

The background of the cover features two men in business suits looking intently at a globe. A computer mouse arrow is positioned over the globe, pointing towards the bottom right. The globe shows various countries and continents in different colors.

PROGRESSIVE Rentals

The magazine of the rental-purchase industry • December 1995/January 1996

**Look who's
plugging
into world
markets**

**Special
Internet
report**

**How to get your
rental business
online in '96**

**Product focus
on appliances**

CROSLEY IS FIRST AGAIN !!

THE ONLY NATIONAL IDENTIFICATION PROGRAM FOR INDEPENDENT DEALERS

1985
CROSLEY FIRST AGAIN
FREE EXTENDED WARRANTY
APPLIANCES



1989
CROSLEY FIRST AGAIN
FREE EXTENDED WARRANTY
ELECTRONICS



**CROSLEY
BUYING GROUP**
ABSOLUTELY NO
ENTRANCE FEES TO PAY

**CROSLEY
BUYING GROUP**
ABSOLUTELY NO
MONTHLY FEES TO PAY

---- MONTHLY MERCHANDISING PROGRAMS ----

WINDOW DECALS
TRUCK SIGNS
LIGHTED SIGNS
BANNERS
BETTER TURNOVER

CLOCK SIGNS
ENVELOPE STUFFERS
BUSINESS CARDS
PENS and PENCILS
DOOR DECALS
REDUCED OVERHEAD

PRICE TAGS
USE & CARE BOOKS
IN-STORE DISPLAYS
AD SLICKS
SALES TRAINING
DIRECT SHIP PROGRAMS

SPRING SALES FLYERS
FALL SALES FLYERS
WINDOW BANNERS
SILK BANNERS
POOL SHIP PROGRAMS

THE ONLY COMPANY THAT DOES NOT HAVE A BRAND THAT IS FOUND IN PRICE HOG STORES.
WHY SELL THE BRANDS THAT ARE BUTCHERING YOUR RIGHTS TO STAY IN BUSINESS?

CROSLEY IS FOR RENTAL DEALERS

EXCLUSIVE TWO-YEAR PARTS AND LABOR WARRANTY

AT NO ADDITIONAL COST. FOR RENTAL DEALERS ONLY.

75 CROSLEY DISTRIBUTION CENTERS ACROSS AMERICA

CROSLEY IS FIRST AGAIN !!

"CROSLEY ON A PRODUCT IS LIKE STERLING ON SILVER"®

THE ONLY FAMOUS FULL LINE OF APPLIANCES AND ELECTRONICS UNDER ONE BRAND NOT FOUND IN PRICE HOG - BAIT AND SWITCH STORES

FOR INDEPENDENT DEALERS • CROSLEY IS FIRST AGAIN • 1995

1938
CROSLEY FIRST AGAIN
INTRODUCED FIRST SMALL
CAR



The Crosley automobile

1922
CROSLEY FIRST AGAIN



The first low priced radio

1925
CROSLEY FIRST AGAIN
INTRODUCED
PORTABLE REFRIGERATOR
"THE KEBALL"

1940
INTRODUCED
FIRST FAX MACHINE
THE "READO"

1935
FIRST SMALL PLANE
BUILT FOR EVERYONE



THE "MOONBEAM"

1930
CROSLEY FIRST AGAIN

500,000 WATTS
WORLD'S
MOST POWERFUL
RADIO
TRANSMITTER



WLW's Tower at Mason, Ohio

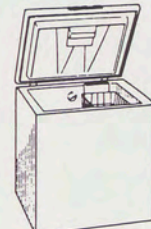


**CROSLEY
SHELVADOR REFRIGERATORS**

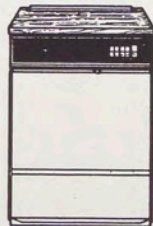
4 MODELS - COMPACT
7 MODELS - TOP MOUNT
4 MODELS - SIDE-BY-SIDE
3 MODELS - IDD



BIONIC RANGES
15 MODELS - ELECTRIC
21 MODELS - GAS
4 MODELS - BUILT-INS



BIONIC FREEZERS
2 MODELS - COMPACT
6 MODELS - CHEST
7 MODELS - UPRIGHT



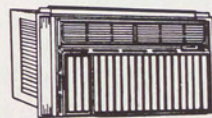
AUTOMATIC DISHWASHERS

5 MODELS - UNDERCOUNTER
1 MODEL - PORTABLE



**AUTOMATIC
HOME LAUNDRY**

3 MODELS - WASHER
2 MODELS - ELECTRIC DRYER
2 MODELS - GAS DRYER

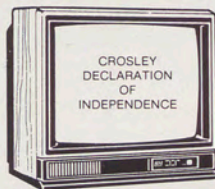


AIR CONDITIONERS 19 MODELS

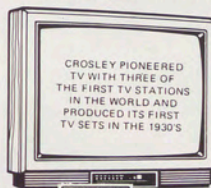


**MADE
IN
USA**

MICROWAVES 6 MODELS



CROSLEY
DECLARATION
OF
INDEPENDENCE



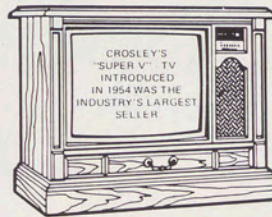
CROSLEY PIONEERED
TV WITH THREE OF
THE FIRST TV STATIONS
IN THE WORLD AND
PRODUCED ITS FIRST
TV SETS IN THE 1930'S



CROSLEY
AUTHENTIC
JEFFERSON CUP



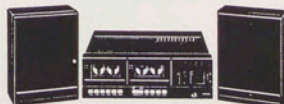
CROSLEY
FREEDOM
AWARD



CROSLEY'S
"SUPER V" TV
INTRODUCED
IN 1954 WAS THE
INDUSTRY'S LARGEST
SELLER



CROSLEY
THE
AMERICAN
BRAND



1933
PATENTED
FIRST SHELVES IN THE
REFRIGERATOR DOOR

TODAY
EVERY REFRIGERATOR
LOOKS LIKE A
CROSLEY SHELVADOR

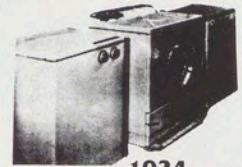
1935
CROSLEY BUILT A RADIO
IN THE REFRIGERATOR
DOOR

CROSLEY FIRST AGAIN



1934
WHEN PRESIDENT
ROOSEVELT PUT ELEC-
TRICITY IN RURAL
AMERICA, CROSLEY
FOLLOWED THE NEW
ELECTRIC LINES WITH A
REFRIGERATOR THAT
RETAILED FOR \$99⁹⁵
INSTALLED WITH A ONE-
YEAR WARRANTY. IN
THOSE DAYS THE
CROSLEY SHELVADOR
WAS FREQUENTLY USED
FOR THE WORD
REFRIGERATOR.

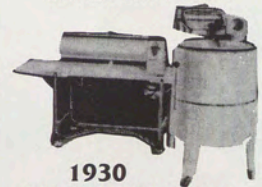
1937 - 1947
CROSLEY IS FIRST AGAIN
CROSLEY-BENDIX
INTRODUCED TO THE WORLD
THE FIRST PATENTED
AUTOMATIC HOME LAUNDRY



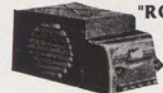
1924
CROSLEY FIRST AGAIN
PUSH BUTTON RADIO
TO RETAIL FOR \$9⁹⁹



1937
CROSLEY FIRST AGAIN
FIRST PERFECT PAIR
WASHER and IRONER



1930
CROSLEY FIRST AGAIN
INTRODUCED FIRST CAR
RADIO CALL THE
"ROAMIO"



1930
CROSLEY FIRST AGAIN
AIR CONDITIONED BED



THE "KOOLREST"

1932
CROSLEY FIRST AGAIN
FIRST REFRIGERATOR TO
MAKE ICE WITHOUT
USING ELECTRICITY



THE "ICY BALL"

Contents

Features

Team APRO 12

Where will the association be in the year 2001? Board member Larry Sutton envisions a future where the rental-purchase industry is a business and philanthropic leader in the global community.

Disaster Planning 18

Disasters are not a 9-to-5, Monday through Friday, phenomenon. Here's how to establish a plan to successfully deal with any natural or man-made disaster that could strike your business without warning. If you follow these steps now, you'll minimize losses later.



Renting on the 'Net 22

Business leaders are revving up to take advantage of the latest marketing technology—the Internet. RTO dealer Rich Bartel shares his insights and experiences in establishing a home page for his company, Rentown USA, on the World Wide Web.



Tax Time 26

What steps can you take now, at the start of a new year, to reduce your business' tax bill for 1996? Here's a primer on the ever-changing federal tax laws and some tips on how to make smart decisions.



Employee Ethics 28

Your employees are a direct reflection of you and your ethical standards. What is unethical to some is merely brilliant strategy to others. It's important to establish certain standards for yourself, your business and your employees.



The Appliance Edge 30

When you ask manufacturers and distributors about appliances in the rental-purchase industry, they all seem to be singing the second stanza of a well-known tune: laundry No. 1; refrigeration second.



ADR and Your Employees 38

Alternate Dispute Resolution is a reasoned response to the general and profound dissatisfaction felt toward the legal system in this country. ADR can help resolve disputes while avoiding costly litigation between employers and employees.

Departments

News

Break 6

Mid-year conference plans shaping up. Aaron Rents posts profits. Rent-Way booming. *Progressive Rentals* judged among nation's best magazines. Consumer debt hits the roof.

President's

View 8

New year means continued excellence, with new priorities and goals.

RTO Perspective 10

Dealers have had a siege mentality for the past few years. Now it's time to promote RTO.

RTO Operations 14

Why isn't your store turning a profit? Bud Holladay plays the role of mystery shopper to find out all the reasons.

RTO Message 16

If you're in the rental-purchase business, stay there. Do not muddy the waters with fringe-banking types of customer options.

Who's Who in appliances 32

Our annual listing of APRO associate members, advertisers and trade-show exhibitors in the appliances field.

Cover design by Joel B. Mathews

A B S
a r t i s t i c
J • E • W • E • L • R • Y



When Quality and Dependability Count...
Rely on ABS

ABS Artistic Inc. • 2936 North Druid Hills Road • Suite B • Atlanta, GA 30329
(404) 636-6143 • 1-800-842-9123 • Fax (404) 320-1490

**Legislative conference set
Planning for APRO's second annual
Legislative Conference is nearly complete, and industry leaders encourage all rental-purchase dealers to attend.**

Legislative Conference '96 is scheduled for Feb. 5-6 at the Hyatt on Capitol Hill in Washington, D.C. In addition to constituent meetings with members of the U.S. House and Senate, the conference offers educational opportunities and entertainment.

"Dealers who attended this event last year know the APRO Legislative Conference is the ultimate grassroots experience," said Ron Waters, APRO's director of government affairs. "For first-time participants, this is an exciting opportunity to learn how a democracy really works. Grassroots is all about getting involved with your elected officials. Members of Congress know who we are because of these coordinated visits to their offices over the past couple of years."

Legislative Conference '95 was a huge success, said Waters, because it helped to convince the Internal Revenue Service to take a strong, fair look at the rental-purchase transaction. Shortly after last year's event, the IRS issued a rev. proc. that ruled the transaction is a lease for tax purposes. It is estimated the victory in the sale-vs.-lease battle saved the entire industry \$1 billion in unfair taxes and penalties. Dealers attending the coming conference will discuss depreciation and regulatory issues before the Congress.

Legislative Conference '96 begins on Monday, Feb. 5, with a welcome reception at 8:30 a.m. Dealers will hear from invited speakers, who will be followed by APRO's Washington, D.C., lobbyist John Raffaelli. Raffaelli will give dealers an overview of the federal legislative scene, and then Rent-A-Center's Chris Korst and Waters will speak on industry-specific issues. Hill visits will take place from 1-5 p.m., followed by a debriefing session with drinks and snacks at the hotel beginning at 5.

Hill visits begin at 8 a.m. on Tuesday, Feb. 6. A lunch buffet is scheduled for 11:30 a.m. The lunch will be a fund-raiser for the planned APRO Entrepreneurial Grant-Scholarship Program. A debriefing session is slated for 1:30 p.m.

At 6 p.m., conference attendees will take a dinner cruise on the Potomac. In its first year in Washington, the Odyssey is a ship that holds 600 guests, who can dance to live music and take in the sights along the Potomac shores. The ship has a glass ceiling and walls for unmatched views of the city's bridges and monuments.

To register for the conference, contact Jana Benker at APRO, (512)794-0095.

**Mid-year plans
mix fun with work**

The APRO Education Department is busy planning the 1996 APRO Mid-Year Conference. The annual event will be April 15-17 in Monterey, Calif.

California's earliest capital, Monterey's natural focal point is Monterey Bay, a magnificent crescent of blue-green water and part of the Monterey Bay National Marine Sanctuary.

The Monterey Marriott is host hotel of the 1996 APRO Mid-Year Conference. It is ideally located for meetings and recreation, and is in the heart of downtown, within walking distance of the Monterey Bay Aquarium, Fisherman's Wharf, Cannery Row and shopping areas.

For hotel information, write: Monterey Marriott Hotel, 350 Calle Principal, Monterey, Calif., 93940. Phone: (408)649-4234 or 1-800-892-4789. APRO's room rate: \$125.

The tentative schedule for the conference begins on Sunday, April 14, with meetings of the APRO Executive Committee (noon-2 p.m.) and the full board of directors (2-6 p.m.).

On Monday, April 15, there is an APRO Government Relations Committee meeting from 9 a.m. until noon, and an APRO Vendor Relations Committee meeting from 10 a.m. until noon.

From 1-5 p.m. on Monday, all dealers are invited to attend an educational seminar.

Business begins on Tuesday with an industry round-table discussion from 9 a.m. until noon. APRO's annual RTO legal/tax and accounting update is slated for 1-5 p.m.

On Wednesday, the schedule includes a golf outing and a tour of the Monterey area. Times for the two outings have not yet been scheduled.

For more information on the mid-year event, contact Shelley Martinek at the APRO office, (512)794-0095.

Aaron profits up

Aaron Rents, traded on the NASDAQ under the ticker symbols ARONA and ARONB, declared its 19th consecutive semi-annual cash dividend on Dec. 11.

On Class A common stock, the dividend was \$.02 per share, while the Class B common stock was \$.05. Both dividends are payable on Jan. 3, 1996 to shareholders of record as of the close of business on Dec. 1, 1995.

Aaron Rents, which operates rent-to-rent, rental-purchase and retail divisions, as well as five furniture manufacturing plants, has 212 company-owned stores and 35 franchised stores in 22 states. R. Charles Loudermilk Sr. is the Aaron Rents CEO and chairman.

PUBLICLY TRADED RTO STOCKS

RTO Company	Symbol	12/18 Price	52-wk. hi	P/E
Advantage (COMCOA)	ADVG	17-5/8	18-1/4	19
AaronRents A	ARONA	18-1/8	19-1/4	14
AaronRents B	ARONB	18-1/8	19	--
Renters Choice	RCII	9-1/2	11-1/8	43
Rent-Way	RWAY	10-5/16	11-1/8	54

APRO's magazine ranks among top 3

Progressive Rentals, the magazine of the Association of Progressive Rental Organizations (APRO), tied for third in the best magazine category of the American Society of Association Executives' Gold Circle Awards.

The American Society of Association Executives (ASAE), based in Washington, D.C., has more than 22,000 members across the country.

Said Bill Keese, APRO executive director: "This is a tremendous honor. It not only reflects positively on our organization, but also demonstrates the high caliber of work we consistently deliver."

APRO and *Progressive Rentals* are 15 years old. John Gormley, communications director, and John Massey, assistant communications director, are the architects of *Progressive Rentals*, along with design consultant Joel Mathews.

Gormley said the award, which was announced in November, is the result of a lot of hard work and commitment to constant improvement. In 1991, *Progressive Rentals* won ASAE's Most Improved Magazine in the nation award. Gormley added that a complete redesign of the association's magazine, unveiled in the spring of 1995 to coincide with APRO's 15th anniversary year, put *Progressive Rentals* in the national spotlight again—resulting in coverage within the communications trade press and third-place ranking.

Rent-Way booming

Rent-Way, Inc., the publicly traded rental-purchase operation that has grown through acquisitions from 19 to 83 stores over the past two years, announced a net income increase of 365 percent in 1995.

The Erie, Pa.-based company reported a 101 percent increase in total revenues for the fiscal year ended Sept. 30, from just more than \$14 million to nearly \$28.2 million. Rent-Way acquired 43 stores from McKenzie Leasing Corporation in July.

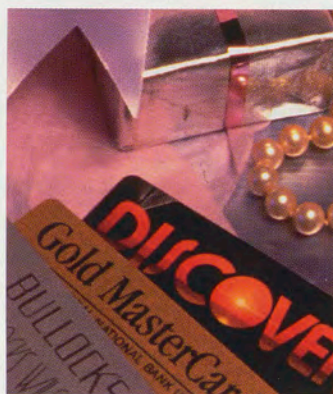
"The outstanding revenue growth for the year reflects not only the acquisition of stores, but a 15 percent increase in same-store revenues for stores open more than 18 months," said Rent-Way president Bill Morgenstern. "Our ability to integrate new stores and consolidate operations quickly has meant improving profit margins. Our management team is trained and equipped to continue to take advantage of the opportunity to grow through acquisition, and continue to grow with increased same-store revenues."

Total revenues for the fourth quarter, which only included 10 weeks of revenue of the acquired McKenzie stores, were \$10,402,098. Earnings per share, on an increased number of shares outstanding, increased to 22 cents per share, compared to 6 cents per share in fiscal 1994.

Consumer debt at the limit

Americans' consumer debt levels were at an all-time high heading into the holiday season and probably soared even higher during the '95 Christmas spending season. So say experts in the banking and consumer-finance industries.

This economic circumstance could open up new opportunities for rental-purchase dealers in 1996.

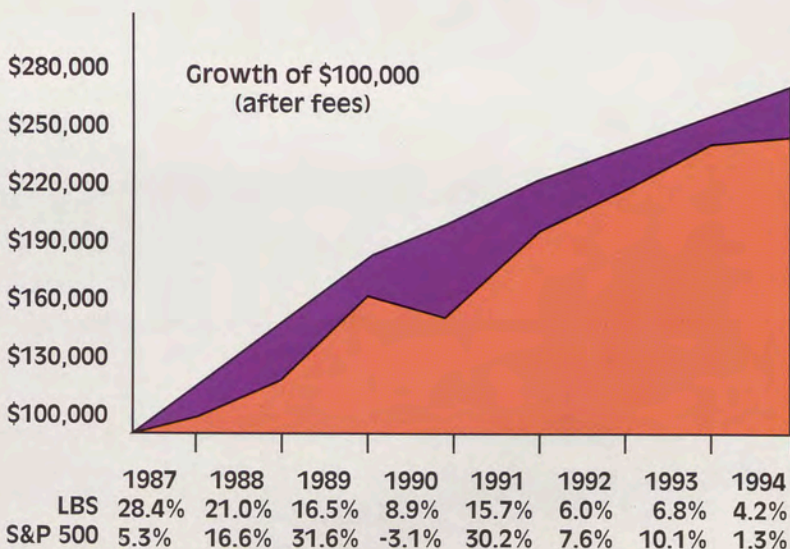


Recent financial reports show consumers nearing their debt limits. A report issued last year by the American Bankers Association (ABA) shows that the percentage of credit-card accounts that were 30 days or more overdue rose to 3.26 percent from 3.18 percent the previous quarter. This is the fourth highest bank-card delinquency in the past 10 years. The percentage was higher in the second quarter of 1986 and the first and fourth quarters of 1991. The mean average is 2.73 percent.

The same report shows that Americans' credit debt has reached a record total of \$955.1 billion. According to the ABA, some analysts believe the total may reach \$1 trillion by the end of the year. This report was generated from September figures.

The holiday shopping season, which traditionally has consumers increasing their personal debt, had some analysts concerned that these heavy debt loads will not be temporary.

"These types of figures usually force lending institutions and banks to re-evaluate risk formulas and may have to tighten lending," said Nancy Ness Judy, ABA spokesperson. Judy added that banks and financial institutions are not worried, but may make some adjustments in light of the recent report.



This graph was published in the October/November 1995 issue without all of the correct data. This is the complete version, which shows the growth of \$100,000 (after fees) using OMNI, the second-generation artificial intelligence model developed by LBS Capital Management, compared to the S&P 500.



As we close out 1995, I want to recognize some valued colleagues who have helped me make a smooth transition as your association president.

Thanks, first of all, to Kevin Quinn, who presided over two of the most pivotal years in our association's history.

Kevin rallied the troops to help our industry gain credibility in Congress and with the Internal Revenue Service, and we are all grateful for his capable leadership.

Thanks also to Bill Keese, our executive director, who manages a talented staff and has a clear vision for the future.

I also greatly appreciate my coworkers on the APRO Board of Directors and especially those who serve as committee chairmen. We have a dedicated group of professional business leaders who truly care about the vitality of our industry and this organization. They are willing to do whatever is necessary to ensure

the future of rental-purchase.

Throughout 1996, we will continue to strive for excellence with new goals. Although public relations will be our priority, we will keep a close eye on the regulatory and depreciation issues.

Americans' personal debt levels were at all-time highs late last year, which might provide us with new marketing and public relations opportunities. The first of four nationwide news releases we're issuing to 10,000 newspapers this year addresses the idea that rent-to-own is an attractive option to Americans who wish to minimize their debt.

We'll keep a close watch on this to determine if it supports our goal of opening up new markets for rental-purchase products and services.

I've also heard encouraging news that business was up overall in the crucial fourth quarter of 1995. That is indeed good news. In fact, we're expecting business to grow in '96. As an association, we are undertaking an aggressive advertising campaign to stimulate our industry's credibility with the consumer public.


This campaign will support our dealers' efforts to gain new customers and create a greater level of positive recognition in communities all across the United States.

We will take the successful grassroots strategy we used the last two years with Congress and adapt it to this public relations campaign.

Speaking of grassroots, the second annual APRO Legislative Conference is scheduled for Feb. 5-6 at the Hyatt on Capitol Hill in Washington, D.C. I encourage all dealers to attend and participate in this great opportunity to get to know your congressional leaders and make a positive statement for your business and industry.

Great participation among APRO dealers at the 1995 conference played an important role in our sale-vs.-lease victory with the IRS. This year we are working on the depreciation and regulatory issues, and need to build on the show of strength and unity from last year.

Bill White, in his first term as APRO president, is owner of Action TV & Appliance Rentals, Inc. based in Mesquite, Texas.

13 Years of Experience  **83-96**

TRIB Group

OWNER MEMBER

870 STORES AND GROWING

1,100 *Your assurance of fairness and quality*

Strength through Unity

When you join The Rental Industry Buying Group, it's possible for you to experience a 5% to 20% increase in profits. Just this year TRIB members received over 1 million dollars in rebates at the annual convention.

The TRIB annual convention will be held at the Opryland Hotel in Nashville, Tn, May 16-18th for TRIB members.

For more information contact:
John Blair
3180 Presidential Drive, Suite F
Atlanta, Georgia 30340
(770) 451-4302 • (770) 451-4312 (Fax)

APRO Associate Member since 1983

U.S. Rep. Watts introduces bill

Published by
Association of Progressive Rental
Organizations (APRO).

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

Columnists
Bud Holladay
Bill Keese
Bill White
Edward L. Winn III

Contributors
Rich Bartel
Susan de Blanc
Larry Sutton
Wayne R. Sutton
Edward L. Winn III

Director of Marketing (advertising)
Cindy Ganther

Director of Education (circulation)
Shelley Martinek

Printing
Press Corps
Printing Consultant
June Dale
Design Consultant
Joel B. Mathews

Editorial and Advertising Offices
9015 Mountain Ridge Dr., Suite 220
Austin, Texas 78759
(512)794-0095
FAX: (512)794-0097

APRO Officers & Directors

President Bill White	Immediate Past Pres. Kevin Quinn
First VP Darrell Tissot	Second VP Chris Korst
Secretary Rich Bartel	Treasurer Ted Wilson

Directors

Sandra Blackwell	Ernie Lewallen
Wayne Chambers	Gary Romine
Charles Cloud	Bob Simons
David P. David	Larry Sutton
Richard Eichlin	Wayne R. Sutton

PROGRESSIVE RENTALS (ISSN 8750-6106) is published bimonthly by the Association of Progressive Rental Organizations (APRO) at 9015 Mountain Ridge Dr., Suite 220, Austin, TX 78759; (512)794-0095. Basic price \$1 per year to APRO members. Additional subscriptions: U.S. and Canada—1 year (6 issues), \$30; 2 years (12 issues), \$50; 3 years (18 issues), \$65. Second class postage paid at Austin, Texas. **POSTMASTER: Send address changes to PROGRESSIVE RENTALS, 9015 Mountain Ridge Dr., Suite 220, Austin, TX 78759.**

Copyright © by APRO, 1995. All rights reserved. Cover and contents may not be reproduced in whole or in part without prior written permission. Back issues \$5 each, subject to availability. For subscription, change of address, back issues, write to above address. Three weeks required for changes on orders. Allow 6 to 8 weeks for the first subscription copy to be shipped.



'Twas the week before Christmas and all through the U.S. House, not a bit of legislation was moving except vetoes from the White House. But fortunately for the rental-purchase industry, freshman Rep. J.C. Watts, R-Okla., was able to take the time to drop in some important legislation.

Industry lobbyist John D. Raffaelli told the APRO office on Friday, Dec. 15, that Watts' office announced it would introduce industry-supported legislation similar to the bill introduced during the 103rd Congress by former Rep. Larry LaRocco. Watts serves on the House Banking Committee, which has jurisdiction over industry regulatory issues. Rep. Watts introduced H.R. 2820, the Consumer Protection and Rental-Purchase Agreement Disclosure Act, around 8:30 p.m. on Dec. 20.

"This is very exciting for us, because with the political stalemate on the budget and with the troop deployment to Bosnia, we weren't sure anything was going to happen on our issue until after the Christmas break," says Ron Waters, APRO government affairs director. "We're very grateful to the congressman and his staff. The first order of business for 1996 is to get our grassroots operation rolling and get co-sponsors for the Watts bill."

Meanwhile, over at the House Ways & Means Committee, the rental-purchase industry needs something to be done about its depreciation concerns. Last spring, the industry won the long-fought sale-vs.-lease battle with the Internal Revenue Service. But at the same time the Revenue Procedure (95-38) on sale-vs.-lease was issued, the IRS claimed in a Revenue Ruling (95-52) that five-year MACRS (Modified Accelerated Cost Recovery System) with nine-year AMT (Alternative Minimum Tax) was the only appropriate method of depreciating personal rental-purchase property.

Resolution of the industry's depreciation problems, like the tax concerns of individuals and industries across the nation, were on hold all during the partisan battles between the administration and Congress over the budget. As of Dec. 21, no compromise had been reached between the sides.

When the budget battles are over and the government gets going again, the rental-purchase industry hopes to get its depreciation concerns addressed. Rep. Mel Hancock, the Missouri Republican who visited the last APRO convention in Las Vegas, is trying to help the industry by getting an amendment included in the Miscellaneous Tax Provisions

bill, which should follow the Balanced Budget Act. Since Hancock has a small-business background and serves on the Ways & Means Committee, industry leaders believe he will fight to attach the industry depreciation fix to an available tax vehicle moving through his committee.

"Rep. Hancock has listened to our concerns and he understands the unique nature of the rental-purchase transaction," says Waters. "He has visited with his constituents in the business and he has talked with rental-purchase customers. APRO was really honored when the congressman and his wife flew out to Las Vegas on his personal airplane to attend our convention and trade show. While it was a thrill for our members, Rep. Hancock was able to talk with dealers from across the country and learn more about what we do. He understands how urgent our needs are on the depreciation issue."

Over the past months on the other side of the Capitol, the U.S. Senate Finance Committee has been considering various tax provisions regarding depreciation and AMT. Since an opportunity for the industry might appear soon, Waters says he hopes dealers with a senator on the Finance Committee will make contact with their Washington, D.C., offices. Particularly important, according to Waters, are Sens. Don Nichols of Oklahoma, Phil Gramm of Texas, Bob Dole of Kansas and Larry Pressler of South Dakota.

Waters says all rental-purchase dealers should consider attending the second annual APRO Legislative Conference, slated for Feb. 5-6 at the Hyatt on Capitol Hill in Washington, D.C. A story with more legislative conference details on is on page 6.

Says Waters: "Participation at last year's conference was fantastic. The rental dealers attending had an outstanding time, and they learned a great deal. Those who attended last year also played a great role in assuring a victory in the sales-vs.-lease battle with the IRS. And remember, that saved this industry an estimated \$1 billion in unfair taxes and penalties."

Waters adds that it is vital to begin setting up appointments for Capitol Hill visits immediately. Rental-purchase dealers planning to attend the Feb. 5-6 conference should contact the offices of their representatives and senators to set up their own appointments and report the times and dates to Waters or Richard May at the APRO office, (512)794-0095.



This new year of 1996 promises to be a year of new directions and changes for the association.

For the past few years, we have been engulfed in a state of siege mentality with the attacks from Congress, the Internal Revenue Service and the media.

With the realization by the IRS that we are a lease and not a sale, a new attitude toward business by Congress, and better treatment by the press, we have the time and resources to look forward to providing new and better services for our members.

On the internal housekeeping scene, we have selected a new certified public accountant to audit the association's books and complete our tax returns. We have used the firm of Macintosh and Reynolds for the past three years. They provided excellent service for the association. However, the board of directors and I felt we should make a change every three years. This will provide us with a "new" insight for our members' review.

As always, the treasurer will give a report at the next convention and we will have copies of the audit available to any member upon request. The new certified public accountant is Darrow Garner, CPA. Darrow met all the specifications and submitted the lowest bid for our business. By the time you read this magazine, the new audit will have been completed.

I am currently interviewing a new firm to survey the membership for the 1996 statistical survey. Questionnaires will be mailed out in April for your attention. This has proven to be of great value to anyone who has ever used it. Each year we have been getting a better return on the questionnaires. Please take whatever time is needed to complete your 1996 statistical survey questionnaire and return it for completion.

The new firm will probably require a new format for the questionnaire, but we will make every effort to ensure ease of completion. The results will be examined at the convention in New Orleans to those who participate in the survey. For all those who do not participate, there is a \$300 charge for a copy. Please be sure to participate this year.

We have selected a new public relations firm to handle media calls for the industry. I want to thank Colburn Aker in Washington for all he did for our industry over the last three years. Colburn did all we asked and more, but, again, we wanted a new perspective. The firm of TateAustin was selected to handle media relations for the association. They are also located in Austin and will be closer to work with.

The television commercial about the benefits of rent-to-own is beginning to take shape. Richard May will be in San Francisco in January to oversee the development of the puppets and the set. We are also having the new public relations firm of TateAustin to review the entire program and offer suggestions. This input has already been added to the format. We have already received input from creative people within one of the largest advertising houses in the country. The filming is scheduled for February or early March. At that time, Richard, APRO Public Relations Committee Chairman Ernie Lewallen and I will be there to make any on-the-spot decision that typically arises. Test markets will be set up for this commercial and the final product will be shown at our mid-year conference in Monterey, Calif.

We are in the very early stages of locating a tenured economist at the University of Texas to examine the value of the rental-purchase

transaction. This would initially take the form of a graduate class project. We would work closely with the team to provide them with sources of information for the study. Also, we would hope the economist would eventually become an expert on the industry to provide services to the industry, investment bankers, brokers and the news media. This could be one of the most valuable services we could ever provide our membership.

As you can see, a great deal has been done since the APRO convention to build a better association with greater services to its membership. We will never be satisfied with the status quo at APRO. There is always room for innovation and creativity, and your national association is committed to providing you the best association in the country.

Bill Keese is APRO's executive director.

Rental Stores Wanted

We are interested in acquiring Midwestern rental companies or individual stores.

Inquire in confidence to:

CARI RENTALS

Attention: William Kabourek
(402)553-8811 x 314

STORE MANAGERS

Has Your career failed you?
Join one of the oldest and largest Rental Purchase companies in Michigan.

Coleman's
RENTAL PURCHASE

Salary up to \$40,000 Base
Excellent Incentive Programs
Annual Bonus Program
Fringe Benefits--With 4 weeks
Vacation a Year
Health and Dental Insurance
401 K Plan and Profit Sharing

For prompt consideration
please fax or forward your
resume in confidence to:
Frank Nichols / Coleman's
5519 E. Cork St.
Kalamazoo, MI. 49001
Fax- 616-342-9344



Paramount Pictures

SIMPLY UNSTOPPABLE.



900 MHz Wireless Transmission

Not by walls. Not by floors. Not by ceilings. Our 900 MHz transmitter utilizes radio frequencies to broadcast stereo (or mono) audio signals to our speakers up to 180 feet away - without wires! And our compact speakers are equipped with a high powered, low distortion amplifier and weather resistant enclosures. All features combined give you a system with great performance and versatility.

Great Performance & Versatility

Our system works perfectly for home theater (eliminating the need to run wire to remote or satellite speakers), multimedia, patio, and multi-room applications. In short, we've broken the limitations caused by wires and infra-red remote controls to bring you a system that makes a whole lot of sense.



Also available in black finish.

The PW-900S system from Paramount.

Simple. Unstoppable.

Don't forget to visit us in Las Vegas at WCES Booth #11225 in the Home Theater Pavillion North Hall Las Vegas Convention Center

Drop by the APRO hospitality suite at Bally's on Saturday, January 6th, 6:30-7:30 p.m.

htp international
ANAHEIM • CALIFORNIA

Exclusive Worldwide Licensee of selected Audio/Video Products for Paramount Pictures

1620 South Lewis Street
Anaheim, CA 92805
Voice: 714/937-9300
FAX: 714/937-9309

APRO Associate Member since 1993

DATELINE: JANUARY, 2001



TEAM APRO

Today in Austin, Texas, APRO announced this year's recipients of the annual One Million Dollar Team APRO Charitable Gift Fund. Two hundred fifty thousand dollars will go to the APRO Scholarship Fund, which was established in 1999 to allow kids from low-income families to attend college. Another \$250,000 goes to the Children's Miracle Network, and the two remaining quarter-million-dollar gifts are sent to the "Make A Wish" Foundation and the All Children's Hospital in Memphis, Tenn.

APRO is the national trade association for the nation's 25,000 rental-purchase stores. APRO's executive director, Bill Keese, stated that once again, America's rental-purchase dealers "have put their money where their mouth is," and proved that they care about the country and continuous improvement of all people everywhere.

David Ramp, for many years the rental-purchase industry's most vocal critic, had nothing but praise for the donations, saying, "America's rental-purchase stores have done more than any industry I

know to help the communities they serve. I wish other industries would jump on board in helping America solve its problems!"

...

Does this sound impossible? What is your vision of the future? My dream is that some day what is written above will actually come true. Team APRO was established to enable rental-purchase dealers of all sizes to join together as one and fight for their right to participate in the American Dream. Last year our goal was \$1 million, and we raised \$700,000. What did the average rental dealer get for that money? Well, each store averted an estimated \$100,000 tax hit, which had been aimed at all rental-purchase dealers by the Internal Revenue Service. If the IRS had won the sale-vs.-lease battle, there would be fewer of you reading this article.

APRO's leaders fought a multi-front war that resulted in a rev. proc. being issued that rules that the rental-purchase transaction is a lease

Continued on page 17

BY LARRY SUTTON



The owner of a rental store wants to know why BOR is down, delinquencies are up and profit is flat. He can't figure it out; everything should be rosy, he says.

The store manager, a real company man, has plenty of experience. So does his crew. The store passes audits and seldom has big problems.

It just isn't going anywhere. The company spends plenty on advertising and is willing to spend more, but ...

Somebody told the owner he should add satellite dishes or computers. Change up the product line. Others say he just needs to go to a 12-month term. One person suggested loosening up on collections. The owner wants our opinion before making any changes. What follows is our report.

PARKING LOT

Eleven a.m. and still nobody has cleared the trash from the sidewalk in front of the door. We later learn that John, the store manager, doesn't clean that area because the sidewalk is the landlord's problem. The employees ignore the trash because, if the manager wanted them to pick it up, he'd tell them (wouldn't he?). We step over a broken beer bottle, push open a smudged and streaked glass door and step inside.

SHOWROOM

The carpet laid last summer looks dingy already, but it could be the burned-out light bulbs overhead or the outdated sales banners blocking light from the windows. The room smells faintly of disinfectant and stale food.

About 10 feet from the door sits a scuffed and dented washing machine, hoses stuffed into the top and a big, dark stain spreading on the carpet underneath. (We learn later that the stain is from an oil leak. The washer was a requested pickup brought in last night. Pickups are to be cleaned and the floor restocked each night at closing, but last night the assistant was in a rush to get home; today is her day off.)

We spy the rental clerk hiding behind the counter at the end of the long, narrow room. She appears from this distance to be too small to move a full-sized washer unassisted and later explains that she doesn't get paid for doing that, anyway.

We step around the washer and go to the furniture display. Three of the six sofas displayed are badly soiled, but another is brand new with the tag still dangling and the corners wrapped in protective paper. All are marked with the same weekly rate and the same term for ownership—18 months. Brass lamps on oak tables are set up with the black leather group and glossy black tables (with missing glass) are arranged to complement an Early American group with pine accents. We find the glass tops for the black tables leaning against a bedroom dresser across the room. We assume the bed must be somewhere in the back room.

Large silk plants add a nice touch to the showroom, but one that would be enhanced by cleaning the thick layer of dust covering them. We check the ceiling and see the telltale black streaks around each air-conditioning vent. We assume that changing air filters is another job for the landlord and not the people who work here.

At appliances, we see six identical refrigerators lined up with military precision. But there is no microwave oven and no dryer to match the washer that reposes in the middle of the showroom. The first three refrigerators we open are unplugged and, when opened, emit a powerful odor reeking of rot and mildew. In the fourth, which is cold, someone's leftover pizza rests on the bottom shelf. The rental clerk still has not greeted us, but she eyes us warily from the protection of the counter. She isn't sure for what purpose we have come to her store, but she isn't taking any chances. If we want her, we will have to come get her.

We cross the dirty carpet, stepping gingerly over taped-down extension cords and speaker wires to reach the television and stereo display. It's an eye-catching module accented by a line of neon lights which aren't working.

As if there could be any doubt, we know who all the goods belong to: the company's name and telephone number are emblazoned in black marker across the several cabinet backs that face the showroom. All television screens face the counter area and, while every set is tuned to the same talk show, we get nothing from the two stereos on display.

We discover that no speakers are hooked up. The boombox placed atop the refrigerator behind us, however, is going full blast. We miss an opportunity to find out whether the stereos really generate 1,500 watts of output, as the handwritten sign attests, and make our way to the customer payment counter.

The rental clerk looks up and smiles just as a burly guy in a torn sweater barges through the doors behind her. She looks at him, he looks at her, they both look at us. We stand waiting for somebody to make a move here at Gun Hill. Finally, Torn Sweater asks, "Can I help you?"

"We're just looking around," we reply, not untruthfully, and remain rooted to our spot in front of the counter.

"Okay. Lemme know if I can help you." Torn Sweater disappears back through the doors.

"That was John. He's the manager." The clerk smiles uncertainly.

I spring a question on John's rental clerk. "Do you carry the TV that has picture in a picture?"

She chews on her lip, frowns thoughtfully, and grabs a tattered notebook. She flips through about a dozen pages, studies an index, and finally shakes her head.

"No," she says, looking up. "Guess not." Just as we are ready to leave her, the phone rings and the rental clerk lunges to grab it quickly. Impressed, we hang around to hear her sales pitch.

"Thanks for calling XXX Rent-To-Own," she

says brightly. "Can I help you?" (long pause) "That rents for \$9.95 by the week, \$17.95 every two weeks, or \$39.95 by the month. (deep breath) Or you can get a 25-inch for \$15.95 by the week or \$60 by the month. We will need to get an application on you with the names and addresses of five relatives, and then you'll have to pay the first two weeks' rent in advance when we bring it out."

(long pause)

"Okay. Have a nice day." Click. John's rental clerk is polite to a fault.

We retire into the parking lot and decide to reveal our true identities to John. We will explain that we are auditors and we need to see his back room and his current month's reports. John agrees after inspecting our business cards and calling home office for approval. Apparently anybody can wander at-will around his showroom, unescorted and unnoticed, but nobody gets into the back room without a Level I security check.

THE BACK ROOM

We ask how business has been lately and he replies that it would be better if the big bosses would spend a little more on advertising. He's lately been trying to save BOR by holding down pickups. We agree to pass his opinions on to the owner and ask how many orders the store wrote last month, how many were delivered, and how many were turned down. John offers to check the records for delivery totals but informs us that they don't really keep track of orders.

There is a form for that purpose, but it takes too much time, so they just fill in the names of the delivered customers each night before closing. John guesses that somebody at corporate must want it, so they comply. John follows the rules.

COLLECTIONS

The account manager's work area is a slab of painted plywood awash in scraps of paper, old paste-up notes, sandwich wrappers, half-used receipt books and 12 rental orders in various stages of completion. We count 94 past-due cards in a wire basket under a pile of compact discs and a box of tissues. Only a small percentage of the cards bear any evidence of having been worked—no notes, no pencil marks, no commentary. The most recent due date is three days ago.

John assures us that his guys know their customers and shows us a 7-percent closeout for last week to prove it. We point out that 6 percent is more than 15 days past due. John is

confident that things will work out. He keeps file folders on skips at his desk. Account managers are not permitted in the files because they get them out of order, causing all sorts of paperwork problems.

We step inside the manager's cubicle to inspect the skip files. John's desk looks exactly like the one outside, except that his is a real desk. The skip files contain a few indecipherable notes scribbled in the margins of the applications inside. No collection cards are attached, nor do we find any summaries of activity on the accounts. John admits that he has been pretty busy lately, what with trying to increase the BOR and all.

REPORTS AND PAPERWORK

We open a file marked "Daily Repts" and discover that the five-page daily computer summary cannot be read because John has placed it in the binder without separating the pages or even tearing off the perforated margins. We take apart the reports and inspect several. None have been marked up or highlighted. John points out with pride that he always gets high marks for keeping his reports current and in the proper colored binders. His district is very strict about that.

John is fairly vague about APU, yields, rev-

enue trends, and the like. He explains that, if he stays on top of deliveries and collections, he figures that the numbers will usually work out. He tells us that corporate sends out a report "on that kind of stuff" each month and, while he really doesn't understand parts of it, he will be happy to show us the most recent version.

INVENTORY AND CASH CONTROL

We try to count the idle inventory, but we first have to spend two hours organizing it by category and affixing big tags showing unit numbers in plain sight on the front of each piece. John remarks that he used to do the serial numbers that way until the district reminded him how much computer paper he was wasting.

We notice during our work that the phone is ringing almost constantly, but nobody seems to be writing orders. When we inquire of John and the rental clerk why we have so many calls with no rental orders, we are told that most are "just shoppers."

The clerk volunteers that several people have asked for items this store doesn't carry. She maintains that she has told John and John's

Continued on page 34

Rental & Sales Software Systems

AMERICA'S MOST COMPLETE Retail & Rental

Software Vendor

Complete Beeper
Airtime
Cellular Software

Rental Purchase

Retail Sales
Installment Contracts
&
Revolving Charge

At RSSS
we have been
completing the
software loop
since **1979**
for RTO & Retail
single and multi stores
• WINDOWS • XENIX
• DOS • UNIX

Interfaced
Accounting

Purchase Order
Interfaced to
Accounts
Payable

Complete
Service
Module

No limit
on-line
or
Remote Stores

Time &
Attendance

Video Tape Rental

Two-Way Automatic
Communications

Complete Repetitive
Billing Rent to Rent

Fax Back Documentation and
Information on Demand

Combined
Information Analysis
for all
Locations

Buying Recommendations

Bar Code Inventory
Control (optional)

Print Pricing and
Inventory Labels

APRS Associate Member since 1986

RSSS 457 Robert Drive Corpus Christi, TX 78412 1-800-334-5224



One hears a great deal of discussion in the business about "the rental customer."

Rental dealers quite justifiably ponder the "hows" and "whys" of customer conduct as dealers plan for the future of their companies.

Rental dealers also ponder how else their customers spend their money after the rental payment is made, because this conduct may affect whether the rental payment gets made, and also dealers are ever on the lookout for new products or services that rental customers may want or need.

There is ever the danger of type-casting rental customers a certain way, because it limits the universe of potential rental customers. But it is a rental-purchase truth that many lower-income consumers are attracted to the rental-purchase concept.

Some of these rental-purchase customers occasionally have financial needs, specifically the need for short-term loans, that a few rental dealers have begun to eye. If the case can be made that it is cumbersome, potentially confusing, and legally risky to combine the rental-purchase business with retail, it ought to at least be as clear if not clearer still that combining rental-purchase with consumer lending is a risky idea.

But it is happening in peculiar fashion in a few markets around the country.

In the first place, consumer lending is a highly regulated business in every state, even in those states that have abolished usury limits on consumer loans. Lenders have to be licensed and are under the overview of supervisory state agencies. Some new marketing gimmicks, "cash now" or "cash advance" plans seem thinly disguised efforts to avoid the strictures of the consumer lending laws.

With these cash advance plans, the customer writes a check to the company on the first of the month, say for \$230, and the company advances funds, less than the face amount of the check, say \$200, and then sits on the check for two weeks. The customer must come back in and buy the check back for the full amount of the check, or pay a fee to the company to hold the check another two

weeks.

It is not the check-cashing business, because the company never cashes the check, although the company's security is that it could do so. It may not be difficult, however, for a plaintiff's lawyer to argue that the service fee charged is really interest, which means that the transaction is really a consumer loan.

There are variations on this general theme. Some companies offer discount coupons for merchandise as consideration for the fee—the difference between the face amount of the check and the funds actually tendered back to the consumer. Some companies purport to purchase household goods from the consumer for a cash payment whereupon the consumer then begins making payments to the company on a short-term basis, say six months, on a rental-purchase plan to reacquire the household goods. The goods never move.

I offer no opinion about the wisdom, legality, marketability, or other aspect of these kinds of transactions as they exist in the marketplace. The important question for rental-purchase dealers is whether these kinds of transactions belong in rental-purchase stores. I think not.

Rental dealers have worked long and hard to distinguish the rental-purchase industry in the consumer marketplace. They have done a remarkable job, both as individual companies, market-by-market, and as an industry at the state and federal level. They have done so by distinguishing the rental-purchase transaction as unique from all other transactions that transfer goods and services from companies to people. Some critics continue to argue that the industry is making distinctions where none exist.

The last thing that the industry needs is to confuse the public about what goes on in a

rental-purchase store. The legal and political environment in which rental-purchase operates, and which rental-purchase dealers themselves have laboriously helped to create, must, by necessity, limit those activities somewhat.

Installment selling out of the same storefront risks confusing the issue. Lending money out of the same storefront will add to the confusion. The language that employees and customers use in those very different transactions is different. The expectations of the parties in those transactions are different. The laws that regulate these transactions are different.

Rental dealers who want to exploit the terrain of "fringe banking," a catch-all phrase to describe the various financial transactions that are evolving to accommodate the needs of customers without traditional banking relationships, need to do so outside of their rental stores.

Otherwise, no sooner will the industry have persuaded most people of the uniqueness of the rental-purchase transaction, than it will be back under scrutiny trying to explain what business we are really in.

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

Continued from page 13

for tax purposes, and not a sale. Think about coming up with sales taxes, back taxes, late fees, interest and penalties for the past several years. Now, think about the Team APRO fund falling about \$280,000 short of what was needed to score the industry's greatest victory.

At the mid-year conference this past April, Team APRO leaders declared that this year's goal would again be \$1 million—\$300,000 to clear up past-due bills from the sale-vs.-lease victory, \$400,000 to continue to press for legislative relief from that grossly unfair 5-year MACRS depreciation schedule and \$300,000 to launch a massive public relations campaign that will begin to improve the general public's perception of the rental-purchase industry.

The call for funds went out at the association's convention and trade show in Las Vegas. Each dealer was asked to contribute at least \$300 per store to Team APRO. That works out to less than a dollar per day, per store. Nearly \$800,000 was pledged,

and about \$550,000 has already been received as of Nov. 29, 1995. So, we are still well short of our \$1 million goal. Our past-due bills have been paid, so we must now jump into battle for a fair and accurate depreciation schedule and get safe-harbor legislation passed

choice but to press on and get the job done. And when the battles have been won, I really dream that we will continue pitching in our fair share for Team APRO. For the price of a 25-inch TV per store, per year, we can begin to really make a huge difference in people's lives.

By pooling our resources, members of Team APRO can have a huge, positive impact on America.

What is your vision of our future?

If you make your living in rental-purchase and you want to be a part of the solution, then send your contribution to Team APRO today.

Store owners, manufacturers, distributors and RTO employees across the nation have made an investment in the future by supporting Team APRO. How about you?

Larry Sutton is owner of Tampa, Fla.-based B&L Concepts, a Champion affiliate, and a member of the APRO Board of Directors. He also serves on the APRO Public Relations Committee, among others.



through Congress. Most importantly, we need to begin telling America that rent-to-own is good.

We must win all of these battles. We have no

WANTED

We're looking for the best in the industry - managers to run and operate our superstores and managers to set up stores as we enter new markets across the USA. We want leaders, people who have great organizational ability, and the passion to excel, rather than perform.

Aaron's is the fastest growing Rental/Sales company in America with over 350 stores, five manufacturing plants and four distribution centers. We offer

- ☛ Top Base Salary
- ☛ Opportunity for Rapid Advancement
- ☛ 401K Plan
- ☛ Medical, Dental and Life Insurance
- ☛ Bonus and Commission Plan
- ☛ Unlimited Income Potential



Our stores are bigger. Our selection is better. And our prices are guaranteed the lowest in the industry. If you're searching for a new opportunity to share your managerial skills with the recognized leading rental purchase company in America, call or send us your resume.



Director of Management Development • Floor Nine • 309 East Paces Ferry Rd. NE • Atlanta, GA 30305-2377
(404) 240-6500 • Fax (404) 240-6575
Franchise Opportunities Available

Disaster Planning

It's 4:30 a.m. The business owner drifts back to sleep after being awakened by distant rumbling. He has no idea that miles away an earthquake has smashed windows and overturned furniture at his place of business.

The first aftershock rolls through at 4:40. While the business owner sleeps on, tables holding three computer systems topple. The monitors and CPUs shatter, and the drives are damaged beyond repair making data impossible to retrieve.

At 5:05, more glass breaks. Law enforcement authorities begin evacuating nearby apartment buildings and prepare a broadcast asking business owners and the public to stay out of the area. The business owner will not know about the damage to his store until a trusted employee calls an hour later.

Fiction? Not at all.

This scene played out hundreds of times in California on Jan. 17, 1994. Over the past few years, other disaster scenes occurred in southern Florida as the result of ferocious hurricanes. Up in the midwest there have been floods and tornadoes.

The impact of these forces of Nature have been well chronicled in past issues of *Progressive Rentals*. Dealers in virtually all parts of the country have had to cope with store damage, wrecked merchandise and, sometimes, displaced cus-

tomers. Many RTO dealers have helped their customers cope with disaster as well, extending grace periods on rentals and even providing food and shelter.

In the Pacific Northwest during December 1995, winds of 100-plus-MPH rocked the coast, forcing RTO stores miles inland to temporarily close their doors. This latest weather-related disaster came less than one month after torrential rains caused flooding that also affected RTO businesses in Oregon and Washington state.

Natural and man-made disasters can strike businesses of any size, any place, any time. These disasters are not limited to earthquakes, floods and high winds. Fire, blizzards, explosions, power outages, and even acts of vandalism or terrorism can strike at the health of businesses. Without adequate preparation for disasters, many businesses will find their operations seriously crippled; some will close their doors forever.

While emergency planning precautions vary from business to business, every enterprise can guard against the effects of disasters through a five-step planning process. This process involves a clear assessment of potential emergencies; prevention; development of clear emergency procedures; development of safety precautions; and steps for continuation of the enterprise.

ASSESSING EMERGENCIES: WHAT CAN HAPPEN?

You can't identify every possible disaster that might befall your business, but you can identify some. Here's how:

- **Visualize the worst scenarios other area firms have faced.** Given your location, are you prone to flooding? Earthquakes? Acts of crime? Make a list of the three, five or 10 worst disasters you could face.

- **Enlist the help of experts.** Ask your local Office of Emergency Planning (the actual title varies from community to community) to help you assess the statistical likelihood of various emergencies. Later, the staffs of these offices may be able to help you develop your own emergency response plan.

- **Check the durability of your building.** If you lease your facilities, your landlord or building manager can help answer questions about the structural integrity of your building and mechanical systems. If you own your building, ask a trusted contractor or engineer for assistance.

- **Assess the economic consequences of a sudden emergency.** What costs would be involved in remedying damage to your building? Disruption of sales? Destroyed inventory and records?

Calculate the costs and decide what risks you can bear, and what risks you cannot afford. Then, consult your insurance carrier about coverage for at least the most serious risks. Don't hesitate to keep detailed records about the condition of your facilities and equipment. Take photos if necessary.

AND OUNCE OF PREVENTION

You can't prevent most catastrophes, but you can minimize their impact on your operations. Some tips:

- **Talk to colleagues.** Learn about the precautions your peers have taken to prevent natural or man-made catastrophes from becoming business catastrophes.

- **Keep equipment out of harm's way.** What common-sense steps can you take to prevent disaster loss? If you're in heavy wind country, for instance, you should keep computers and other electronics away from all windows. If your facility is prone to flooding, you should keep inventory and vital equipment out of

the basement. By all means, store combustible materials in a fireproof place.

- **Consult with outside agencies.** Make a list of agencies that can help treat injuries, disseminate information and protect property. The list should include the names and telephone numbers of law enforcement and fire protection contacts, hospitals and clinics. Also on the list, have numbers of private



businesses that can help you maintain operations immediately following disasters, such as transportation companies, temporary help agencies and contractors.

- **Identify and safeguard critical records.** These might include accounts receivable data, telephone lists, insurance policies, key contracts and agreements, inventory lists and the like. Store all vital documents in a fireproof vault or find a secure location off-site. Securing records should be the top priority—just before locking the doors—at the end of every business day.

- **Develop a computer backup system.** Back up your system regularly, depending on the volume of transactions. Transport all backup disks and tapes to a location miles away, or contract with a commercial data storage center. Be sure you can run your business manually if electronic systems go down.

WHEN DISASTER STRIKES

The real test of your ability to respond to an emergency often lies in the procedures you develop. At minimum, here's what those procedures should help you to do:

- **React to weather predictions.** Information about severe storms is available from the National Weather Service and the National Hurricane Center. These agencies issue advisories when potentially harmful weather is possible, and upgrade these notices to watches and warnings as the danger becomes

more acute. As official warnings are upgraded, so should your emergency preparations. Employees should be sent home, your property secured and your emergency staff mobilized.

- **Designate emergency leaders.** One person should have overall responsibility for crisis management. In a small business, this will usually be the owner. As part of this individual's team, one person should be responsible for communications and another for building security. Be sure alternate leaders are designated as well; a sudden emergency could leave key personnel absent or even injured.

- **Organize employees.** You must think ahead. If a disaster strikes, how will employees help you cope? Who will supervise them?

- **Prepare an emergency telephone directory.** This should contain both office and home telephone numbers of all employees, as well as key customers and vendors. The list should

also contain emergency numbers for employees' spouses, parents or other close relatives. Key people should keep this directory at home, in the car or in some other highly accessible place.

- **Develop a plan to secure facilities.** If your business location is damaged, you'll need to know how to secure it quickly against theft or further deterioration. Designate an individual to be responsible for inspecting the facility, boarding up doors and windows, shutting off utilities and arranging guard service.

- **Prepare emergency communication procedures.** Identify an off-premises source of communication, such as a friend's office across town, a cellular telephone network or even your home telephone. Next, build a telephone tree that can systematically bring information to employees and others. Use it when an emergency hits. If you are shutting down operations, or need to make a public announcement, use this channel to notify the news media.

Need more emergency procedures ideas? Start with the Federal Emergency Management Agency's "Disaster Planning Guide." FEMA's address: P.O. Box 70274, Washington, D.C., 20024.

- **Write it all down.** Develop a simple, but thorough, emergency procedure plan. A

Continued on next page

Continued from previous page

things-to-do list is fine as long as it spells out the specific steps you must take to deal with the problem. Be sure you and other key people keep the plan handy at home and at the office.

In addition to all of these general procedures, the plan should spell out exactly what happens in response to specific disasters. For example, if your building is prone to flooding, the plan should note where sandbags are stored, and where they should be placed during an emergency. Ditto for emergency construction materials if you're worried about hurricanes.

SAFETY FIRST

Although you should be vitally concerned about the health and survival of your business during a disaster, you must also be concerned about the well-being of your employees and their families. Employees may need assistance getting home or, if the emergency is critical, may need to remain safely at your facility until the danger subsides. Some tips:

- **Plan to communicate with families.** Use your backup communications plan to provide information and reassurance to families of

employees who are either traveling home or remaining at your place of business.

- **Designate an inside "safe zone."** The safest part of your building might be a sturdy rear

- **Keep fire fighting equipment well-maintained.** Fire extinguishers should be conspicuously located throughout your building, and they should be inspected and charged annually. Employees, of course, should know how

Develop a simple, but thorough, emergency procedure plan. A things-to-do list is fine as long as it spells out the specific steps you must take to deal with the problem. Be sure you and other key people keep the plan handy at home and at the office.

wing or the basement. Employees—and even customers—should gather in the designated safe zone if they are present when disaster strikes.

- **Provide emergency directions.** The first set of directions should be internal, and should guide employees to your safe zone. The second set of directions should designate emergency fire exits. The third set should spell out the safest escape roads from the area. Keep in mind that natural disasters can wash out roads, damage bridges and block intersections. Be sure you identify several routes out.

to use them.

- **Prepare to provide emergency health care.** Your safe zone should contain a fully stocked first aid kit, which can be used to treat minor injuries. Know the procedure to get people to nearby hospitals in the event of serious injury.

- **Maintain a well-stocked emergency kit.** Besides first aid supplies, your kit should contain necessities such as battery-operated radios and flashlights, non-perishable foods, fresh water, blankets and small utensils and

Continued on page 44

The Cellular Phone Designed for the Rent-to-Own Industry

Liberty Cellular Phones allow you to program
airtime into phone

No computer or software needed

Nationwide activations

Profit from roaming and LD calls

High-tech features include:

100 number memory

Durable construction & compact design

Great profit opportunity

No royalty fees

1-year limited warranty

Onyx Distributing

13650 Floyd Rd #202 Dallas, TX 75243
Contact Curtis Spain 214-234-6460 • 800-953-5550



Patent Pending

APRO Associate Member since 1995

Row 48 seat 12 is a triple skip.



While putting the pedal to the metal and generating new business is what it's all about, Tele-Track waves the yellow flag at the appropriate time to help you avoid known skips.

Row 114 seat 22 is using the social security number of a person who died in 1965.

A person using a deceased or invalid social security number to get a rental application approved requires the black flag. It's a fact: Over 95% of people using an invalid or deceased person's social security number will skip with your merchandise.

Row 17 seat 3 rented three big screen TVs from three different stores last week.

Tele-Track is like having a spotter high in the stands so that when the smoke clears, you're still in the race. We alert you to potential fraud when we detect behavior typical of professional skips.

Tele-Track completes application verification with timely information that is not available from any other source. Our high risk consumer information reduces losses and increases recoveries of skip accounts. Tele-Track has been providing **risk assessment, fraud alert** and **computerized skip tracing** services to merchants who cater to high risk consumers since 1989.

**Call 1-800-729-6981
for complete information.**



APRS Associate Member since 1991

H i g h R i s k C o n s u m e r I n f o r m a t i o n

PR0196



BY JOHN GORMLEY

Renting on the 'Net

Business leaders are revving up to take advantage of the latest marketing technology—the Internet. Rich Bartel, co-owner of Rentown USA, a 19-store rental-purchase chain in the Pacific Northwest, has already established his company's presence on the Infobahn.

Rentown USA's homepage on the World Wide Web is located at <http://www.rio.com/~rentown/rentown.html>. The company's E-mail address is rentown@rio.com.

Bartel, who serves on the APRO Board of Directors and as association secretary on the APRO Executive Committee, says the Internet is not too high tech for RTO. In fact, he foresees a wealth of advertising, public relations and even recruiting benefits for RTO dealers in cyberspace.

Rentown USA's site has information on the company's rental products—full-color graphics of furniture groups to appliances to stere-

os and even hot tubs. It also has maps displaying the location of all of Rentown USA's stores in Oregon and Washington state. Plus, the numerous advantages of renting are clearly explained for all who find the site.

However, it's not just about making new rentals, Bartel points out. What you might not expect are the pages on the Association of Progressive Rental Organizations and the Better Business Bureau that Bartel has incorporated into his company's Web site. Bartel believes it's progressive and lends credibility to his company—and the industry—to provide information from a larger perspective.

"There are also potential political and financial customers out there," Bartel says. "By that I mean congressional staffers and people from the banking and lending worlds who are on the Internet every day. This is another way to help familiarize opinion leaders with our industry."

He also thinks an expanded Internet presence for RTO might help

Continued on page 42

“RCA...A Long to the Rental



52" Diagonal Home Theatre™ Projection TV



32" Diagonal ColorTrak Plus™ TV

25" Diagonal ColorTrak® Conso



RCA Digital Satellite System



27" Diagonal ColorTrak Plus™ TV



20" Diagonal TV

The RCA Brand has built a long-standing, quality reputation with our friends in the industry.

For more information write to:

Thomson Consumer Electronics
RCA Consumer Electronics
Rental Division
P.O. Box 24459
Louisville, KY 40224-0459
or FAX (502) 425-3441

*Base sold separately.
Optional components shown in storage units.
DSS® is a registered trademark of DIRECTV, Inc.,
a unit of GM Hughes Electronics.
Specifications subject to change without notice.
Simulated picture.
Picture-In-Picture capability requires VCR
or second video source.

© 1995 Thomson Consumer Electronics, Inc.

As a charter member of APRO, the RCA Brand has been responsive and supportive of critical issues facing the Rental Purchase Industry.

Brand awareness is important to your Rental Purchase customers and the RCA Brand has the highest recognition. The RCA Brand features a complete product line-up of TVs, combination TV/VCRs, all three formats of Camcorders, complete Audio selection and a sensational new DSS® Digital Satellite System. In short, the RCA Brand is the "One-Stop" for all of your customers' Rental Purchase needs.

The RCA Brand distribution network assures you fast and timely merchandise delivery to your stores. A complete independent service network stands behind RCA Brand products. Make RCA Consumer Electronics a friend to your rental business!

APRO Char

gtime Friend™ al Purchase Industry.

35" Diagonal ColorTrak Plus™ TV



27" Diagonal ColorTrak Plus™ TV



Super Shield® Projection TV Screen Protectors
Over 100 shields available to fit every new RCA Projection TV and all brands of projection models in the last 5 years.



27" Diagonal TV/VCR Combination



25" Diagonal ColorTrak Plus™ TV



4-Head VCR



Full-Size Camcorder



Compact VHS Camcorder



8mm Camcorder

Nipper

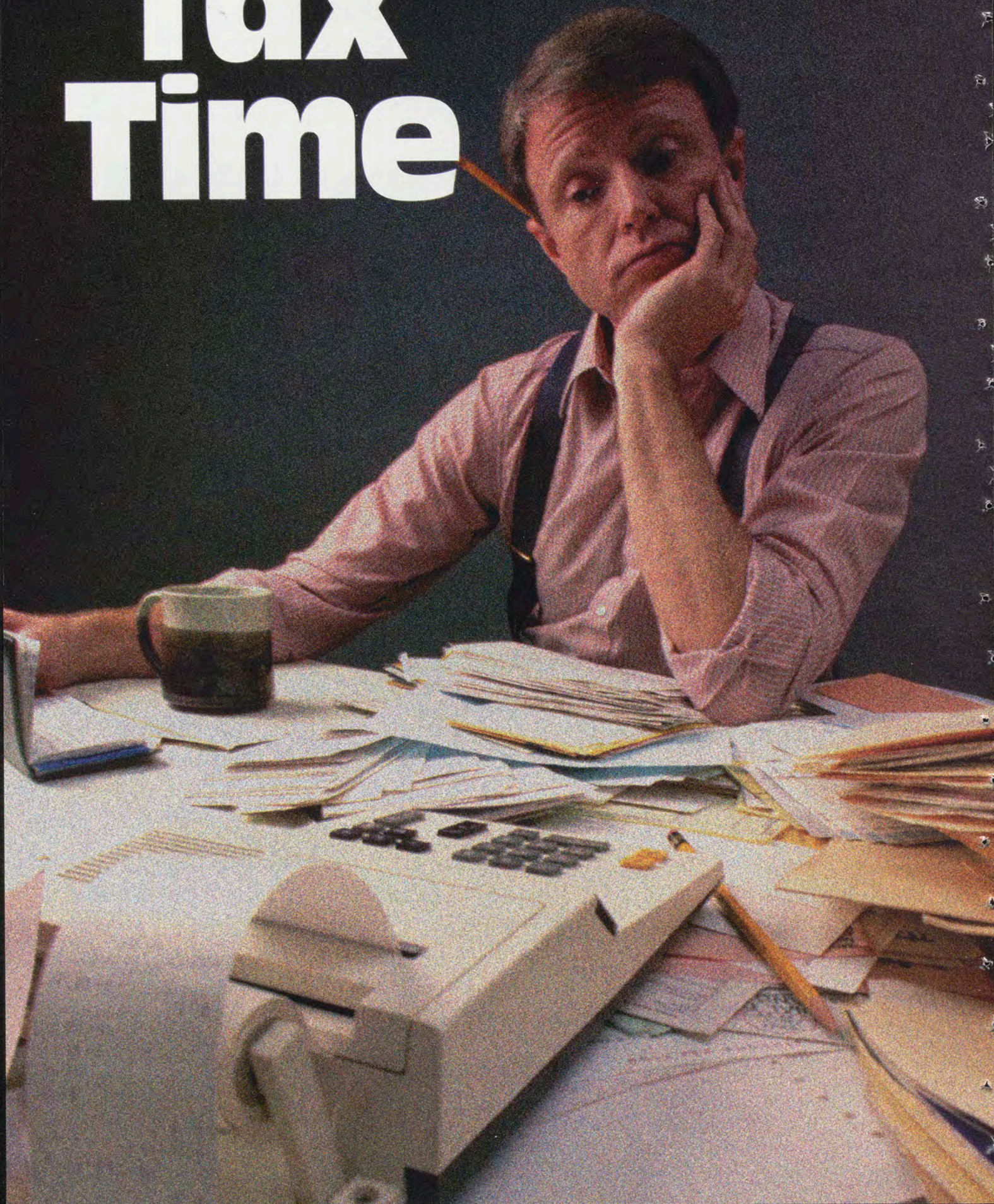
Chipper



RCA

Changing Entertainment. Again.™

Tax Time



Early in the calendar year there is little that any dealer can do to reduce the rental-purchase operation's annual tax bill other than take full advantage of our tax rules for transactions that occurred last year—with or without considering the tax consequences.

Just how to take full advantage of the tax rules without crossing the line into illegality poses a problem for some dealers. It also surprises many RTO dealers that the Internal Revenue Service has a different view of the complex tax juggle many dealers are facing.

The IRS is changing the way it does business and is apparently focusing on resolving disputes with taxpayers rather than fighting them on controversial issues. Although the IRS is reducing the number of district counsel and regional counsel offices, for example, it is not reducing the number of employees whose job it is to resolve the legalities of the many gray areas in our tax rules brought to the IRS's attention by adventurous taxpayers.

According to Melvin Lefkowitz, the IRS district counsel for Washington, D.C., "The IRS is, in effect, putting more people on the front lines ... the goal is to achieve greater compliance through education rather than through audit, and to have cases resolved in the examination phase rather than in litigation."

The IRS recently announced that it wants to educate rather than audit businesses. Of course, this announcement to educate rather than audit closely followed its announcement that the start of those all-inclusive Taxpayer Compliance Measurement Program audits had been indefinitely postponed because of budget problems.

On a similar note, the commissioner of the IRS, Margaret Richardson, testified before Congress that the IRS is making steady progress in reducing regulation burdens on small businesses such as rental organizations. She cited a number of actions that the IRS has taken lately to help small firms comply with the U.S. Tax Code—our basic tax law—without facing excessive costs and administrative burdens.

During the course of her testimony, Commissioner Richardson noted the thorny issue of worker classification, a topic that affects every employer attempting to label a worker as an independent contractor or as an employee for tax-withholding purposes. She

cited several actions taken by her agency to reduce the number of conflicts, emphasizing that it will be up to Congress to provide "simple" and "uniform" definitions of independent contractors and employees.

Another classification issue, somewhat closer to home, is whether an unincorporated business should be classified as a partnership or corporation. Richardson is strongly behind a proposal to allow businesses to select their own status—at least for income tax purposes.

Don't forget, however, that first and foremost the IRS wants to collect taxes. In fact, the U.S. Tax Court recently ruled that one poor soul failed to report as income the proceeds from bank robberies. And, yes, that money is actually taxable income.

In 1995, Congress did pass and the president signed into law the "self-employed Health Insurance Act." Now, self-employed individuals may deduct an amount equal to 30 percent of the amount paid during the taxable year for insurance that constitutes medical care for the dealer, his or her spouse and dependents.

Back in 1995, the president signed into law the Uruguay Round Agreements Act, which implemented agreements relating to GATT (The General Agreement on Tariffs and Trade).

What does international trade regulation have to do with changes in our income tax law? The Uruguay Round Agreements Act simply says that the U.S. government will be bound by many sets of rules that are designed to put all governments on an equal footing when it comes to international trade. One of those provisions, however, limits the amount of interest that the U.S. government can pay on corporate tax overpayments.

That corporate tax overpayment rate is reduced to the total of the Federal short-term rate plus one-half percentage point for any portion of an overpayment by a corporation for a tax period that exceeds \$10,000. The rate remains the sum of the federal short-term rate, plus two percentage points for the first \$10,000 of any corporate overpayment.

Still another technical adjustment required under the provisions of GATT is a COLA Adjustment Rounding Rule. This has to do with the dollar limits for cost-of-living benefits, including the maximum amount that can

be contributed to 401(k) plans. This will be rounded down in different increments beginning in 1995.

Other changes during 1995:

- The standard mileage rate for all business use of a car in 1995 was 30 cents per mile. And, as already mentioned, the IRS has significantly changed the substantiation rules for employers and employees by raising the receipt threshold for proof of such business costs as travel, entertainment and gift expenses from \$25 to \$75, after October 1995.
- Per diem rates under the high-low method of substantiating travel expenses are \$152 for high-cost localities and \$95 for low-cost localities. In fact, certain localities are classified as high cost only during designated periods of the year.

Every dealer must substantiate the amount, time, place and the business purpose of expenses paid or incurred in traveling away from home. While the dealer has the option of keeping the actual receipts of travel expenses, the IRS has provided these per diem allowances under which the amount of away-from-home meals and lodging expenses may be deemed to be substantiated.

The per diem allowances eliminate the need for substantiating actual costs. Naturally, per diem allowances may be used only if the time, place and business purpose of the travel are substantiated by adequate records or other evidence.

Still on the lighter, more personal, side of the rental-purchase business, inflation-adjusted limits on depreciation deductions for luxury cars have increased for automobiles placed in service during 1995. Even though an automobile is used more than 50 percent of the time for business purposes, there is a further limit on the annual depreciation that may be claimed, a limit designed to reduce the tax benefits available for so-called "luxury" cars.

The maximum MACRS depreciation deduction, including the Section 179 first-year expensing write-off for any car placed in service during 1995, is \$3,060 (\$4,900 for the second year, \$2,950 for the third year and \$1,175 for each succeeding year).

The rental dealer who leases a luxury car for business is required to include an additional

Continued on page 44

BY WAYNE R. SUTTON

Employee Ethics

A business ethic is a very illusive term in today's society. What one person perceives as unethical, another may consider to be an excellent strategic tactic.

However, in today's competitive marketplace, one factor does remain constant for all industry members: the role our employees play in ethics and where they learn their standards—us.

I would submit to you that your employees are a direct reflection of you and your ethical standards. Think of yourself as the captain of a ship. You are at the helm shouting commands. What do your employees hear and see? Do you treat your employees with the same courtesy, respect and enthusiasm that you want them to demonstrate to your customers?

Does your company have an established mission statement, code of ethics or standard of conduct? How were these things established? If you do not have a mission statement with a code of ethics incorporated into it, I would suggest you conduct the brief brainstorming exercise below before beginning.



Here's a list of 10 brain teasers to query, to really think about:

1. Do you thank your employees for a job well done?
2. Do you give your employees positive feedback?
3. Do you give your employees feedback that they can learn from, and do you offer them an opportunity for growth?
4. Do you and your management team treat all employees equally and fairly?
5. Do you work with employees who face a

sudden extenuating circumstance that might prohibit them from performing at an optimal level?

6. Do you embellish the truth when speaking with employees?

7. How and where did you get your new star employee? Did you steal him or her from the competition?

8. How do you speak to your employees in the store and in the field? Do you yell or speak to employees in a demeaning tone?

9. Have you ever lied to an employee?

10. Do you treat your staff in a manner you would like to be treated?

Now that you've pondered these questions, what do you think? What do employees have to do with ethics?

If you think that being ethical is simply about how we treat customers and conduct ourselves with reference to those customers, I'll say you are correct, with one glaring assumption. We all know that the No. 1 customer in the rental-purchase industry is the employee.

Continued on page 36



It's a Whirlpool® appliance.
We'd rather deliver it ourselves.



Whirlpool and Roper® are proud to introduce the only in-store delivery service of its kind. Now all you have to do to stock your store with any quality Whirlpool or Roper appliance is pick up the phone, place your order, and then look for one of our prompt, reliable delivery trucks to pull up in front of your store. (You'll recognize it by the name on the side. The only name in the business that delivers to you.)

In fact, we'll even carry the order right onto your showroom floor. So to place your rental order, simply call 1-800-551-5146.

Ext. 6545. Only from Whirlpool.



After all, it's how to make a business run too.

HOW TO MAKE A HOME RUN.™

©1995 Whirlpool Corporation ®Registered Trademark/TM Trademark of Whirlpool Corporation

APRO Associate Member since 1981

The Appliance Edge

When you ask manufacturers and distributors about appliances in the rental-purchase industry, they all seem to be singing the second stanza of a well-known tune, and the words go:

Laundry is No. 1, followed by refrigeration.

"Laundry is always far and away the largest percentage of product mix in the rental-purchase industry," says Richard Gossom, manager, specialty national accounts for GE Appliances in Louisville, Ky. "We estimate it to be about 70 percent of our total product mix."

But the song's not over. Listen to this chorus: "We've probably seen a 15 to 18 percent growth in our rental business" "Business has been good. Our growth challenge in the rental industry for 1996-1997 is a multiplier at the bottom. It's pretty big" "RTO has gone from 10 percent of our total business to approaching 20 percent" "Whereas our regular business may have increased 5 percent a year in the last three years, RTO has probably increased 15 to 20 percent per year" "Our RTO business continues to grow at a steady 8 to 10 percent" "In 10 years, RTO has grown from practically zero to very close to 25 or 30 percent."

Appliances are topping the charts for companies doing business with the rental-purchase industry. For some, it comes as no surprise.

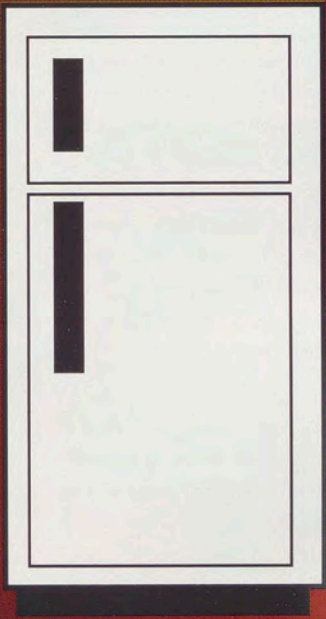
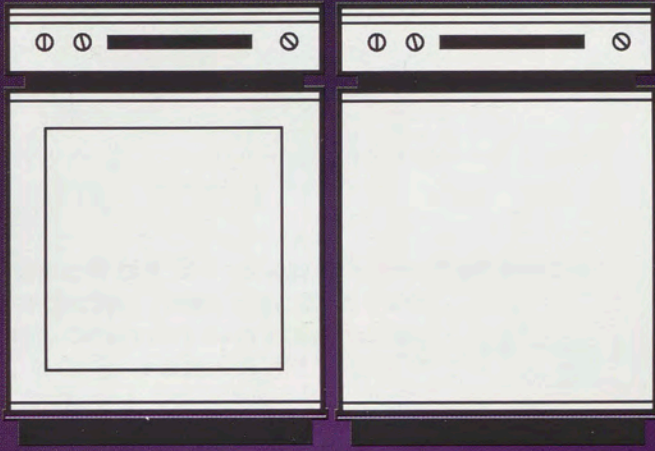
"Laundry is a necessity that our customers have to have," says Tom Kitchens, account executive for national rental sales with Whirlpool Corp. in Benton Harbor, Mich. "I don't think that will ever change."

THE TIMES THEY ARE A CHANGING

The basic mid-line washers and dryers are perennial favorites with rental-purchase customers. They're not too expensive; they're not too cheap. They don't have a lot of bells and whistles. They may have two speeds, big wash tubs, a variety of water temperatures, several water levels, self-cleaning lint filters, dual-action agitators and an auto cycle linked to a humidity sensor. They do a good job with permanent press. Refrigerators are usually 18 cubic feet, frost-free and have recessed handles if the rental dealer has grown tired of replacing them. They do a good job of keeping food cold.

But within the inner workings of washers, dryers and refrigerators, the times have changed.

Continued on page 32



Continued from page 30

"Everybody has had to face compliance," says Gossom, who estimates that appliance manufacturers have probably expended \$100 million over the last couple of years to meet energy and environmental requirements by the federal government.

And with all of these reductions and changes, some customers may have the conception that they are getting a lesser product. "We, as consumers, have been taught that fat-free or now CFC-free means something has been taken out," says Phil Wilson, manager of sales promotion for the Frigidaire Company in Dublin, Ohio. "So we're not having so much of a product situation as an informational or educational one. We need to educate our representatives and consumers. For example, there's a rumor flying around—quite a good one from a manufacturer's standpoint—that in 1996, if you do not own a CFC-free refrigerator, you must throw it out and buy a new one."

In fact, there's no visible difference between CFC refrigerators and their CFC cooling counterparts, except in cost. That can be a sore spot. Even if the increase is minimal some consumers squawk.

"It's awful stuff for consumers because all of the changes have been invisible," says Gossom. "They don't see the more energy efficient compressor and the different kind of insulating material and refrigerant you are using. All they see is whether or not it has glass or wire shelves and how big it is."

And, according to Gossom, few consumers care that a refrigerator or washer-dryer combo comply with government standards. "Last time we did some major research on it, less than 10 percent of the people polled said they are willing to pay money for 'green' products. Fifty percent said they would like

to have them but more than 40 percent of that group said, 'I expect it to be done, but I don't expect to pay for it.' The other 50 percent said, 'Hey, I could care less.'"

Nevertheless, Wilson sees a silver lining on the "green" clouds. "We've found that as we've

note to add to the standard rental-purchase appliance suite. Other manufacturers and distributors are sounding off on other products.

"We've got a radically new design (in washers)," says Gossom. "With almost everybody

"Everybody has had to face compliance," says Gossom, who estimates that appliance manufacturers have probably expended \$100 million over the last couple of years to meet energy and environmental requirements by the federal government.

gone through these changes, it's actually helped us to look to the future not just look to meeting the current requirements. Our ultimate goal is to make our product totally recyclable. That may mean that certain components are removable and could be retooled, refitted, melted down or ground up and formed into something new."

In fact, the Frigidaire Company is looking to the horizon with its new horizontal axis washer, which some people may refer to as a front-load or tumble-action washer. To explain its principle, Wilson says to imagine that your current washer is standing on its side. Take out the agitator and fill the tub with a small portion of water. Then the tub actually takes the clothes up and down through the water.

"It uses about one-third the detergent and bleach and maybe half the water of a conventional top-load machine," says Wilson, who adds that consumers may not only cut their cleaning product bills but should see a reduction in the cost of water and the cost of energy to heat that water.

Even though they cost a little more, Wilson sees the horizontal axis washer as one more

else's washer, you start with a platform on the floor, and you attach a motor to the floor, a transmission to the motor and a tub to the transmission. Any vibration that an off-balance load creates is transmitted to the floor. In our machine, the tub and the whole transmission and motor assembly hang from the top edge of the washer. There's no connection to the floor. In fact, there's only one common part between our old design and our new design and that's a rubber belt that attaches the motor and the transmission. Everything else is different."

Whirlpool also has some changes coming in laundry equipment. "We're looking at a full-size, 48-inch washer/dryer pair," says Kitchens. "Today, our smallest full-size pair sitting side by side is 53 inches wide. Anytime we can reduce width, then we can probably get (the products) in more homes, apartments and duplexes. It just fits more customers' needs. We're continuing to work on our 'thin twin,' which is a stack unit in a 27-inch configuration."

According to Al Zagorniak, district sales manager with Sears Contract Sales in

Continued on page 37

Who's who in appliances

* Amana Refrigeration
Hwy. 220
Amana, IA 52204
(319)622-2688

¥+* Frigidaire Co.
6000 Perimeter Dr.
Dublin, OH 43017-3233
(614)792-4100

* M.A.S. Inc.
2718 Brecksville Rd.
Richfield, OH 44286-0526
(216)659-3333

¥* Sears Contract Sales
9701 Metcalf Ave.
Overland Park, KS 66212-2219
(913)642-8835

* The Timmerman Co.
114 Western Ave.
Davenport, IA 52808
(319)323-1801

¥+ Crosley Corp.
675 N. Main St.
Winston Salem, NC 27101-3026
(910)761-1212

¥+* GE Appliances
Appliance Park, 4-200-A16
Louisville, KY 40225
(502)452-5655

¥* Maytag-Jenn Air-Magic
Chef Products
3035 Shadeland Dr.
Indianapolis, IN 46226-6200
(317)545-2271

¥+* The Appliance
Connection
P.O. Box 344
Goshen, KY 40026-0344
(800)628-6527

¥+* Whirlpool Corp.
2000 M 63
Benton Harbor, MI 49022
(616)923-2417

The above list of appliance suppliers that cater to rental-purchase provides useful contact information. All are either APRO Associate Members (*), advertisers (+) in APRO publications or APRO convention exhibitors (¥).



19" Diagonal TV/VCR Combination



19" Diagonal XS® Stereo TV



46" Diagonal Projection TV



25" Diagonal XS® Stereo TV



13" Diagonal KitchenVision®
TV/VCR Combination



31" Diagonal Stereo TV



Full-Size VHS Camcorder

4-Head Hi-Fi Stereo VCR



25" Diagonal XS® Stereo Console



27" Diagonal Stereo TV

For more information, write to:
Thomson Consumer Electronics
GE Consumer Electronics
Rental Division
P.O. Box 24458
Louisville, KY 40224-0458,
or FAX (502) 425-3441

Specifications subject to change without notice.
Simulated picture.

*KitchenVision is a registered trademark
of Tucker/Green, Inc.

© 1995 Thomson Consumer Electronics, Inc.

GE. The Brand That Says "Home."

Renters demand products that they'll want to keep...products of value and distinction. Ones that will last.

For years GE Consumer Electronics Products have been a leader in the Rental Purchase Industry for some very important reasons. Your renters know they can rely on the quality and performance of GE brand TVs, VCRs, Camcorders as well as Audio and Communications products. We support our products with fast and efficient distribution and service.

GE - The Consumer Electronics brand they'll keep - The brand that says "Home."



We bring good things to life.

Continued from page 15

district manager about these, but nothing has happened. She has started a list. Thirty-four people want to rent merchandise the store doesn't carry. We check and find the store has 367 customers. John notices us scanning the report and reminds us that the advertising has to be changed if they want more deliveries.

We ask where old receipt books are kept and the clerk points to the manager's office. "In there, I guess. I don't really know. I don't mess with that," she admits. John tells us that the account managers can check out their own receipt book provided they log it on a form kept for that purpose. The form is somewhere in his office. The form is required by company policy, John adds, so they try to keep it pretty current.

Two account managers maneuver a huge sectional sofa through the back door and into the stockroom. We introduce ourselves and both men immediately excuse themselves; they have to get a delivery out. They are wearing pullovers and baseball caps.

Minutes later, the two men carry a portable TV out the back door, stick it into the rear of a dirty van and drive away. John notices they have left the back door open and goes to close it, complaining that those two guys never close the door. We ask about the delivery they are going to make and he asks, "What did they take?"

Minutes later, one of the account managers appears in the showroom and carries a VCR out to the waiting van. He explains over his shoulder they forgot this. The rental clerk, busy stamping checks and counting currency, nods and mutters that they are always forgetting something.

TRAINING

We ask John if he's gone out on delivery lately

with his account managers. He appears puzzled and says that he has not. Maybe his assistant has, he speculates. "That is probably in her job description."

We ask if John has had either man cover the rental agreement with him, one on one. John replies that there really isn't any reason to do that since both men worked for another company for three years before coming over to

clerk to follow up with the customers.

FACILITIES

We check the employee restroom and discover no light, no tissue and no soap. The faucet has a steady drip and the floor is wet. "It always leaks," John explains. He adds that the P&L just can't stand any more expenses this month. The owner is hollering about profit.

We check the two dusty television sets hidden

The classified section has been neatly folded and circles have been drawn around several clerical job listings.

him. The have lots of experience. He adds that he tries to hire people with experience because it makes the training program go a lot faster.

SERVICE

We check the service report against the list of goods out on loan. Four washers are in the service shop, but only one washer is on service loan. The manager agrees that this needs looking into. We pull customer records and learn that the customers with no loaners were "free-timed" for the week's rent last Saturday afternoon. Two of the washers were put into service three weeks ago.

We sift through the debris on the account manager worktable and come up with three notes about service calls written by the rental clerk to the account managers. We call the customers and reach two. They are waiting for somebody to pick up their units. They do not want another one; they do not want service. It's too late now. We apologize and inform John of the pickups to be made.

We call five of the week's pickups and learn that two were service problems, one could not pay on the due date because her company had changed paydays, and the remaining two had temporary money problems but planned on getting the product back. We instruct the

on a back shelf and learn they have not been rented for more than six months. This surprises John, who vows to check them out as soon as his guys return from their delivery.

Yesterday's newspaper is spread across the broken table used for employee breaks. The classified section has been neatly folded and circles have been drawn around several clerical job listings. When we point this out to John, he tosses the paper in the trash and remarks that the employees are usually a lot neater with their break area.

We go back to the showroom and find three customers and the rental clerk trying to hook up a stereo. John surveys the scene, satisfies himself that she has things in hand, and retires to his office. We hang around out front and learn that the three customers have paid off a total of five units at this store and two at another. They have \$50 in cash and want the unit delivered in the next two hours.

The rental clerk shakes her head. "I'm sorry. I don't think we're going to have time to get this processed and everything to get it out today." The customers look puzzled.

She explains: "First we have to find your old file. And then we'll need to verify your application and get the information from our store across town about your account over there. I don't think we can get that done in time to get this out before five. We cut off all deliveries for the day then so our guys can run their cards."

Later, we decide to check the competitor's store down the street. While there, we meet the same three shoppers. They are going over the paperwork on a new stereo rental with that store's manager. Two 20s and a 10 are on the counter between them.

Raymond C. "Bud" Holladay is chief operating officer and executive vice president of New Albany, Ind.-based Alreco.

FLX Master Delivery Trucks... Designed and Built Specifically for the Rental Industry's Special Needs.

At FLX, we not only build the most popular delivery trucks for the Rental Industry, we also offer fully equipped **Dodge, Ford and Chevrolet CARGO VANS**, usually saving you hundreds of dollars over local fleet dealer prices.

Quality, Service and Value... standard equipment on all FLX-Master products.

Call us today and ask about our *Special 1995 Model* introductory offer.

FLX Industries
INCORPORATED
1(800)VAN-CUBE (826-2823)
(615)447-2187

APRS Associate Member since 1994 * Leasing programs also available.





NOW, THERE'S MORE THAN ONE WAY TO MAKE TRACKS IN THE SNOW!



Alamo features fine General Motors cars like this Chevy Blazer.

JUST ASK ALAMO.SM

Rent a 4-wheel drive vehicle from Alamo for a minimum of three days, and you'll receive *unlimited free mileage*, free ski racks, free Collision Damage Waiver, and a *free lift ticket* at your favorite mountain: Copper Mountain*, Colorado; Diamond Peak, Lake Tahoe, Nevada; Solitude, Utah; Sun Valley, Idaho; Snow King, Wyoming; Jackson Hole Ski Corp., Wyoming; and Angel Fire, New Mexico. This program is valid from December 1, 1995 through April 30, 1995. To take advantage of this special offer, call your Professional Travel Agent or call Alamo Rent A Car and be sure to request **I.D. Number** 204856 and **Rate Code 9J**.

1-800-354-2322

**Buy one full day lift ticket, get one full day lift ticket free, at Copper Mountain only.*

10% OFF 4-WHEEL DRIVE

Certificate is valid for 10% OFF a three day or longer rental of a 4-wheel drive car category. • Only one certificate per rental, not to be used in conjunction with any other certificates/offers, promotional, discounted or convention rates, or an Alamo Express PlusSM rental. • A 24-hour advance reservation is required. Reservations are subject to availability at time of booking. At time of reservation, must provide Coupon Code P06K. Travel Agents: Please include /SI-C-P06K in the car sell. • Offer valid December 1, 1995 through June 15, 1996. (Certificate may be blacked out during peak periods and holidays, offer is subject to availability.) • Certificate must be presented at the Alamo counter on arrival. • Valid in the U.S.A. and Canada only. Once redeemed, certificate is void. • Certificate is subject to Alamo's conditions at the time of rental. • Certificate may only be applied toward the basic rate which does not include taxes and other optional items. No refund will be given on any unused portion of the certificate. Certificate is not redeemable for cash. • Certificate may not be mechanically reproduced and will not be replaced if expired or lost.

For reservations, call your Professional Travel Agent or call Alamo Rent A Car at **1-800-354-2322**.

Be sure to request **I.D. Number** 204856 and **Rate Code 9J**.

P06K

Continued from page 28

Yes, the employee.

If you embody your mission statement with your employees, they will treat you and your rental-purchase customers ethically. Our employees learn best by example, and I challenge each of my store managers to set the benchmark in ethical behavior.

These guidelines are vital:

1. Treat your staff in the manner you would like to be treated.
2. Brag on your employees' successes, and do not dwell on the negative.
3. Always be very candid and forthright.
4. Never exaggerate the facts to prove a point to an employee.
5. Do not make false promises to an employee.
6. Do not go into a competitor's store to recruit an employee.
7. Treat all employees equally and fairly.
8. Pay employees in a timely fashion.
9. Always go above and beyond to work with employees who are working with you to meet and exceed your goals.
10. Always treat staff with the utmost respect

and courtesy; always counsel employees privately—never in public.

If you use the above 20 guidelines as a foundation or a benchmark from which to build your corporate culture's ethical behavior, your rental-purchase customers will surely benefit. Consequently, employees who are not performing in an ethical manner will be obvious to all. It will then be easy for you to spot the opportunity to replace an average employee with an extraordinary employee who will exceed your customers' expectations—one who will perform professionally and ethically.

Research has shown that companies with strong codes of ethics which honor those codes among all employees experience dramatically positive results.

Here's a simple ethics check:

1. Is it legal? Will I be violating either civil law or company policy?
2. Is it balanced? Is it fair to all concerned in the short term as well as the long term? Does an action or decision promote win-win relationships?
3. How will it make me feel about myself? Will this decision or action make me proud? How would I feel if my actions were published in a

newspaper? Would I hide this decision or action from my family?

If you and your employees comply with this ethics check, you will be amazed by the results. Here are the payoffs:

- Employees will begin to treat customers with the same courtesy and respect they are accustomed to receiving from you and your company.
- Employees will tell the truth to customers.
- Employees will work with the good customers who are facing special circumstances, showing tolerance and understanding.
- Employees will treat customers the way they'd want to be treated.
- Companies will experience lower rates of absenteeism.
- When employees act in an ethical manner, customers file fewer lawsuits.

It's simple. Implementing a strong code of business ethics with your employees makes good business sense.

Wayne R. Sutton is owner of Instant Rent To Own, based in Hammond, La. He is a member of the APRO Board of Directors and serves on the association's ethics committee.

**Providing Quality Automation
At Affordable Prices....
For Over A Decade**

CALL US – 1-800-863-7394
Rental • Retail • Corporate • Accounting



Rental Information Systems, Inc.
P.O. Box 1165 – 834 Jeanette Ave.
Magnolia, AR 71753

APRO Associate Member since 1987

Continued from page 32

Overland Park, Kan., space-saving types of laundry like stackable units can be very crucial to the rental-purchase business. In that vein, portable dishwashers have also been popular for Sears. "It's something that can be rolled to the faucet and connected when it is time to use it then pulled out of the way. Various sizes of microwave ovens also make it easy for consumers to put them into apartments or small homes."

Zagorniak says one secret to success in the rental-purchase industry is to provide a variety of appliance sizes and features. And he also agrees with many other manufacturers and distributors who say that good service strikes a loud chord with rental-purchase owners.

WITH A LITTLE HELP FROM MY FRIENDS

"I've had a lot of our rental-purchase customers step up to me and honestly say, 'You were not the lowest priced product we found, but you've taken care of us. If there was a problem with the product or we needed something right away you were there. If we had a question, you answered it. In other words, you gave us service beyond price,'" says Wilson.

By far the most sought after service in the rental-purchase industry is good delivery. "Basically, what we've found is that the typical rental-purchase dealer with whom we do business doesn't want any idle time," says Harry Stellar, president of M.A.S. Inc. and chairman of the board for the Crosley Corporation. "I would have to say that's the No. 1 thing. Any distributor should make sure he has plenty of merchandise on hand and can ship the same day or the day after the merchandise is ordered. I think one of the secrets of a successful relationship between a distributor and a dealer is a 24-hour delivery time, and we provide that."

Alan D. Smith, sales manager with the Timmerman Company in Davenport, Iowa, says he gives the rental-purchase owner an opportunity to buy in small quantities. "It's the biggest feature we can give them," he says. "They don't have to have their money tied up in inventory. This is very important because most of them don't have a huge warehouse. They don't buy 36 of a particular product at any one time. They may buy six. That's where we come into play. In most geographic areas, we also get to them the next day."

Delivery is recognized as so important to the Whirlpool Corporation that it has gone to

straight factory distribution. "We have eight regional warehouses around the country," says Kitchens. "And we send our own trucks directly from those warehouses to the rental dealers' stores and actually take the product off the truck and bring it into their stores. That's one of the services we provide that we feel is very beneficial to our customers."

Kitchens says this type of delivery also helps maintain product quality since fewer units

of the biggest considerations is that instead of a big truck with a hydraulic tailgate and two guys delivering a product, it is more likely one guy in a van with a hand truck. So anything you can do to enable one person to deliver the product makes a big difference."

Gossom says that GE Appliances is now assisting rental-purchase owners in presenting a grander finale by making its washers much lighter. "Our machine was significantly

Zagorniak says one secret to success in the rental-purchase industry is to provide a variety of appliance sizes and features. And he also agrees with many other manufacturers and distributors who say that good service strikes a loud chord with rental-purchase owners.

are damaged during delivery. That's something Jerry Minnery, president of The Appliance Connection in Frankfort, Ky., can tell rental-purchase owners all about. His company specializes in providing delivery and installation materials, and it does a hefty business in the rental-purchase industry.

Minnery says that in the past 25 years of working with appliance and rental-purchase dealers, he has seen a lot of damage wreaked by poorly fitting appliance covers or furniture pads. "The delivery people try to strap them into place. It may take two covers and a wad of strapping, and a lot of times they still don't cover all the corners. We have a numerous array of covers that are form-fitted. They make it easy to cover appliances and keep them from getting nicked and damaged from move to move. We've designed them to fit right over the top and to take the things like the back splash into consideration. They also have (cloth fasteners) rather than buckles on them, which can scratch the finish of an appliance. They make for fast installation, fast delivery and fast takeoff."

Minnery says he even offers guards that snap on door jams so when appliances are delivered the sides of the door aren't nicked. He stresses that a good service performance goes from the showroom floor and ends in the customer's home. "There's a lot of things available out there to ensure that rental-purchase dealers make a very professional as well as profitable delivery."

"The RTO business is very, very competitive," says Gossom. "We've done our best in the last few years to introduce product that is user friendly. In the rental-purchase industry one

heavier than our competitors'. And unfortunately, the rental-purchase owner may have had to deliver it five times and pick it up four times. The opinions that I received more often than not from a lot of our rental accounts was, 'Come back and see me when you get rid of the cinder block.' Quite honestly, we used a custom-made block in our off-balance load system. So in the new design, we've taken out 40 percent of the parts."

According to Gossom, even when GE offered the heavier washers, their business in the rental-purchase industry still thrived. In large part this is because they perfected a delivery process starting in the 1960s.

"We have the capability to get goods to most of our rental-purchase dealers in the country within 48 hours," he says. "We ship to them in six-lot quantities. So on Monday morning a rental dealer can look at what has gone out and come back over the weekend. He can determine the holes he has to fill, place an order on Tuesday and have product by Thursday. One of the reasons our customers have stayed with us, even though we had a washer that was 40 pounds heavier than everyone else's, is because they could depend upon getting it on time."

"What it really boils down to," says Wilson, "is ease of delivery, ease of installation and, if the product should come back to the rental dealer, it should be easy to refurbish, clean up and put out again so that it can be rented for the rest of its rental cycle."

Susan de Blanc is a freelance writer and editor with more than 10 years of experience in trade publications and promotions.



ADR and Your Employees

BY ED WINN III

No, ADR is not a new disease acquired from handling used upholstered goods. The letters stand for Alternate Dispute Resolution and represent a reasoned response to the general and profound dissatisfaction felt toward the legal system in this country.

In the most general sense, ADR is a process for doing what the legal system ultimately does—resolve disputes that have arisen between people or entities. It does so by providing dispute resolution alternatives to state and federal courtrooms, while at the same time carefully preserving the rights of all concerned.

Complaints against the legal system are many. They include the cost, the time, and even the fairness of the resolution, although most often, this last charge comes from people who see all American institutions as racially, sexually or otherwise biased against some minority group.

It is true that the wheels of justice grind slowly and that it costs a lot of money to turn them. Neither truth is likely to change. Law school enrollments remain high and the hourly rates of attorneys have never fallen (and probably never will). As our society

becomes increasingly crowded and with considerable deterioration of families, communities and other institutions which used to help people iron out differences, more people look



to the courts to solve their problems.

The doors to the courthouse are open to everyone and, for a relatively modest filing fee, aggrieved citizens can sue the people claimed to be doing the aggrieving. Eventually, sometimes literally after several years, every complaining citizen—the plaintiff—can get his or her day in court. Some courts, however, have backlogs of thousands of cases, all of which are entitled to that noble day or days.

Courthouses are not being built fast enough and judges are not being appointed fast enough to keep up with the demand on the system. So thoughtful people, beginning decades ago, began seeking more efficient means of resolving certain kinds of disputes instead of going through the courts. Thus was born the concept of ADR.

ADR has a number of components: negotiation, conciliation, mediation, summary jury trials, mini-trials, and binding and non-binding arbitration, to name most of the broad categories.

Negotiation is merely the process of the disputants or their representatives conferring

Continued on next page

Continued from previous page

with one another in an attempt to arrive at a settlement of the matter. Conciliation is a term to define the efforts, usually by a disinterested third party, to get the disputants to start or continue talking about settlement.

The two mechanisms most widely in play today are mediation and arbitration. In mediation, a neutral mediator, by presiding at a series of meetings with the two sides, both together and separately, attempts to arrive at a solution to which both sides can agree. The mediator cannot insist on a solution, and can only use the powers of logic and persuasion to get the opposing parties to reach an agreement satisfactory to all concerned.

Mediations do not run on for long, and most take one day or less. Mediation forces both sides to confront the strengths of the other sides' case and the weaknesses of their own in a structured setting. Often such confrontation leads to a mutually satisfactory settlement.

Arbitration is a more formal process than mediation, although less formal than litigation. One or more arbitrators chosen by mutual agreement of the two sides serve the roles of judge and a jury in a dispute and listen to the evidence and arguments put forth by both sides. An arbitrator may have to rule on evidentiary motions during an arbitration and decide whether evidence ought properly to be made a part of the record of the proceeding. However, the rules of evidence and other procedural rules are generally more relaxed than in a courtroom.

At the end of the proceeding the arbitrator renders a ruling. If the arbitration is binding, both sides are bound by the arbitration decision and that decision can be filed in a court of law and enforced with all of the implements of the judicial system. If the arbitration is non-binding, then the decision is advisory only, and parties can still sue one another in court, although the loser now knows what an impartial arbitrator thought of the case.

ADR in any of its manifestations is almost always quicker and less expensive than going to court. If ADR resolves disputes more efficiently than the judicial system, then what is the catch? Why is the judicial system still so backlogged and so painfully slow?

One wrinkle to the widespread use of ADR is the Seventh Amendment to the U.S. Constitution which guarantees the right to a trial by jury in all civil cases when the

amount in controversy is over \$20. Some state constitutions have similar provisions. A person with a beef, then, at least if it is a \$21 beef, has a constitutional right to a jury trial.

In order to have ADR procedures work, both the plaintiff and the defendant must agree to waive this constitutional right. An individual may waive this right and agree to live with the results of an arbitration, for example, but courts will be quick to examine the circumstances of the waiver if the individual argues that the waiver was less than knowing and voluntary. This constitutional safeguard is important to notions of liberty and fair play, but can impede the voluntary use of ADR if either disputant feels he or she might lose something by waiving a constitutional right.

What good is ADR to rental-purchase employers and employees, then? It is no secret that employers have been besieged with lawsuits brought by disgruntled employees alleging a variety of employer abuses, most relating to some kind of unlawful discrimination on the job or wrongful termination. Rental-purchase employers are no exception. Rental-purchase employers have been heard to complain that home office personnel are so involved providing records for discovery in ongoing employee litigations against the company that they have no time left to run the company.

Employers will not be successful if they attempt to surprise employees with ADR procedures. They may not be successful if they attempt to coerce employees into ADR.

In a typical rental-purchase store situation, ADR might work like this: an employee is terminated for chronic tardiness. The employee thinks that he or she is being singled out because of race, or sex, age, or disability, or some other impermissible reason under federal law. Upon termination, the employee files a complaint with the EEOC or state employment commission. Very often, today, the employee will also file suit in court alleging discrimination and also some torts.

Some typical examples: intentional infliction of mental distress, libel, slander, invasion of privacy, assault, battery or other tort that fits the facts. Without the tort allegations, the employee would have to wait for the EEOC to process the complaint before going to court. Without ADR, eventually the EEOC will investigate the claim and underlying facts including statistics compiled by the company—often at considerable expense. There were more than 90,000 complaints of dis-

crimination filed with the EEOC in 1994, and the backlog is running at least 18 months. Regardless of the EEOC's determination, the employee has the right to sue and have a jury of peers instead of bureaucrats hear the story to decide whether the termination was unlawful.

Eventually, the court case will get heard or settled.

The costs for the company of defending an EEOC claim and lawsuit run from a low of \$15,000 to six figures for lawyers, not counting employee time spent. If the plaintiff gets lucky, he or she might get a jury verdict in the millions for having been discriminated against—the kind of verdict that makes local headlines and can destroy a small business.

If there have been no million-dollar verdicts against rental-purchase companies in suits brought by employees, there have been some high six-figure settlements in such cases.

Even without an agreed-to ADR procedure in place in the company, either side could attempt to divert the dispute into an ADR procedure at any time by getting an agreement to do so from the other side. One might suppose that throughout the dispute, the lawyers would seek some middle ground for settlement purposes. Either side could suggest a mediation to attempt a resolution. Either side could suggest non-binding or even binding arbitration as a means of resolving the dispute more quickly.

Since only 5 percent of lawsuits filed ever go to trial anyway, the odds are high that this employee dispute will get settled before it goes to a jury, although there is a risk that it will settle on the courthouse steps literally moments before the trial is scheduled to begin. In such cases, a lot of time and money will already have been spent.

If the parties had an ADR agreement, then the employee, once aggrieved, might demand that the procedures be put into play. Those procedures might include an in-house review, including, perhaps, a hearing on the facts, with or without lawyers, then a mediation and, finally, binding arbitration—or some combination of these or other procedures for resolving the dispute.

The employee, however, might go straight to an attorney or to the EEOC or state grievance body. Then, the company would have to initiate the ADR procedures. The employee might deny the enforceability of the procedures and the parties might end up in court anyway to determine whether there is an enforceable

agreement to use ADR.

What does the judicial system think of ADR, since it encroaches on judicial turf in a big way? Early on, judges were skeptical. In 1956, the U.S. Supreme Court noted the following deficiencies of arbitration: no right to trial by jury; arbitrators may not have judicial instruction on the law; arbitrators need not give their reasons for their results; the record of an arbitration is not as complete as a trial court's; judicial review of any arbitration award is more limited than of a trial.

Bernhardt vs. Polygraphic Co. of America, 350 U.S. 198 (1956).

But by the early 1980s, the U.S. Supreme Court had come full circle on the virtues of arbitration.

Questions of arbitrability must be addressed with a healthy regard for the policy favoring arbitration; The (Federal) Arbitration Act establishes that, as a matter of federal law, any doubts concerning the scope of these issues should be resolved in favor of arbitration, whether the problem at hand is the construction of the contract language itself or an allegation of waiver, delay, or like defense to arbitrability. *Moses H. Cane Hospital vs. Mercury Construction Corp.*, 460 U.S. 1, 24 (1983).

Courts in recent years have generally favored ADR, in a wide variety of situations. It seems certainly clear that an employer can require an employee to agree to reasonable ADR procedures as a condition of employment.

An employer could notify an employee of this aspect of the job on the employment application. An employer could perhaps enforce ADR on an applicant who was not hired and who complained that the refusal to hire was for an unlawful reason by explaining, up front, that ADR would apply to the application process. The employer will have the burden of proving that there was an agreement between the employer and employee to submit all disputes to ADR. The clearest proof would be a written contract signed by both parties.

This may not be difficult to achieve for new hires, but what about existing employees? They may be reluctant to agree to ADR if the proposal merely comes down from on high as the new company policy. And there is the issue of consideration. For a contract to be binding, each side must give something. Some courts have held that the promises by both sides to submit to ADR is sufficient consideration to bind both parties. However,

that may not always be the case, especially when one side has the superior bargaining position and offers the ADR proposal. Then, there may be the need to be something more to support the ADR agreement. It would certainly be legal to condition raises, bonuses, vacations, promotions, or other benefits to accrue in the future on the employee's acceptance of ADR to settle any future disputes.

Indeed, in states where the "employment at will" doctrine is still viable, an employee's continued employment after the company has announced a new ADR procedure may be sufficient consideration to bind the employee. The "employment at will" doctrine provides that an employee can quit or be terminated at any time for a good reason, a bad reason, or for no reason at all, but not for an illegal reason, such as racial discrimination. A number of states have eroded this doctrine either by statute or by case law and, in those states, employers can only terminate employees for some "good cause."

How an employer tells employees of the advent of ADR may be important. A recent California case held that an arbitration clause in a consumer contract was unenforceable because the clause was not highlighted and instead was buried in the fine print; nor did the clause point out that arbitration requires the consumer to waive the right to a jury trial. *Bell vs. Congress Mortgage Co.*, 24 Cal. App. 4th 1675 (1st Dist., Ct. App. 1994).

These two factors caused the court to void the clause because it did not "fall within the reasonable expectations of the borrower."

Arizona and Nevada courts have voided similar provisions. The implication from these cases may be that ADR provisions need to be highlighted and explained, almost certainly in consumer cases, but perhaps in employment cases as well.

The Ninth Circuit has lately ruled in a pair of cases that arbitration agreements that seek to eliminate remedies provided under federal law or that do not specifically set forth what kinds of claims can be arbitrated are unenforceable.

One of those cases the Ninth Circuit allowed was an employment case in which the court allowed the plaintiff employees to file their sexual harassment claims in court instead of going to arbitration despite a signed employment agreement which included a mandatory arbitration provision. *Prudential Insurance Co. of America vs. Lai*, (1994). The

court threw out the arbitration clause because it did not specify that sexual harassment would have to be arbitrated. It merely said that all claims arising under the employment agreement would be arbitrated. The court concluded that the plaintiffs had not "knowingly and voluntarily" elected to arbitrate such claims, the standard for waiving such constitutional rights as the right to a jury trial.

Commentators have noted that the Ninth Circuit remains critical of arbitration unlike most other courts in the country and unlike the U.S. Supreme Court which has approved arbitration clauses a number of times, including arbitration clauses in an employment agreement. See *Gilmer vs. Interstate/Johnson Lane Corp.*, 500 U.S. 125 (1991); and *Mastrobomonte vs. Shearson Lehman Hutton, Inc.*, 514 U.S. 384 (1993).

The EEOC has affirmed its support of ADR procedures for employment in a policy statement issued in July 1995. The ADR policy favors "innovative ways to settle employment discrimination disputes in a cost-effective, fair and timely manner," according to EEOC chairman Gilbert F. Cassellas.

The policy statement is founded on the principles of furthering EEOC's mission of fairness, voluntariness, neutrality, confidentiality, enforceability, training and evaluation. The EEOC has begun setting up ADR procedures internally in district offices around the country, some of which should be in place next year.

A number of companies offer ADR services to individuals and companies who want to use them. The largest is the American Arbitration Association (AAA) with offices in 36 major cities across the country. Other groups include The National Association for Dispute Resolution, Inc., in Dallas; EnDispute in Washington, D.C.; the Conflict Center in Cambridge, Mass.; Adjudicate in Philadelphia; the Judicial Arbitration Center in Orange County, Calif.; the Center for Public Resources in New York City; the National Arbitration Forum, Inc. in Minneapolis; and Employment Dispute Resolutions, Inc. in Atlanta.

APRO members who desire more information about these companies or other ADR information should contact Richard May at the APRO office.

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

Continued from page 23

infuse new talent in the industry. "College students surf the 'Net all the time," says Bartel. "This could provide a new avenue to recruit RTO employees."

Using various search engines, cyberspace interlopers can find Rentown USA without even knowing the company name, much less the address. Bartel set it up so search phrases including "rental," "home furnishings" and the like would pull up his company's home page.

Bartel says he gets about two inquiries a day from people who stumble upon Rentown USA's site on the World Wide Web. The company's E-mail address is prominently displayed to allow for feedback. Here's a sample E-mail message from someone who found Rentown USA's site late last year:

"I am interested in the rental business in the Southeast. Could you offer any advice on how to enter the business and industry groups or publications which could provide additional information?"

APRO leaders hope to tap Bartel's knowledge to help establish an association Web site in the not-too-distant future.

"I'd like to see updates on current legislation and what's going on in the industry," says Ken

Doull, store manager for Appliance & Furniture Rentall in Marion, Iowa. "I've been surfing the 'Net for a while now and I'm hungry for industry-specific information."

Adds Richard Morin, a ColorTyme dealer in

Although APRO does not yet have its own site on the World Wide Web, you can contact association leaders through cyberspace—as long as you've got a computer, modem and Internet access or a commercial online ser-

As Rich Bartel will attest, the marketing, public relations and communications possibilities on the Internet look very promising.

"It's about finding the rental market for middle America. We have to ask ourselves, 'Where is our next customer coming from?'"

Georgetown, S.C.: "I'll browse and look around some almost every day. I'm thrilled that ya'll are putting in a Web page. It's so important with the kids these days; it's a generational thing. It looks like the Internet is going to be a major selling tool."

As Rich Bartel will attest, the marketing, public relations and communications possibilities on the Internet look very promising for the RTO industry. He concludes: "It's about finding the rental market for middle America. We have to ask ourselves, 'Where is our next customer coming from?'"

...

vice subscription.

To send electronic mail to APRO Executive Director Bill Keese, use this address: bill-keese@aol.com. To send e-mail to APRO's communications department, use this address: johng37@aol.com. To reach public affairs, try: rmay111665@aol.com. If you have an America Online account, simply drop the @aol.com.

If you have a CompuServe account, send mail to: 72674,2466.

John Gormley is APRO's communications director.

How to build a home page on the World Wide Web

STEP 1

Purchase the Internet software and install.

STEP 2

Register with an Internet provider. These services can usually be found in the Yellow Pages. Or, ask your local software supplier.

STEP 3

Ask your provider for a Web author or search the Internet under Global Network Navigator for Web authors.

STEP 4

Negotiate development expenses and monthly maintenance fees for your home page. Normally, the volume of information determines the expense. Web authors generally charge monthly fees equal to 10 percent of the original cost of development.

STEP 5

Placement—the most difficult step. What search engine should you be placed under? Your web author provides this service. You should know that application to be placed under certain search engines does not guarantee your acceptance by them.

Numerous search engines are available because not all search engines accept a certain type of industry. Example: some allow only education or science subjects.

"Search engine" is a mechanism on the Internet by which you can find "search" items—subjects or subject matter on the global network system, by typing a single word or phrase.

STEP 6

Decide how you want to be located on the World Wide Web. Rent. Rental. Rent to Own. Other key phrases may include: furniture, appliances, electronics, etc.

STEP 7

How do you know your home page is being visited? You can request your Web author to help you find a counting system or Internet audit firm.

STEP 8

Watch your E-mail for inquiries, questions and comments.

Remember: Your Web author is the most important person in this process. Expect him or her to provide the following:

1. Development of your home page.
2. Placement of your company's home page with appropriate search engines.
3. Establish your location on the World Wide Web.
4. Identify a counting or audit firm for your "hit" list.
5. Maintenance of your home page.

Know in advance what your purpose is and keep changes to a minimum; this will avoid costly charges.

And don't expect miracles. This process will take anywhere from three to six months or more.

—Rich Bartel

***Keeps your customers coming back again,
and again, and again!***

Why A Preferred Customer Club?

- ✓ Value added products and services are the foundations of customer retention!
- ✓ Industry proven Profit Growth!

Why Nationwide?

- ✓ Bringing Industry experience and technology together, providing the option of fully automating reporting for your customized club program.
- ✓ The only club provider that lets you decide how best to sell the value to your customers – by rental agreement or by customer. *The choice is yours!*
- ✓ Insurance products backed by the leading insurance supplier in Rental Purchase with years of proven reliability in the industry.
- ✓ Expert assistance in club program designs that will target your “loyal” customers’ wants and needs.

Contact (800) 771-2582 for more information on how you can generate new revenue and profits with an automated program designed for your convenience.

Nationwide Club Administrators

APRS Associate Member Since 1984



QUANTUM TECH

Rental Purchase PCs: Enter a New Dimension in Value-Added Service

- > Quantum Tech delivers outstanding Value – In the comfort of a one year free 800 support line for your customer and store personnel, one year overnight PC replacement when needed, two year parts and labor warranty, and
- > Plus, the *Quality of price and proven performance* – Quality that meets the demanding standards of Rental Purchase. Competitive pricing focused on your profit potential.

**Contact Sherry Workman at
(800) 929-6694.**

APRS Associate Member Since 1995

Continued from page 27

amount in income to offset rental deductions for each tax year during which that car is leased. The inclusion amount is based on the cost of the car and generally applies to cars with a fair market value exceeding an inflation-adjusted dollar amount (for example, \$15,500 for a car placed in service in 1995 and \$14,600 for a car placed in service in 1994).

S CORPORATIONS AND OTHER STRATEGIES
Any dealer operating as a regular "C" corpora-

liable for the entity's debts and liabilities.

Unlike limited partnerships, LLC members may participate in management without risking personal liability. Unlike the S corporation and its 35-shareholder limit, no limitations are placed on the number of owners of a rental business operating as an LLC.

With an S corporation there can be no corporate, partnership or nonresident alien shareholders; there are no similar restrictions with an LLC.

Since most of the transactions that will gov-

Continued from page 20

tools. Keep the kit in your safe zone and check supplies every few months.

- **Provide training.** Refresh everyone in the building about emergency safety and evacuation procedures every few months. Do not hesitate to conduct brief drills or test runs if you're concerned about imminent danger.

UP AND RUNNING AGAIN

Once the disaster is over, the real work begins. You need to get the business up and running as quickly as possible.

- **Identify an operations center and begin working from there.** This center might be your building's safe zone or some off-site location. Here, you have access to your communications system, basic supplies and equipment, telephone directories, customer and vendor lists, and records. This is where you plan for a return to smooth operations.

- **Make plans for reopening your building.** If your building has been damaged, call on your emergency contractor, utility companies and other suppliers to help make the building as usable as possible.

- **Restore your computer system.** Now is the time to pull out your backup disks or tapes, or contact your commercial data center to help you get your computer system up and running. Replace hardware as needed.

- **Obtain emergency supplies and inventory.** Your emergency records package should serve as a quick guide to suppliers, ordering and delivery requirements, and terms.

- **Talk to your insurance agent.** Insurance often doesn't cover all losses resulting from a disaster. However, your well-maintained records and even photos can help you obtain the best settlement available. Don't hesitate to bring in an independent appraiser to help assess your losses.

- **Make financial projections.** Pull out your financial records and develop a series of projections for the year ahead—a best-case and worst-case scenario at least. These financial projections may help if you have to apply for loans to replace inventory or repair damage.

Any number of disasters can strike at any time. You cannot prevent most disasters, but you can minimize your losses should you suffer a tragedy, and assure yourself the opportunity to get back on your feet ASAP.

Richard G. Ensman Jr. is a Rochester, N.Y.-based freelance writer specializing in business and management topics.

Early in the year is also a good time to check an existing S corporation to ensure that nothing has changed that might disqualify the rental-purchase operation from this unique status.

tion who wishes to take advantage of the pass-through benefits of an "S" corporation must do so before the 15th day of the third month of their tax year. Enjoying the protection offered by a corporation along with many other corporate benefits while at the same time enjoying the freedom to pass tax deductions, credits and losses directly to the rental-purchase operation's shareholders means "qualifying" as an S corporation before March 15 (for most calendar-year dealers).

Early in the year is also a good time to check an existing S corporation to ensure that nothing has changed that might disqualify the rental-purchase operation from this unique status. This means that a dealer operating as an S corporation can have no more than 35 shareholders and no shareholder may be a nonresident alien.

Because many dealers inadvertently terminate their S corporation status and remain unaware of this for years, checking all of the basic requirements at the beginning of each tax year is important. That means the rental operation should have only a single class of stock and all shareholders must agree to the S corporation status.

Although not faced with a deadline to qualify, early in the tax year is a good time to investigate the pros and cons of a new method of operating the rental-purchase business: the limited liability company (LLC).

State-registered LLCs are a relatively new form of business entity. A properly structured LLC is taxed as a partnership for Federal income tax purposes, but its members, like corporate shareholders, are not personally

ern the rental-purchase operation's tax deductions and taxable income have been completed by Dec. 31, all that remains after the first of the year for most dealers is to ensure that they (or their tax advisers) take full advantage of every deduction they are legally entitled to, make the most advantageous use of every one of last year's transactions and accurately report income from 1995. Not only will these actions produce the lowest possible tax bill, they will also help to "audit-proof" the rental-purchase operation's tax returns.

It is vitally important for any dealer to avoid an audit of previously filed income tax returns. Admittedly, it is of little comfort to know that less than 2 percent of all tax returns are actually scrutinized by IRS auditors.

Aside from audit-proofing the tax return and ensuring that all major and potentially controversial deductions are documented, this time of the year can produce significant tax savings—by beginning now to plan for 1996's income tax bill.

Despite all the uncertainty surrounding Congress' ideas for changing parts of our tax law, it is not only possible, but highly recommended that planning for 1996 begin immediately. After all, more taxes are saved during the course of the year than immediately prior to April 15.

Mark E. Battersby is an Ardmore, Pa.-based financial and tax consultant who writes columns and feature-length articles for a number of business publications.



JUMP TO NEW HEIGHTS WITH HIGH TOUCH



Fully integrated Store to Home Office accounting features • Automatic report collections
Full line of accounting package options • Custom report writing capabilities
Company-wide consolidation reporting • Employee timekeeping

CALL 1-800-326-6059, WE'LL GIVE YOU THE TIP OFF.



PROFESSIONAL AUTOMATION TOOLS FOR THE RENTAL-PURCHASE INDUSTRY.

APPS Associate Member since 1984

Are you looking for laundry easy to deliver and



Here They Are!

Introducing the new GE Washers and Dryers
Designed for the Rental Purchase Industry

Washer

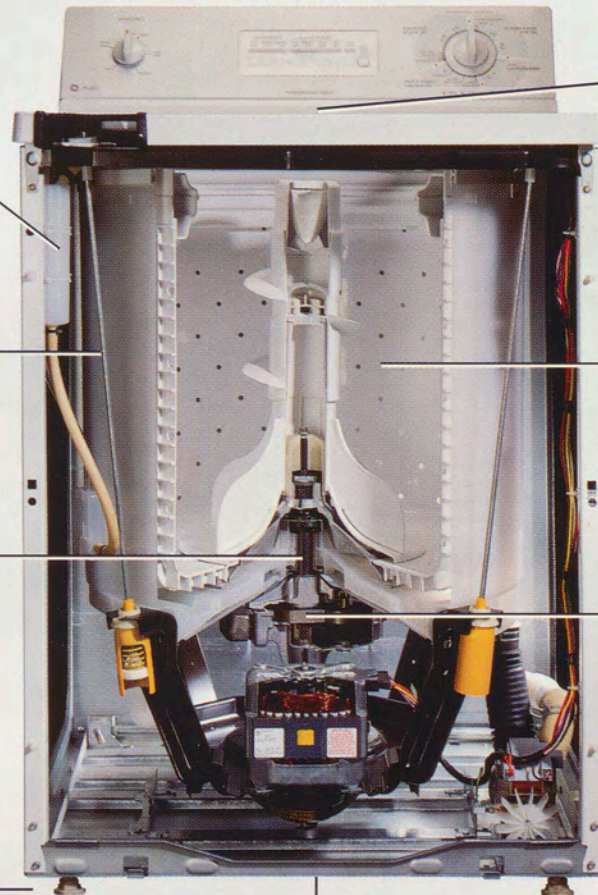
- Easy delivery, only 138 lbs.
- QuickSet Installation with Tie-Rod and Kick-off Skids
- 100% Front Serviceable
- Super 3.2 cu. ft. Capacity—Largest in the industry
- PermaTuf II™ interior basket with 20-year warranty
- Snow-white basket for fresh, clean look

Dryer

- Extra-large door opening for easy loading and unloading
- Reverse-A-Door for right or left hand installation
- New 6.0 and 7.0 cu. ft. capacity models
- Up-front lint filter

Products that are easy to rent, low in maintenance?

GE Washer



Quiet-Flo water inlet fills with sheet of water

Auto Balance Suspension System for superior out-of-balance performance

Steel Drive Transmission for durability

No-Scuff leveling legs made of durable plastic

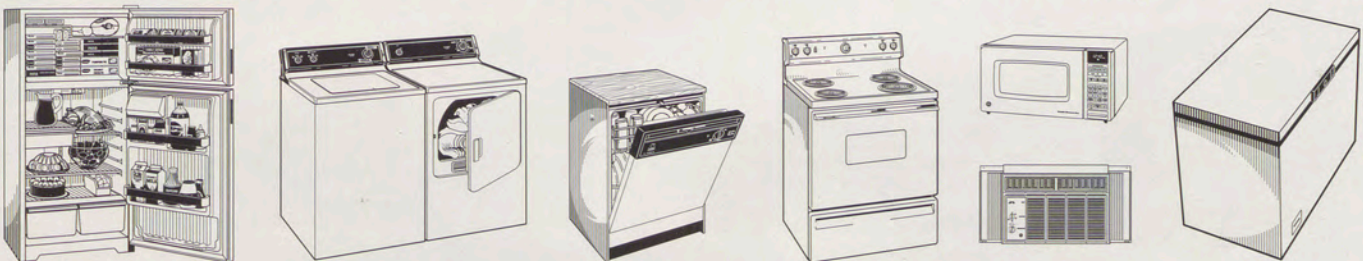
Super-Wide 1-1/2" opening with easy-to-use graphic wash cycle instructions under the lid

3.2 cu. ft. capacity largest ever

Newly designed transmission requires only 5 oz. transmission oil

Closed bottom with galvanized steel construction

GE and Hotpoint, the complete product lines for the Rental Purchase Industry.



For more information on our new laundry products, the complete product line, programs and distribution system, please call Andrew Liebert at 800-782-8093 or Bill Searce at 800-782-8097.



We bring good things to life

A WEALTH OF CHOICES

• On-Screen Menu Display • Auto Channel Search • Channel Labeling • Trilingual English/French/Spanish Menus •



All reflecting the product excellence that has made Zenith the first choice of millions of consumers. Excellence in a wide range of VCRs and Table, Console and Big Screen Color TVs in screen sizes, styles, finishes and features to please the most discriminating rental customer.



- Efficient Nationwide Distribution
- Quick Delivery and Service



WHEN YOU RENT, RENT THE BEST!



APRO
Charter Associate Member

Contact your local distributor or Norm Smith, Zenith Electronics Corporation, 1000 Milwaukee Avenue, Glenview, IL 60025 (708) 391-8231