dealer must provide this information personally to the customer or send it by first-class mail whenever the customer asks for it and also when the customer has paid one-half of the total rental-purchase price. This information must be provided without any solicitations for additional merchandise.

Maintenance

The California statute beefs up considerably the rental dealer's obligation to keep the rental property in good repair during the rental term. In the first instance, the statute places on rental dealers the obligation to maintain the rental property without charging any additional fees. While it is the current industry practice for rental companies to maintain the rental property, it is not generally a statutory requirement for rental companies to do so.

The California statute is very specific about a dealer's maintenance obligations. The dealer has two business days after notice of a malfunction to repair or replace the rental property. If the unit cannot be repaired within this time, the company must provide a loaner. And after 30 days, the dealer must permanently replace the unit with another of the same brand and comparable quality, age, condition and warranty coverage if the original unit cannot be repaired. Rental customers

need not pay rent for any time they have a unit that is not in good working order.

Income interruption

As unique as any provision of the California statute is the section on income interruption. If a rental customer has paid one-half or more of the total rental-purchase price and comes to the dealer with evidence of an income reduction of 25 percent or more because of "involuntary job loss, involuntary reduced employment, illness, pregnancy or disability," the company must reduce rental payments by the amount of the reduction up to a 50-percent reduction. The total of payments stays the same, and the term is extended. The statute goes on to provide that "when the customer's income is restored, the lessor may increase the amount of rental payments, but in no event shall rental payments exceed the originally scheduled amount of rental payments."

The statute is silent about how a dealer is supposed to discover when a customer gets another job.

For example, a customer who was making \$20-per-week payments on a 78-week agreement, and who had paid \$780 or more on the account, could come to the store with evidence of a job loss or other reduction in income and start paying \$10 per week until his income increased or until the unit paid out on the original rental-purchase total. The dealer would have cash flow on the unit cut in half and, additionally, have the stringent maintenance obligations dictated in the statute run for twice as long. But, hey, it's California.

Cash-price limits

Like West Virginia, the California Legislature stepped in to regulate rental-purchase pricing. It did so by regulating the cash price of rental dealers. The statute defines cash price as: "the price at which retail sellers are selling and retail buyers are buying the same or similar property for cash in the same trade area in which the lessor's place of business is located."

Without more, rental dealers would have to spend a lot of time shopping retail sellers of all the different products offered for rent in the rental store,

and do a lot of guessing as to exactly which sellers were in their "trade area" and which ones were not. Records of cash price must be kept for two years. The statute, however, allows three ways for rental dealers to show evidence of a proper cash price:

1. Advertised prices in the trade area within 90 days of the date of the rental-purchase agreement.
2. Manufacturer's suggested retail prices for home electronics only.
3. Two times the dealer's cost, including shipping.

One might suppose that most dealers will elect to use the two times cost calculation for setting cash price. What is unknown is what will happen to a dealer who buys a 25-inch color console TV for \$300 and who then sets his cash price at \$600 and who has in his trade area a WalMart which sells the same TV for \$288. Even though the dealer has statutory "evidence" that the \$600 cash price is proper, that price clearly does not fit within the statutory definition of cash price, which in this example is \$288, the price at which actual sales are occurring.

This and a host of other unresolved issues pervade the California rental-purchase statute, which becomes effective Jan. 1, 1995.

Rental dealers may have an opportunity to correct some of the problems in the statute, since the assemblyman who wanted 90 amendments to the bill and who got 80 or so has already announced his dissatisfaction with the law as enacted and his intention to introduce additional amendments next year.

Copies of the Karnette Rental-Purchase Act are available from the APRO office upon request. **PR**

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

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Newest board members share their visions for APRO, industry

For this issue, we contacted APRO's two newest board members—Larry Sutton, a dealer affiliate of Florida-based Champion, and Sandra Blackwell, responsible for franchisee relations of Texas-based ColorTyme.

Both began two-year terms on the APRO Board of Directors after being elected at the industry's Aug. 3-7 convention in Orlando. Since then, Blackwell and Sutton have participated in two meetings of the full board. The second was part of an intensive round of association committee and leadership meetings in San Antonio, conducted Oct. 13-16.

—John Gormley, editor

...

Sandra (Sandi) Blackwell
Director of franchising
ColorTyme, Inc.
Irving, Texas

General comments: "As a 15-year industry veteran, I feel very fortunate to be able to participate at the board level during what I consider to be the most exciting time in the history of our industry. Attempted government regulation and federal interference can galvanize an industry into action to address those problems, or can just as easily destroy an industry—and certainly individual, independent business owners."

On success of past year: "Our collective lobbying efforts this past year resulted in dramatic conclusions. The larger our association, the more active its membership, the more clout we carry in state and federal government. We discovered this past year that legislators in home states and inside the Beltway do listen to their constituents."

What's next: "We need to solidify our grassroots and grasstops activities because after we celebrate victory in the current legislative and tax arenas—and I know we ultimately will—other specters will appear on the legislative radar screen, such as health care, discrimination and other personnel issues. Someone said, 'Democracy is not a spectator sport.'"

We'd all better accept the fact that we're in the game, so we'd better learn the rules and develop a game plan for the next quarter period."

On today's APRO: "The association is active on so many fronts today that there's practically a vehicle of participation for everyone's interest. With the recent elevation to full standing committee status, I expect a new era of affirmative, aggressive pro-industry public relations activity. Our franchise system recently participated in the APRO Customer Education program during National Consumer Week. Both franchisees and customers reaped benefits from the program—to say nothing of the increased morale value to store-level employees."

"These are the types of programs the industry needs to counter continued negative press. We'll always end up on the 'cutting-room floor' when we go up against electronic media sound bites. The longer-term benefits of a continued consumer education program just makes more sense. And I like the fact that it will also involve more people in the industry. Store-level personnel often feel at the mercy of the media and politicians; their active participation in letter-writing campaigns, petitions and consumer education programs empowers all of us to be and do better."

On industry ethics: "The recently reactivated ethics committee is another vehicle where mutual cooperation will result in mutual benefits. When we can take care of industry problems internally, we'll hopefully be able to avoid another level of intrusion by well-meaning regulators."

On RTO's future: "There are many important issues and challenges ahead of us today—tax, legislation, the direction and mission of the association itself. We'll deal with all of these issues together. And then we'll face new and even more challenging situations. We live and work in a dynamic marketplace that mandates changes. As long as we remember, believe and act that we are stronger as a whole than we are separately, we'll over-

come the current challenges and build our strength and resolve for the ones that will surely come after."

...

Larry Sutton
President
B&L Concepts, Inc. d/b/a
Champion Rent to Own
Tampa, Fla.

On Oct. 13-16 meetings in San Antonio: "I did not realize how hard the board members worked. I had at least two committee meetings every day and we were able to accomplish quite a bit. I was especially impressed with the participation and preparation by the APRO staff. We are lucky to have such a high-quality group of hard-working folks at APRO headquarters. I was equally impressed with the participation and preparation of my fellow board members. This group of individuals is dedicated and determined to improve this industry and our image as we head into the second half of the decade."

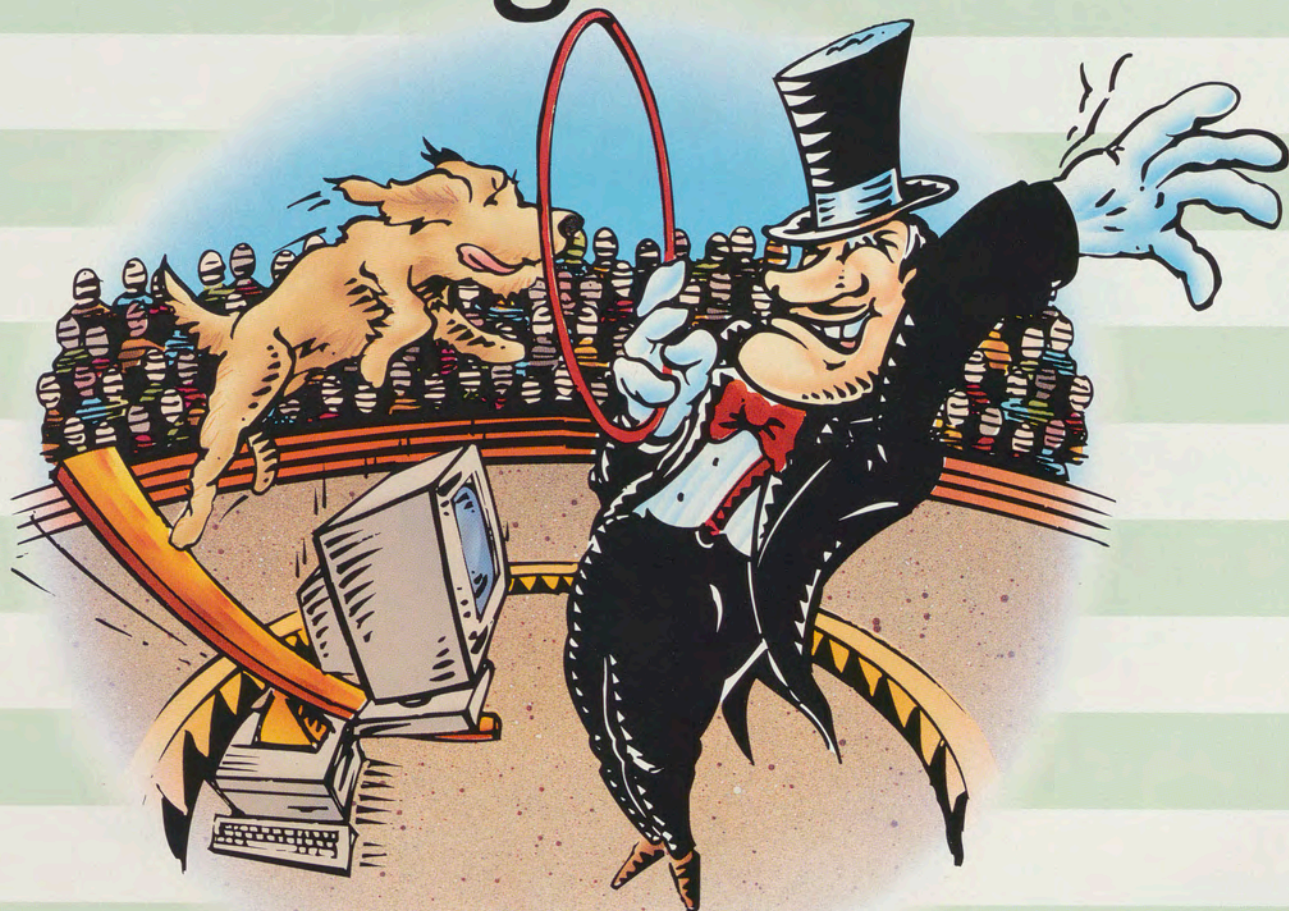
On immediate future of RTO: "Last week, the *Wall Street Journal* reported that 37 percent of Americans were considered non-credit worthy and an additional 15 percent were maxed out on their available credit lines. If those figures are even close to accurate it is a major-league opportunity for those of us who supply products using non-obligation agreements with no credit required. I would imagine that with this kind of opportunity sitting out there, there will be some heavy hitters entering this industry."

"I predict constant changes in merchandising, advertising and promotions, as well as innovative marketing programs. Dealers unwilling to change, who hang on to old concepts, will not be around in the late '90s. Because rent-to-own is such a relationship-oriented business there will always be successful single-store owners as well as larger regional and national chains. All in all, there is a fantastic future for people involved in rent-to-own."

On past and future legislative efforts: "What this industry has accomplished over the past several years is absolutely astonishing. With almost 40 states now operating with RTO statutes, 95 percent of the pop-

CONTINUED ON PAGE 46

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In fact, results of a nationwide telephone survey of rent-to-own customers released this fall by America's Research Group prove that rental-purchase options appeal to a demographically diverse customer base (see August-September *Progressive Rentals*, page 9).

In many ways, highly specialized computer software companies—automation providers, to use the vernacular—have helped dealers across the country weave RTO into the American fabric. They've done it by understanding the big-picture concerns of the industry and its dealers, and instituting controls that help companies legitimize their stature with customers, lenders and regulatory agencies.

Today's RTO companies, thanks to sophisticated, integrated automation solutions, can track and justify income forecasting in case of an IRS audit, and easily pull out product and customer information to make better purchasing and advertising decisions. Of course, that's all in addition to the day-to-day, point-of-rental business of running stores.

Sherry Workman, vice president—sales, of industry automation provider High Touch, realizes that rental-purchase dealers entering 1995 have much to think about. And High Touch strives to keep up with it all, matching innovations with

industry issues.

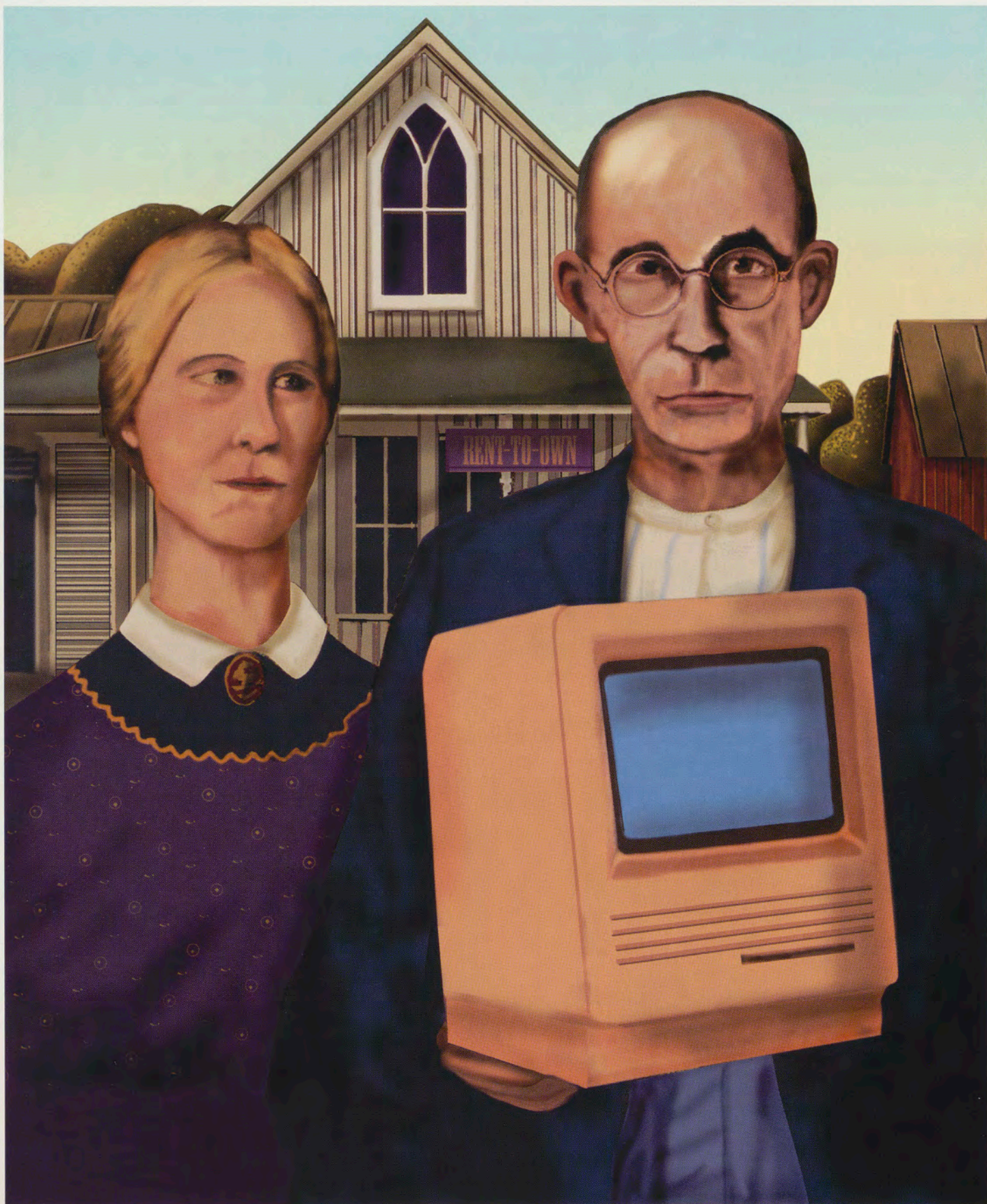
"Not only do we have a store point-of-rental system for the management of the store side and home office, but we also have accounting packages," says Workman. "So we are very concerned and we're keeping on top, from an accounting standpoint, of all the IRS and legislative issues. For instance, if any of our clients get audited and have our accounting package, we participate in that audit. And what we're seeing, from the accounting side, is people very concerned about how they're doing things, how their computer system's doing things."

Workman believes dealers are taking steps to run tighter operations—and protect themselves. "I'm seeing them being more sophisticated in their needs," she adds, "particularly with accounting. I see them being more meticulous on how the system actually transacts something. Two years ago I think it was much more centered around features and functions, rather than how it actually transacts a process."

She adds: "Even if the dealers use another accounting system, consider unit-by-unit depreciation on income forecasting. How could you do all that without a computer? So I don't know how anybody in the industry could do income forecasting,

CONTINUED ON PAGE 26

.....
BY
JOHN
GORMLEY



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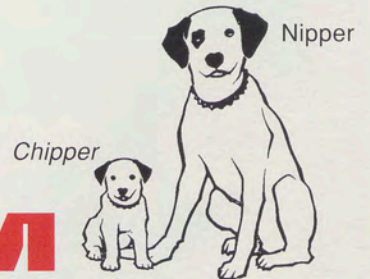
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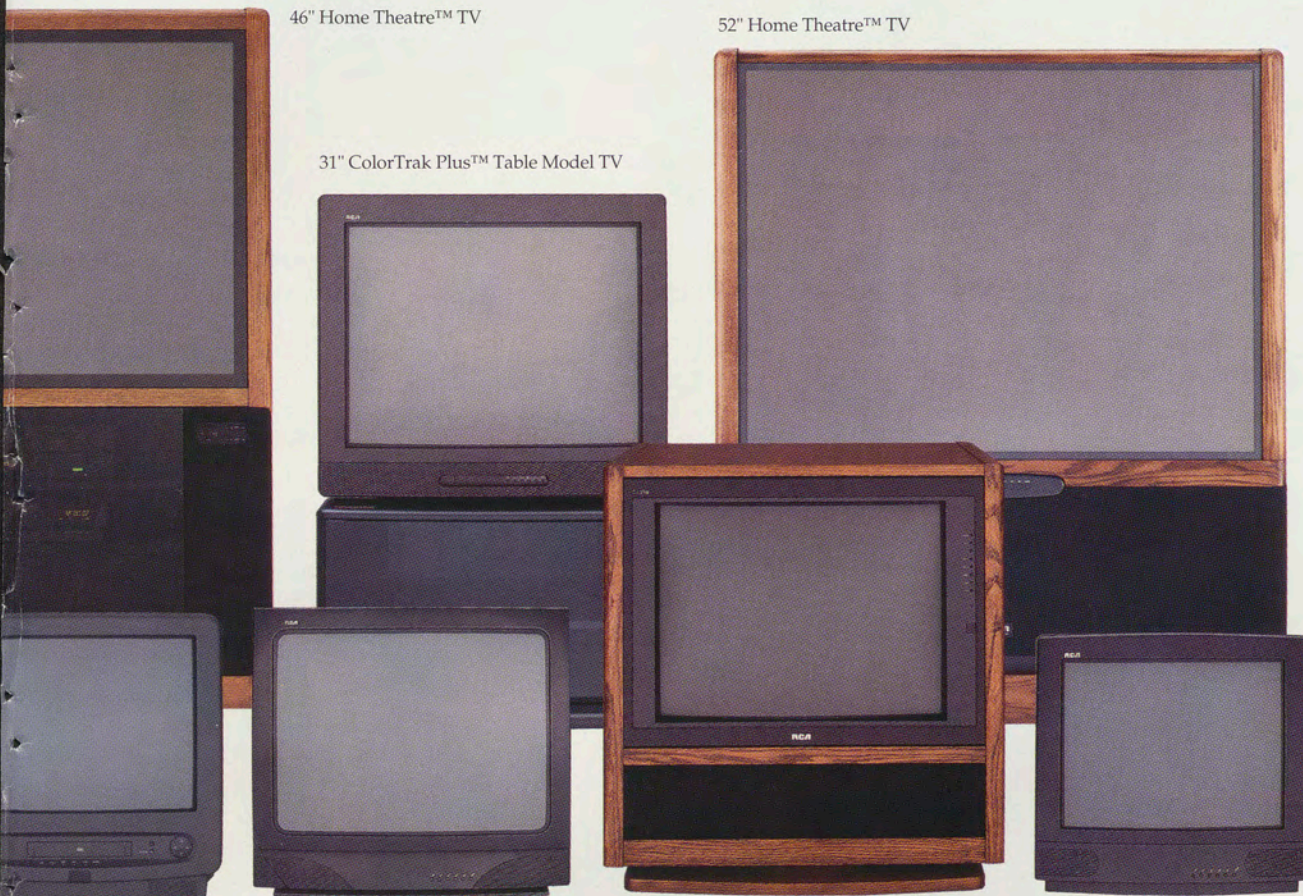
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Continued from page 22

or claim to do it, and not have a computer."

Les Feldser, president of Rental & Sales Software Systems (RSSS), is also convinced that tighter controls for rental-purchase dealers mean better-run, more profitable businesses.

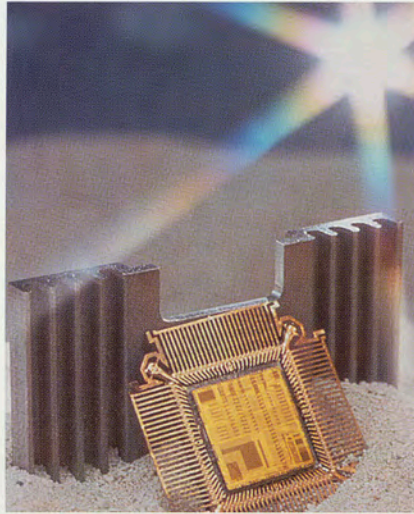
"We're for the guy who wants really good controls," Feldser says. "When we do that then we have interfaced accounting: complete systems. We write special programs for how to add on products—like air-time billing for beepers (digital pagers). Some dealers rent-to-own beepers; when they (pagers) are paid out the dealers need a way to keep collecting on the air time. So we've written special programs for that."

Ponder Wright, general manager of software system provider CRIS, acknowledges that more and more dealers want to add digital pagers to their product lines—and that poses a challenge to their computer vendors.

Says Wright: "Dealers want to be able to automatically produce a list of late people and automatically dial out and shut them off. That's something that you have to either integrate in your (existing) package or you have to have a specialized package to do that."

"That seems to be something that's really coming on and we're working with another software company that has a specialized pager package,"

Photo courtesy of IBM



Advances in affordable processor speed have benefitted the entire computing community, including RTO operations.

Wright elaborates. "It's a totally different tracking system. You work your late lists differently; you turn them off automatically and that type of thing. You actually have to have specialized software that goes beyond standard rent-to-own software to handle the renting of pagers."

Lori Smith, marketing director of Rental Information Systems, agrees that the advent of digital pagers as an RTO product has dictated some changes to dealers' traditional software systems.

"The only thing I can see that's changed is when our customers (RTO stores) started going to beepers, there was a need to track air time differently from the beepers." Smith says.

"Because they rent-to-rent air time; they rent-to-own the beepers."

"The problem dealers were running into," Smith continues, "in the way software was typically set up, was you couldn't put them both on the same contract because one was a rent-to-own and one was a rent-to-rent. We had to accommodate that so you always kept renting your air time, but eventually you paid out some of your beepers."

David Goldman, president of Ideal Software Systems, has spent years exploring ways to get the most out of software and hardware advances for his clients in RTO.

"We have seen, especially during the last couple of years, that we're doing more with the development of an interactive collections system," Goldman says. "We think there's more you can do with a computer, and we're trying to tap into those added areas—ways you can gain more efficiency; that you can become more profitable. There's an unlimited amount, it seems, of things that can be done. It's just a limit of how much time there is and how many resources."

Goldman says the incredible advances in computer technology—faster processors and larger-capacity hard drives—is good news for RTO companies, just like everybody else.

"Today, the replacement hard drive for the one we bought 10 years ago—we're spending maybe one-fifth of what we spent then and it has maybe 200 times the capacity," he says. "The processors are running 50 or 60 times faster and handling four times the data at the same time. They're really hundreds of times faster than they were just a few years ago."

It doesn't mean dealers are spending less on their computer systems. They just get more.

"One thing that I've noticed is that prices don't drop so much on hardware," says Goldman. "Our systems usually sell for about the same amount. The reason is, they discontinue the older models that the price dropped on for a short period of time and the new entry-level models take the place of the old ones. You're always going to spend, it seems to me, around the same amount of money."

CONTINUED ON PAGE 36

Who's who in computers

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

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APRO 1995 spring educational events set

GET READY FOR A NEW YEAR FILLED WITH EXCITING TRAVEL AND RENTAL-PURCHASE EDUCATIONAL OPPORTUNITIES. THE APRO EDUCATION COMMITTEE, CHAIRED BY OHIO DEALER AND APRO BOARD MEMBER ERNIE LEWALLEN, ANNOUNCES THESE SITES AND DATES FOR SPRING, 1995:

• • • • •

The APRO 1995 Vacation Seminar is a Royal Caribbean Nordic Empress cruise to the Bahamas, set for Feb. 6-10.

The APRO 1995 Mid-Year Conference will be April 20-22 at the Tucson National Golf and Conference Resort in Arizona.

Vacation seminar

The Royal Caribbean Nordic Empress Cruise to the Bahamas will have ports of call in Miami, Freeport, Nassau, CocoCay and Miami. Cost is



Metropolitan Tucson Convention & Visitors Bureau

Tucson, Ariz., site of APRO's 1995 mid-year conference April 20-22, is known for its class recreational opportunities.

from \$906 per person. That includes:

- Air from Royal Caribbean gateway cities
- Port taxes
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- Entertainment
- APRO educational seminar sessions

And much more. APRO's seminar sessions will include the most current topics in the rental-purchase

industry, according to APRO Education Director Shelley Martinek. "Don't miss this opportunity to mix business with pleasure," Martinek says.

If you're interested in participating in the Feb. 6-10 vacation seminar, please call APRO's Martinek as soon as possible because space will be limited and the \$150 deposit is due by Nov. 30. Call her at (512)794-0095.

Mid-year conference

The April 20-22 APRO 1995 Mid-Year Conference in Tucson has this tentative seminar schedule:

Thursday, April 20

- 1-5 p.m.—*Know Your Customer: Results of Comprehensive Survey of Rental-Purchase Customers.*

Friday, April 21

- 9 a.m.-noon—Open for golf or sight-seeing.
- 1-3 p.m.—*APRO Annual RTO Legal Update.*
- 3-5 p.m.—*APRO Annual RTO Tax and Accounting Update.*

Saturday, April 22

- 9 a.m.-noon—*Rental Round Table Discussion.*

For reservations at the Tucson National Golf and Conference Resort, call 1-800-528-4856. The deadline is March 10. Be sure to request the APRO rate of \$130 single or double.

For more information on either the mid-year conference or vacation cruise, call APRO's Martinek at (512)794-0095. **PR**

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'I ain't nobody's servant!' is wrong attitude

"I AIN'T NOBODY'S SERVANT!"

IS THIS SOME MELODRAMATIC LINE FROM AN OLD WAR MOVIE? OR PERHAPS A QUOTE IN SOME HISTORY BOOK FROM AN HOMBRE OF THE OLD WEST?

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No. It's actually a quote from a young man who had worked in a rental store for a year as a self-described "route man." He was reacting to his company's recent order to provide more courteous service to customers. He knew how to get what he wanted from customers without wasting time on pleasantries, and he didn't feel he needed a company memorandum telling him how to get the job done.

"High schools are not producing students to 'stand and deliver' for the 21st century." This disturbing revelation is from Jaime Escalante, quoted in the magazine *HRFocus*, July 1993.

Unfortunately for today's America, Escalante is dead right. And just as bad, many of today's employers are just as guilty of providing their customers with employees who cannot stand and deliver. These are the employers who do not see the connection between customer service and profits.

Ironically, when these same employers enter a restaurant or go to the supermarket as customers themselves, they know exactly what should be said and done by those being paid to serve them. And their employees, who were never trained to provide those simple pleasantries of customer service, tend to be the most critical customers at other businesses.

There are occasions when time and training resources are spent on employees who refuse to take responsibility for their actions on the job. Simply, there are many people in today's workforce who refuse to do the job for which they are paid. Too often, today's employers are faced with potential employees who prefer to spread the blame for their failures rather than take responsibility for not

BY
KENT

SUTHERLAND

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doing a quality job. These employees do not see the workplace as a great equalizer, where in the ideal model the hardest-working and most effective employee is rewarded accordingly.

The rental-purchase employment experience is no different than other types of customer service work. Business owners are either successful in attracting new customers and servicing current customers, or they don't survive. It doesn't get much more complicated than that.

Some find it frightening that the fate of their company, and possibly the industry itself, rests on the knowledge, skills and assumptions of those people who answer the phones, drive the vehicles, deliver the product

and translate the rental-purchase program to customers each day. Some owners and managers do not know what drives or motivates their employees, who are responsible for making critical business decisions.

Filling even the simplest position can cause employers a great deal of stress. Hiring new personnel is no simple chore, and there are many questions to consider. Can employee actions be disciplined or directed by operational policies and programs? What will cause an employee to forget or ignore training and company guidelines? When does an employee make a purely subjective decision when facing a specific situation? What roles do culture and personality play?

When factoring in employee turnover, the hiring process becomes even more frustrating. Employers must also consider how customers will take to a new employee. Many customers have expressed aggrava-

CONTINUED ON PAGE 39

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Some states have guidelines, but most dealers name their own

Cash Price

IN AUGUST, THE PENNSYLVANIA ATTORNEY GENERAL CHALLENGED THE RENTAL-PURCHASE TRANSACTIONS OF 25 MUSICAL-INSTRUMENT RETAILERS IN THE STATE. HE GOT THEM TO AGREE TO CHANGE THEIR BUSINESS PRACTICES AND TO OFFER RESTITUTION TO MUSICAL-INSTRUMENT CUSTOMERS GOING BACK TO 1991 IN SOME CASES. WHAT THEY WERE ACCUSED OF DOING, AMONG OTHER THINGS, WAS MANIPULATING THEIR CASH PRICES.

A rental-purchase program for a child's musical instrument makes a lot of sense because it allows parents and children to try an instrument, perhaps for a full school year—or longer—and then they give it back when interest wanes without having to buy it.

Rental-purchase programs are in widespread use among music retailers all over the country. The problem in Pennsylvania, of course, is that a rental-purchase transaction in that state is a credit sale. Music retailers thought they had solved that problem by offering a rental-purchase price equal to the stated cash price and, therefore, had a transaction that charged no interest. A trumpet with a listed cash price of \$400 could be rented for \$20 per month with ownership transferring after 20 months.

The problem was that if a customer wanted to pay cash, the customer did not have to pay the listed cash price. The industry practice was to discount the list price by 25 percent or more, so there were never any cash sales at \$400. Instead, cash-paying customers paid \$300 and only rental customers ever paid \$400.

According to the attorney general, instead of transactions with zero-percent interest, music retailers really had transactions with a 35-percent interest rate, well in excess of the statutory limit of 18 percent. To date, nearly all of the music retailers accused of this business practice have entered into assurances of voluntary compliance, agreeing not to engage in this

practice in the future, and offering money or store credits back to their music rental customers.

This development in Pennsylvania is a useful lesson for rental dealers everywhere to pay attention to the notion of cash price, as it may apply to their businesses. It is not an irrelevant concern, ever, which is the attitude of some rental dealers, even if they never make cash sales.

It was not so very long ago that the concept of cash price was unused and virtually unknown in the rental business. Rental dealers and, not incidentally, rental customers were concerned with rental rates per week or month and perhaps totals of payments, but did not concern themselves with the cash prices of products, because the dealers were not marketing to cash-paying shoppers, nor were cash-paying customers shopping in rental stores. Neither, of course, do cash-paying car shoppers frequent Hertz or Avis for the best purchase prices in town.

Early on, rental dealers opposed disclosing a cash price for rental property, fearing that consumer advocates would argue that the difference between the cash price and the rental ownership price was interest. Some of the very first rental-purchase statutes did not require a cash-price disclosure. The industry argued persuasively that the disclosure was not especially useful to consumers seeking information about renting.

Later, consumer advocates began arguing that the cash-price disclosure was use-

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BY

ED WINN III

ful to show consumers how much more above the cash price they were paying to acquire ownership by renting, even if it was not called interest, and that argument eventually prevailed. To date, at least 30 of the state rental-purchase statutes require a cash-price disclosure.

The term "cash price" is not always defined in rental-purchase statutes. Where it is defined, the definition is not surprising:

"The price at which a lessor in the ordinary course of business would in good faith after the property that is the subject of a rent-to-own agreement to the lessee for each on the date of the rent-to-own agreement."³⁴

A couple of states require that this amount be disclosed and labeled as the "estimated fair-market value." Rental dealers are generally left free to set cash prices as they see fit.

One criticism leveled at the industry is that since dealers are not really trying to sell for cash, there is no market pressure to keep cash prices down, which is true. Rental dealers are not generally trying to compete on the basis of cash price.

Two states have stepped in to regulate the amount of cash prices: West Virginia and, most recently, California. West Virginia does it by administrative fiat. The attorney general's office has promulgated a legislative rule allowing dealers to mark "retail values" at set percentages over cost, which currently range from cost plus 56 percent for electronics and appliances to 82 percent for jewelry. West Virginia dealers may also match bona fide cash prices in their markets, but may not use "list prices" of manufacturers' suggested retail prices. California dealers can set cash prices no higher than two times the cost of goods, which limit is set forth in the statute. Alternatively, California dealers, like West Virginia dealers, can match actual cash sales in their markets. These legislative efforts have been in response to the charge that, too often, rental dealers' cash prices are not "real cash" prices, but instead are artificially high.

One might well wonder what damage a "too-high" cash price does in the marketplace without evidence that people were making purchases at those "too-high" prices. No one has



ever suggested that is the case.

In states where the rental-purchase price bears no necessary relationship to the cash price, one might well ask why rental dealers bother inflating the cash price, if they do. Indeed, it is unlikely that they do, although they may not be advertising the best cash price in town either, since they are trying to rent TVs, not sell them. They may simply not follow retail pricing as closely as retailers, since that is not the market in which they are competing.

In states where the rental-purchase price is a function of the cash price, the pressure to have "higher" cash prices is more understandable. If the rental-purchase price is limited to twice the cash price, then raising the cash price by \$100 would allow a deal-

er to raise the rental-purchase price by \$200. This is the case in at least five states, and it has been in these states where the criticism of rental-purchase cash pricing has been the most vehement.

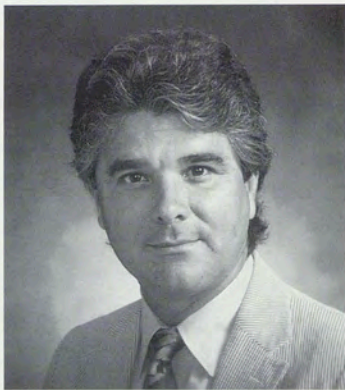
In some cases, after enactment of rental-purchase statutes in these states, rental dealers continued to set rental rates the way they had always done, as a function of their product cost—cost, times three, divided by 18, to determine a monthly rate. Then, to determine cash price, they simply divided the total rental-purchase price by two. On some low-end electronic items, this calculation yielded a cash price considerably higher than the norm. In some Connecticut markets, where the cash price of low-end, two-head VCRs could be found at less than \$200, some rental-purchase dealers had cash prices of more than \$400.

One difficulty with typical cash-price comparisons is the spread on cash prices in the retail marketplace. Seven years ago in Raleigh, N.C., the industry was being bludgeoned in the state legislature over its high pricing. To combat the charge, the industry priced a specific make and model 25-inch color console remote TV. The same TV was for sale in Raleigh for \$399 at a discount store and also for sale at the same time for \$799 at a downtown furniture store. The state association bought the \$799 TV to prove a point. Consumer advocates had only acknowledged the lower price when comparing the costs of rental-purchase transactions to the legislators in Raleigh.

The advent of the super-discount chains may have narrowed the spread some in recent years, but there has never been a single cash price for big-ticket consumer durables in any market. Neighborhood stores offer more service and charge higher prices. They always have. Some consumers pay those higher prices. They always will. Those facts are routinely ignored by rental-purchase critics.

Prudent rental dealers will not ignore the spread in their markets when establishing cash prices. There is no need for rental-purchase cash prices to be the lowest in town. It is not primarily on the basis of cash price

CONTINUED ON PAGE 38



Selecting an industry identity is a vital step in preparing a defense against critics and Uncle Sam.

Who are we?

THERE ARE SOME INTERESTING DISCUSSIONS GOING ON INSIDE AND OUTSIDE THE INDUSTRY LATELY. THEY FOCUS ON THE QUESTION IN THE TITLE: WHO ARE WE? THE DISCUSSIONS INVOLVE THE DEFINITION OF THE RENTAL-PURCHASE INDUSTRY, OR RENT-TO-OWN INDUSTRY, OR LEASE-PURCHASE INDUSTRY, OR RENTAL INDUSTRY, OR CONSUMER LEASING INDUSTRY, RENTAL-LEASING WITH PURCHASE OPTIONS INDUSTRY, OR ... WELL, YOU BEGIN TO SEE THE PROBLEM.

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If an acceptable, unifying name ever gets chosen, the next question is who is in that business and who is not. The association wants to know both who it is actually representing, or at least, who it should be representing. The Internal Revenue Service wants to know what businesses to audit in order to find some disguised sales and some additional taxes. Consumer advocates want to know who to try to legislate out of existence.

These are difficult questions for everyone and, unsurprisingly, different sides have very different answers. Even people on the same side have very different answers. Industry representatives are far from agreeing on who it is, exactly, they represent.

Take a related question—What is the industry or a company's keep rate?—for example. In the first place, no operator lies awake at night fretting over rising or falling keep rates because, whatever it is, keep rate is not a measure of a company's success. It may be a measure of what business a company is in, because it is some evidence of contractual intent, but, then again, it is only some evidence, and probably not conclusive of anything.

Not to mention the widespread disagreement over how to calculate keep rate. Some critics assert that all units not lost, stolen or scrapped are eventually owned by someone, and that number, as a percentage of all units in the system, is the keep rate. The IRS has said, rather vaguely, that their studies show a keep rate of 50 to 60 percent, but they cannot really explain where that number comes from. The industry generally calculates keep rate as the number of deliveries that go to term divided by the total number of deliveries during the same period. That calculation has consistently yielded a keep rate of 20 to 25 percent in most companies, although a few are higher and a few are lower. Then there is the question of how to treat rewrites, reinstatements, bundled agreements and other quirks that affect the calculation.

There may be some few companies out there which have rental agreements with ownership options which do not pick up any units at all, ever. That means their keep rate is 100 percent. The question there is whether they are really in the rental business?

If, hypothetically, they are not in the rental business, then what about the company that picks up a few units, but only a few? Where do we draw the line? Is it fair to say that a company with a keep rate of 50 percent is in the rental business, but a company using exactly the same agreement with a keep rate of 51 percent is not? These are some of the problems with trying to use keep rate to define the industry. Keep rate is merely one of the devices suggested for drawing some lines around the industry.

Can the kind of product rented affect the business a company is in? What about the customer base? Can that affect the characterization of the business? What about variations on the rental theme, like flex-terms, quick-to-own, balloon-purchase options, lengthy initial terms, penalties

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BY

ED WINN III

It looks like some decisions are going to have to be made about who we are and what we do. Those decisions may be painful for some dealers. Some may want to present their case to APRO before they present it to the IRS.

for early termination, the size of a balloon-purchase option, and the like? Can they affect the business a company is in?

Over the years, a lot of commercial transactions have been structured to look like leases when they were really sales, for reasons good and bad. Transaction by transaction, courts have considered the lease-versus-sale question in the commercial context literally thousands of times. In different cases in different jurisdictions, some or all of the following factors have been cited in opinions as influencing courts' characterizations of given transactions:

1, is there an obligation by the lessee to make payments; 2, is there an equity buildup on the part of the lessee; 3, is there an interest component in the transaction; 4, who maintains the property; 5, who pays taxes on the property; 6, who has title to the property; 7, when does the title transfer, if at all; 8, does the lessee have a purchase option; 9, is the purchase option, if any, for nominal consideration; 10, is the lessor a financier or a dealer in the kinds of goods rented; 11, who has the risk of loss to the property during the rental term; 12, what are the lessor's rights upon default by the lessee; 13, is there a nonrefundable deposit; 14, will the lease be discounted with a bank; 15, are normal warranties included or excluded; and, 16, how does the lease term compare with the useful life of the rental property?

The above list is by no means comprehensive of all of the reasons given by courts for characterizing a transaction as a lease or a sale.

This lease-versus-sale question is not an easy one for courts or for APRO or for anyone else. But the question is getting called. The IRS is looking for some tax money. Is there really any kind of rental business that can be sacrificed to preserve the greater whole? The answer today is that no one knows, yet.

The association instinctively wants

to protect as many ways of doing business as possible, because it means a larger membership, more political clout and more dues revenue. But it is learning that there may be limits. Readers who have an opinion about those limits are invited to share them with association leaders.

The association has no desire to make hasty or bad decisions out of ignorance.

However, in the coming months, it looks like some decisions are going to have to be made about who we are and what we do. Those decisions may be painful for some dealers. Some of the dealers may want to present their case to the association before they get to present it to the IRS, Henry Gonzalez, or some member-in-good-standing of the Legal Services Corporation.

In the meantime, thoughtful people who represent this industry are struggling with the effort to get the best possible answers to these questions that they can. **PR**

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



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(See instructions on reverse)



Traffic's heavy on the information highway

Learn to travel or get left behind

MAYBE, LIKE A LOT OF US, YOU'RE LESS EXCITED ABOUT EXPLORING CYBERSPACE ON YOUR HOME COMPUTER THAN YOU ARE ABOUT FIGURING OUT THE DIFFERENCE BETWEEN "DEFROST" AND "WARM" ON YOUR MICROWAVE OVEN. IF SO, YOU PROBABLY HAVEN'T THOUGHT MUCH ABOUT THE SO-CALLED INFORMATION HIGHWAY. BUT IF YOUR COMPANY IS COMPUTERIZED, IT'S TIME TO HITCH A RIDE. BOOT UP OR SHIP OUT.

.....

BY

BUD HOLLADAY

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Late news flash: They aren't bringing back carbon paper, slide rules or mimeograph machines anytime soon. So if you still think bytes are a variation on beer nuts, you stand a good chance of becoming the next roadkill on the Information Highway.

Understanding computers isn't really difficult. Computer salespeople will tell you that a computer is nothing more than a huge electronic file cabinet. You type in what you want to store and pull out the information by hitting a different set of keys later. Of course they fail to mention that this particular file cabinet has enough electricity running through it to satisfy the Georgia Penal Code and it can make any document in your company disappear without a trace. They also don't tell you that the high school graduate who kept your old files organized must attend night classes and learn three languages in order to root around in these files.

First realize that computers are made up of two major components. Hardware is what they call the big plastic box full of circuit boards, chips and assorted kitchenware. Why they call this hardware instead of Tupperware remains a mystery. Why you can't buy hardware at a hardware store is an even greater riddle.

Software is the tricky part. This is something you can't see or feel, but without it, the hardware's useless. Imagine a kind of invisible hand, organizing and sifting information at lightening speed (they call it software because "gobbledygook" doesn't sound very professional and the Egyptians already used "Hieroglyphics").

To understand the concept, recall what Obe Wan-Kenobi told Luke Skywalker in Star Wars. When Obe said, "May the force be with you," he was talking about software. This is the kind of information the computer geeks can't give you.

You'll often hear computer people tossing around terms like "disk capacity" or "megabytes." Don't be alarmed. This only means they've read the manual. What they're referring to is the size of your computer's brain and how much it can hold before blowing up. This is not an important consideration. It'll take years before you know enough to get the thing full, and by that time you'll be ready for a new computer anyway. Ignore it.

As your company's profits rebound following the initial installation of computers, some bigshot will start talking about upgrading. Odds are it'll be the same guy who recycled typewriter ribbons a few years ago. Upgrading means that your perfectly good hardware and software sud-

denly become obsolete and the shiny new stuff introduced at the seminar in the Bahamas last January is what you really need.

Be forewarned. Upgrading requires careful scheduling and close attention to the budget process. And that creates a need for more powerful computers. Unlike some other computer exercises, upgrading is a self-sustaining activity.

After upgrading, the computers you bought last year will have a market value of zero. So they're handed off to the people in Operations, where they'll be used as video games. This can be important for morale since all expansion will be canceled until the new computers are paid for. Of course, when that happens, it's time to upgrade again. So you can see how this thing works. Ross Perot didn't become a zillionaire telling people what they had was perfectly fine.

When everyone in the company has their own computer, you'll want to network. This is a method of linking up all those computers so that everybody fouls up the same project at once

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Upgrading requires careful scheduling and close attention to the budget process. Unlike other computer exercises, it is a self-sustaining activity.

instead of wasting time doing it individually. The benefit to this is the building of teamwork, while also holding down overtime expense.

Now after all this, if you still can't get the hang of computers, just go in to see the boss and make a full confession. Offer to take a 20-percent pay cut and work nights in Building

Maintenance. And then go around and unplug all those infernal machines. Somebody has to get control of this thing before it gets out of hand. **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.

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Wade was tired of wasting time and losing money here and there. Heather was especially glad her daddy made the decision to finally take control of his business. Life's too short for hassles. Call Ideal today.

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

Continued from page 26

You're still buying, let's say, a \$2,000 system, but what you get today is a whole lot better than it was even a year ago.

"For the same amount of money, we're getting much more powerful machines in terms of speed and storage capacity."

But what does this mean for Goldman's end-users, the rental-purchase companies?

"We're keeping more facts as we go along," he answers. "Now, we've got a lot of things that we can look at over a longer period of time. We can keep it all out there on the hard drive, and then go back and spot trends. So we're starting to do graphs over periods of time, because we have the storage capacity to store a lot more information."

Real-world RTO examples:

"We can do graphs showing what BOR or delinquency or revenue have done over periods of time," he says.

"We can put those together and plot them against each other so you can see how one affects the other."

Pinpointing product trends and improved customer demographics are two areas that directly apply to increased storage capabilities.

"Now you're starting to get better trend information from your system," Goldman says. "Another thing is you can store more information about your customer. You can keep more history of what he's done with you in the past; you've got more on file there."

Feldser cites another example of dealer control that RSSS employs. It has to do with product ordering and tracking. "We have a purchase-order system that larger dealers just insist that they've got to have," Feldser says. "It goes on into accounts payable so they can have a smooth transition where you do everything at once—renting it or selling it, depreciating it, interfacing with accounting."

Corporate, centralized control of computer systems in multiple-store RTO companies has long been prefer-

able, but with one caveat.

Reports Wright of CRIS: "What we're seeing is a movement to a home-office package that brings increased data communications but with each of the stores acting individually on their own data bases. Not really having a master data base at one center, but communications among them. The reason why is that some of the companies that had centralized data bases—the problem with that is if you've got eight or 10, 20 stores and the central site goes down, all of them go down."

Under Wright's scenario, a company's stores are autonomous as far as their data bases of customers and transactions, but they still have electronic links to the home office so management can read the reports and make smart decisions.

"The idea is to set up separate data bases and then make use of the new communication tools so they can bring in any data that's necessary to the home-office operations: daily information, cash flow, inventory,"



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Wright explains. "That's proliferated over the last year, with the advent of lower-cost, high-speed modems."

Feldser of RSSS sees another benefit for the RTO dealer who has control, through automation, of his business—although he admits it takes foresight for dealers to recognize it.

"The difficult thing is trying to explain to a new dealer or a small dealer what you really need to grow," says Feldser. "Because the day you

decide to go into the rent-to-own business should be the same day you start to plan to sell your rent-to-own business. If there's ever been a truth that's it. You can't get the true value of your business if you operate it manually; you can't get the true value of your business if you're on an inadequate computer system. Plan to get the true value of your business every day; get your business under control to handle the future."

High Touch's Workman believes dealers are doing just that—both for their own individual businesses and as an industry.

"They are positioning their companies now, strategically, to handle whatever the legislation and the IRS passes out," she says. "They will go on and mold, no matter what. They won't go away." **PR**

John Gormley is APRO's communications director.

RTO automation needs changing; vendors adapting

IN THE PAST YEAR, WE HAVE SEEN MANY CHANGES IN THE AUTOMATION NEEDS OF THE RENTAL-PURCHASE INDUSTRY. MARKETING AND PRODUCT TRENDS HAVE DIVERSIFIED FOR RTO DEALERS, AND WE'VE SEEN THEIR INFORMATIONAL NEEDS CHANGE ALONG WITH THAT.

•••••

The exciting part is that these changes have been very positive and aggressive, even in the face of pending legislation and tax issues.

Some of the changes include a wider range in rental products offered, and the markets RTO dealers are targeting. For instance, there is a definite market for personal computers in families. Some dealers are even delivering more than one computer per household.

The market for digital pagers and cellular phones has exploded during the last 12 to 18 months.

Game and entertainment systems seem to be another product area that's doing very well in rental-purchase. The additional products also represent expanding markets that, until recently, were virtually untapped. This includes middle and upper-middle class families that have a need for rental-purchase options. Some dealers are telling me that they had thought this was not their type of customer. But as

it turns out, more and more dealers these days are pleasantly surprised to find that their range of products and services—the complete RTO package—appeals to broader cross-section of America.

As the industry grows, the automation needs of rental-purchase dealers grow and expand as well. The sophistication, flexibility and informational needs of software are changing right along with that. We've noticed more new dealers coming into this industry in the past year than any other 12-month period in a long time. At the same time, dealers who've been around for years are now expanding their operations.

This is a time of growth for the entire industry. Gone are the days when RTO dealers needed a computer system just to take payments and print out a list of late accounts for collection purposes. These things are still vital, but today they're only a small part of what automation can do for a rental-purchase operation.

Any software company can provide a few basic functions and reports to free up some time. I believe dealers are looking for a software company with vision—one that not only sees the future of the industry, but is willing to enhance and grow with it. Dealers depend on their software company to be a partner with them in helping their operations rise to a higher level. The information needed to expand business and keep tight corporate control is a must these days.

Flexibility is a major part of a successful software package. A software system cannot be functional unless it has the ability to be flexible. Not all rental dealers run their businesses the same way. A rental dealer should not have to conform to the way a soft-

ware company thinks his or her business ought to be run.

System support is another integral part of the process, and it can make an RTO operation run smoothly or help create a nightmare. Anyone with a computer software system has needed support at one time or another. No matter how great your system is, if there's not a dependable support system in place to back you up, you've got problems.

A great support team is the key to keeping your stores up and running. Keep in mind that support people aren't magic, either. Not every question or problem has an instant answer or solution. Sometimes problems need to be researched and tested. But if your software provider's support team is doing everything possible to get you back on track, your employees can focus on what makes money—renting merchandise.

Another key to a successful RTO software system is corporate control for multi-store operations. A corporate package that allows you to keep your finger on the pulse of every store is a big factor in running a tight ship.

Knowing which products are the money-makers, and knowing which areas need work, means knowing what's going on in your stores. And that's the bottom line.

Research the automation companies in our industry and know what you want from your software provider. With the right controls in place, your rental-purchase operation can flourish. Get the facts and make an informed decision. You might be surprised at the management tools a good RTO automation system can provide.

—Lori Smith, Rental Information Systems

Continued from page 31

that rental dealers are competing. Rental dealers can even have the highest cash prices in town.

But there is some theoretical limit on how high those prices can be. The legal limit is set by the doctrine of unconscionability. Under this doctrine, a price might be so high that it shocks the conscience of the court. Ordinarily, charges of unconscionability include some procedural elements in addition to high pricing. There is usually some over-reaching by the merchant—getting a non-English speaking consumer to sign a contract written in English with onerous terms, including an egregiously high price, perhaps.

Assuming some ability for a consumer to choose—which would include assuming a competitive market and the lack of any emergency requiring the consumer to act—just paying a price that is the highest in town, by itself, ought not rise to the level of unconscionability under

state law. Otherwise, the steep prices charged by your local movie theater for candy, hot dogs and popcorn would be ripe for unconscionability challenges. Nonetheless, the legal doctrine does exist and does not necessarily require elements beyond pricing, although the cases decided to date have nearly all included such elements.

Most importantly for the rental-purchase industry: The prices set, however they are determined and at whatever level, must be real cash prices, and there can be only one cash price for any one product at any one time.

Rental dealers cannot have one cash price for the purpose of making the disclosure on a rental-purchase agreement and another cash price for real cash buyers.

This is the lesson we should take from Pennsylvania. Twenty-five music retailers just got caught. Rental-purchase dealers playing games with their cash prices may well be next. **PR**

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



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Continued from page 29

tion at the constant shuffling of employees at rental-purchase stores.

Through my own research, I have learned that replacing an hourly employee can cost our company between \$1,800 and \$7,000, depending on the job description. These are conservative numbers. Very little of that total includes the actual costs of finding a new employee; most of it comes from customer loss during that new employee's learning curve. The loss of new customers in this business virtually parallels the average tenure of terminated front-line employees.

For years it has been reported that the industry's consumer keep rate is somewhere between 20 percent and 25 percent, which I see as a reflection of shabby customer service. Personal experience and research puts the keep rate closer to 20 percent if it is defined as the actual number of customers truly renting-to-own. If 20 percent are true short-term rentals, another 3 percent become skips or stolens and 20 percent are payouts, that still leaves more than half of this industry's

Business leaders cannot make a strong case for bashing schools. Each day, employees must listen to customers, weigh alternatives and make decisions which help the customer and the company. There is no degree which teaches these job skills.

customers being lost over 18 to 24 months for some other reason.

Some customers move, lose their jobs or experience other economic difficulties, which accounts for some losses. However, poor service must be looked at as a likely culprit in the loss of many customers. Business owners and operators cannot control the economy, but they can control losses which are employee-related.

Who's to blame?

Business leaders cannot make a strong case for bashing schools. Each day, employees must listen to customers, weigh alternatives and make decisions which help the customer and the company. There is no degree which teaches these job skills. The blame for poor customer service must not be placed solely on society's ills. Blaming government and the educational system won't help an owner

meet his or her payroll this week. Owners must take control of the workplace and find a fix for their own problems.

Every employee should have one goal each day at work—to help the company make a profit. That is the only way a company remains in business and provides jobs. Sometimes, though, employees confuse their function and their goal. Their function in a rental-purchase environment is to serve existing customers and acquire new customers. For a rental store to make a profit, every store employee must be able to see his or her role in managing the store's income and expenses.

There is more to this business than just running cards, making deliveries and calling past-dues. This is where the job must be very carefully defined

CONTINUED ON NEXT PAGE

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Continued from previous page

and the expectations set. If one person sees his job as "gaining," and another sees his as "collecting," there will come an internal standoff, during which everyone loses. Customers and employees both lose when expectations of each other is lost, mishandled or misunderstood.

The company often loses both customer and employee before the investment to acquire them is recouped. And even if that initial acquisition investment is recouped, and either the customer or the employee replacement cycle begins again before a cushion of profit has been realized, the net effect is the same.

It is essential to hire people who actually do the work needed, but who also think and act in a more profit-producing manner. In the past, companies in this industry had so little competition and so little government regulation, they generally felt free to do what they could get away with. Today, however, this industry faces competition and critics. Owners must look at these as challenges which, if ignored, can damage business. If these challenges are met and overcome by positive changes, business will thrive.

A college degree in psychology is not essential when guiding employees to succeed on the job. Anyone can choose to do the right thing in any situation, provided they know what that right thing is and agree that it is right. Most companies will not take the time and spend the money to send employees to personality "fix-it" classes. Besides, there is no single personality trait which will ensure a loyal and

hard-working employee.

At the same time, job-skill training alone will not have such a great impact on business. As critical as training is, its limitations are defined by what is going on in an employee's head at a given moment. The same holds true for devising more policies and programs, particularly if employees do not feel they are a part of the policy-making process. Employees, just like customers, believe *their opinions* are valuable. Owners and managers must be willing to listen to suggestions.

Listening to the people who actually do the work is the basis for the following RIGHT model. Although it has been massaged a little for subjective purposes, its basic contents come from those front-line people who are the real key to profitability.

Respect
Inform
Grow=Success
Help
Train

RESPECT is assumed whenever a new person is hired. People come into new jobs with this expectation high on their list, and if they feel their contribution is not respected, they lose motivation real fast. Every person has the right to expect his or her peers, supervisors and company to value the effort and contribution they make every day. Employees also have the right to expect that contribution to be recognized and rewarded. A regular paycheck should not be the only motivation for employees. Those employees who provide exceptional service and make that extra effort should see that their work is noticed and appreciated. Some folks just don't

realize it's a two-way street. You get back what you give.

INFORM simply means sharing information. People want to know what is happening within their organization. When a manager returns from a regional or company-wide managers' meeting, employees want to know what went on. They want to know how their store compares with other stores. They want to know how every program and product works. Information is power.

GROW represents the opportunity to handle more responsibility. The best employees want managers to challenge them with the opportunity to develop new skills. If employees don't grow, they can't get promoted. If employees can't get promoted, they generally can't make more money. However, employees must remember that they don't need their manager's permission to learn new skills. They can become more valuable to their organization through their own efforts. Good managers make these opportunities available to every person in the store and the best managers guide their employees' skill development.

HELP refers to both business and personal needs. A good example of this is the store employee who asked permission to be a bit late for work to attend his son's graduation ceremony. The store manager berated the employee for being disloyal and having his priorities in the wrong order. While management cannot allow employees' personal lives to harm business, there are times when allowances should be made for special occasions and emergencies. No matter how loyal the employee, few will put the business ahead of family.

"TRAIN me the right way," is the statement most often heard from the workplace. Regional managers Joel Cribb and Jeff White conducted an informal telephone poll, asking about 50 store employees, "What do you think your manager can do to help you succeed in your job, which is not now being done for you?"

Most of the store employees said they just wanted to be sufficiently trained for their jobs so they might perform all of their duties. No matter what the job description, all new

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employees plan to be successful. All managers must realize that the only way they can succeed is through their people. Providing training that is consistent, challenging and fun is the only way to get there.

Employee turnover may help and may even be necessary in some instances, but terminated employees should be replaced by someone who is more skilled and more trainable. Managers must do a better job of training. It's tough playing manager and personnel director, but it's better than playing full-time trainer.

"I ain't nobody's servant!" is a self-destructive creed for business and personal life. If a person has dated, been married, had kids or has ever had to work for a living, he or she has had to follow some orders. Few people in the world are rich and powerful enough to totally control their environment, answering to no one. We're all servants.

The future of employment in the rental-purchase industry requires hiring people who have serving hearts. Owners and managers must also realize that each of those employees will

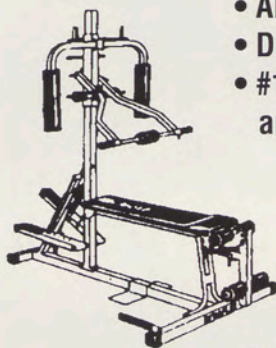
need patient instruction in the fine art of being a servant. Operating priorities must be established with this in mind and reward systems which recognize outstanding employees must be implemented. Employees must also realize that service and assertiveness are not a contradiction in terms. The most successful employees and companies will be those who develop a passion for serving and consistently walk that talk.

Jaime Escalante is correct in the statement above, and the rest of his quote from the American Management Association's magazine, *HRFocus*, completes the thought:

"If you expect kids to be losers, they will be losers. But if you expect them to succeed, they will succeed. No one has the final authority on your destiny but yourself. Choose your own destiny; you have the privilege. Be a winner. Winners look for solutions, losers look for excuses. Which one do you want to be?" **PR**

Kent Sutherland is director of human resources for Mesquite, Texas-based Action.

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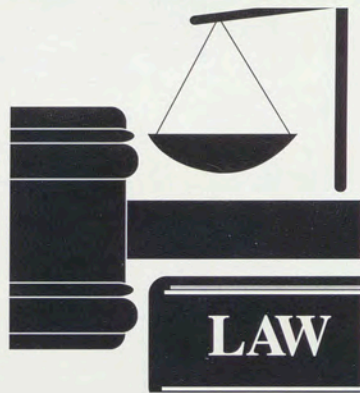


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Industry's four main issues represent pivotal times; they all will soon be

Converging

THERE'S A SUBTLE POINT TO THE CLEVER COVER OF THIS ISSUE'S MAGAZINE SYMBOLIZING THE DIRECTION APRO MEMBERS STRIVE TO ACHIEVE. A SORT OF "HOT DOGS, APPLE PIE AND RENT-TO-OWN" APPROACH TO THE NATURAL EVOLUTION OF COMPUTERS, TO BE SURE, BUT ALSO—TAKING THE HOLISTIC VIEW—OF THE ENTIRE INDUSTRY.

.....

As individual dealers and APRO leaders dedicate their energy to several individual and crucial issues, this column will attempt to place the pieces together for the big-picture vision for the future of RTO in America.

Four separate, but similar, forces drive the current focus of the industry. Each just as important, contingent on each other for the ultimate goal—institutionalizing the rental-purchase industry in America.

Four score and seven VCRs ago, the Congress, IRS, the media and self awareness by RTO dealers converged together to take a cold, hard look at the existence of the rental-purchase industry. Before the obvious conclusion (that will guarantee my paycheck), it seems prudent to lay out the facts and occurrences that have led the industry to sit down and ponder its existence.

One by one, let's take a look (just the facts ma'am):

Internal Revenue Service—Well, it seems after months of a paper-pushing, staring contest seeking to reclassify the RTO transaction as sale and not a lease, the IRS has blinked. Their position, which was promised to be released in August, still has not been finalized and rumors abound that these bean-counting egg heads may have seen the gray in their world of black and white.

Congress—The same foot Henry Gonzalez used to kick RTO's butt in 1993 is now lodged firmly in his mouth in 1994. The facts: a committee that officially disagreed with its chairman on how to legislate RTO; a LaRocco co-sponsor list of liberal, moderate and conservative congressmen and senators that triples the number of congressmen and senators siding with Gonzalez on how to legislate RTO; and a failed anti-RTO bankruptcy amendment.

Media—The second round of media attacks headed by U.S. PIRG's Bill Wood culminated in hundreds of stories throughout the nation. This time, though, stories consistently presented statements such as the following:

"Rent-to-own dealers insist they are not getting rich at the expense of the poor but providing a much-needed service for those who do not have the cash or the credit ..."

"The need for people that don't have good credit to buy a TV or washer/dryer who are such a high risk, charging a higher price is just natural."

These examples are just two of many quotes and sound bites by reporters, congressmen and customers who, by their own inspection, stated for the public their perception of RTO.

Ethics—The past year's inspection by Congress and the media led APRO dealers and leaders to do some introspection. This type of self-examination may be the most important component of institutionalizing the RTO industry. An ounce of prevention is worth millions of dollars of lobbyists, public relation firms and litigation.

In October, the APRO Ethics Committee, chaired by Arkansas dealer and board member Charles Cloud, sat together to sift through a stack of research Cloud painstakingly compiled regarding the creation and adoption of a voluntary code of ethics. It is truly a mammoth undertaking. Dealers quickly realized

.....

BY

RICHARD MAY

These issues are not random occurrences but symptomatic growing pains of a young industry. Each issue is as important as the other.

there's a fine legal line between enforcement and anti-trust violations—meaning another difficult hurdle dealers must overcome to gain victory. The significance of this effort, though, is dealers are now looking into a mirror instead of pointing fingers through a window.

Those are the issues and the facts. Draw your own conclusions on the future existence of RTO.

IRS, Congress, media and ethics—the four separate roads RTO is traveling in the quest for acceptance and existence. Paving the way is the truth. The vehicle driving the truth is grassroots.

The RTO grassroots campaign is not a slick PR stunt, nor is it a legislative web woven by diabolic spin doctors. It is also not just dedicated to legislation. Grassroots is defined as commitment. A proactive commitment to a cause, issue or belief. In our case, it's a commitment made by each individual RTO dealer to speak the truth and confront the charges levied against the industry by the consumer court of self-appointed advocates.

Grassroots permeates three of the four issues—legislation, public relations and ethics, and must be the driving force to achieve each of these objectives. Unfortunately for the industry, grassroots does not affect the IRS. The IRS issue is a game only the privileged or the damned may play, and the people can only watch and pay for the players and the decisions they make.

Each rental-purchase dealer in every community must make a conscious decision to commit to the grassroots efforts of the industry, for the industry as a whole to guarantee its future. All dealers must commit to tell their congressmen and senators the truth about the lives they live, urging them to legislate fairness and not to dictate their business. Democracy is not a spectator sport.

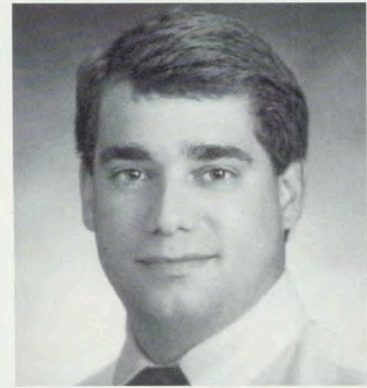
Every dealer must commit to look reporters eye-to-eye and speak the truth. To enlighten headline vultures on an industry they know nothing

about but must report to the public—in 30 seconds or less—the RTO story. Reporters must tell both sides. If a story is one-sided—who is to blame?

Most importantly, though, dealers must commit to offer and provide their customers with a service, a price and an honest relationship. Dealers must ensure that their customers stand taller leaving the store than coming in. The pride of your customers is matched by the pride of the owners. Grassroots is commitment. Commitment is an individual choice.

The IRS, congressional, PR and ethical forks of the rental-purchase road will soon converge again. These issues are not random occurrences but symptomatic growing pains of a young industry.

The rental-purchase industry is growing up in America and, today, we stand at the crossroads. Each issue is

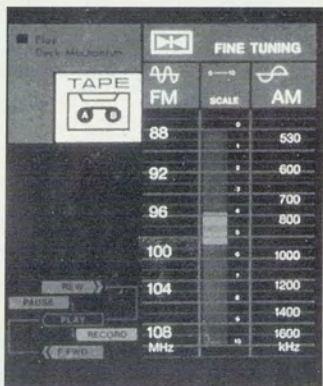


Richard May is APRO's assistant director of government affairs. Regular columnist Ron Waters is on vacation.

as important as the other. A loss or victory depends on the commitment by each individual dealer and their employees to be honest and proud of their lives. This is a test. Passing or failing is irrelevant. These issues are testing your character, dedication and commitment.

Because, in the end, if these issues do not kill you, they'll only make you stronger. **PR**

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Action among fastest growing in Dallas

Action TV & Appliance Rental, owned by APRO board member Bill White, has been named among the Dallas 100, a list of the fastest-growing companies in the Dallas area.

Action, a 71-store chain based in the Dallas suburb of Mesquite, placed 27th on the list. Companies in the Dallas 100 are listed according to their growth in percentage of sales and absolute dollar growth over the past three years.

To qualify for the list, companies must be independent, privately held and based in the Dallas area. Revenue in 1991 must have been between \$200,000 and \$25 million, and the company must have had revenue growth in 1993 and possess a satisfactory credit report.

"This award is quite an honor," White said. "We're already planning next year's growth and expect 1995 to be a big year for us."

White predicts Action revenues to be in excess of \$40 million this year. He began Action in 1975 as a retail store and jumped into the rental business in 1977. In 1978, Action started renting furniture and opened a second store, and in 1980 a third rental store was opened. In 1984, White sold the retail business and expanded his rental operations. Action has stores in Texas, Louisiana, New Mexico and Oklahoma, with 488 employees.

Auto accidents claim two Texas dealers

A pair of Texas rental-purchase dealers, both members of APRO, died in unrelated auto accidents in Texas.

Thomas Chorn, a multiple-store ColorTyme franchisee, was killed on Sept. 18 in Hermleigh, Texas, when his automobile was struck by a train. Chorn was 43.

Chorn is survived by his wife, Caroline; son, Christopher; daughters Keeley and Kameron; step-daughter Tracey Brown; mother, Mrs. G.E. Chorn; brother, Granville; and sisters Jacqueline Chorn and Carole Haynes.

In lieu of flowers, Chorn's family asked that donations be made to the G.E. Chorn Memorial Scholarship Fund, P.O. Box 195, Hermleigh, TX, 79526.

On July 30, new APRO member Brad McCown, 30, was killed in a single-car accident in Wichita Falls, Texas. McCown was the owner of Custom Rental-Purchase.

"We at the APRO office were very sorry to hear about these two terrible tragedies, and our prayers go out to the families and friends of both of these gentlemen," said APRO Executive Director Bill Keese. "Tom Chorn was a very active member of his community and he will be missed. Mr. McCown had just joined APRO, and we were looking forward to working with him."

APRO appearing at winter markets

APRO's traditional participation in the winter furniture markets and the annual International Winter Consumer Electronics Show (CES) is all set for 1995, according to APRO Education Director Shelley Martinek.

• CES: the 1995 International Winter

Consumer Electronics Show is scheduled for Jan. 6-9 in Las Vegas. APRO will have booth No. T-1 in the Las Vegas Convention Center Grand Lobby. Also, visit the APRO hospitality suite at the MGM Grand on Friday, Jan. 6, from 6 to 7:30 p.m., sponsored by Home Theater Products, Inc. Call CES at (708)203-1995 for registration information. This is a fax-on-demand line. Preregistration deadline is Dec. 12.

• The Atlanta Winter Furniture Market is scheduled for Jan. 21-24. Call 1-800-ATL-MART or (404)220-2446 to register for the market. Call Destination, Inc., at 1-800-241-6405 for discounted air and hotel information. And don't forget to visit the APRO booth during the market.

• The San Francisco

Winter Furniture Market is scheduled for Jan. 21-25. Preregister by calling (415)552-MART. Call by Jan. 1 to take advantage of special air and hotel packages for qualified buyers. Special travel discounts are available to mart attendees through Travel Fair. Call 1-800-472-4172 for details. Visit the APRO booth located in the Mart 1 lobby.

• The Mississippi Furniture Market is scheduled for Feb. 16-19 in Tupelo, Miss. Call (601)844-1473 to register for the market. For lodging information, call 1-800-844-0841. Visit the APRO booth at the market and show up for the APRO hospitality night, Friday, Feb. 17, at the BenchCraft showroom. BenchCraft is, of course, sponsoring the event. **PR**

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



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Continued from page 20

ulation is covered. If you would have told people that this could be accomplished 10 years ago they would have

laughed and called you crazy.

"On the federal front, I know there are dealers out there who wonder why we didn't get a federal bill passed during this (103rd) Congress. They must understand that some industries that

have been at this a lot longer than we have, spending millions of dollars every session, still do not have the legislation they are seeking. The Legal Aid and PIRG folks have been at this a lot longer than we have, and they're pretty good at it. We went up against a couple of real influential politicians and came out on top. Washington insiders are simply amazed at what we have been able to accomplish.

"With the new Congress beginning in '95 we must begin again. We will shore up past political allies and work hard to find new ones. What everyone must realize is, that even after we pass federal legislation the battle won't be over. We must stay connected and monitor the political scene constantly—for as long as we have an industry. It is no different for us than other industries.

"We are not getting picked on, as some believe. Unfortunately, that's the way things are, and we must stay focused and organized if we want to enjoy the fruits of our labors."

On public relations: "We shipped over 800,000 'It's Your Option' cards for National Consumer Week in October. Frankly, I'm amazed that we didn't send out over two million cards. We must get more proactive in this area. Every dealer should be doing everything they can to publicize rent-to-own as a viable option in the acquisition of products. Our first goal should be to convince our existing customer base that, in fact, they have made a wise choice in selecting this option. Then, we must inform the public, and help them understand, that while rent-to-own may not be for everybody, it is certainly an option to be considered by at least 50 percent of the population.

"I urge all dealers everywhere to order those information cards and continue to distribute them throughout the year. National Consumer Week was only the kick off. We should be distributing those cards in every RTO location in America.

"When the public perception of what we do changes, our critics will have a much harder time getting an audience. This won't be an easy task, nor an inexpensive one. But with the tremendous opportunities available to us, it will be worth it." **PR**

Reddell's store visit helps family of 5

RANDY REDDELL CHECKS UP REGULARLY ON HIS FIVE SOUTH TEXAS RENT-BUY RENTAL-PURCHASE STORES. IT TURNED OUT TO BE A BLESSING FOR THE HOLGUIN FAMILY OF SEGUIN, TEXAS, THAT REDDELL WAS CHECKING ON HIS STORE JUST OUTSIDE SAN ANTONIO ONE MONDAY IN EARLY OCTOBER.

.....

The Holguin family was a loyal Rent-Buy customer, coming in every Monday to pay the rent on several items, from bedroom furniture to a stove. But the Monday when Reddell was behind the counter, he and his employees noticed the Holguin family looked distraught when they came in. While the family was away on a trip that weekend, the house they were renting burned to the ground.

"These folks were very shook up," Reddell recounts. "They drove home on Sunday night to find everything gone. They had just paid their rent, and the landlord wouldn't give them a refund. Here's a family with three small kids, and they're walking in to my store to make their weekly rental payment."

The family had no renter's or homeowner's insurance. To make matters worse, the Holguins had chosen not to pay a loss or damage-waiver fee on the items they had rented.

"They walked into the store on Monday morning with their rental payment in hand," Reddell says. "The gentleman said he knew he owed us for our property and he planned to pay us for it. He'd been renting from us for about six months, and he'd never missed a payment."

Reddell was impressed by the family's honor, but he told Mr.



Holguin to put his money away. Rent-Buy was not going to accept his money after such a horrible disaster.

"These people were really in a fix, with no place to live, and our hearts went out to them," Reddell says. "My employees have a good relationship with this family, and we know they are good people. We had to help them out of a terrible situation."

The Holguins were soon able to find a small unfurnished place to live, according to Reddell, but were in need of some basic necessities to get started. Reddell and his crew went to work.

"We took over some bedding, a couch, a refrigerator and a stove," Reddell says. "They had to have something to get started, and those little kids need a good bed to sleep in. We just donated it all to them. I'm sure there are state or federal agencies out there that help in these types of emergencies, but what are they supposed to do while they're waiting for help? When they get back on their feet again, I told them to come back and do business with me."

Reddell says Rent-Buy employees Preston Martin, Daniel Ybarra, Marty Schwarzkopf and Jeremy Halm were the ones who went into action when the Holguins needed help.

—John Massey

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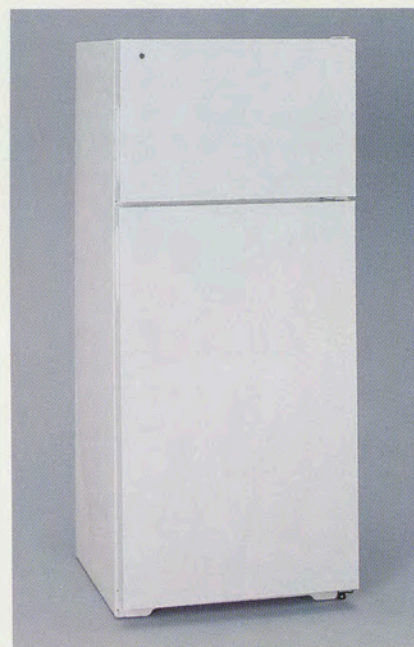
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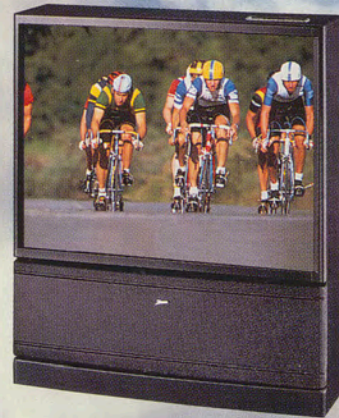
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