

Sparkle up profits with jewelry • Electronic tax filing for easy profits • '96 Convention review

# PROGRESSIVE Rentals

The magazine of the rental-purchase industry • August/September 1996



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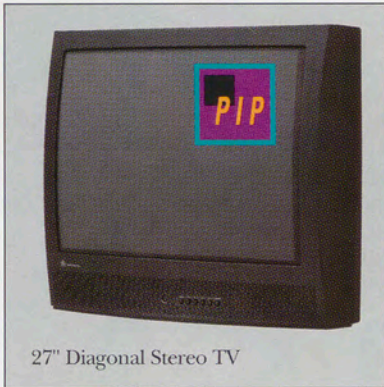
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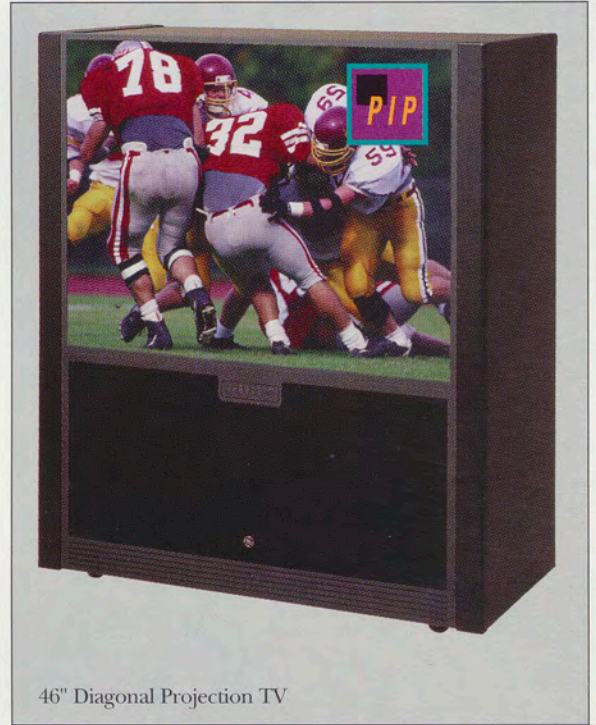
25" Diagonal XS® Stereo TV



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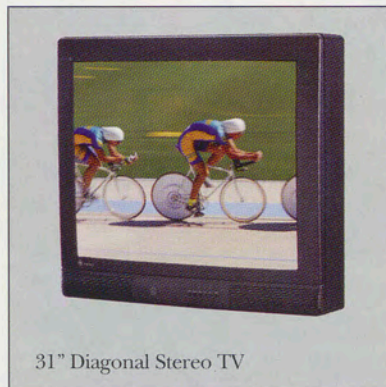
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# Contents

## features



### **APROactive! 16**

APRO has evolved and grown to a level where its members should be thinking about the next steps to take as an Association and as an industry. It's time to "walk the walk and talk the talk" to continue to draw respect and attention in order to protect the RTO industry's future. APRO Government Relations Director Ron Waters highlights what's ahead for APRO and the industry and how we can get there.



### **APRO Convention Parade 24**

APRO '96: Rollin' on the River packed in 1,400 participants during the Association's annual extravaganza in New Orleans. Barbara Stooksberry chronicles the special events, speakers, exhibits and entertainment that took place during the week of August 11-15. Also included are the winners of APRO's Rental Advertising Excellence Awards.



### **Sparkle Up Profits with Jewelry 30**

Jewelry has made an increasingly strong presence in the RTO product mix and is here to stay. Barbara Stooksberry takes a close look at some of the current debates, such as offering "live" jewelry or sample lines, what's hot in jewelry and how jewelry suppliers are taking special care of their RTO customers. Check out "Who's Who in Jewelry" and "Who's Who in Miscellaneous Products" in these pages.



### **The Paradoxes of Rental-Purchase 36**

Edward L. Winn III takes a curious look at the current paradoxes existing in the rental-purchase industry today. Find out why RTO dealers should be grateful to Henry B. Gonzalez, how keep rate matters to some, but not others and why the customer is finally always right, no matter what they say or do to the contrary.



### **Tax Season's Silver Lining: Electronic Tax Filing 42**

RTO dealers who haven't jumped on the electronic tax filing bandwagon should take a look at how it can not only increase customer counts, but also profits. Leroy Petz from Petz Enterprises Inc. reveals how easy it is to incorporate electronic tax filing into your store and how it can appeal to your customers and your bottom line.

## departments

### **News Break 4**

RTO dealers furnishing growth; Rent-A-Center to appeal ruling in Minnesota; RTOs behind the eight ball; Spending from record tax returns subsidizes; Winter markets are fast approaching; and more.

### **President's View 8**

APRO President Bill White shares his vision for the future of the Association.

### **RTO Perspective 10**

APRO Executive Director Bill Keese examines the dual makeup of APRO's membership and how this equal representation can work to everyone's advantage.

### **RTO Message 12**

Edward L. Winn III discusses the changing industry and its effect on the APRO board of directors.

### **RTO Operations 14**

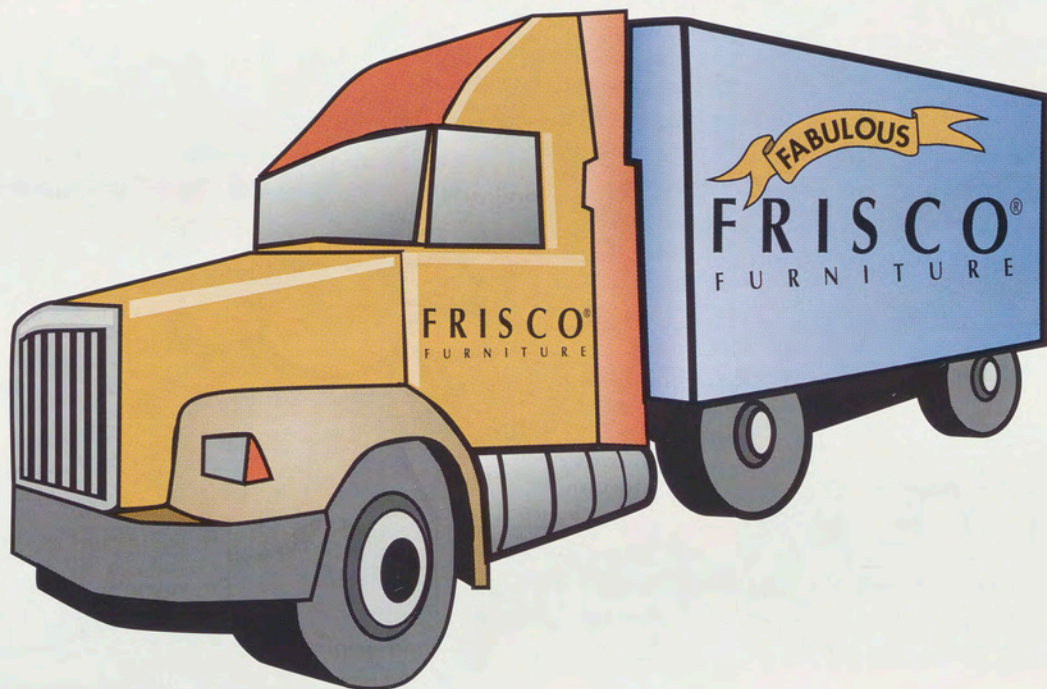
Reinventing your company doesn't require a degree from Harvard. All you need to do is take a good look at how your company's operation is organized, says columnist Bud Holladay.

### **Who's Who in Jewelry and Miscellaneous Products 34**

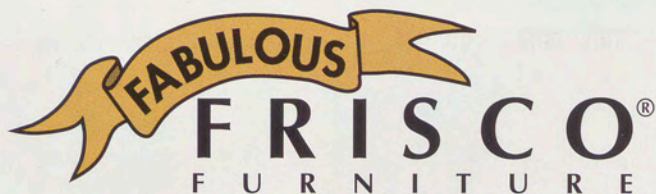
An annual listing of APRO associate members, advertisers and trade show exhibitors who supply jewelry and miscellaneous products and services to the RTO industry.

### **Cover illustration by A.J. Garces**

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## Wright assumes CEO duties at Foresight Inc.

Steve Owens, chairman of Foresight Inc., recently announced that Danny Wright, president and COO, will take on CEO responsibilities as Owens assumes his new duties as athletic director for the University of Oklahoma.

A Norman, Oklahoma-based company specializing in the marketing of consumer benefit packages to the rental-purchase industry, Foresight Inc. currently operates on a national level through more than 2,500 rental-purchase locations. Owens will remain as chairman of Foresight Inc. and will remain active in efforts toward rental-purchase legislation.

## RTO dealers furnishing growth

Rental-purchase companies are gaining a larger percentage of overall furniture industry sales as a result of declining sales in other segments of the industry, namely the furniture and department store segments.

According to the September 9 issue of *Furniture/Today*, furniture stores and department stores in the latter half of the 1970s cornered a combined 91 percent of the market. Today, the "Big Two" of furniture earn a combined total of only 84 percent of sales. RTO dealers constitute one segment of the furniture sales community that is picking up the slack, along with catalogers, warehouse clubs, home centers, discounters and office superstores.

Featured in the article as leaders of the RTO branch of furniture retailers were APRO members Ernie Talley and Charlie Loudermilk. Talley, chairman of Dallas-based Renters Choice, illustrates the gains rental-purchase dealers are making in this arena. Largely as a result of his Talley formula—picking a few excellent vendors and making them responsible for getting products to the stores on time—his Renters Choice stock soared to the top of the entire furniture industry last year. Self-made millionaire Loudermilk of Atlanta-based Aaron Rents has been accredited with the "choice blend of congeniality and leadership" that has helped his business succeed.

The new furniture players are operating on the assumption that consumers are eager for alternatives that will offer better values, quicker delivery and higher levels of service—all of which describe RTO dealers' special offerings and benefits.

On a field where the opposition has exploded to 60 players within the last 20 years, RTO dealers face a great deal of competition. Recording gains is the name of the game, though, and rental-purchase dealers are racking them up.

### PUBLICLY TRADED RTO STOCKS

RTO Company	Symbol	9/20 price	52-week high	P/E
AaronRents A	ARONA	13 <sup>3</sup> / <sub>4</sub>	16 <sup>1</sup> / <sub>4</sub>	13 <sup>8</sup> / <sub>10</sub>
AaronRents B	ARON	13	15	13
Alrengo	RNCO	21	23 <sup>3</sup> / <sub>4</sub>	18 <sup>4</sup> / <sub>10</sub>
Rent a Center	THRNY	23 <sup>1</sup> / <sub>4</sub>	25	NA
Renters Choice	RCH	18 <sup>3</sup> / <sub>4</sub>	28 <sup>3</sup> / <sub>4</sub>	19 <sup>9</sup> / <sub>10</sub>
Rent-Way	RWAY	13	15 <sup>5</sup> / <sub>8</sub>	21 <sup>7</sup> / <sub>10</sub>

## Spending from record tax returns subsidizes

After a bump up in buying due in part to record average tax returns, Americans seem to have returned to their cautious spending patterns of the past year, according to America's Research Group.

The National Furniture Buying Index slid 1 point this month, due to slackening interest in buyers for major ticket items. The July reading of 68 marks the ninth consecutive month the Index has remained under 70, a point usually associated with good consumer buying intentions.

"Consumers are serious about their financial future and savings/investments continue to attract a large part of disposable dollars..." says Britt Beemer, chairman of America's Research Group, "...removing those dollars from retail coffers for quite some time."

On the bright side for RTO dealers, "other categories, such as home improvement stores and appliance and electronic retailers, are up strongly," says Beemer. "Those retailers enjoying any success in this environment are offering their customers a better value. People don't want low prices on low-quality merchandise. They want great prices on good products," he says.

## RTOs behind the eight ball

Billiards are booming, according to The Billiard & Bowling Institute of America. With a 20 percent increase in the number of players since 1987, perhaps more RTO dealers need to look into adding a pool table or two to their ever-growing collection of product. Pool and billiards have become the fifth most popular sports activity, with more than 46.9 million participants, says the Sporting Goods Manufacturers Association.

The demographics of the pool-playing population complement the growing RTO customer base. For example, 33.1 percent of active billiards players earn less than \$25,000, 33.3 percent earn in the \$25,000 to \$49,999 range and the average income of an active billiards/pool player is \$42,100. Men make up 64 percent of active players vs. women at 36 percent. And adults age 18-34 years account for 48 percent of the player population.

An RTO store in the Midwest charged \$22.99 per week for 91 weeks for its two billiard tables and the tables left the store immediately and did not come back. The wholesale price range of a Brunswick Pioneer non-slate pool table, for example, is \$470 to \$540 (excluding freight) and depending on table size. A basic play package (balls, cues, etc.) costs approximately \$85.

For more information on Brunswick Billiards, contact Jeff Vlasak at 414/857-7374.

## DeLorey duo joins Global Jewelry

Long-time RTO industry associates Paul and Linda DeLorey have announced their new affiliation with Global Jewelry Manufacturing Inc. of Hollywood, Florida.

The husband/wife team hopes to take its sales, marketing and risk management skills directly to RTO stores by offering a quality sample jewelry program from Global at each location and by addressing each store's unique market for jewelry products.

The DeLoreys, former sales associates for Avant Inc., introduced the RTO industry to the concept of using photo identification systems as risk management tools. By taking low-cost photos of customers for record keeping and for "VIP Customer" cards, RTO locations can successfully identify customers when making pickups and recoveries. This system is now recognized by some insurance companies as a true risk management system that allows for a discount on the "skip" portion of a store's insurance premium.

Lloyd Goradesky, president of Global Jewelry Manufacturing Inc., said the DeLorey's "positive spirit and integrity exemplify the future of Global Jewelry and the RTO industry."

## Rent-A-Center vows to continue "legal" war in Minnesota

Thorn Americas Inc. is seeking to appeal a district court ruling that subjects all of Rent-A-Center's rental-purchase transactions to Minnesota's consumer credit legislation.

On September 6, the U.S. Court of Appeals for the Eighth Circuit affirmed the partial summary judgment of the Minnesota District Court in *Fogie v. Thorn Americas Inc.*, which stated that Rent-A-Center could not continue to do business in Minnesota without complying with the state usury statute of 6 percent or 8 percent. The court specifically held that the disclosed amount of "cost of leased services" (the difference between the total rental-purchase price and the cash sale price) was all interest. In so ruling, the court denied Rent-A-Center's arguments concerning the value of terminability, delivery, repair and other aspects of the rental transaction.

The court's ruling was largely based on a previous Minnesota Supreme Court case which held that rental-purchase transactions were consumer credit sales under state law for all purposes. However, 44 states in the United States distinguish rental-purchase transactions from consumer credit transactions and treat them as leases for state law purposes.

While pursuing the appeal, Thorn, which operates in 17 countries and has over 1,300 stores in the United States outside of Minnesota, will offer only rent-to-rent agreements in that state.

## Winter markets are fast approaching...

by Shelley Martinek, CMP

### With the APRO 1996 Convention & Trade Show now a pleasant memory, plans for the winter markets are next on the agenda of many rental dealers.

As always, APRO will keep you posted on dates and registration information for these markets as well as APRO's participation in these shows. Coming up first is the High Point Furniture Market to be held October 17-25. APRO Marketing Director Cindy Ganther and Membership Director Carolyn Fitzsimmons will be manning the association's booth in the Bushline showroom, Suite 612, of the Furniture Plaza Building. Bushline will host a wine and cheese hospitality just for rental-purchase dealers attending the market on Friday, October 18, from 5-7 p.m. For information on registration, call 910/888-3700.

Next up is the Atlanta Furniture Market, to be held January 8-17, 1997. APRO will not be attending this event. For information on registration, call 800/329-0100.

The 1997 Winter Consumer Electronics Show will be held in Las Vegas January 9-12. APRO will again have a booth in the lobby of the convention center and Paramount Home Theater will host a hospitality gathering at Bally's on Friday, January 10. For registration information, call 202/457-8700.

The Dallas Furniture Market will be held January 11-14. APRO will not be attending. Registration information is available by calling 800/325-6587.

The final January market will be the San Francisco Furniture Mart, January 17-21. B&D Sales will host a hospitality on Saturday, January 18. Registration information is available by calling 415/552-2311.

Upcoming dates to watch for in February include the APRO Legislative Conference in Washington, D.C. (date to be announced). Also, the Tupelo Furniture Market will be held February 20-23. Benchcraft will again host a special hospitality including dinner and music for all RTO dealers attending the market on Friday, February 21, at the Benchcraft Showroom. For information on the Tupelo Furniture Market call (601) 844-1473.

You may want to mark your calendar for these other dates in 1997:

April (tba)

April 10-18

May 15-18

June 2-5

June 28-July 1

July 10-13

July 18-22

August 11-15

August 21-24

October 16-24

APRO Mid-Year Conference

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Dallas Furniture Market

Atlanta Furniture Market

San Francisco Furniture Mart

APRO '97 Rally at Ballys!

Annual Convention & Trade Show

Tupelo Furniture Market

High Point Furniture Market

We hope to see you as we tour some of the markets across the country.

## TRIB membership growing strong

John Blair of The Rental Industry Buying Group reports that TRIB membership has grown to 95 members representing 1,547 stores. Blair says that four new members representing 110 stores joined during the APRO Convention in August in New Orleans.

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## A tribute to RTO pioneer John Paul Parsons

By KEITH BROWN

The rental-purchase industry lost a true pioneer and benefactor with the death of John Paul Parsons in August. When you think of rental purchase pioneers, names like Simms, Carnie, Calendar, Holladay and Talley come to mind. With only one exception in this list, all either worked for or partnered with Parsons when they began their own careers in the rental-purchase industry.

Raised in Nashville, Parsons, like most of his rental-purchase contemporaries, moved to the rental-purchase Mecca of Wichita, Kansas, in his mid-20s.

In 1955, Parsons and his younger brother, George, started their first business: the Southern Kansas Appliance Service Company. In 1957, they formed a new corporation to handle sales of appliances called ABC Appliance. The business advanced at such a pace that they soon outgrew their location and moved to a much larger facility. The business continued until the 1960s, when sales began to decline.

What caused the decline was the tightening of consumer credit. Retail businesses using third-party financing began to suffer. As a result, Parsons hit the streets looking for a new source of financing for customers, but none could be found. Realizing that he and his brother didn't have the resources to carry consumer paper, they decided to sell out.

While preparing to close the store, Parsons walked back into his warehouse and realized a way out of his dilemma. For years, the store had been taking trade-ins when they sold a new appliance. Generally, the trade-ins were robbed for good parts, but many only needed minor repairs. That night, Parsons repaired four refrigerators and two pairs of washers and dryers. The next day, he advised his brother of his idea: any customer who couldn't be financed would be offered a good used appliance that could either be rented or bought by paying in weekly or monthly installments.

The rental-purchase concept caught on like wildfire and the Parsons stayed in business. By 1965, rental income was twice that of

sales income. Parsons decided to take on partners and opened stores around Kansas, in Oklahoma and Texas.



After separating from his partners in 1970, Parsons kept stores in Oklahoma and Texas and hired Bud Holladay to take over the company's operational needs while Parsons handled all the financial details. Meanwhile, the rental-purchase industry grew at such a pace that many people entering the industry were untrained, uninformed

and some were just downright dishonest and drew negative publicity.

Parsons and Holladay knew the industry could disappear as fast as it had developed if the bad operators were not weeded out and their replacements better trained. With Parsons's support, Holladay started talking to other long-time rental-purchase business owners and they all agreed that a trade association be started to protect the integrity of the industry. That is how the Association of Progressive Rental Owners got its start.

Several years later, Parsons and Holladay realized the days of keeping large inventories, tracking customer demographics and controlling large sums of money on paper was very risky. Only the largest rental-purchase dealers could afford their own custom software program. A group of young men from Wichita approached Parsons about funding their new computer software company. After several meetings and a handshake, Parsons agreed to lend the company \$50,000 to start. Today, the company—called High Touch—services more independent dealers than any other rental-purchase software company in the country.

It is accomplishments like these that made Parsons indispensable to this industry. Although he kept a low profile, he was a strong proponent of the rental-purchase industry and the millions of customers the industry serves. We will all be reminded daily of the legacy Parsons left behind.

*Keith Brown is president of ABC Rentals of San Antonio Inc.*



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**Looking back on the past year and the continuing evolution of our industry, I see that predictions shared by many of my peers have been right on target.**

**The trends toward consolidation and rental-purchase companies going public have continued. I consider these positive signs of a maturing industry.**

I want to thank the membership and the APRO board of directors for re-electing me to another term on the board and one last year as your president. The past year has been one of subtle, yet important, change. I expect this next year to be a continuation of this change in both our industry and in our Association; a change that will have profound impact on us all.

We are a young, but maturing industry. APRO, too, is a young and maturing association. I'm not going to dwell on the past for we all know how far we have come and what we have accomplished by working together.

I will attempt to describe a vision of the future that I believe is well within our grasp. It's a future of expanding opportunities for all of us, no matter how many stores we have or what part of the country we serve.

People who study our industry conclude that we have penetrated only among 8 percent to 15 percent of our potential customer base. If this is true, and I have no reason to doubt the accuracy of these estimates, this opens the door for tremendous growth. We must ask ourselves how we can grow and improve our businesses in order to capture the millions of

potential customers who have never tried the benefits of rent-to-own.

Two rental dealers come to my mind as forward thinking RTO professionals having the vision to expand the attractiveness of RTO to people not yet knowledgeable about our transaction. In keeping with a time honored tradition with APRO, I awarded the Rental Dealer of the Year to John Cleek of Missouri and the President's Award to Ernie Lewallen of Ohio.

John built his family-oriented business on the highest of ethical standards. If ever a customer has a problem at Cleek's, John, his son or the well-trained and motivated staff ensures the problem is resolved to the customer's satisfaction. John's philosophy is to put the customer first. He is also an RTO dealer who gives back to his community and industry over and over again.

A graduate of the University of Missouri, everyone respects John and calls him "Tiger." While taking a very low profile in the RTO community, John has built a solid reputation as always willing to help promote the industry in his community, his state and in Washington, D.C. He once attended a

Missouri State Extension Service meeting. Attending economists came to criticize the industry. When the meeting was over, they thanked him for enlightening them on the very real, positive benefits of rent-to-own.

Ernie received the President's Award for Excellence this year. He and his partner, Ken Bales, built their business on the premise that their customers deserve the best service and products in the most respectful manner possible. He was one of the first in the industry to believe that improving the industry's image would improve business. Ernie brought enthusiasm and drive to APRO's public relations committee and endured some pretty tough times. With shrewdness, and sometimes hard-headedness, he has developed our first offensive public relations plan designed to tell America about the benefits of RTO.

There are, of course, many other rental dealers across America with whom I am proud to proclaim as fellow businessmen and women. John and Ernie symbolize what this industry is and what they envision it can be. We must never be satisfied with the quality of customer service we provide. We can always do better. We must.

Many years ago when I got into RTO, I pledged to myself that I would treat my customers as I wanted to be treated. My vision for the future is that all of us, from account manager to owner, live our business lives by this simple rule. If we do, we feel better about ourselves and so will more and more Americans.

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

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\*CES is open to members of the trade only. Attendees must be at least 18 years of age.



**Our 16th annual convention can now be recorded in APRO's annals of history.**

**Everyone enjoyed the seminars, the general session, the trade show and, of course, the parties. The membership elected a new board of directors and the directors elected a new executive committee.**

I want to thank outgoing board members Wayne Chambers, Chris Korst and Bob Simons for their many years of dedication to and hard work for this Association and the industry. These three men have made a positive difference in rental-purchase.

I also want to thank my staff for another job well done. A successful convention and trade show doesn't just happen. It takes a year's worth of teamwork and planning to ensure our members get the best show around.

This was my eighth convention as your executive director. Thinking back over the years, each convention has had its own personality. This one was no exception. Unlike any of the other shows, however, this one was unique as there was a noticeable undercurrent of apprehension and suspicion.

We are all aware of the rapid consolidation of

stores during the past two or three years. This consolidation intensified with the rise of the publicly traded companies in RTO. A few companies are buying stores and/or whole companies in their quest for growth. The industry and, therefore, the demographics of the Association is changing.

Several RTO dealers from various size companies are apprehensive and even suspicious of these events. Some believe that one day there will be only a handful of RTO companies in the country, while others fear that the big companies will take control of the Association and run it to the detriment of the smaller companies.

Let's examine these scenarios.

First, how likely is it that a few companies will dominate the industry to such an extent that there is no profitable room for smaller companies? I believe our industry is only unique in the transaction we offer the customer. I also believe the development of the rental-purchase industry is following a similar growth pattern as other service-oriented industries. It is, therefore, interesting to study the cycle of development of older, more advanced industries. Since I was involved in the restaurant industry before joining APRO, allow me to chronicle the recent history of that industry's development.

The food service industry, like rental-purchase, is a customer-driven service industry. The growth of McDonald's, Wendy's, Burger King and other national chains with large advertising budgets and immense buying power has not obliterated either the mom-and-pop or the regional chain restaurants. The exponential growth of these national, publicly traded restaurant chains has expanded the customer base for everyone. I believe the same results will also occur over time in our industry. The growth of well-financed, national companies will result in increased

values for all restaurants. We see that happening today in RTO.

Will the big companies take control of APRO and use the Association for their purposes and against the best interests of the smaller RTO dealer? The only logical answer to this question is no, never, no way.

Let's continue the food service analogy a little further. The National Restaurant Association's membership is comprised of both big and small, publicly traded and privately owned restaurants. There are vastly more small, privately owned restaurants than there are large, publicly owned restaurant chains. That, too, is and will always be the demographic mix of the RTO industry. The NRA board of directors is also representative of its diverse membership.

The composition of the APRO board of directors has successfully been made up of the large, medium and small RTO companies. Every APRO member, whether from a large-, small- or medium-size company, has one vote at the annual convention. The democratic process will always ensure an equal composition of leadership.

The main goal of our industry is to be unified in purpose. We must never divert from our common goals because of a rise in paranoia or other, irrational "boogey men." What is good for one is good for all—ethical behavior toward our customers, expansion of the potential customer base and increased professionalism on all levels. This is what this Association is and always has been about. APRO, your Association, will always be responsive to the needs of all its members. That is our mission.

Just because we have fewer external enemies to battle doesn't mean we should turn on and devour ourselves over perceived, not real, enemies.

*Bill Keese is APRO's executive director.*

**STORE MANAGERS**

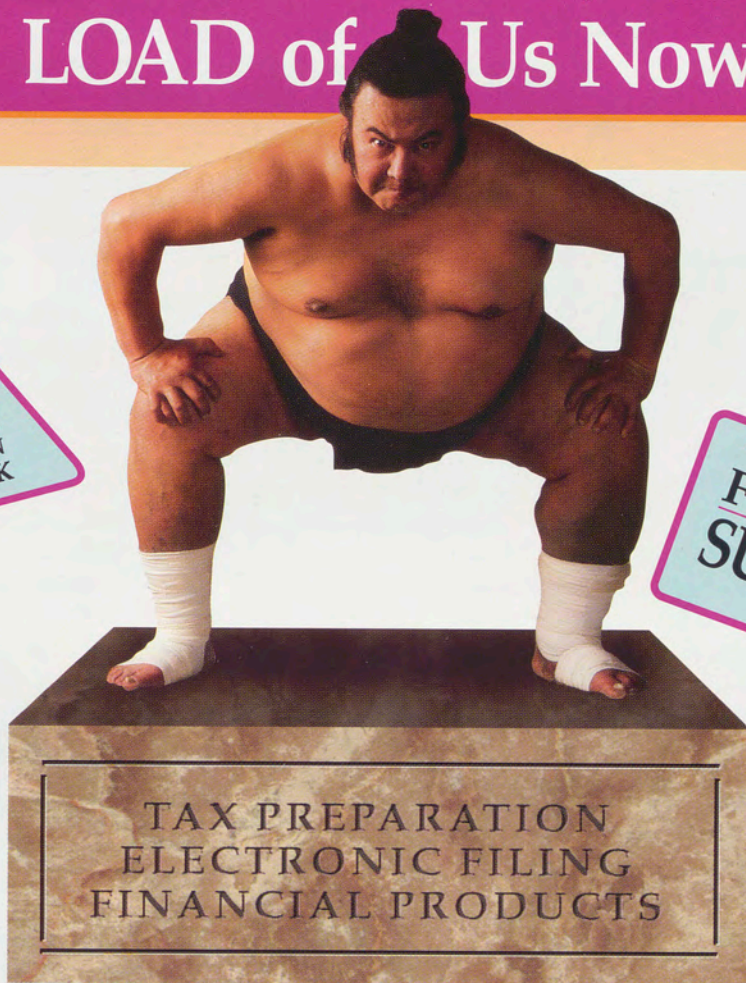
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**APRO** Associate Member since 1996



**For the first time since APRO's inception in 1980, Rent-A-Center does not have a representative on the APRO board of directors.**

**In 1980, Tom Devlin, who at the time owned seven Mid-America Leasing stores, was on the original board.**

In 1983, when Tom headed up the fast-growing Rent-A-Center, he stood up at the general session, carefully explained that he was an increasingly busy man, did not have time necessary to devote to Association matters and respectfully requested that the membership elect his new general counsel, Dave Egan, in his stead, which it did.

Dave Egan served a lengthy and illustrious term on the APRO board during a period of time when his company went public—the first rental-purchase chain to do so—and was later purchased and taken private by the British conglomerate, Thorn-EMI, PLC. Egan served as the original chairman of the APRO Government Relations Committee and was instrumental in developing the strategy of organizing dealers into state associations and of lobbying actively to get fair state rental-purchase statutes enacted.

As Rent-A-Center grew, and along with it the Rent-A-Center legal department, Egan needed to hand-off his Association responsibilities to his young and energetic protege, Chris Korst, in 1992. Korst was already known to many dealers because of his active involvement in several state legislative efforts. Once again, Rent-A-Center, through Egan, requested an orderly transfer of authority and responsibility to another and the membership responded by electing Korst to the board as Rent-A-Center's representative.

Like Egan, Chris Korst enjoyed a lengthy and noteworthy tenure on the APRO board and as chairman of the APRO Government Relations Committee. During Korst's tenure on the APRO board, Rent-A-Center grew from 700 to 1,400 stores and at the same time, the

number of states with safe-harbor rental-purchase legislation grew from 25 to 44.

During the time Egan and Korst served on the APRO board, in addition to paying its dues and Team fund contributions, Rent-A-Center also absorbed the costs of sending its staff, lawyers and others, on the road for extended periods to help organize state rental-purchase dealers and to work in state capitals on legislative efforts.

As Rent-A-Center became the monolith in the industry, the tension that has always existed between the "little guys" and the "big guys" in the industry became exacerbated. Other board members worked hard to insure that Rent-A-Center had a voice in the Association without becoming the voice of the Association. It was a balance delicately struck and not always easy to maintain.

Fortunately, the overall goal of both the "little guys" and the "big guys" in the late '80s and early '90s—to push an aggressive legislative agenda at the state and federal level to create a safe legal harbor for the rental-purchase industry—was the same. Otherwise, it is doubtful that the balance would have held.

Most recently, there has been a changing of the guard at Rent-A-Center. The former Chairman and CEO Bud Gates stepped down and was replaced by John Isaacs. Dave Egan retired as general counsel and was replaced by J. Keifer. Historically, all Association matters have gone through the legal department at Rent-A-Center. Since the days of Tom Devlin in the early '80s, there has been little interaction between APRO and others on the Rent-A-Center management team besides the legal department, in part because of the many services APRO

offers to rental dealers, the legal/political agenda has been Rent-A-Center's primary, if not only, Association concern.

Under the new regime, there is some evidence that the relationship may change for the better. CEO Isaacs and several members of his management team attended the APRO convention in New Orleans and stayed several days. Previously, Rent-A-Center management had been noticeably absent from all APRO functions, except for a brief appearance in 1993 by Bud Gates, when he addressed the membership about fund-raising. It is no surprise that the new people at Rent-A-Center would take an interest in APRO. They did not, after all, grow up either with the company or the Association and doubtlessly wanted to learn not only all they can about their new company, but also the industry in which it operates. APRO staff and some board members have been surprised and pleased at the openness of the new regime at Rent-A-Center toward APRO.

This new attitude at Rent-A-Center makes it all the more unfortunate that, suddenly, no one from that company is on the board. In a word, APRO and Rent-A-Center need one another. APRO is less effective as the voice of the industry if it does not speak also for the billion-dollar industry giant which owns 18 percent to 20 percent of the industry today. Likewise, Rent-A-Center can well use the insulation that an industry trade association provides in matters legislative and political. As APRO's general counsel, I need to know what Rent-A-Center thinks about what the Association is doing or intends to do. Rent-A-Center did not get where it is because it was lucky. There are some bright people in that company and

however uncomfortable it may make some of us feel, we all can and do learn from Rent-A-Center.

I hope that the board elections, which incidentally put some good, creative new blood in the organization, by not electing the Rent-A-Center candidate was due more to bad timing, lack of name recognition of a new person in the industry and aggressive and effective campaigning by those who did get elected, than to some short-sighted poke at the "big guy" by the "little guys." Even without the immediate threat of extinction from Henry Gonzalez, the IRS or some other source, we have important work to accomplish legislatively and in public relations.

APRO could survive without Rent-A-Center's money or input, but it could not speak with as loud a voice for this industry. And it could not move as far as we all want it to down the road toward making this business better for everyone in it.

I am sure that Rent-A-Center is disappointed that it does not have a representative on the APRO board for the first time in 16 years. I am disappointed, too. Rent-A-Center, incidentally, has asked for no special dispensation, nor has it been offered any.

The fact is that board votes matter. I expect Rent-A-Center will still share what is on its mind with APRO, but I still wish that someone from that company was at the APRO board table. The membership has spoken and, fundamentally, I trust the judgment of that body. I sure hope that they, you, voted for the right reasons and not the wrong ones.

*Edward L. Winn III is APRO's general counsel.*

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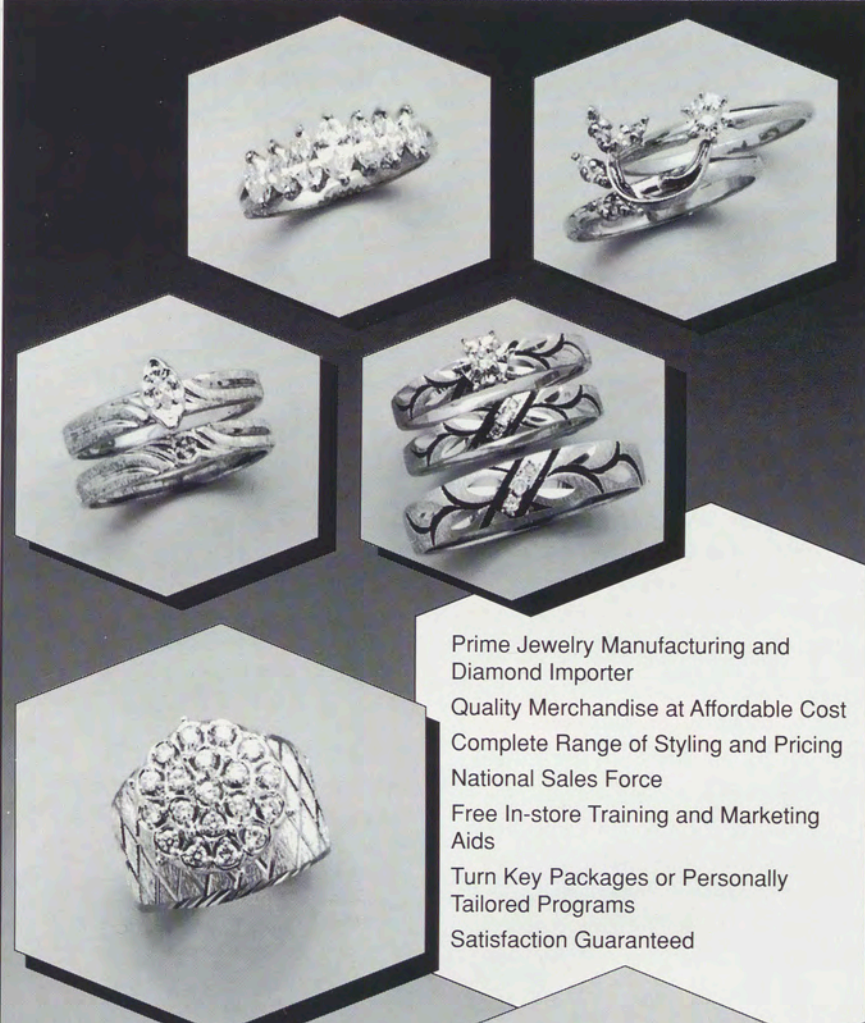
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**Imagine how history might have turned out if, instead of forming armies and strategies, nations had simply thrown ordinary citizens into battle with whatever weapons and training they already happened to have and then sat around waiting for the results.**

**(Actually, the French tried this around 1940 and found it didn't work at all.)**

Businesses, like nations, have learned that systematic organization leads to a more acceptable outcome. Being successful in the rental-purchase business is at least partly dependent on management's ability to collect and analyze vast amounts of ever-changing information and then act on it to change the outcome of events—sometimes in the same day. Doing all that right requires a fair amount of organization of both effort and information.

So it remains a puzzle why some managers continue to resist the very thing that ensures success. To some, organizing means posting work schedules and rotating housekeeping chores.

Others, in their zeal to reinvent the company, too easily confuse fleeting managing trends touting Organization (the process) with clear thinking (plain, old organization with a small 'o').

Anybody can order up "the process" from a university or think tank and spend months laboring under a rigorous discipline that includes everything from role-playing to psychometric graphing.

But the obtuse relationship of such programs to the kind of work usually done in rental stores often bends one's thinking to the point that just getting through the program becomes the goal. Then everybody can put their books away and get back to work.

It takes clear thinking to solve a company's deepest problems or to point an already successful company in a new and necessary direction. That usually involves painful reflection on the talents, contributions and relationships of everybody involved, along with ownership's financial and emotional commitment to change.

A company beset by shrinking revenues and non-existent margins often decides to make things better by making them different.

District managers become corporate coordinators, the general manager becomes an employee development director and store managers become associates. And so on.

The trouble is, everybody continues doing the same things in much the same way. Instead of managers identifying the real problems and setting objectives that can be reached through diligent pursuit of well-defined strategies, they stick new labels on old boxes and then get frustrated when nothing gets better.

Finally, one day some official or other says the company has to "get organized."

Look up "organize" in most dictionaries and you will find definitions ranging from "arrange in an orderly way" to "make into a whole with unified and coherent relationships."

One even says that to organize is to "provide with an organic structure."

More basic in its outlook, *Webster's New World Dictionary* defines organizing as work "done to join in some common cause."

Organizing with the small "o" can work in any rental-purchase operation. It requires only common sense and clear thinking about what these definitions really mean in the real world that you and I inhabit.

First, you arrange the work in an orderly way by laying out clear lines of authority and accountability. A simple organizational chart lets everybody know who is in charge and written job descriptions describe what it is they are expected to produce, monitor or maintain.

The kind of rules you set (policy) and the lines of communication that you establish create unified and coherent relationships. Nobody gets shut out. Nobody has a different agenda because of politics, family ties or personal gain. Nobody's afraid to report bad news or question a decision that doesn't pass the smell test just because somebody higher up in the

organization made it.

Just as important is making sure the cult of personality is dead. That hotshot general manager who swears the troops to blood oaths, works 18-hour days and has an agenda nobody else understands may turn out great numbers now, but what happens when she jumps ship?

Coherent relationships mean jobs are logically connected and lead to the desired effect. The owner hires smart people with good skills, puts them in the right job and rewards them for their contributions.

People don't have to like each other, but it helps immeasurably when they respect each others' talents or contributions to the joint effort (the "common cause"). They cannot do this unless they understand what is supposed to happen and what the outcome must be.

Creating an organized structure means that jobs and plans can be changed as needed because the company is a living, breathing entity that can shift gears and adapt to take advantage of opportunities and overcome setbacks.

It also means each job can be changed when it becomes redundant or outdated. To make this work, management has to get out and see the operation firsthand and talk to the folks who do things. Management has to know the business.

Finally, you allow employees to join in a common cause by getting the word out about what is going to happen and why. Every communication with workers and every contact with customers has to reinforce the organization's promise. That promise is what the organization tells itself and its workers that it will do. Otherwise, both the promise and the organization itself are just static plans gathering dust.

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

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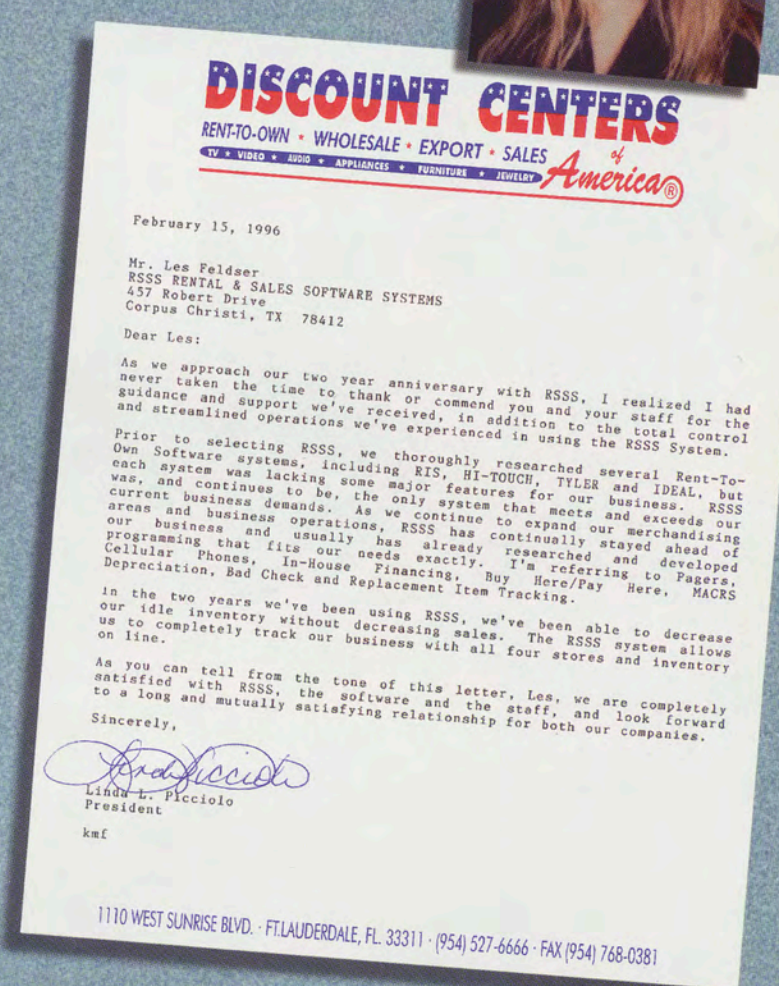
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BY RON WATERS

ILLUSTRATION BY A.J. GARCES

## SETTING THE STAGE FOR POLITICAL SUCCESS

When people from the same industry get together and form a trade association, that organization takes on a life of its own, much like a new business takes on a different life from any previous business of which you were part. APRO has had a life of its own now for more than 16 years, long enough for its members to start preparing and planning for the future, much like concerned parents would do for their own budding teenager.

APRO has evolved and grown to a level where we should be thinking about the next stage of our life as an Association and as an industry. Perhaps we are still just teenagers, still a little awkward and lanky of frame with plenty of room to grow into the clothes we are currently wearing. However, it is not too soon to be thinking about the next phase of the Association's life—our future—and with election season upon us, it is now time to pick out some new tools to help us do the work that lies ahead.

This is not to say that we haven't done some pretty mature things for a teenager: we have made major accomplishments that should be the envy of our association peers and political players nationwide. An ancient Chinese philosopher said, "Even small power, used correctly, can achieve great success." I believe that statement largely summarizes and explains the status of APRO's government relations program to date.

For example, in less than 15 years we have created a grid of state laws across this country that provide a safe legal harbor for any and all who choose to sail under the rental-purchase banner. I don't know of any other industry that can make such a claim.

What we have accomplished so far in our young association life, we have done on a "song and dance" or on our good looks, so to speak,

with actually very little real power behind us. While we achieved some impressive political victories that caught the attention of our elders in the established business and political community, it isn't time to rest on our laurels. We must now "walk the walk and talk the talk" to continue to draw respect and attention in order to protect our industry's future.

## A CALL TO ACTION

What this translates to is turning a reactive government relations program into a proactive program. What may have impressed our elders at first—the energy and zeal with which we defended the interests of our industry across the country—is bound to become tiresome and lackluster if we keep doing it "on the run" for too long. If we do not take our political and legislative program to the next level, we run the risk of gaining a reputation for being immature and unsophisticated. And more than just our reputation is at stake.

What's at stake are our businesses and our children's inheritance, as well as our future as an Association. Just because we built this state legislative grid of safe harbor laws doesn't mean we couldn't lose it all overnight if the federal government passes a law that preempts or overturns state laws.

Only 20 seats in the U.S. House of Representatives need to change parties before our federal foe Henry B. Gonzalez is eligible to reassume his chairman's gavel and come after us with a vengeance. Even if we rally around the flag one more time and successfully defend ourselves from his legislative attacks, at best all we have is an Association adept at good defense. This time, however, we will find ourselves playing defense not only in the federal arena, but also in the very state arenas in which we have been so successful.

Legislative opponents are not going to fade away just because a law

# APRO's political candidate endorsement criteria

Supporting a candidate is a personal choice. For APRO, its endorsement policy remains simple. Primarily due to its relatively small PAC fund and no formal criteria for evaluating candidates without a public record, APRO currently applies what is commonly called the "friendly incumbent rule."

Those members of Congress who signed the Three-Year MACRS depreciation amendment letter and those who co-sponsored H.R. 2820 meet the official criteria for endorsement by APRO. APRO asks that your first priority for any election support be given to the following list of candidates. These candidates have helped the industry and now we should help them. The asterisk (\*) indicates that the congressman officially helped the industry in the last session as well.

## The Rental-Purchase Industry's 1996 Congressional Endorsement List

Tim Hutchinson (R-AR)*	James Talent (R-MO)
Jay Dickey (R-AR)*	Roscoe Bartlett (R-MD)*
Calvin Dooley (D-CA)*	Benjamin Cardin (D-MD)
Frank Riggs (R-CA)	Gary Ackerman (D-NY)*
Clifford Stearns (R-FL)	Eliot Engel (D-NY)*
John Mica (R-FL) (Signature)	J.C. Watts (R-OK) - Author
Bill McCollum (R-FL)*	Deborah Pryce (R-OH)*
John Linder (R-GA) (Signature)	Robert Ney (R-OH)
Mac Collins (R-GA) (Signature)	Phil English (R-PA) (Signature)
Helen Chenoweth (R-ID)	Sam Johnson (R-TX) (Signature)
Sam Brownback (R-KS)	John Duncan, Jr. (R-TN) (Signature)
Todd Tiahrt (R-KS)	Zach Wamp (R-TN) (Signature)
Pat Roberts (R-KS)	Van Hilleary (R-TN)
Jim McCrery (R-LA) (Signature)*	James Quillen (R-TN)
Richard Baker (R-LA)	George Nethercutt (R-WA)
Fred Upton (R-MI)*	Mark Neumann (R-WI)
Bill Emerson (R-MO)*	

## Other publicly committed congressional supporters

(signed letters of support for Three-Year MACRS) are as follows:

Charles Canady (R-FL)*	Mike Parker (D-MS)
Phil Crane (R-IL)	John Ensign (R-NV)
Andrew Jacobs (D-IN)	Dick Zimmer (R-NJ)
Tim Roemer (D-IN)	Amo Houghton (R-NY)
John Hostettler (R-IN)	Charlie Rose (D-NC)
Mark Souder (R-IN)	Rob Portman (R-OH)*
James Traficant (D-OH)	Paul Gillmor (R-OH)
Dave Camp (R-MI)	Jennifer Dunn (R-WA)

*There were several U.S. Senators who were supportive of APRO's legislative agenda, i.e. Shelby, Conrad, Breaux and Johnston, but none are up for re-election this year.*

was passed in their state that provides a safe harbor. If we turn our backs on the state legislative process, these opponents will pounce on the industry with legislative amendments that will sink our boats a lot quicker than it took to build them. Until we take APRO's government relations program to the level where we control and define our legislative destiny, we can only survive—not thrive—as an Association. Now is the time to take that next step.

APRO and its members across the nation must become even more involved in the political process at both the federal and state levels. The industry must raise its collective profile this fall during the presidential and congressional campaigns. Members must also get more involved in state legislative elections, something we have been sorely remiss in doing even as we succeeded legislatively in most states. Even friendly incumbent state legislators who helped our industry during the state legislative process have not really been supported financially or through our volunteer efforts. We can only get by so long on our good looks and the righteousness of our cause.

## LAYING THE GROUNDWORK FOR SUCCESS

How do we get to this next level of political involvement? Where do we start? What do we need to do? Nationally, APRO government relations leaders must begin to shift a more broad-based political program into gear—a program designed to maintain the legislative gains of the past decade even as we continue to finish building the state and federal network. Some call this the "piling it higher and deeper" phase of construction, but whatever you call it, it means becoming more entrenched in the political process.

State RTO associations and individual members need to step up to the plate and start a political action committee to raise funds (see sidebar on steps to take to set up a PAC in your state) to give collectively to at least those friendly incumbents who supported the industry in the past. Individual members in each state need to choose a worthy candidate running for the state legislature in their district and contribute to his or her campaign. These same dealers also need to take the time to figure out which candidate from their district deserves their support, call up that candidate's campaign office, introduce themselves over the phone (if not personally attending a campaign event) and offer a big

screen television for an election night victory party.

While you are making the offer of financial help, invite the candidate to visit your store in the district in order to meet your employees (who are potential supporters and voters) and get to know your business. And here's the beauty of making this offer now: you don't want a thing in return for your support but good government! And if you succeed in befriending a candidate who wins an election or re-election this fall, you may find yourself getting a call from this representative during the next legislative session. Do not panic or decline the call just because your first thought is that this individual probably wants more money. Most legislatures ban soliciting contributions during sessions. Most likely, he or she is calling to seek your advice on some piece of legislation that might affect your business.

Every state RTO association and every APRO member needs to repeat the above actions again at the federal level. Remember, there are two governments that try to control our lives, not just one. Some people get state legislators and federal congressmen confused

with one another, which is easy to do since everyone has a state representative, state senator, federal representative and federal senator. Take the time to know which one is which. While most state representatives and

legislatures, most state and federal courts and even the IRS recognize the rental-purchase transaction legally (the same way our customers have from the beginning), we must continue to broaden and deepen our reach

## ***State RTO associations and individual members need to step up to the plate and start a political action committee to raise funds.***

senators don't mind being mistakenly promoted to Congress (maybe that's not so true these days given the reputation of Congress), it does let them know you are a political neophyte and, let's face it, there are many politicians out there looking for any excuse to dismiss your request, confident you aren't sophisticated enough to retaliate.

### **MEETING THE CHALLENGE**

Now that we have the attention of the legislative and business establishment in this country by successfully pushing a majority of state

into the business and political communities or risk losing all we have accomplished.

I challenge each state rental-purchase association to raise its public profile during the upcoming political season by forming a state political action committee charged with researching and advising members on which state candidates deserve your Association's support this fall and with raising the personal contributions and volunteer manpower to back up your group's endorsement. Several state RTO associations (Maryland, Pennsylvania and New Jersey come to mind)

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**APRO** Associate Member since 1987

have already formed PACs and can be called upon to advise your association on how to get started as can the APRO government relations staff.

I also challenge each APRO member company to attempt a similar involvement during this election season. Find out who represents your store locations in the state legislature and Congress, whether those officials are RTO-friendly, or if not, who the opponent is

in the general election and where he or she stands on RTO issues such as sale versus lease, three-year Modified Accelerated Cost Recovery Systems (MACRS), etc. and help those you think will help your business using the techniques outlined above.

APRO member companies are not advised to form individual PACs at this stage in our development due to the complicated rules governing most state and federal PACs.

Instead, I suggest you make personal and/or corporate contributions (see sidebar) through your state PAC to leverage financial support with like-minded industry members from your state. Of course, if you get to know a state or federal candidate well and are asked for a contribution, you should comply if you can afford to give above what you gave at the office, so to speak. Nevertheless, urging your state association president to set up a PAC in order to accomplish mutual election goals

## How to start a PAC

Starting a state political action committee for your company or state rental dealer association is a fairly easy enterprise, providing that you don't add federal candidates to your contribution list or solicit from non-management employees for your company PAC. It is strongly recommended that you stick to encouraging or starting a state rental dealer association PAC for state legislative candidates instead of your own company or individual PAC and that you contribute to APRO-PAC for federal political candidates.

Each state law regarding PACs is slightly different, so the first step to take is to check the legal parameters for your particular state. This information is usually available from the state office charged with election law monitoring, usually the secretary of state or state campaign ethics office. Also, the APRO department of government affairs has an executive summary of each state's PAC law and can fax you a copy.

All that most state laws require of a PAC is one person, usually designated as the PAC treasurer, to register the PAC with the appropriate state authority and file reports as required by law of who contributed to the PAC and to whom the PAC contributed funds. The biggest burden of creating a PAC, aside from actually raising money, is the record keeping and report filing mandated by most state laws. Therefore, a responsible PAC treasurer (who could also be the PAC chairman) is critical to your PAC's success and is also liable if something is not done properly.

Here are the recommended steps necessary to start a PAC:

- ▶ Make a motion during a regular meeting of your state association that a political action committee be formed by your group and stand ready to discuss the merits of doing so if questioned by reluctant members present. Make sure someone seconds the motion.
- ▶ Call for a vote on the issue after appropriate discussion.
- ▶ Select someone to serve as PAC treasurer and decide if additional officers such as a chairman or other members should be selected to help the designated treasurer. Associations often decide to select the current association officers to serve in the same capacity for the PAC, but technically the association and the PAC are two different organizations.

- ▶ Convene with your PAC members after the meeting and agree upon the criteria as well as process for deciding to whom contributions will be available.

For example, the group could authorize the PAC chairman or treasurer upon request of the state association lobbyist to sign checks of certain amounts to friendly incumbents asking for a donation. This is commonly called the friendly-incumbent rule and is the way most under-budgeted PACs start out until the PAC becomes more financially healthy.

In other words, if you have a relatively small bank account, contributions should first go to friendly incumbents who have legislatively demonstrated their support for the association's program before any other candidates, especially non-incumbent candidates, are eligible for a PAC contribution. This is the policy under which the APRO-PAC currently operates.

- ▶ Register the PAC with the appropriate state authority, usually the secretary of state or chief elections officer. This is usually the job of the PAC treasurer and should be done before making any contributions.
- ▶ Divide up the various tasks necessary to succeed in fundraising, i.e. parceling out lists of association members for solicitation and/or deciding who will donate products or volunteer time for candidates.
- ▶ Report back to the general membership of the association from time to time on the status of the PAC.

States that do not allow corporate contributions to legislative candidates are listed below. If not listed, your state does allow your PAC to accept company checks which should make fundraising a little easier:

- |                 |                  |                 |
|-----------------|------------------|-----------------|
| ▶ Arizona       | ▶ Montana        | ▶ Pennsylvania  |
| ▶ Connecticut   | ▶ New Hampshire  | ▶ Rhode Island  |
| ▶ Delaware      | ▶ North Carolina | ▶ South Dakota  |
| ▶ Iowa          | ▶ North Dakota   | ▶ Tennessee     |
| ▶ Kentucky      | ▶ Ohio           | ▶ Texas         |
| ▶ Massachusetts | ▶ Oklahoma       | ▶ West Virginia |
| ▶ Michigan      | ▶ Oregon         | ▶ Wisconsin     |
| ▶ Minnesota     |                  | ▶ Wyoming       |

together is the best first step to take.

For the same reasons outlined above, APRO member companies are urged to support APRO-PAC with personal contributions when called upon this fall by newly appointed

you have also probably figured out how more expensive it will be later if negative legislation passes.

Remember *Grauel vs IRS* and help make sure our future as an industry is never again so

## *We must continue to broaden and deepen our reach into the business and political communities or risk losing all we have accomplished.*

APRO-PAC Chairman Larry Sutton of Champion Inc. He and other PAC members have accepted the challenge of taking the moderately funded APRO-PAC to a more appropriate funding level for established players like us, so kindly respond to their solicitations in a timely fashion. By now you have figured out that all this increased involvement in the political process is going to cost each one of us a lot more money than we are already giving to industry causes, but

jeopardized! The future is bright and the task is crystal clear: stay the course, finish the job, nurture our investments, defend our assets and prepare the legislative land for the greatest expansion of RTO since the early '80s. The best is yet to come! The greatest legislative prize of all still lies just over the next hill. ■

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

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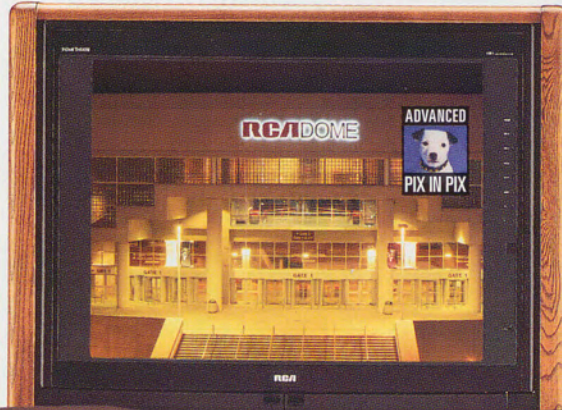
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# THE APRO CONVENTION PARADE



BY BARBARA STOOKSBERRY

People have many good reasons for going to convention: to network with others in the industry, to visit face-to-face with vendors and suppliers, to hear top-notch speakers, to participate in seminars and business sessions, to update skills — and to have a good time. APRO's Rollin' on the River this past August in New Orleans offered the chance to do all of these things in one of the country's jazziest convention cities, where more than 1,400 rental-purchase dealers and exhibitors took advantage of the opportunity.

"Every year we say this is the best convention ever—how will we ever top this one? But the next year we somehow manage to do it!" says APRO Director of Education Shelley Martinek, who plans most of the annual convention. "We grow each year in the size of our trade show. We respond to suggestions from dealers and exhibitors and try to bring our members what they tell us they want," she says.

One of the things attendees ask for is a solid lineup of professional speakers, from seminars to the keynote address. "They like a good mix," says Martinek, "and we try to provide it for them. Attendees appreciate speakers who are both knowledgeable and articulate. Members demand a consistent, high-quality seminar schedule."

After some preliminary fun, namely the golf tournament and welcome cocktail reception on Sunday, APRO got down to business with its general session on Monday morning. Frank Abagnale, author of the autobiographical *Catch Me If You Can*, recounted how he turned from a life of crime (in which he cashed more than \$2.5 million in bogus checks around the world before he turned 21) into an adviser for the FBI, respected businessman and personal witness to the importance of family values.

Also on Monday's agenda was an update on RTO legislation by APRO Government Affairs Director Ron Waters, who celebrated the Pennsylvania Legislature's recent victory reversing its long-standing anti-industry position. With that legislation and the addition of Wyoming to the fold earlier this year, Waters said 44 state statutes are now providing a safe legal harbor for RTO." Despite a comprehensive rental-purchase statute in Minnesota, that state's highest court has declared that rental-purchase transactions subject to

that statute are also credit sales in that state. Waters said that "anti-industry forces seem to have won in only Minnesota, but we will never give up until Congress is finally willing to overrule this one aberrant state court."

In a recap of the federal legislative scene, Waters noted that the grassroots movement continues to seek passage of a viable federal statute that would parallel state laws and provide a more realistic rental-purchase depreciation schedule for store inventory. He said that the effort has been met with gridlock, but that APRO lobbyists John Raffaelli and Tanya Saunders as well as APRO members across the country continue to work in this important area. Waters praised APRO's 1996 Congressman of the Year J.C. Watts (R-OK) for his efforts on behalf of the industry.

Waters also recognized outgoing APRO board member and Government Relations Committee Chairman Chris Korst of Thorn/RAC Inc. and Ron DeMoss, committee member and general counsel of Rent-Way Inc. for their work in seeing the Pennsylvania law overturned. Waters also recognized New Jersey as the outstanding state association of the year.



**APRO® President Bill White leads the procession of dancers during the entertainment at the awards banquet.**



Waters urged everyone to participate in this fall's elections and to actively support congressmen who have backed the Association's legislative program. "Next year, APRO's legislative program will continue to focus on completing this safety net of state and federal laws... to preserve our liberty of commerce," Waters said.

Ernie Lewallen, chairman of the Association's public relations committee, introduced a video written and produced by Richard May, APRO director of public affairs, that served as an annual report on Association efforts to improve the image of the rental-purchase industry in the minds of both consumers and lawmakers. Part of this public image effort involves Gus, the affable hound who serves as a visual symbol of the industry. Gus even made an live appearance at the public relations seminar on Tuesday. (Your company can borrow the Gus costume by calling Richard May to reserve it on a first-come, first-served basis.)



**APRO attendees were living it up at the FORESIGHT gala event held at Mardi Gras World.**



**Ted Wilson presents golf trophies to John Ihrig, John Raffaelli and Bill Morgenstern.**



**Exhibitors Julie Salazar, George Chinnici and Janie Ramirez of Total Package Marketing.**

An APRO general session always includes board elections for the coming year, with half of the 16 members elected each year. This year's successful candidates were Rich Bartel, Rentown USA, Vancouver, Washington; Sandra Blackwell, Irving, Texas; Charles Cloud, Fastway, Little Rock, Arkansas; Ron DeMoss, Rent-Way, Erie, Pennsylvania; Mac McCullar, ATM Enterprises, Lithonia, Georgia; Gary McDougal, American Rentals, Hixson, Tennessee; Larry Sutton, Champion Rent To Own/B&L Concepts, Tampa, Florida; and Bill White, Action TV & Appliance Rental, Mesquite, Texas.

Officers for 1996-1997 are President Bill

White, First Vice President Darrell Tissot, Second Vice President Ernie Lewallen, Secretary Rich Bartel and Treasurer Wayne Sutton.

After the closing gavel on the general session, a Dixieland Jazz Band led dealers to the ribbon-cutting ceremony for this year's APRO trade show, the biggest yet with 282 booths representing 147 exhibiting companies.

spending as much time as possible in the exhibit hall." APRO staff members are looking at opening next year's Las Vegas show on two afternoons and one morning to increase traffic flow.

One aspect of the New Orleans convention that presented a little bit of a challenge was having the trade show away from the headquarters hotel. "As our trade show gets big-



**Speaker and author Frank Abagnale opened the general session on Monday morning.**



**Rent-A-Cell was one of many exhibitors writing orders at the APRO trade show.**

"We try to open each trade show with flair because it is an important part of every APRO convention. We coordinate closely with the Vendor Relations Committee throughout the year to design a trade show that benefits both vendors and dealers," says Cindy Ganther, APRO director of marketing.

Shelley Martinek adds, "Dealers need to know how much trouble and expense vendors go to to exhibit at our trade show. It's a costly venture; it's important that dealers let vendors know that they appreciate their efforts by

ger," says Martinek, "it gets harder to find a hotel that can accommodate us, but the convention is going to be under one roof at least through the year 2000."

Also scoring high marks was this year's seminar schedule. "The round-table discussions were particularly well received," says Martinek. "This was the first time we'd done the round tables in several years and participants like having the opportunity to talk with their peers," she says. Because moderators let

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**1996-97 APRO Executive Committee:**  
Darrell Tissot, Ernie Lewallen, Rich Bartel, Wayne Sutton and Bill White.



**Al Zagorniak of Sears was presented with APRO's Vendor of the Year award by Bill Keese.**

participants decide what they wanted to talk about, topics ran the gamut from customer service to hiring and firing, from violent crime to 12-to-own. Other seminars dealt with such topics as diversification, developing a company newsletter, legal and accounting issues, corporate planning, teamwork and training.

Last, but not least, were the parties—each a resounding success! On Sunday, party-goers celebrated "Livin' in America" with replicas of down-home landmarks providing a backdrop for good food and conversation with other dealers from each area of the country. The next night was APRO's Parti Gras, a private mini-Mardi Gras with more good food and fun that included a parade led by motorcycle police, a band and floats ridden by such APRO luminaries as President Bill White and

former President Kevin Quinn and their wives.

Finally, on Wednesday night, APRO's annual reception and banquet, the Storyville Jazz Party, featured traditional Dixieland and rag-time music by the Pinstripe Brass Band and Lars Edegran Orchestra and jazz vocalists Topsy Chapman, Thais Clark and Marva Wright. Award presentations went to John Cleek Sr., Cleek's Rent-to-Own, Columbia, Missouri, as Dealer of the Year and Al Zagorniak, Sears Contract Sales, Overland Park, Kansas, as Vendor of the Year. The President's Award went to Ernie Lewallen, United Household Rentals, Cincinnati, Ohio, and long-time APRO General Counsel Ed Winn III of Austin, Texas, was presented a lifetime achievement award.

## Diamonds in the rough

Over the last three days of the 1996 APRO Convention & Trade Show, attendees had the opportunity to participate in a "treasure hunt" complete with all the elements: treasure chest, treasure map and a real, live pirate. This adventure offered APRO members a chance to win one of three 1/4-carat diamonds mounted in their choice of settings.

The treasure hunt was the first vendor giveaway incorporating multiple exhibitors joining together to provide attendees with both a fun show event and valuable prizes in APRO history.

The following exhibitors participated in the treasure hunt: Sears Contract Sales, FLX Industries, AG Beeper Accessories, LaurelArts, Total Package Marketing, Tele-Track and Global Jewelry.

The three lucky winners were: Aaron Hutsell and Greg Hutsell of Premier Rent To Own and Dana Eichlin of STAR.

Thank You Thank You

Thank You

We at Global Jewelry would like to express our sincere appreciation to the APRO '96 exhibitors who participated in our Treasure Hunt. Without their assistance, support, and cooperation, we could not have made this the fun event it was. Thanks to

Sears Roebuck & Co.  
AG Beeper Accessories  
Total Package Marketing  
FLX Industries, Inc.  
Laurel Arts  
Tele-Track, Inc.

And, on behalf of all the participants, we would like to congratulate our 3 winners:

Aaron Hutsell  
Dana Eichlin  
Greg Hutsell

Thanks also to all of you who took part in our Treasure Hunt. We hope you had as much fun as we did.

Look for the 2nd Annual Global Treasure Hunt next year at APRO '97 in Las Vegas.

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Thank You Thank You

The antics of master of ceremonies Lenny Sloan and a band of freewheeling, fun-loving waiters kept the crowd entertained, especially with the New Orleans-style jazz first-line that culminated in the preparation and serving of Bananas Foster -created and first served in New Orleans by restaurateur Owen E. Brennan-which was splashed with a flourish from an open cauldron. APRO President Bill White topped off the evening as he was presented with the official Grand Marshall's

umbrella and sash, then led his own Dixieland parade through the Grand Ballroom.

Although this year's convention is now behind us, the APRO staff doesn't get much of a breather. In fact, work began long ago on next year's convention, Rally at Bally's, set for August 11-15 at Bally's in Las Vegas.

Says APRO's Martinek, "We're always open to suggestions and ideas from dealers and ven-

dors on how to make the next convention better. We welcome readers to call at 512/794-0095 or fax 512/794-0097 with their comments."

*Barbara Stooksberry is a regular contributor to Progressive Rentals.*



## APRO's 1996 RAE Award winners

APRO's Rental Advertising Excellence Awards are an opportunity for rental-purchase dealers to show off their finest work. And each year, the competition seems to get tougher as the contest attracts more and more participants. This year's contest collected a record number of 262 entries. "The Rental Advertising Excellence awards are established as the industry's highest standard in advertising," says Bill Keese, APRO executive director. The awards are a source of pride for APRO members and have served the purpose of recognizing some of the most creative work in the rental-purchase business. The following are the winners of the 1996 RAE competition:

### Print Materials—Brochure or free-standing insert— one page, front and back

- Gold:* Larry Carrico with SKC-Rent One; ad agency: Imagery
- Silver:* Robert Elmen with Appliance & Furniture Rental
- Bronze:* Ken Moye with Diamond Leasing; ad agency: Rainbow Printing

### Print Materials—Catalog/brochure, four pages or more

- Gold:* Larry Carrico with SKC-Rent One; ad agency: Imagery
- Silver:* Gene Pharis with G&G Graphics
- Bronze:* Robert Elmen with Appliance & Furniture Rental

### Print Materials—In-store point-of-rent (POR) signs, posters, banners

- Gold:* Bill White with Action TV & Appliance Rentals
- Silver:* Ernie Talley with Renters Choice; ad agency: John F. Bagwell Co.
- Bronze:* Bill White with Action TV & Appliance Rentals

### Print Materials—Other: Door hangers, coupons, contests, etc.

- Gold:* Bill White with Action TV & Appliance Rentals
- Silver:* Larry Carrico with SKC-Rent One; ad agency: Imagery
- Bronze:* Kevin Webb with Colorama; produced by Leanna Burchette

### Order Solicitation—direct mail pieces

- Gold:* Derek Stamper with Central Rents Inc.; ad agency: Central File Inc.
- Silver:* Jim Farland with All Clear Management; ad agency: Central File Inc.
- Bronze:* Wayne Sutton with Instant Home Furnishing

### Newspaper—black and white, half page or more

- Gold:* Ernie Talley with Renters Choice; ad agency: John F. Bagwell Co.
- Silver:* Bill White with Action TV & Appliance Rentals

### Newspaper—Color, half-page or more

- Gold:* Ricky Brooks with Payless Rental; ad agency: ADEXPRESS
- Silver:* Ricky Brooks with Payless Rental; ad agency: ADEXPRESS
- Bronze:* Ernie Talley with Renters Choice; ad agency: John F. Bagwell Co.

### Radio—30 seconds

- Gold:* Ken Moye with Diamond Leasing
- Silver:* Darrell Tissot with Countryside Rentals; ad agency: WCHO Radio
- Bronze:* Zack Salyers with Classic RTO; ad agency: WBIO-FM

### Radio—60 seconds

- Gold:* Norman Slatton Sr. with Bi-Rite Co.; by: Joe Gazzo and Jamie Slatton
- Silver:* Ken Moye with Diamond Leasing
- Bronze:* Ernie Talley with Renters Choice; ad agency: John F. Bagwell Co.

### Television—Less than \$1,000

- Gold:* Larry Carrico with SKC-Rent One; ad agency: Imagery
- Silver:* Ken Moye with Diamond Leasing; ad agency: Delmarva Broadcast
- Bronze:* Darrell Tissot with Countryside Rentals; ad agency: Continental Cable

### Television—More than \$1,000

- Gold:* Mike Walts with Alrenco; ad agency: Smalley, David & Maguire
- Silver:* Bill White with Action TV & Appliance Rentals
- Bronze:* Bill White with Action TV & Appliance Rentals

### Specialty Item

- Gold:* Mitch Fadel with ColorTyme; produced by Paul Gibbons, VP Marketing
- Silver:* Darrell Tissot with Countryside Rentals
- Bronze:* Bill White with Action TV & Appliance Rentals

### Billboard/Outdoor

- Gold:* Ernie Talley with Renters Choice; ad agency: John F. Bagwell Co.
- Silver:* Ernie Talley with Renters Choice; ad agency: John F. Bagwell Co.

### Creative Campaign Design

- Gold:* Mike Walts with Alrenco; ad agency: Smalley, David & Maguire
- Silver:* Mitch Fadel with ColorTyme; produced by Paul Gibbons, VP Marketing
- Bronze:* Mitch Fadel with ColorTyme; produced by Paul Gibbons, VP Marketing

### Community Relations Program

- Gold:* Mitch Fadel with ColorTyme; produced by Paul Gibbons, VP Marketing
- Silver:* Darrell Tissot with Countryside Rentals
- Bronze:* Mike Walts with Alrenco; ad agency: Smalley, David & Maguire

# More Dealers become *FORESIGHT PARTNERS*

The number of stores on the *FORESIGHT* Preferred Customer Club program continues to grow as more Rental Purchase organizations convert to this program or expand their offerings.

Recently **J. Enterprises**, doing business as **ColorTyme**, converted to the *FORESIGHT* Preferred Customer Club. This Wichita based **ColorTyme** franchise has 18 Rental Purchase stores located in Kansas, Oklahoma and Arizona.

"Because of the way *FORESIGHT* is structured, it is an easier sale for my stores. That is why we changed to the *FORESIGHT* program," said **Jim Cole, Jr.**, General Manager of **J. Enterprises, Inc.**

After the first month of offering *FORESIGHT'S* Club, **J. Enterprises'** penetration of Club members increased from 5% to 20% and has continued to steadily grow.

**Central Rental Purchase** has been offering *FORESIGHT'S* benefits in all their California stores since January, 1995. They are now in the process of adding the program to all of their 172 stores.

According to **Derek Stamper**, President of **Central Rental Purchase**, the reason for expanding the offering of the Club to all the locations is to add value to the rental transaction.

More Rental Purchase stores are choosing to implement the *FORESIGHT* Preferred Customer Club because of the benefits provided through this specific program.



There are several benefits that are unique to the *FORESIGHT* program. Because of the way *FORESIGHT* is structured, they can offer the Leased Property insurance as a benefit in their Club. This means the dealer does not have to inboard their own LPI or Damage Waiver coverage. Therefore, in the event of a claim, *FORESIGHT* pays the invoice cost of the product that was stolen or destroyed plus 10% for handling.

Another benefit unique to *FORESIGHT* is the Involuntary Unemployment Insurance benefit. This protection helps the dealer keep a customer in the event he is fired, laid-off, or out of work due to a labor dispute. The unemployment benefit pays the dealer \$60 per month, per rental agreement, on all valid claims. Therefore, a store can help their customer keep the merchandise that they may normally have to give back to the store.

Also unique to *FORESIGHT* is the means of marketing their Club Program. With *FORESIGHT*, one membership in the Club covers all agreements that a customer has with that rental store. This, along with all the added benefits, makes the *FORESIGHT* program an easier sale. With the increased penetration, the dealer ultimately earns more profit.

To find out more about the *FORESIGHT* Preferred Customer Club and how you can become a *FORESIGHT* Partner, call the Club professionals at 1-800-733-0811.



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# Sparkle up profits with jewelry

By Barbara Stooksberry

Tom Murphy, marketing vice president for Continental Diamond, calls jewelry "the ultimate RTO product" because, unlike most products, its intrinsic value makes it worth more each day. Jewelry advocates are clearly the victors in the should-we-or-shouldn't-we debate that simmered for several years in the rental-purchase industry.

Even RTO dealers who jumped in early on jewelry rentals, but got burned in bad deals with suppliers who weren't familiar with the rental-purchase industry or were taken advantage of, are now selling jewelry again—not as a mainstay of their business, but as an integral part of the product mix that boosts balance on rent and keeps customers coming back.

Today, reputable manufacturers recognize the rental-purchase store as a market worth courting with merchandise and merchandising designed to fit the unique demands of the industry. Many jewelry companies are hiring personnel with hands-on RTO experience, establishing separate divisions for rental-purchase and devising marketing approaches to meet industry demands and jewelry designs that appeal to the tastes and desires of the rental-purchase customer.

## IS IT LIVE OR IS IT FAUX?

Today, the big debate is whether to offer "live" jewelry (the real thing) or a line of samples

from which rings can be ordered by phone, sized, returned by overnight mail and be ready for pickup in two or three days. Many dealers offer a combination, but there are advocates on both sides of the issue. Chains, pendants, watches and bracelets are usually "live" because they don't have to be sized, but rings can be sold either way. Live merchandise offers the customer instant gratification and poses low risk in losing a customer because he or she has to return to pick up the merchandise.

On the other hand, if a ring has to be sized, it can take just as long to have it in hand as ordering from a sample would. The obvious advantage to handling a sample line is that you can offer a wide selection of settings with very little cash outlay and monthly depreciation and not have to worry about losing dollars to theft or pilferage. Some advocates of live jewelry say it's easier to rent and, basically, the only way to go.

Every manufacturer we talked to said his or her company works constantly to develop new designs for RTO. Customers want the most flash for cash and that means creating good-looking jewelry that can rival in appearance the finest jewelry sold in retail stores, but at price points that meet the needs of the rental-purchase customer.

To that end, manufacturers choose diamonds and other stones that look good to the naked

eye and settings that enhance the natural beauty of the stones. They also stress durability because a sturdy piece of jewelry can be polished and re-rented much more successfully than a lighter piece. Some manufacturers deal only with rings, others deal with rings, chains, bracelets, pendants and charms. Watches are another product finding their way into RTO stores and are particularly good products at Christmas time.

## SO, WHAT'S HOT?

What's moving in rental-purchase stores across the country? Well, that depends on your geographical location, whether you're urban or suburban and on the demographics of your customers. "Cluster rings are good in the South," says Rich Anderson, vice president of the rental division of Fashion Craft. Customers in the cities follow jewelry trends more than do rural customers, who are more likely to stay with traditional styles, he adds.

You probably know a lot about what appeals to your own customers, which is why the jewelry manufacturer is eager to sit down with you and put together a customized collection that meets the needs of your store(s). Having jewelry that "fits" with the rest of your merchandise and the image you project works to everyone's advantage.

The manufacturers we talked to weren't ready to identify a particular product that was hot

this year, but suggest you'll do well by offering a variety. Susan McKinnon of A.B.S. Artistic Jewelry says they offer a 14K sample program and both 10K and 14K in live jewelry, but do a bigger volume in 14K. A.B.S. has new ring and cluster designs "all the time," but right now they're seeing a lot of interest in baguette rings, high-end pieces and channel-set stones. They also do well with tennis bracelets set with diamonds or other precious stones.

When A.B.S. has more than one customer serving the same market, they are particularly careful to custom-design collections with different products for each store so both can do well without ending up in a price war. McKinnon's company deals in rings, gold

offers a lifetime guarantee against manufacturer's defects on all its merchandise, which is a strong selling feature.

At APRO's New Orleans convention, Fashion Craft became the official representative for the Jules Jurgensen watch line for rental-purchase. Jurgensen, which has been making watches for more than 250 years, offers a complete line of watches in RTO trays, including diver's watches, gold nugget, pocket watches, leather bands and ladies watches with interchangeable bezels, all of which are in demand. As part of its commitment to service, Fashion Craft will stock the Jurgensen watches in Chicago, so dealers can replace watches in inventory in three days. The company also provides dealers with postage-paid,

customer stores to develop a partnership that means success for everybody.

Norman Slovis of the Jerry Bogo Co., a Chattanooga-based manufacturer, says his company's hottest item right now is diamond clusters on wide bands of various styles. Although they continuously design new styles for RTO, they "can't seem to do enough" to keep up with demand, he says. Customers like what's new, but also like variations on traditional styles. "Customers like to retain the traditional look, but see it updated, particularly in rent-to-own," Slovis says. He believes the jewelry aspect of rental-purchase today is "just the tip of the iceberg with much growth potential" and that dealers can generate big profits from allocating just a small amount of floor space to jewelry.

Lloyd Gordinsky of Global Jewelry Manufacturing agrees. He used the analogy of the "sleeping dog," but his meaning was the same—there's a lot of opportunity for profit-making in jewelry. Still, Gordinsky gets resistance from some dealers where jewelry is concerned. His company has had particular success with designer and fashion pieces that are not necessarily at the low end of the pricing scale. Jewelry has an "allure," he says, that can motivate the customer to reach deeper into his pockets to come up with the money for higher quality merchandise. Customers prefer the quality they see in jewelry stores to the lower end merchandise they see on television or in department stores. Because of this, his company has created a sample line using synthetics that comes as close to the real thing as it possibly can, he says.

#### **MORE GLITTER THAN GOLD**

Now that rental-purchase has clearly reached a level of respectability with manufacturers as a viable market, dealers need to know what's involved beyond acquiring the merchandise. Each manufacturer we talked to has a custom-designed program for this industry that makes getting into jewelry relatively easy by providing various prepriced trays, display cases, floorboards and risers, cleaners, sizing manuals and some form of training manual or video.

Fashion Craft's Anderson emphasizes that there is more to handling jewelry than parking a case in the store and hoping the stuff sells. He believes that setting goals for jewelry sales is important and that store managers need to merchandise jewelry just as they do other product lines by changing displays

## **Today, reputable manufacturers recognize the rental-purchase store as a market worth courting with merchandise and merchandising designed to fit the unique demands of the industry.**

chains and bracelets, but leaves earrings, charms and pendants to other manufacturers. They find high demand for wedding sets and trios, which rarely come back. Many customers will pay for wedding sets before they pay for anything else. Rich Anderson of Fashion Craft concurs: "Bridal sets are a big part of the business and collections are much lower than one would expect because jewelry customers are usually established customers."

Anderson believes that about 80 percent of RTO jewelry goes to customers who have done business with the store before. Last year saw a huge addition of jewelry to rental-purchase stores across the country, he says. His company focuses on its sample program, offering a selection of sample rings in sterling silver with gold overlay set with cubic zirconias, but they also offer 10K and 14K Italian gold chains, pendants, charms and tennis bracelets. They deliver orders off samples in two working days. Fashion Craft, a manufacturer of fine jewelry for 66 years,

self-addressed shipping labels, so watches can be returned to the manufacturer for repair; they promise a quick turnaround time.

This year, Fashion Craft debuted its Top 12 collection, which includes samples of its 12 best-selling ring styles, based on national sales records. These are offered to dealers for \$295, which allows stores to add products with proven track records to their collection at minimal cost. In addition to rings, Anderson expects tennis bracelets and hugs-and-kisses bracelets—the ones with the x's and o's—to be big hits this Christmas.

Dave Burdick of Prime Source International says bridal products have a long history as a staple for rental-purchase, but that not all customers are newlyweds or about-to-be-marrieds. Many are "old marrieds," who are just now able to afford the gold and diamonds they've long wanted. Prime Source also does well in other product areas, such as rings, chains and watches. The philosophy, says Burdick, calls for working closely with

every quarter, updating what's available and by generally jazzing things up to get customers to come back for a second look. Fashion Craft, for example, is providing a holiday promotional kit for Christmas that includes a window poster, decorations for the showcase and a mobile to hang from the ceiling over the showcase.

Suppliers say they are committed to providing support after the rental. Their rental-purchase divisions are devising ways to solve problems before they start through such methods as issuing overnight mail vouchers to dealers to facilitate repairs. This eliminates one of the biggest reasons dealers shy away from jewelry, manufacturers say, because dealers don't know what to do with the product when something goes wrong. Vendors seem especially committed to providing employee training. As store personnel become more comfortable with jewelry, they are less intimidated by it and more eager to "work" it.

All in all, suppliers are in your corner. They're working hard at making jewelry as profitable and as hassle-free as possible. Because jewelry is often an add-on product, stores that don't handle jewelry can be unwittingly sending their customers to their competitors; customers have come to expect jewelry in RTO stores, just as they have come to expect greeting cards and transmission fluid at the grocery store. It's a great product for customer retention and for multiple rentals, say advocates.

Continental's Murphy says jewelry is "driven by people, product and promotion." Rental-purchase dealers who want to maximize profits might take a look at adding jewelry to their product lines. Talking with other dealers who have experience in this area can help you avoid some of the pitfalls and interviewing company reps as you would a potential employee can give you a feel for the "soul" of the company and what they can offer you in the way of products and services. ■

*Barbara Stooksberry is a regular contributor to Progressive Rentals.*

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# Who's Who in Jewelry

The following list of jewelry and miscellaneous suppliers cater specifically to the rental-purchase industry. Please feel free to contact any of these companies for information, pricing and product specifications. They are designated as APRO Associate Members (\*), advertisers (+) in APRO publications and/or APRO convention exhibitors (!).

## A.B.S. Artistic Jewelry Inc.\*!+

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Atlanta, GA 30329-3920  
404/636-6143

## Jerry Bogo Co.\*!+

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Chattanooga, TN 37422-3227  
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## Continental Jewelry Express\*!+

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800/282-5182

## Fashion Craft Corp.\*!+

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Glenview, IL 60025-1657  
800/877-7907

## Global Jewelry Manufacturing Inc.\*!+

4095-A N. 28th Way  
Hollywood, FL 33020  
954/929-0009

## Harlyn Products Inc.\*

1515 S. Main St.  
Los Angeles, CA 90015-2503  
213/746-0745

## Jules Jurgensen!+

101 W. City Ave.  
Bala Cynwyd, PA 19004-3164  
610/667-3500, extension 224

## Luke's Jewelry Co.!

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Montgomery, AL 36124  
334/277-6234

## Mastro Jewelry Corp.\*

64 W. 48th St.  
New York, NY 10036  
212/869-5252

## Nikos Jewelry!

230 Polk St.  
New Orleans, LA 70124  
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## Prime Source International Inc.!

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Richardson, TX 75080-5450  
214/231-5996

## Rental Planning & Merchandising\*!

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Holly Hill, FL 32117  
904/676-0864

## Southern Rings\*!+

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Metairie, LA 70002  
800/826-8812

## Swest Inc.\*!

11090 N. Stemmons Fwy.  
Dallas, TX 75229-4520  
800/527-5057

## T&S Import Co. Inc.!

1302 Huntsville Highway  
P.O. Box 1079  
Fayetteville, TN 37334-3604  
800/523-5224

# Who's Who in Miscellaneous Products

## Appliance trucks, dollies, furniture pads

### Walter Terry Distributor Inc.\*!+

P.O. Box 230714  
Houston, TX 77223-0714  
713/227-6369

## Billiard tables

### Brunswick Billiards+

8663 196th Ave.  
Bristol, WI 53104  
800/336-8764 x27

## Cellular phones

### Cellular Options!

1237 Lavanham Court  
Apopka, FL 32712  
407/889-0470

### Curtis Marketing Inc./

### Onyx Distributing\*!+

13650 Floyd Rd., Suite 202  
Dallas, TX 75243  
214/234-6460

### Rent-A-Cell Inc.\*!

5500 Oakbrook Parkway, Suite 150  
Norcross, GA 30093  
770/449-0067

### Topp Telecom Inc.!

8200 N.W. 27th St., Suite 117  
Miami, FL 33122  
305/640-2000

## Furniture pads, warehouse and delivery supplies

### United Distributors\*!

1133 Empire Central  
Dallas, TX 75247-4351  
800/338-6679

### Kid's Corner Activity Centers

### Activities Unlimited!

P.O. Box 55235  
Metairie, LA 70055-5253  
504/837-5615

## Paging and cellular accessories

### AG Beeper Accessories!

1145 Sawgrass Corp. Pkwy.  
Sunrise, FL 33323  
954/846-9400

## Photo identification equipment

### Avant Inc.\*

1 Avant Way  
W. Concord, MA 01742  
508/369-0860

## Rental agreements

### Inform Business Systems\*!+

1209 S. Ridewood Ave.  
Daytona Beach, FL 32114-6127  
904/252-5766

### Moore Business Forms\*!

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Louisville, KY 40223  
502/426-7105

## Trucks

### FLX-Industries\*!+

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# The **Paradoxes** of **Rental-Purchase**

BY EDWARD L. WINN III

A paradox is a statement that is seemingly contradictory or opposed to common sense and yet, perhaps true in fact. There are noteworthy paradoxes in the worlds of science and mathematics. Students study paradoxes in philosophy and logic classes. What could the notion of paradoxes have to do with the rental-purchase business? It is, after all, a fundamentally simple business: rent and collect, rent and collect. But like a lot of things, there are different levels to the business. At some of those levels, the business is actually full of paradoxes. Here are a few of them:

## THE GONZALEZ PARADOX

U.S. Congressman Henry Gonzalez has been, at once, the worst thing and the best thing that ever happened to the rental-purchase business. It takes no leap of logic to conclude that Gonzalez was the worst thing that ever happened to the business. Never before and not since has the industry been as vilified as it was during the long four hours that Gonzalez and a roomful of legislators and reporters heard carefully scripted testimony from industry opponents that morning in March 1993 in the House Banking Committee hearing room. Words uttered there still reverberate around the industry: "sharks feeding on the minnows," "an industry full of fraud abuse," "one of the shadowy areas of consumer finance." All this was accomplished by a person with considerable power, not just a U.S. elected representative, but the chairman of a major House Committee and precisely the one with jurisdiction over the rental-purchase industry. Never before and not since has the industry faced such a formidable foe.

Despite some years of limited lobbying in Washington, the industry was not ready for the Gonzalez onslaught. With two weeks notice and not a hint of trouble before, the industry was caught by surprise and faced suddenly with extinction not just in a single state, but everywhere and all at once at the hands of the federal government.

Had the industry stayed on the canvas after that first hard punch, Gonzalez might have won his anti-rental-purchase fight, but at the same time he was the worst thing that ever happened, he was also the best thing. His attack challenged the character of industry members and they responded nobly.

Before Gonzalez came along, the industry was loosely organized, but immediately after Gonzalez, the industry got very organized. It is still very organized. Before Gonzalez, the industry was politically unsophisticated and, but for a few dealers here and there, not very politically active. After Gonzalez, the industry quickly became both sophisticated and active in Washington politics. Before Gonzalez, few if any federal legislators had any knowledge of or interest in the rental-purchase industry. After Gonzalez, most members in both houses have heard of the business and a few have stepped up and become real champions for rental-purchase: Rep. J.C. Watts (R-Okla.), Rep. Mel Hancock (R-Mo.) and Sen. Richard Shelby (R-Ala.), to name a few.

Some dealers may remember that when the smoke cleared in the last Congress, the Gonzalez bill died in the chairman's own committee with 15 total co-signers on the bill. The industry-favored bill, sponsored by former Rep. Larry LaRocco (D-Idaho), garnered more than 50 co-sponsors.

Since Gonzalez, the industry has consistently raised several hundred thousand dollars each year to take care of industry business—lobbying, dealing with the IRS issues—with money left over to launch a serious pro-rental-purchase public relations campaign. This is money in amounts that almost certainly could not have been raised but for Gonzalez. Today, the threat of extinction is gone; the industry is poised to reach new heights. Should rental dealers curse the man who gave them the fright of a lifetime or thank him for his part in propelling the industry forward much faster and much further than it could have gone without him? It is a paradox.

## THE KEEP RATE PARADOX

Leaving the politics of rental-purchase aside and looking directly at the business itself, a couple of paradoxes arise around the notion of keep rate. A rental store keep rate is at once its most important statistic and its least important statistic. In the first instance, the calculation of keep rate is rarely used in the daily operation of a rental store. Rental dealers will count deliveries and pick-ups, past dues, skips and stolens and any number of other countable aspects of the business every day, again every Saturday night and again at the end of every month.

Rental dealers will pore over statistics store by store wondering what is causing the numbers to move up or down, what is going right and what is going wrong. It is no surprise that so many CPAs have been drawn into this business as rental dealers—there are so many things to count and so many different ways to count them. But almost no rental dealer counts keep rate as an important indicator of how business is doing. Did the keep rate in a store rise or fall last week? Most rental dealers do not know and most do not care.

And yet, in some of the most important litigation ever to arise in this industry, the *Palacios* case in Wisconsin, *Starks* in Minnesota and a number of others, the keep rate statistic has been trotted out, debated, dissected, cross-examined and condemned as being the single leading indication of whether the transaction is really a lease or a sale. It has likewise found its way into any number of state political debates; the industry arguing that a 25 percent keep rate means that most customers do not rent long enough to obtain ownership, which is the best evidence there is or can be that the transaction does not operate as a sale, but as a lease.

Critics say the industry is lying about keep

rate statistics and try their own statistical alchemy to prove that the transaction is a sale because many rental-purchase customers intend to own the units they are renting. These are serious, high-dollar debates. The

home, getting it back to the store and then refurbishing it. There is lost revenue while a returned unit sits idle and, finally, there is the considerable expense of finding a new customer to whom to rent the unit.

**Before Gonzalez came along, the industry was loosely organized, but immediately after Gonzalez, the industry got very organized.**

fate of companies or even the industry in a state often hang in the balance. Meanwhile, back in the rental store, life goes on. Units go out; units come back. Business is up; business is down. There is nary a thought about keep rates.

**THE LEASE/SALE PARADOX**

A corollary paradox concerns profits. Theoretically, the most profitable way to run a rental store would be never to have to pick up a unit—to have a 100 percent keep rate. Picking up units is a very expensive part of the business. There is usually a week or two of rent that gets written off because it takes a while to retrieve a unit. More employee time is spent on collections than on any other store activity. There is the hard cost of physically retrieving a unit from a customer's

Rental stores would be far more profitable if they could just rent and collect and never have to pick anything up and all units were rented to term. The paradox is that if rental dealers really ran their businesses that way, there would not be any profits at all as their transactions would be defined as sales. Then, state finance charge limits, sales law grace periods, limits on other charges and UCC Article 9 limits on repossession would all apply to the transactions. Rental dealers would be competing with retailers on razor-thin margins and while they would save on expenses associated with picking up units, they would lose as much or more by having to charge competitive retail prices.

This paradox raises the issue of the ideal keep rate, but so far, the notion remains but an



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ideal. Keep rates have not been particularly manipulable at the store level, which may be the reason rental dealers do not focus on them. Other store numbers can be manipulated. Not enough deliveries? Loosen up on rental applications, run some free rent specials. Too many past dues? Tighten up the front end and start picking up some more units. But keep rate, store by store, tends to be

### THE CUSTOMER PARADOX

Yet another paradox exists at the store level; the concept that the customer is always right. The origin of this retail adage is lost in the mist, but it is no less true for rental-purchase than it is for retail. A customer who feels mistreated in a rental store will tell a lot of people about it before the hurt and the anger go away. Some of those people could have been

according to the agreement with the store.

But the customer is finally always right because that is the only way to run this business. Chuck Sims, founder of Remco, told a story about how he came to understand the truth of this statement. In the old days, when both Chuck and the industry were young and wild, he had a store in a tough neighborhood in South Chicago. His store had delivered a color, portable television to a woman living in a high-rise who later wouldn't pay and wouldn't return the set.

Chuck took the matter personally and went to get the TV himself. He tried to get her to open the door and she wouldn't. He tried to get her to talk to him on the street through her window and she wouldn't. He went back up to her apartment and tried to get her to open the door again and she wouldn't. He kept trying and trying until the customer took the TV set and dropped it through the window onto the sidewalk 13 floors below. Chuck tells of the satisfaction he felt while sweeping up the pieces of his shattered TV that at least that customer hadn't beat him out of a unit. At least she wasn't watching his TV for free.

A short time later, Chuck had an epiphany. It dawned on him that he could make a lot more money if he focused on making money and growing his company instead of taking every forgetful or even dishonest customer as a personal challenge. From that day on, Chuck says that Remco never had another TV stolen from the company. It couldn't happen. The customer is always right. He did say that at one time when he stopped to count, he figured he had given away 13,000 or so units, but every time to customers who were right.

And so, in a time and place as complicated as America in the '90s, even in a business as seemingly simple as the rental-purchase business, things are not as simple as they seem. Scratch the simple surface of this business and the contradictions creep out. Ignoring them doesn't mean they aren't there. Acknowledging them doesn't make them go away. Pondering them may even lead to wisdom.

"The truth is a snare: you cannot have it, without being caught. You cannot have the truth in such a way that you catch it, but only in such a way that it catches you."

— Soren Kierkegaard

Edward L. Winn III is APRO's general counsel.

## **A rental store keep rate is at once its most important statistic and its least important statistic.**

what it is with minor variations, depending on the product mix, the weekly/monthly mix, store philosophy and customer demographics.

Late at night over drinks, rental dealers may brag about a lot of things with one another: number of stores, APU, BOR, revenues, store profits, past due percentages or growth. They never brag about keep rates. They never even talk about them. They probably do not know what they are.

customers and now won't be. Rental stores, even more than retail, have to keep their customers happy or will soon face a back room full of product, neighborhoods full of angry ex-customers and no revenue.

But, of course, the customer is not always right. If the customer was always right, rental dealers wouldn't have skips and stolens. Customers who are right pay on time and when they cannot, they return the product

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# TAX SEASON'S SILVER LINING

Every year the Internal Revenue Service makes refunds totaling billions of dollars to low- and medium-income families—families who use many of the products and services the rental-purchase industry already provides. The same demographic groups are also a strong market for electronic income tax filing, making this service a natural addition aimed squarely at the rental-purchase customer.

The keys to profitability in electronic filing are the short turnaround and the associated financial products, Refund Anticipation Loans and Refund Anticipation Checks, which allow the electronic filer to deliver a customer's refund payment in as little as 24 hours. Tax preparers have been making money by offering RACs and RALs for years, using integrated tax processing and electronic filing software. RTO industry dealers can jump on the electronic income tax filing bandwagon by becoming primary distributors of tax refunds by using the same products traditionally used by tax preparers.

## BANKING AT YOUR LOCAL RTO

Many taxpayers prefer the security and privacy of picking up a check from a merchant they trust. They believe this method of deliv-

## RTO dealers and electronic tax filing By Leroy Petz Sr.

ery is dependable, that no one knows they are receiving an IRS refund and their check will not be intercepted by someone else. For this segment of U.S. taxpayers, mail delivery is too public.

Electronic filing is a service RTO dealers can provide for existing customers and advertising this service can bring in added business. Moreover, on-the-spot disbursements of RALs and RACs mean customers with spendable cash. During the first of the year when tax filing season is in full swing, dealers filing customer returns can be renting new merchandise and also getting paid for existing rental contracts as checks are handed out.

### THE SIMPLICITY OF TAX FILING SOFTWARE

"How can we provide these services without being tax preparers?" you may ask. Preparers rely on computer software programs to do the job of electronically calculating and filing the returns. Preparing a simple return of W-2 income is something most taxpayers do

themselves. With minimum assistance, industry dealers could be electronically filing these returns.

Through a simple application process, industry dealers can become Electronic Return Originators authorized to transmit customers' tax returns. EROs need not take on the responsibility of being tax preparers, though they can form an alliance with a tax preparer who can assist customers with complex returns. The ERO is the contact person who enters a pre-prepared tax return into the electronic tax filing system.

As can be expected, taxpayers may not have all the required information to complete a tax return on their first visit. When this occurs, the computer program identifies missing items to the operator, who requests the missing information from the taxpayer. The computer stores the entered data until the taxpayer returns. When the taxpayer has the information available, all the operator has to do is retrieve the return and enter the missing information and then the software verifies

that the return is complete.

The software prints a copy of the return and sends it electronically to a transmitter for forwarding to the IRS. Unlike software for preparing printed tax returns, electronic tax filing software is required to pass IRS suitability testing. This rigorous process virtually guarantees that the ERO must generate an error-free tax return.

#### CASH ACCESS

When an application for a RAL or RAC is included with a tax return, the transmitter will forward the data to a participating bank for processing. An acknowledgment or rejection of the return by the IRS and an acceptance or denial of the application by the bank will be sent to the ERO. Should the ERO have any questions regarding the reply, a call to the transmitter can get additional clarification or confirmation for the taxpayer.

When an acknowledgment is received with a RAL or RAC approval from the bank, the customer is informed by the dealer when a check will be ready for pickup. The bank also withholds the dealer's charge for service (which usually ranges between \$25 and \$40 for each application) and directly deposits it to the dealer's account. When the taxpayer's check is printed, the dealer has a customer with a certified cashier's check in the store, able to make a payment for a previous rental-purchase or make a new rental-purchase.

#### A FINE-TUNED PROCESS

When the electronic filing process hit the streets, the IRS expected that having returns filed electronically would reduce processing time and would enable the IRS to offer faster refunds. The IRS thought this would encourage taxpayers to file returns electronically.

What the IRS did not realize was how high the software development cost would be and that most tax software companies could not afford to provide the service. This meant that the price for providing the service was more than taxpayers would pay and tax preparers would not invest in the product.

The IRS realized it had made several mistakes in its assumptions when promoting electronic filing, but wanted to keep the project alive. The IRS began to acknowledge that it must assist the banks in their lending on refunds if electronic filing was to spread.

This was accomplished by providing addi-

tional taxpayer information and screening when a return was filed electronically. This process included verification of Social Security numbers, acknowledgement of receipt of a return and indication that a refund would be paid.

With this information and the low error rate,

### **Electronic filing is a service RTO dealers can provide for existing customers and advertising this service can bring in added business.**

banks were able to offer loans in anticipation of repayment by a taxpayer's refund which would be deposited directly into the loan account. Tax preparers then began advertising fast cash and rapid refund programs to the general public which drew more customers into their offices.

The banks soon realized that many taxpayers did not have bank accounts themselves, but needed a safe place for the IRS to deposit their refunds. The Refund Anticipation Check or the RAC program provided this service without requiring taxpayers to pay interest on a loan. Now banks are also offering an account debit card for taxpayers wanting to establish a line of credit by using their refund deposits as collateral.

#### CREATING TAX REFUND TRAFFIC

How to find customers is a concern for every business. Tax preparers offering electronic tax filing pass out business cards at factories, medical facilities, unemployment agencies, schools, etc., to employees in those industries. Preparers advertise their services in

weekly periodicals, secondary papers within the community and also use direct mail. The rental-purchase industry can target the public in much the same way.

Additional traffic generated by word of mouth is great for business. When a taxpayer's cost and risk of filing for a refund is reduced, more money is available for new rental-purchase agreements. When a satisfied customer returns to his or her workplace, others will soon come and apply for refunds. This creates added foot traffic and sales for the store.

*Leroy Petz Sr. is president of Petz Enterprises Inc. in Tracy, CA. Petz offers a electronic tax filing software program called Crosslink. For more information, call 209/835-2720.*

## NOT JUST A CUSTOMER SERVICE

The window of opportunity for jumping on the electronic tax filing bandwagon is now, says Shannon Strunk, director of operations of Baber's Leasing, a chain of rental-purchase stores headquartered in Pascagoula, Mississippi. "We file the majority of returns from January 20 through January 28," he says. "You have to have the system up and going by then in order to reap the benefits. What happens in many cases, especially with new managers, is that they stand back and want to check it out. By the time they realize that tax filing is a breeze and it's great, they have to wait until the following year to get into it because they waited too long," says Strunk.

Baber's Leasing established electronic tax filing as a significant part of its overall profit strategy. Baber's introduced the service in 1989. Last year, Baber's filed some 6,000 personal income tax returns for their customers. They averaged more than 200 electronic filings per store at an average fee of \$40, earning a tidy \$240,000.

"Even if we didn't make any money, we'd continue to offer the service because it brings us more customers—specifically, it brings our competitor's customers in our stores," says Strunk. Each return requires three visits from each customer. The first visit to submit a return. The second to pick up a partial refund check. The third is to pick up the final refund check. "One manager complained that he had too many customers in the store," says Strunk. "They fired the manager and kept the customers," he says.



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