

New and improved: An appliance update

RTO dealer profile: Kevin Cronin in St. Louis

**P R O G R E S S I V E**

# Rentals

THE VOICE OF THE RENTAL-PURCHASE INDUSTRY | DECEMBER 1996-JANUARY 1997



**PLUS**

**The turning  
tides of RTO  
litigation**

**COINCIDENCE OR  
CAUSE FOR CONCERN?**

**ARE WE  
SELLING  
OURSELVES  
SHORT?**

**AN IN-DEPTH LOOK  
AT RTO ADVERTISING  
AND HOW IT CAN  
BE IMPROVED**



Universal Remote Control

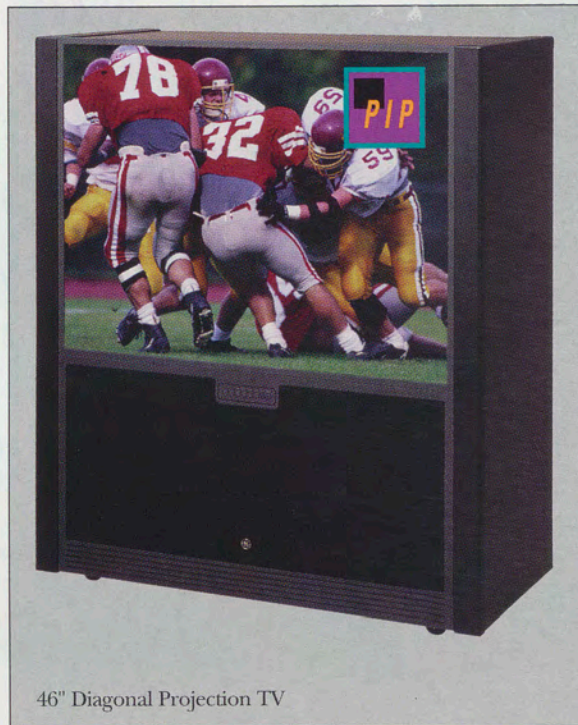
# Homeward Bound.



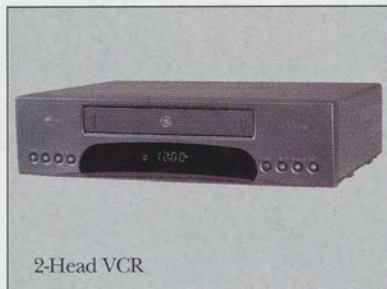
27" Diagonal Stereo TV



25" Diagonal XS® Stereo TV



46" Diagonal Projection TV



2-Head VCR



4-Head Hi-Fi Stereo VCR



13" Diagonal Spacemaker® TV/VCR Combination



19" Diagonal TV/VCR Combination



25-Channel Cordless Telephone w/Answerer



31" Diagonal Stereo TV

When a GE Consumer Electronics product leaves your store for the renter's home, you'll know it's a product they'll want to keep.

For years, GE Consumer Electronics Products have been a leader in the Rental Purchase Industry for some very important reasons. Your renters know they can rely on the quality and performance of GE brand TV's, VCR's, Camcorders, as well as Audio and Communications products. We support our products with fast and efficient distribution and service. GE products are Homeward Bound—because GE is the Consumer Electronics brand your customers want in their home.

Specifications subject to change without notice. Simulated picture.

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



*We bring good things to life.*

© 1996 Thomson Consumer Electronics, Inc.  
Trademark(s) ® Registered  
Marca(s) Registrada(s)

**APRS** Charter Associate Member

# CROSSLINK™

PREMIER ELECTRONIC FILING SYSTEM



FAST



ACCURATE



PROFITABLE

*New Continuous Calculations from CrossLink* eliminates waiting for the software to complete the return. Simply enter the source data and the return is done, without waiting. It's that simple and that fast!

*Built-in double verification checks* ensure the IRS receives every return error-free. When an error is detected, simply press the enter key and CrossLink displays the form and the location of the error with a complete diagnostic of the problem.

*Electronic filing is the key to greater profits.* It takes less of your time, uses fewer supplies, generates more fees, and gives you access to additional products to sell to your clients.

It's time to start making money! Call our friendly account executives today!

**(209) 835-2720**



Petz Enterprises Inc.  
Tracy, California  
Since 1974

**APRS** Associate Member since 1996

D E C E M B E R

# January

**IN THIS ISSUE**

18

**Are we selling ourselves short?**

With a full-scale effort being waged to improve the industry's image, a question to consider is whether the industry's own advertising is perpetuating the outdated image it's trying to remedy. Writer Nicki Carlson takes an in-depth look at RTO advertising, where it falls short and how it can be improved. Since advertising is the consumers' primary source of information about RTO, it is in the industry's best interest to put its best foot forward.



26

**The turning tides of litigation**

In the past few months, three judicial decisions have been handed down, each ruling that rental-purchase transactions are disguised credit sales under various state laws. Are these cases merely coincidental, coming as they did on the heels of each other, or do they represent a turning of the legal tide against the rental-purchase industry? APRO General Counsel Ed Winn III examines the potential impact of these cases on the industry.

32

**New and improved: An appliance update**

It's a fact: Rental customers don't want to settle for the lowest appliance on the market if they can afford more features. And they're willing to pay for more features that they consider to be important. Barbara Stooksberry chronicles what the various RTO appliance manufacturers are doing to improve their products—and their service—for the RTO market.



36

**The Cronin factor**

Writer Josh Gotthelf profiles RTO dealer Kevin Cronin of Rapid Rentals Inc. in St. Louis and central Illinois. A former partner in Payless Rent, Cronin just struck out on his own in December with seven stores, 32 employees and a positive outlook for the future of the industry.

**DEPARTMENTS**

**5 | NEWS BREAK**

1997 APRO Legislative Conference; APRO Mid-Year Conference; Gus goes international; RTO rises to economic decline; and more.

**10 | PRESIDENT'S VIEW**

APRO President Bill White highlights the results of the Association's recent public relations efforts.

**12 | RTO PERSPECTIVE**

Bill Keese questions that if President Clinton can change his image, why can't we?

**14 | RTO MESSAGE**

Ed Winn III warns of the risks of optional fees.

**16 | RTO ETHICS**

Larry Sutton discusses practicing what you preach.

**35 | WHO'S WHO IN APPLIANCES**

An annual listing of companies that supply appliances to the RTO industry.

**40 | ON DISPLAY**

New products and services.

**43 | RTO HUMOR**

Bud Holladay presents some inescapable truths about life in the rental-purchase industry.

**44 | VIEWPOINT**

What advertising strategies are you using to attract new customers?

Cover illustration by Terrell Powell

# Our Furniture Goes Fast Because We Put It On Wheels.



*We can get our furniture to your store as fast as our furniture leaves your store. Because we ship directly to you on our own trucks you can usually have your order within two weeks. And when it's sold, you can have your next shipment in about two weeks. And when it's sold, you can have your next shipment in about two weeks. Because at Frisco Furniture we understand the comings and goings of your business.*



*Great Furniture. Fast.*



Sales/Marketing: 910-885-5310 • 101 S. Main St., Suite 813, High Point NC 27260  
Manufacturing: 334-267-3111 • 57 Chambers St., P.O. Box 40, Frisco City, AL 36445

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

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

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

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



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

\* Leasing programs also available.



APRO Associate Member since 1994

## Work SMART with OFFICE Star

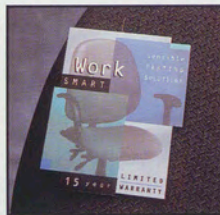


Office Star's popularly priced Work Smart series is ideal for the rental dealer. These chairs offer

2-way adjustable arms, made in USA fabrics and a smoothly contoured lumbar support.



**Work Smart**, the affordable new seating collection from Office Star, lets you create just the chairs your customers want. Over 40 elegant patterns, all made in the U.S. and backed by a 15-year limited warranty. Colorful new hang tags. And an innovative 'Quick Ship' program (with warehouses on both coasts!) that gets the merchandise to you faster than ever before. All in all, Office Star makes working smart easier. And far more profitable!



For more information, call toll-free  
**1-800-950-7262**



**OFFICE STAR  
PRODUCTS**

2883 Surveyor Street Pomona, CA 91768 FAX (909) 594-2280

## PROGRESSIVE Rentals

PUBLISHED BY THE  
ASSOCIATION OF PROGRESSIVE  
RENTAL ORGANIZATIONS

### EDITOR

Julie Stephen Sherrier

### ART DIRECTOR

Neil Ferguson

### DIRECTOR OF MARKETING

(ADVERTISING)

Cindy Ganther

### EXECUTIVE EDITOR

Edward L. Winn III

### EXECUTIVE DIRECTOR

Bill Keese

### COLUMNISTS

Bill Keese, Larry Sutton, Bill White  
and Edward L. Winn III

### CONTRIBUTORS

Nicki Carlson, Josh Gotthelf,  
Barbara Stooksberry and  
Edward L. Winn III

### DIRECTOR OF CIRCULATION

Laurie Derton

**EDITORIAL/ADVERTISING OFFICES**  
9015 Mountain Ridge Dr., Suite 220  
Austin, Texas 78759  
512/794-0095; fax 512/794-0097  
E-mail [jsherrier@apro-rto.com](mailto:jsherrier@apro-rto.com)  
<http://www.apro-rto.com>

### APRO OFFICERS AND DIRECTORS

#### PRESIDENT

Bill White

#### FIRST VICE PRESIDENT

Darrell Tissot

#### SECOND VICE PRESIDENT

Ernie Lewallen

#### SECRETARY

Rich Bartel

#### TREASURER

Wayne Sutton

#### DIRECTORS

Sandra Blackwell, Charles Cloud,  
David P. David, Ron DeMoss,  
J. Kieffer, Mac McCullar,  
Gary McDougal, Gary Romine,  
John Sherman and Larry Sutton

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

Copyright © by APRO, 1996. All rights reserved. Cover and contents may not be reproduced in whole or in part without prior written permission. Back issues \$5 each, subject to availability. For subscription, change of address, back issues, write to above address. Three weeks required for changes on orders. Allow six to eight weeks for the first subscription copy to be shipped.



# news

## BREAK

COMPILED BY  
NICKI CARLSON,  
RICHARD MAY AND  
JULIE SHERRIER

### 1997 Legislative Conference set for February 2-4 in Washington, DC

**N**ever before in the history of rental-purchase has the industry come so close to passing long-sought federal legislation as it did this past October. In order to continue the momentum for a successful future, RTO dealers are invited to attend the third annual APRO Legislative Conference, scheduled for February 2-4 at the Hyatt Regency Washington at Capitol Hill in Washington, D.C.

The conference will offer rental dealers from across the country the opportunity to schedule meetings with members of Congress in order to educate them and/or their staff on the rental-purchase business and its challenges.

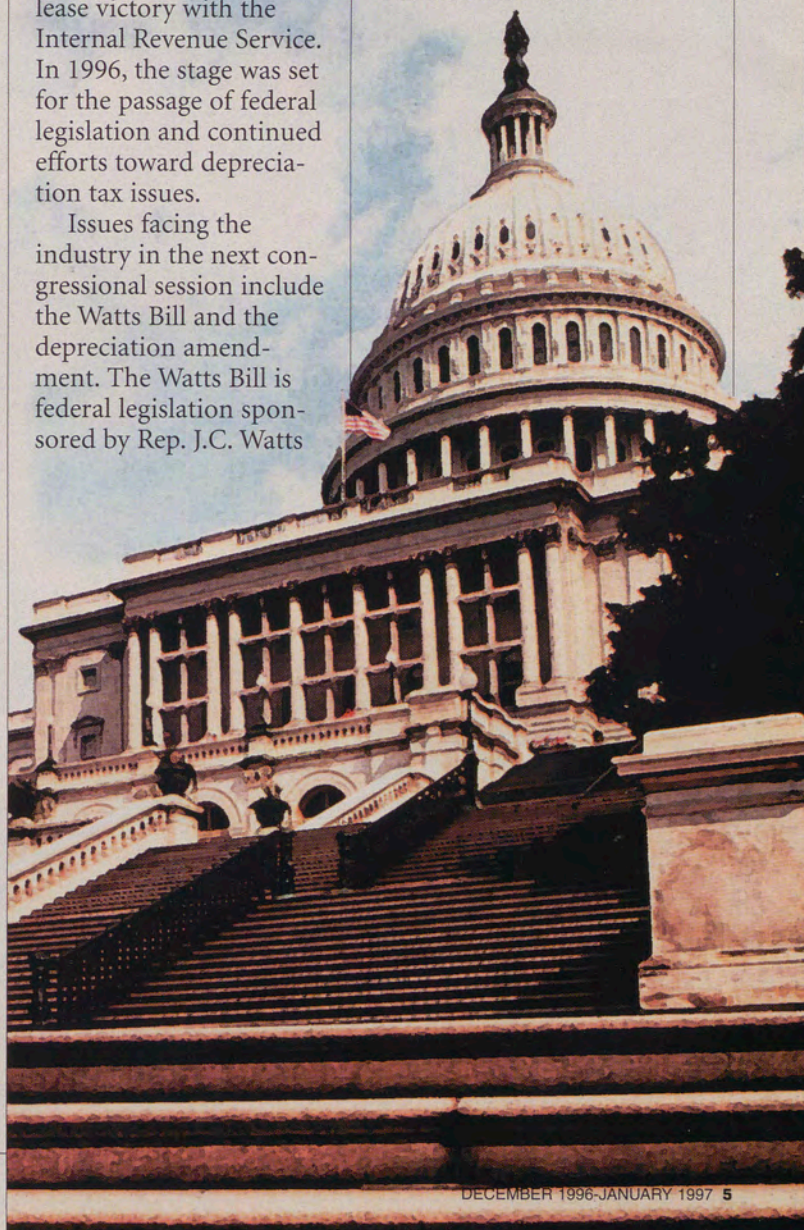
RTO dealers, both big and small, are encouraged to attend in order to learn more about the legislative process while continuing to build relationships on Capitol Hill. Heavy turnout at the 1995 conference played an important role in the

industry's sale versus lease victory with the Internal Revenue Service. In 1996, the stage was set for the passage of federal legislation and continued efforts toward depreciation tax issues.

Issues facing the industry in the next congressional session include the Watts Bill and the depreciation amendment. The Watts Bill is federal legislation sponsored by Rep. J.C. Watts

(R-Okla.) clarifying that the rental-purchase transaction is a lease, not a sale. The depreciation amendment will allow the industry to amend the current tax code requiring RTO dealers to use a five-year Modified Accelerated Cost Recovery and replace it with a three-year MACRS.

In addition to two days of dealer visits with Congress, APRO has planned an evening of cocktails and dinner at



the exclusive George Town Club on Monday evening, February 3. The George Town Club is housed in an 18-century building once known as Suters Tavern, a common meeting place during Colonial Georgetown.

For registration information, contact Amber Roberts at APRO at 800/204-2776 or 512/794-0095.

**RTO rises to economic decline**

Rental-purchase companies hold a somewhat unique ability to provide services and merchandise the public particularly needs during periods of economic decline. According to Equitable Securities Research's C. Marks "Bubba" Hinton Jr., America is currently experiencing such an adverse time:

**R T O F Y I**

About 1,360 RTO stores have been purchased during the past three years; an estimated 300 to 400 more stores could be purchased during the next 12 to 24 months.

Public RTO chains are accelerating their number of transactions, but the number of stores acquired per transaction is decreasing. Only 36 percent of the industry's stores are owned by the 10 largest rental-purchase firms.

Source: Third Quarter Update, Robinson-Humphrey Company Inc



sumers desire everything their more affluent counterparts possess. Rental-purchase companies offer an alternative way to meet these goals and to obtain these products that they would otherwise be unable to afford. In times like these, it is even more important for the rental-purchase industry to make its presence known.

- ▶ More than 25 percent of the workforce now earns less than \$15,000 annually due to intense global competition and the declining influence of unions.
- ▶ Only 17 percent of the individuals below the poverty line in the United States moved out of that class in the 1980s, compared to 44 percent in the Netherlands, 28 percent in France and 26 percent in Germany.
- ▶ The middle class, economically defined as those with family incomes between \$15,000 and \$50,000, fell from 61 percent of the households in 1969 to 50 percent by 1992, according to the Economic Policy Institute. "The combination of misguided government entitlement programs and an educational system that has miserably failed much of our youth has impaired economic opportunities for so long that households in the lowest quartiles lack upward mobility and are developing the characteristics of a permanent underclass," Hinton says. Despite their low-income status, these con-

the APRO Vendor Relations Committee. Bob Saunders of Saunders Sales & Marketing filled the furniture category vacancy and John Rogers of High Touch filled the computer category vacancy. Sherry Workman, formally an alternate on the committee, was voted a permanent position.

The committee consists of 13 members who represent various categories of products. Those products are furniture, appliances, electronics, jewelry, computers and special services. The mission of the Vendor Relations Committee is to act in an advisory capacity to the APRO president and the APRO board of

*Continued on page 8*

**APRO Vendor Relations Committee adds new members**

Two new committee members were elected to

**PARD PAC thanks contributors**

Ronald DeMoss, president of the Pennsylvania Association of Rental Dealers, wishes to express gratitude on behalf of PARD to the following individuals and APRO-PAC for contributing to the PARD PAC. PARD also thanks those who reached out with contributions from across state lines:

- |                             |                      |                           |
|-----------------------------|----------------------|---------------------------|
| Don Bain                    | Ernie Lewallen       | Shannon Strunk            |
| Bob Bloom                   | David Lilly          | Michael Suchsland         |
| Larry Carrico               | Jeff Loeb            | Wayne Sutton              |
| William Colvin              | Jan McDonald         | John and Carolyn Tibbetts |
| Jeff Conway                 | Gary McDougal        | Ralph Tormey              |
| Kevin Cronin                | Bob Moore III        | Mike Viveiros             |
| Barb Daniels                | Tracey Morgan        | Charlotte Walsh           |
| Richard Dawley              | Bill Morgenstern     | Mike Walts                |
| Ron DeMoss                  | Sam Moyers           | Melani Weidner            |
| Brad Denison                | Morrie Otander       | Dan Weiss                 |
| Chad Hazam                  | Randy Otander        | Bill Wendell              |
| Lawrence and Helen Hornbake | Gary Romine          | Ed Wilson                 |
| John Isaac                  | Brian Scott          | Dick Wolford              |
| Harold Katz                 | Mark Speese          | Jane Zeller               |
| J. Kieffer                  | Cynthia Baber-Strunk |                           |

# 1997

## CALENDAR OF EVENTS

### JANUARY 17-21

San Francisco Furniture Mart, 415/552-2311 (B&D Hospitality, January 18)

### FEBRUARY 2-4

APRO 1997 Legislative Conference, Washington, D.C.

### FEBRUARY 2-5

American Rental Association Annual Meeting, 309/764-2475

### FEBRUARY 20-23

Tupelo Furniture Market, 601/844-1473 (Benchcraft Hospitality, February 21)

### APRIL 10-18

High Point Furniture Market, 910/888-3700

### MAY 1-3

APRO Mid-Year Conference Casa Marina Historic House by the Sea Key West, Florida

### MAY 15-18

TRIB annual meeting, San Antonio, 770/451-4302

### JUNE 2-5

CES with Comdex, Atlanta, 202/457-8700

### JUNE 28-JULY 1

Dallas Furniture Market, 800/325-6587

### JULY 10-13

Atlanta Furniture Market, 404/220-3000

### JULY 18-22

San Francisco Furniture Mart, 415/552-2311

### AUGUST 11-15

APRO '97 Rally at Bally's! Annual Convention & Trade Show, Las Vegas

### AUGUST 21-24

Tupelo Furniture Market, 601/844-1473

### OCTOBER 16-24

High Point Furniture Market, 910/888-3700

## APRO's Mid-Year Conference headed for the Florida Keys

**P**lans are already underway for the 1997 Mid-Year Conference, which will be held May 1-3 in Key West, Florida. The APRO Mid-Year Conference is an annual gathering for both members and non-members. Each year, attendees learn about the most recent tax, accounting and legal issues facing the

rent-to-own industry.

In between meetings, attendees can enjoy the sites, sounds and golf in this southernmost city in the United States. Measuring 1 mile by 4 miles, Key West has an interesting history, having been

discovered in the 1500s by Ponce de Leon and being home to native American Indians, pirates, Bahamian colonists and traders.

The 1997 Mid-Year Conference will be held at the historic Marriott Casa Marina. Built in 1921, this resort is the oldest and largest in all of the Keys. The atmosphere harkens back to a time of elegance and refinement with a luxurious atmosphere where emerald lawns

meet the blue Atlantic.

While in Key West, conference attendees can enjoy museums, art galleries and theaters, including special attractions like Ernest Hemingway's home and the Tennessee Williams Fine Art Center. Water sport lovers can choose from snorkeling, diving, wave runners, kayak tours, charter fishing and many other activities. Relaxation will be the key word for those experiencing the charming lanes, quaint shops and "Conch Homes" with wide verandahs and lush tropical landscaping.

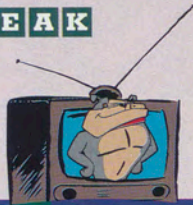
Attendees can also partake in Key West Golf Club's paradise. Golfers will love the unique 18-hole course that covers 200 acres of beautiful Florida Keys foliage and wildlife. Golf legend Rees Jones designed the course to be a challenge to players of all abilities. See how you do on the infamous "Mangrove Hole" (143 yards, par 3 played completely over a field of thickly intertwined tropical mangroves). To set up a tee time, call 305/294-5232.

The deadline for hotel reservations is March 31. Room rates are \$149 for rooms with a non-ocean view and \$179 for rooms with an ocean view. Call 800/626-0777 for reservations or call APRO at 800/204-2776 or 512/794-0095 for more information. For more information on Key West, call 800/LAST-KEY. Watch for future issues of *Progressive Rentals* and *Network News* for registration information.



### TENTATIVE SCHEDULE

- THURSDAY, MAY 1 **Attracting new RTO customers: APRO Public Relations Investigative Report, Rental Dealers Hospitality Suite. Sponsored by FORESIGHT Inc.**
- FRIDAY, MAY 2 **APRO Annual RTO Legal/Tax and Accounting Update, complimentary luncheon sponsored by the Nationwide Club Administrators**
- SATURDAY, MAY 3 **Industry Round Table**



## GUS WATCH

**F**rom Guam to Canada, Gus has now hit international airwaves. Since the last "Gus Watch," more than 30 companies have ordered and/or aired the Gus television commercial—bringing the total number of companies running Gus to 75 in an estimated 130 markets.

November and December are the busiest advertising months for the industry and dealers have taken advantage of APRO's animated commercial. Small operators represent the majority of those ordering the commercial. The reviews throughout the membership have been "thumbs up."

John Ketchum of All-Pro rentals recently aired the spot in Douglas, Georgia, and received immediate response.

"Customers have come into the store and commented on the commercial ever since it's been shown. It has directly contributed to the improvement of my business. I think APRO should continue to provide small dealers with high-quality promotional items like Gus," says Ketchum.

Gus has also reached the two-dimensional market in print advertisements and promotional items. "Gus," as well as the APRO Seal of Integrity, is available on diskette and on slicks, which can enhance a company's print advertisements. Chet Penzak of Inform Systems continues to use "Gus" on promotional materials for individual companies. Penzak, an APRO associate member, can be reached at 904/252-5766 or contact Richard May at 800/204-2776 for a diskette and/or slicks of "Gus" and the APRO Seal of Integrity.

### VENDOR RELATION COMMITTEE Continued from page 6

directors on matters affecting the annual convention and trade show, the national trade association and the rental-purchase industry in general.

The committee meets three times a year. Its members provide an important link among vendors and dealers in the rental-purchase industry. The next committee meeting will be held in Key West during the 1997 APRO Mid-Year Conference on May 1, 1997.

### Low-end PC popularity growing

Despite earlier projections that personal com-

### R T O F Y I

New entrants into RTO will likely have a large impact. Prices of acquisitions are already rising as new entrants are trying to become large quickly. Several chains have doubled their store base in the past 12 to 18 months, increasing growth-related risks.

The five public RTO companies' stock has increased an average of 26 percent year to date, compared to a 12 percent gain for Standard & Poor's 500. Net profit margins of these RTO companies increased to a record 6.8 percent in the second and third quarters of 1996.

Source: Third Quarter Update, Robinson-Humphrey Company Inc

puter sales were going to experience a slowdown, PC makers showed very strong third-quarter

## No news would be better news...

**E**specially with news like this appearing in local papers across the country: The Benton (Arkansas) Courier reported that a homemaker answered his door one Halloween night to find three masked men standing on the doorstep. When the men got their foot in the door, they confiscated a leased home entertainment center. These men were not burglars, but workers for a RTO company and were repossessing the item because payments were three months past due. When questioned about this unethical procedure, the store manager replied, "It was the only way we could think of to get inside the house."



profits — which is just another reason RTO dealers should consider getting into computer rental, if they haven't already. The rapid growth of PC sales is attributable to the explosive growth of the Internet, rising demand for computer workstations and hefty business contracts, reports *TWICE*, a weekly consumer electronics publication.

*TWICE* also reported that the number of low-end PC models are growing as a result of a flood

of under-\$1,000 clones that hit the shelves in November. These essentially full-featured 75 MHz Pentium-class computers will be targeted to children and students and come Internet-ready with a high-speed modem. With the increase and consumer acceptance of lower-priced systems, RTO dealers currently offering PCs can expect to see increased competition along with increased customer requests for these lower-end computers.

## PUBLICLY TRADED RTO STOCKS

RTO COMPANY	SYMBOL	12-10-96 PRICE	52-WEEK HIGH	P/E
AaronRents A	ARONA	14¾	30¾	19
AaronRents B	ARON	14⅝	15	18
Alrengo	RNCO	11	23¾	13
Rent A Center	THRNY	N/A	25	16
Renters Choice	RCII	15½	28¾	25
Rent-Way	RWAY	9⅞	15⅞	21

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

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



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

**APRS** Associate Member since 1987

**T**he APRO Public Relations Committee has started the year with a bang. The results from the first focus groups are in and the good news is that we are beginning to really hone in on where we need to direct our efforts in order to improve our image. We have a lot of work to do and what better way to start the new year than with more direction and purpose than we ever had before.

The purpose of the research, as supported by the APRO Public Relations Committee and board of directors, was to understand and motivate potentially untapped customers who have a simi-

rent customer base, but to those who have never visited our stores. And we need to take a close look at our advertising. One focus group participant said that RTO stores should show the wide selection and quality of products available rather than emphasizing prices.

The most frequently mentioned way to create a more positive store image was to change the advertising to higher class, more honest and sincere while showing higher quality products. As one participant explained, our marketing should say, "We have good quality and we're here to help you."

Of course, there was a general consensus that renting versus purchasing products was not the preferred route to go if you eventually intend to own the product. And there's nothing we can do about that. What we *can* do is create higher visibility of the benefits of renting-to-own, targeting those segments of the population that can take advantage of what we have to offer. As witnessed during the focus groups, the benefits of rent-to-own are not touted enough.

The bulk of the research will be highlighted during APRO's Mid-Year Conference in Key West, to be held May 1-3. APRO and TateAustin will be presenting an educational seminar called "Attracting New RTO Customers: APRO Public Relations Investigative Report" on May 1. If you are unable to attend the Mid-Year Conference, the research results will also be made available to APRO members at the beginning of the year.

In the meantime, while our non-customers may not yet be satisfied with us, it is our customers who need to be kept happy. In our efforts to upgrade our image, let's not forget those customers who have helped make our business the success it is today. ■

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

**"The focus group participants likened our salespeople to used-car salesmen who wear polyester leisure suits and saw the typical RTO customer as low-class and uneducated."**

## New year, new beginning

lar demographic profile to current RTO customers, but who haven't recently rented-to-own. The first phase of the research was these focus groups, which allowed a non-structured way of measuring feelings and motivations behind non-users' attitudes and lack of usage.

Judging by the survey results, you would think we were still operating in the 1950s. To summarize, the general perception of rent-to-own according to these participants is that we sell cheap, low-quality merchandise, that it's our own advertising that turns away potential customers and that renting is not socially acceptable. The focus group participants likened our salespeople to used-car salesmen who wear polyester leisure suits and saw the typical RTO customer as low-class and uneducated.



**By BILL WHITE**  
APRO's President

And this is only the tip of the iceberg. Nancy Edwards of TateAustin will highlight the research results in the next issue of *Progressive Rentals*. Not only will she highlight the focus group's negative comments, but she will also cover some suggestions for improvement.

While APRO continues its efforts to assist our industry in improving its image through research, the Gus commercial and public relations and legislative efforts, what APRO can't do is change the image of every store. We have got to take a good, hard look at how our stores look, feel and appear — not only to our cur-



*RTOs Come Back To Audiofile*  
**Because Our Products Don't.**

Leading RTOs have been discovering that Audiofile home theater products simply *don't come back*. That's because Audiofile has a proven track record of providing products ideally tailored to the rental market. Audiofile's Cinema Centers give you complete Dolby Pro-Logic speaker systems as single-SKU solutions that are easy to rent—and to use. They're your best way to capitalize on the home theater boom. **Don't let the new year pass you by—call Audiofile today at 1-800-833-6252 and discover the easiest way to maximize your home theater rental revenues in 1997.**



**CINEMA CENTER**

*Audiofile Cinema Centers provide easy, one-SKU home theater solutions.*

**AUDIOFILE**  
HOME THEATER

1000 E. Valencia Drive, Fullerton, CA 92831  
Phone (714) 992-4697 • Fax (714) 992-0552

**T**he November presidential election was, in retrospect, no surprise. Bob Dole never was able to articulate to a majority of voters his vision for America or portray a consistent image of what his presidency might be like. What was a surprise, however, was the total remaking of the president's image in the last 18 months of his first term. If anyone cares to remember, President Clinton suffered some of the lowest approval ratings ever attributed to a president during his first two years in office.

How did this happen? Rest assured that it was-

# Clinton did it, so can we

n't by happenstance. Clinton's rise in popularity was a brilliant combination of good timing and the president's willingness to change that led to such dramatic approval by the voters that his ratings soared to well above 50 percent. We do know some of the mechanics that led to this change.

First, the president gathered a team of experts from outside the White House bureaucracy. These were advisors not tied to the past mistakes of the first two years of the administration. He was persuaded to make bold, substantive changes to the direction of his administration. He came out supporting a balanced budget. To counter his liberal image, he chose crime as a place to start.

His pollster, Mark Penn, was concerned about the casual nature of the president's strategy and suggested doing a benchmark poll to define the keys to re-establishing the president's image. Penn's polling was an attempt to map the psyche of the American voter. The results became the blueprint for the campaign.



**By BILL KEESE**

*APRO's Executive Director*

The polling determined the characteristics of the swing voters and how to use issues to reach them. A key to this strategy was to accentuate the positive.

To the public, all the president's men discussed the nation's growing economy with apprehension. They were concerned that, like President Bush, positive reviews of economic progress might be misinterpreted as being out of touch

with the people who were still hurting. In a memo, Penn wrote, "Failure to recognize the optimism in the electorate and to correctly revive it could be the single biggest mistake we would make that would cost us the election."

Making presidential rhetoric from Clinton's State of the Union address a reality was imperative to establish credibility. From then on, throughout the campaign, the moderate, conciliatory message was clear and the president was always on point.

Some believe the changes that occurred were solely for political expediency and condemn Clinton for being an opportunist for the sake of the election. Others believe the "real" politically moderate Clinton finally stepped forward, having been freed from the confines of the liberal Democratic Congress defeated in the 1994 congressional elections.

Those of us outside the inner sanctum of the White House may never know the true reasons for the president's metamorphosis, but no one can deny the success.

The great challenge for our industry over the next decade is to reinvent ourselves and by so doing, change our image. We are following a strategy, similar in many respects to that used by the president in the past two years. We have gathered a unique team to guide us. We are using focus groups and will soon employ polling techniques to help us define our "swing" customers. We will be persuaded to change some of our procedures to create a new image. We must make our rhetoric conform to the reality of the marketplace and to establish our credibility outside our current customer base.

I know there are some who either feel the challenge is too great or believe we can't attract new customers with a change in our image.

I say, look at what Bill Clinton did. ■

**"We are following a strategy, similar in many respects to that used by the president in the past two years. We will be persuaded to change some of our procedures to create a new image."**



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



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

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

Ext. 6545. Only from Whirlpool.



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

HOW TO MAKE A HOME RUN.™

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

**APRS** Associate Member since 1981

**"It is dangerous to add damage waivers or leased property insurance agreements automatically and assume that either the customer will not notice or will not object."**

**I** find it useful to write a brief cautionary tale here and hope that it applies to no one in the rental-purchase business. It is probably nothing more than my overly active rental-purchase lawyer mind at work, but "an ounce of prevention..." well, you know the rest.

This tale has its genesis in the small loan industry where the issue of "credit insurance packing" is hot. Legal aid and other lawyers have begun to attack the practice with some success. It works like this:

A customer calls a small loan company and wants to borrow \$500. The customer is in a hurry.

agreement for the customer to sign at the house. The agreement has been filled out by the computer in the store and has a \$1 a week damage waiver fee added to the rental rate. When the customer objects, the delivery person states that the agreement will have to be rewritten back at the store on the computer and the television cannot be delivered until the next day. The customer sighs and signs.

Rental dealers need to be aware that damage waivers or leased property insurance must be truly optional. Dealers can sell these products aggressively, but they should be mindful of business patterns when dealing with customers that plaintiffs'

lawyers could isolate to argue that customers really did not have a choice.

High penetration rates do not automatically mean that a store is forcing damage waivers on customers. What really matters is what customers are being told about the transaction. Damage waivers can be successfully sold by explaining carefully how they work and by walking the customer through some examples of when the waiver would more than pay for itself. It is dangerous, however, to add them to agreements automatically and assume that either the customer will not notice or will not object. Dealers should ask themselves if they are prepared to explain their business practices to a jury. That is what the small loan companies in New Jersey are going to get to do. ■

*Ed Winn III is APRO's general counsel.*

# The risk of optional fees

After a brief discussion and a credit check, the customer is invited to come down to the loan office later that day and pick up the check. There is no mention of insurance on the phone. When the customer gets to the loan office, the loan documents are ready. However, insurance premiums for credit property, credit life and credit accident and health are added on to the amount financed. The loan documents disclose that these charges for insurance are optional, but if the customer objects, the loan officer then tells the customer that the loan documents will have to be rewritten. Instead of receiving the loan right away—since the papers have to be rewritten—the customer is then asked to return the following day. The customer sighs and signs and even initials the insurance boxes where the documents state that the insurance is optional.

It is based on those facts that a New Jersey state court has ruled that the loan transaction may violate the state deceptive trade practices statute because of the lack of a real choice concerning the insurance products.

Now, put those facts in the rental-purchase context. A rental-purchase customer calls the store looking for a television. The price quoted is \$9.99 a week. No mention is made of a damage waiver. The customer gives references over the phone and later that day, the store delivers the television and a rental-purchase



**By ED WINN III**

*APRO's General Counsel*



# JUMP TO NEW HEIGHTS WITH HIGH TOUCH



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

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



**PROFESSIONAL AUTOMATION TOOLS FOR THE RENTAL-PURCHASE INDUSTRY.**

**APRS** Associate Member since 1984

**“What signal was he giving? It’s the old ‘do as I say, not as I do’ method, which doesn’t work with employees any better than it works with our children.”**

**W**hen each of us on the Ethics Committee agreed to write an article on ethics, I must confess that I was at a loss as to what in particular I would choose to write about. After all, almost every dealer I have met in this industry professes to be the most ethical human on the planet.

After giving it a lot of thought and after several attempts to begin this article, I have decided to challenge the basics of our beliefs about what “ethics” stand for.

It appears that all of us have our particular

We are dealing with ethics every day. Every day in our stores, our employees are making decisions that affect your customers and other employees alike. Just like children, they will follow the example they have been given.

What about you? Do you set the example for your employees to follow? Does your policies-and-procedures manual reflect proper ethics in each and every single situation? Did you sign the “Declaration of Integrity” at the APRO convention? If you did, did you mean it?

Our industry will only achieve greatness when all of us adopt the same ethical

standards, internally as well as externally.

I hope we are all displaying the APRO Seal of Integrity in our stores, but most of all, I hope we are all striving to run our businesses by the Golden Rule: Treat others as you want to be treated! ■

*Larry Sutton is an APRO board member and president of Champion Rent-To-Own in Tampa, Florida.*

# Practicing what you preach

areas where we apply high ethical standards and other little gray areas in which our ethics could be questioned. For example, I knew a dealer who went absolutely nuts every time he caught an employee stealing from his company, but thought nothing of filing a false insurance claim on stolen goods whenever one of his stores was burglarized. His scam went something like this: Whenever a store was broken into, he would have his store manager show current skips/stolens as having been turned in the day of the break-in and subsequently list those items as stolen during the break-in. Having just included his store manager in a plot to rip off the insurance company, he now expects that same manager to use a different set of ethics and not steal from him. What signal was he giving? It’s the old “do as I say, not as I do” method, which doesn’t work with employees any better than it works with our children.



**By LARRY SUTTON**  
APRO Board Member

Other dealers I know profess to be above reproach in all areas of their personal and business life, but think nothing of changing a receiving date on a product to extend the manufacturer’s warranty or file a warranty claim on an out-of-warranty item using an in-warranty model and serial number. What’s the message here? The message is that it is OK for us to steal from the manufacturer, but we must be honest when it is our assets that are on the line.

# RSSS

...America's Business prescription headquarters

for the success of your  
Rent to Own and Retail business.

*We can fill your prescriptions immediately!*



*When your business changes...adds new income areas, a planned expansion or the need for better control, RSSS is always one step ahead with a complete single or multi-store solution so your organization can get the relief it needs *immediately* from a proven RSSS prescription!*

In use since 1979

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

**RSSS**  
Rental & Sales Software Systems

E-mail: [rsss@trip.net](mailto:rsss@trip.net)  
Web site: [www.rsss.com](http://www.rsss.com)

APRO Associate Member since 1986

# ARE WE OURSELVES



An  
in-depth  
look at RTO  
advertising  
and how  
it can be  
improved

— B  
— Y  
— N  
— I  
— C  
— K  
— I  
— C  
— A  
— R  
— L  
— S  
— O  
— N  
—

# SELLING

S...

PEOPLE INVOLVED IN THE RENTAL-PURCHASE industry say it's time to take a positive step to change the public's perception of the industry. For years, negative images projected by the media and government have stigmatized the rental-purchase transaction. One question to consider, however, is whether the industry and individual RTO dealers are actually helping to perpetuate this negative image. Advertising constitutes an integral way businesses communicate with potential and current clientele. As a result, advertising is the primary way businesses identify themselves to the public. Is the rental-purchase industry using advertising to promote a positive industry image or is RTO advertising actually sustaining the industry's stereotypical image?

Based on previous and current advertising practices and strategies, three main weaknesses in RTO advertising seem to be hindering the industry's image progression. First, the majority of the public is still not

educated as to what RTO is, meaning many people are simply not aware of the rental-purchase option and its benefits; furthermore, some people familiar with RTO may have been influenced by negative press

and stigmas. Second, most RTO store advertising carries the same look, feel and message, which translates into the consumers' inability to distinguish between different stores; in addition, consumers develop a sort of immunity to RTO advertising because "it's all the same." Third, most stores direct all their advertising to the same clientele, thereby ignoring numerous segments of the population and potential customers who stand ready to benefit from the RTO transaction.

By addressing these issues in their advertising, rental-purchase dealers could affect a tremendous positive impact on their bottom lines and the industry could do likewise for its image.



# ...SHORT?

## ENLIGHTEN THE AUDIENCE

Advertising provides a unique setting for communicating a positive image to the public. Ken Butler, president of Aaron's Rental-Purchase, says RTO dealers need to include in their advertising messages the idea that RTO is no longer just a last resort.

"I think there's a market of RTO customers out there who have heard war stories and negative press about this industry; they need to hear that it's OK and not shameful to rent-to-own," Butler says.

Ernie Lewallen, chairman of APRO's public relations committee and owner of United Household Rentals in Cincinnati, Ohio, suggests the production of infomercials might positively affect the industry's image. After participating in a focus group study where he watched people's reactions to different kinds of advertising, Lewallen says he was amazed at how little the non-rent-to-own customers knew about the industry. He says these people had incredible misconceptions and preconceived notions about RTO.

"I think there's an incredible need to educate potential customers about the business itself. It takes away the stigma. Once someone knows what the industry is about, they still may not be a customer, but they might be a little more prone to recommend it to a friend or relative who might want to be a customer," Lewallen says.

APRO hired public relations and advertising firm TateAustin to help develop a strategy for getting the good word out on renting-to-own. Nancy Edwards, account director at TateAustin, says APRO is "taking its first steps in trying to define the rental-purchase industry to consumers."

One of these steps included the development of the Gus ad, which was designed to break RTO out of the fray of typically price-oriented advertising. Richard May, APRO's public affairs director, says the goal of the ad is to entertain viewers and give them a different feel for the industry. Individual stores can personalize the commercial during the four-second tagline at the ad's conclusion.

Now two locations in the Tri-State area!

**Fred's**  
RENT-TO-OWN

WOW! JUST LOOK AT ALL THIS STUFF!

Now two locations in the Tri-State area!

**Ted's**  
RENT-TO-OWN

WOW! JUST LOOK AT ALL THIS STUFF!

Now two locations in the Tri-State area!

**Ted's**  
RENT-TO-OWN

LOOK! WE HAVE COMPUTERS, TOO!

**The result of the industry's non-professional attempt at advertising is an overwhelming similarity of ads and commercials.**

## STRIVE FOR CREATIVITY

One way to help formulate this desired, more positive industry image is to design creative advertising programs. One of the biggest hurdles to overcome in advertising is space and time—both of which come down to money.

APRO's 1996 *Advertising & Public Relations Survey* found that the industry spends an average of only 5.1 percent of its gross revenues on advertising. Of that percentage, dealers allocate 45 percent of their advertising money to print, 30 percent to television, 14 percent to radio, and 11 percent to miscellaneous other media. The survey report states: "The majority of RTO advertising campaigns are the brainchildren of each individual company. The survey shows that the advertising profession spends little energy or time with the rental-pur-

chase industry."

The result of the industry's non-professional attempt at advertising is an overwhelming similarity of ads and commercials industry-wide. For example, in reviewing the 1996 APRO Rental Advertising Excellence award winners, it becomes clear that print ads typically feature shots of merchandise with prices and terms splashed across them. Television commercials often use the same tactic, but many also feature desperate, disgruntled adults in scarcely and poorly furnished apartments who go to a RTO store and then magically appear in the next frame in the lap of luxury and happiness.

Lewallen explains the mentality that many RTO dealers develop after confronting the constraints of a tight advertising budget. "If you buy half a page in a newspaper, you want to put your best foot forward. I think the tendency is to put lowest price, lowest term, come-on slogans, down and dirty, just get the merchandise out the door techniques," Lewallen says.

Michelle Brooks, assistant director of marketing for Rentway, says the homogeneity found in the industry's advertising leads to the most difficult challenge of advertising in this industry: identifying your store or company and differentiating it from the others out there that are probably distributing the same kind of advertising you are.

"For the most part, RTO stores offer the same products, rates and terms," Brooks says. Yet this is precisely what most stores feature in their advertising. "Service is one area that differs; the problem is that it's not tangible—it's hard to advertise 'service,'" Brooks says. Rentway promotes its motto of "welcome, wanted and important" in an effort to emphasize the service aspect of its stores.

## LEARN FROM CREATIVE LEADERS

APRO's May says that because dealers' ads focus on price and product, many people think they are obligated to buy when they walk into an RTO store. May says that if he owned his own store, he would stress the concept

of renting in his advertising.

"Most advertising today focuses on what to rent. The benefits of renting-to-own, like flexibility and convenience, are huge, so I would specifically stress reasons to rent," May says.

Rent-A-Center has developed a creative new advertising program that accomplishes that very goal. The company is promoting a reason to rent-to-own with its new slogan, "Try it before you buy it." Rent-A-Center is using a famous celebrity—George Wendt, who played Norm on the long-running television comedy *Cheers*—in its commercials. Mike Shreiber, vice president of marketing for Rent-A-Center, says the company focused not only on using a high-profile celebrity, but also on the importance of that celebrity being a person with whom customers could relate. Through consumer creative testing, Shreiber says the company realized the high popularity and customer relatability of Norm among Rent-A-Center's customer base. Shreiber says the company also placed primary importance on showing the relationship between Norm (the customer in the commercials) and the Rent-A-Center coworker.

"We wanted to create a more positive way of looking at rent-to-own. We found through research that our customers are well aware of the fact that they don't have credit, so we don't need to be reminding them of that in our advertising. We are trying to expand our customer base by giving people a different, more positive way to look at rent-to-own," Shreiber says.

Aaron's Rental-Purchase is another company using creative new advertising. Butler explains how, last year, Aaron's sponsored the Atlanta Braves and gained additional exposure and name recognition throughout Atlanta and the Southeast. Butler says the ads that Aaron's ran in connection with the Braves "promoted the concept of Aaron's Rental-Purchase and not specific products. We presented what makes us unique: our size and selection—our store is three times larger than our area competition—and the length of time we require to own, which is 12 months versus our competition's 18-month period."

Edwards suggests another innovative advertising idea: sponsoring or

donating to a community group or charitable organization or event. Community relations can carry a huge impact and is something all dealers—even those without a lot of money to spend on advertising—can do successfully, Edwards says.

"Cause marketing is the buzz phrase of the '90s and it really does affect your bottom line. Anything you do to support your community can come back tenfold and directly translate into sales. In terms of your long-term relationship with your community, it's

something you just can't ignore," Edwards says.

Another benefit to community relations is that it reaches all segments of the public and not just the narrowly defined demographics of a "typical and likely RTO customer."

### TARGET NEW KINDS OF CUSTOMERS

America's Research Group conducted a nationwide telephone survey of rental-purchase customers in August 1994 to define exactly who is the "typ-



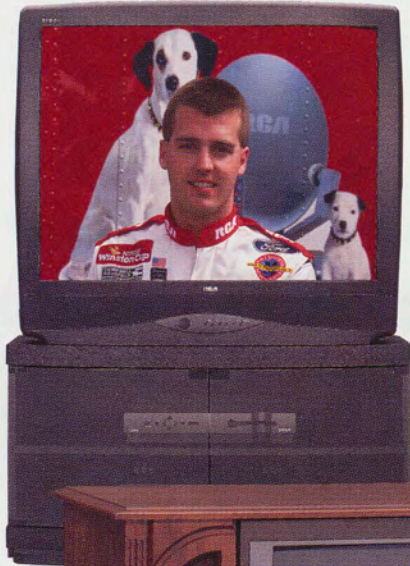
## INNOVATIVE IDEAS FOR ADVERTISING



1. Try advertising that will help potential customers become familiar and comfortable with the rental-purchase industry—that does more than just offer price and products. For example, television commercials like the Gus ad help to shape a positive "image" of RTO that will be beneficial in the long run.
2. Develop an identity—in the form of a personality, a commercial style, a phrase or simply a logo—for your store that will distinguish it from other RTO stores. Again, try not to base this identity on price and product alone. What sets your store apart from the others?
3. Think of segments of the population in your area that are not current customers and develop an advertising strategy targeted to their specific needs and desires. Here are some examples:
  - ▶ If you live in a city or town that has a college or university, the months of May, August, December and January are ideal for advertising furniture and entertainment equipment because college students are moving during these times. Many universities and colleges have publications where advertising can be submitted relatively inexpensively. Putting flyers up around campus is another way to advertise at a lower cost. To meet students' specific needs, consider notifying dormitories, student apartment complexes and fraternity and sorority houses about renting televisions, stereo systems, etc., during the holidays and big sporting events (don't forget collegiate sports!). This could lead to a new—and lasting—customer base.
  - ▶ Target more upscale customers by presenting the idea that RTO is a way to keep up with current fashionable trends; for example, it provides the opportunity to change to a new look or style whenever they wish.
  - ▶ In the business community, renting office furniture and equipment is a solution to the problem of equipping seasonal and temporary workers and office space. Target this audience and need and simultaneously appeal to businesses that provide temporary residence for traveling employees.
  - ▶ Tell the audience why they should rent-to-own as well as what they should rent-to-own. People pay attention to—and will more likely remember—advertising that provides benefits and reasons as to why rental-purchase is a good option for them.

# You're on the Right

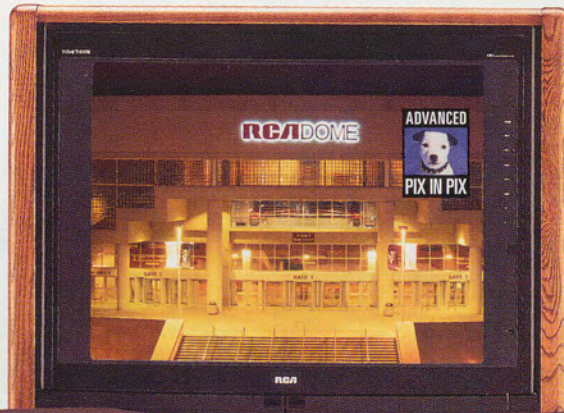
32" Diagonal ColorTrak Plus™ TV\*



27" Diagonal ColorTrak Plus™ TV



35" Diagonal Home Theatre™ High-Performance TV



27" Diagonal ColorTrak® Console TV



25" Diagonal ColorTrak® Console TV



Pro8® 8mm Camcorder



Digital Video Disc Player



Pro-Logic Surround Receiver w/5-Speaker/Subwoofer



VHSC Camcorder



Full-Size VHS Camcorder



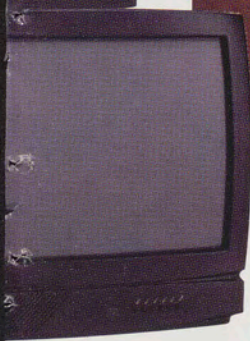
Changing Entertainment. Again.

APRO Chart

# Track with RCA!

52" Diagonal Home Theatre™ Projection TV

32" Diagonal ColorTrak Plus™ TV



ColorTrak® TV

20" Diagonal TV/VCR Combination

25" Diagonal TV/VCR Combination

RCA Digital Satellite System

The quality and service behind RCA Consumer Electronics takes a lot more than putting a product on the track and hoping for the best.

There's a tremendous amount of "behind the scenes" details that may never be seen by your customers—but you know they are there. For example:

- A complete selection of RCA brand TVs, VCRs, TV/VCR Combos, all formats of camcorders and a complete audio selection.
- New, exciting products such as the RCA Digital Satellite System and the DVD—Digital Video Disc Player.
- A distribution network that assures you fast and timely merchandise delivery to your stores.
- A complete service network that stands behind all their products.

So make sure you get on the right track with the great RCA Brand Consumer Electronics products backed to last for the long run!

For more information write to:

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

\*Base sold separately.

Optional components shown in storage units.

DSS® is a registered trademark of DIRECTV, Inc., a unit of Hughes Electronics Corp.

Specifications subject to change without notice.

Simulated picture.

Picture-In-Picture capability requires VCR or second video source.

©1996 Thomson Consumer Electronics, Inc.

Trademark(s)® Registered Marca(s)  
 Registrada(s)

ical and likely RTO customer." According to the survey, the most common RTO customer is between the ages of 35 and 44, earns a household income of between \$15,000 and \$23,999 and works a blue-collar job. These characteristics by no means represent a majority of RTO customers, however.

In each of the three demographics of household income, occupation and age, less than 50 percent of RTO customers are represented by the leading characteristic in each group. For example, the most common age group is 35 to 44, but this represents only 25 percent of all RTO customers in the survey. Where the industry often falters in its advertising is by targeting these leading demographics and thereby excluding an enormous number of RTO customers. Furthermore, potential customers (who are not represented in the survey) receive little if any advertising attention from the industry and RTO dealers.

"The rental-purchase industry attracts 3.5 million customers a year, but there are 25 million to 45 million people that fit our demographic/economic profile. That means we are only attracting 8 percent of the potential rental-purchase market, according to our industry survey," says APRO's Executive Director Bill Keese.

May offers even more insight into these numbers. He says APRO discovered through a focus group that the majority of people who rent-to-own do so from numerous stores and companies, creating a recycled customer base.

The danger this recycled customer base poses to advertising lies in the fact that, according to APRO's 1996 *Advertising & Public Relations Survey* report, only 3 percent of the industry conducted formal market research in 1995 and no company conducted research outside their current customer base. The outcome reveals itself in dealers' advertising, which, as May says, "just keeps hammering away at the same small clientele over and over again."

APRO's 1996 survey concludes, "Most companies target a specific market. General marketing research outside the current 'customer profile' is minimal." This claim is supported by the fact that dealers spend 49 percent

of their "other" advertising expenditures on direct mailings and door hangers, which typically are received by only current customers and those who fit the industry's primary demographics.

Keese adds, "I think that 95 percent of the people we are reaching right now like their experience with renting-to-own. The problem is that this is a very isolated customer base... Our own advertising is not geared towards attracting new kinds of customers."

Dealers face tremendous difficulty in trying to attract new kinds of customers through current advertis-



**D**ealers design their ads to meet the needs they know for sure are out there. Unfortunately, they give little or no consideration to bringing in a new kind of customer.

ing methods, APRO's May says. Because the recycled customer base is typically comprised of people who need to rent-to-own, dealers sense the consistent demand and focus entirely on those customers. In addition, half of the stores are "mom and pop shops that don't have a lot of money to spend on advertising. They go with what they know and don't want to take the chance of spending tons of money on customers who may not be there," May says. As a result, these dealers design their ads to meet the needs they know for sure are out there. Unfortunately, they give little or no consideration to bringing in a new kind of customer or to tapping into a new line of thought concerning the industry as a whole. However, upgrading the tone and appeal of dealer advertising will only reinforce the relationship with the existing customer who wants to be part of a more upscale group.

## FOCUS ON THE CONSUMER'S NEEDS

Using a targeted advertising audience is one key to success, but equally important is ensuring that the audience targeted is not limiting the number of people who might provide business to a store. May says, "Rent-to-own is right for everyone in America at some point in his or her life, but our advertising only goes out to those who are always in need of it." For many consumers, the thought of going to a rent-to-own store has never even entered their mind, yet these same people have specific needs that RTO could fulfill. Solutions to these potential customers' problems can be presented through RTO dealers' advertising.

For example, many people have get-togethers and parties where, for one night, they need a really great stereo system. They are not going to buy one, so let them know that renting for one weekend is a viable option. Think about the Super Bowl or World Series where large numbers of people crowd around one little television set to watch the "big game." Does the general public know they can walk into a RTO store and rent a larger TV? Traveling business people who live in a city for a month or two and then move on to their next assignment could also benefit from rent-to-own. These people want the comforts of home like a stereo and a television, but they certainly don't carry these items from town to town with them. The key to all these scenarios is to break away from targeting only the traditional RTO customers and, in addition, broaden the scope of a store's advertising to include specific people with specific needs at specific points in time.

The recent surge of car leasing commercials provides a good example of this kind of advertising. Car-leasing companies are no longer targeting just commercial accounts for businesses which leased fleets of cars to companies. New commercials for this business focus on an upscale, stylish consumer who wants to drive a new car every few years. For these types of customers, leasing allows them to drive a more upscale vehicle than they could otherwise afford if they had bought it. This same thinking could apply to

rental-purchase ads. Computers would be an excellent product to market this way, because computer technology is changing so fast that the minute you buy a new computer, it is already outdated and in need of an upgrade. At a rent-to-own store, a customer could simply bring the computer back and sign a new agreement on a more recent model.

In conclusion, all kinds of people exist out there who have probably never even thought of going to a rent-to-own store. It is the responsibility of the rental-purchase industry and individual dealers to present these ideas to the public and to make it known, particularly through advertising, that renting-to-own is an appropriate, available option for everyone.

#### LOOK TO THE FUTURE

Edwards explains the industry's advertising weaknesses by saying RTO needs to "break out of the box" and become noticeable in its competitive retail environment. She stresses the importance of research—finding out what the public's concerns are and what barriers are out there keeping consumers from becoming RTO customers. "Until you talk to your customers and non-customers, you don't really know what kind of a role advertising can play."

APRO and TateAustin are currently conducting focus groups and quantitative surveys aimed at finding the motivation behind renting-to-own as well as what barriers might exist. Armed with this knowledge, the industry and individual rental-purchase dealers can design advertising strategies that will target these specific needs, address the barriers and, hopefully, tap in to a wider customer base. In the meantime, developing advertising programs that are educational, that counter RTO's negative image, that are creative, that distinguish RTO stores from one another and that aim to appeal to all kinds of both potential and current customers, will undoubtedly produce a positive effect on this industry and how it is perceived by the public. ■

*Nicki Carlson is a free-lance writer living in Austin, Texas.*

## There is \$10,000,000.00 in Financing just waiting for ColorTyme Franchisees.

The rent to own market is exploding. But if you're not born into money, how do you cash in? Call ColorTyme. We're aggressively looking for new franchisees, especially current rent to own dealers ready to convert to the industry leader. To see how ColorTyme's new conversion plans can benefit you, call our President, Mitch Fadel, today. 1-800-411-TYME or 1-972-751-1711.



RENT WHAT'S RIGHT FOR YOU

13 Years  
of Experience

'83-'96



# TRIB Group

870 STORES AND GROWING

1,500

Your assurance of  
fairness and quality

TRIB earns the support of its members by:

- Keeping members competitive with quality products
- Keeping members advised of industry developments
- Encouraging ethical and prudent business practices
- Maintaining strength through unity and numbers

When you join The Rental Industry Buying Group, it's possible for you to experience a 5% to 20% increase in profits. Just this year, TRIB members received over 1 million dollars in rebates at the annual convention. TRIB will host their annual convention May 15-18, 1997 in San Antonio, Texas.

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

**APRO** Associate member since 1983



Fogie  
v. Thorn Americas Inc.

Gallagher  
v. Crown Leasing Corp.

# The turning tides of

Burney  
v. Thorn Americas Inc.

**THREE  
RECENT  
CASES HAVE  
RULED  
AGAINST  
RENTAL-  
PURCHASE.  
IS THIS  
CAUSE FOR  
CONCERN?**

**S**

ince September 1996, three cases have ruled against rental-purchase companies on a variety of legal theories. All three courts concluded that the rental-purchase transactions in question were really disguised credit sales under different states' statutes. One case comes from the U.S. Eighth Circuit Court of Appeals. The other two are from trial court judges, one state and one federal. Trial court rulings only affect the parties involved and have no legal influence on other cases.

# Litigation

The cases interpreted Minnesota, Wisconsin and New Jersey state laws. Wisconsin and New Jersey have no rental-purchase legislation. Minnesota remains a legal quagmire ever since the Minnesota Supreme Court ruled that rental-purchase transactions are also credit sales in 1994 in the case, *Miller v. ColorTyme*.

While there are 44 rental-purchase state statutes, the industry is vulnerable in those states without safe harbor rental-purchase legislation. Consumer advocates and plaintiffs lawyers have focused their anti-rental-purchase attentions in those states without rental-purchase legislation, particularly in Wisconsin and New Jersey.

**BY ED WINN III**



The recent ruling from Wisconsin, *Burney v. Thorn Americas Inc.*, really began in 1979 with Mrs. Palacios and her color television/stereo combo, which she rented for \$23/week and had paid for 70 weeks or so—\$1,652 to be exact—when she quit paying. The rental company sued her for return of the unit or

for another \$142. Mrs. Palacios sued the rental company under the Wisconsin Consumer Act, one of the most comprehensive consumer protection statutes in the country. The Wisconsin Court of Appeals ultimately ruled in 1983 that because the plaintiff had paid more than the value of the rental property, the transaction had turned into a consumer credit transaction subject to the WCA protections.

By 1985, when the Palacios case and appeals were over, Wisconsin rental dealers had added balloon purchase options to their agreements in order to be able to stay in the rental business and avoid the strictures of the WCA. A number of companies adopted the North Carolina definition of nominal consideration—10 percent or less of the original cash selling price—and added 11 percent balloons to their rental agreements.

In 1991, another rental customer, Mrs. Hall, rented a washer/dryer for \$87.90 a month. Mrs. Hall's agreement was for 19 months with a \$161.89 balloon at the end; Mrs. Hall thought the agreement was for 12 months. When she had paid \$1,069 on a \$1,839.60 contract, she thought she had paid enough. The company sued; Mrs. Hall sued back. The judge concluded that the purchase option wasn't big enough and the transaction, like the Palacios transaction, was subject to the WCA.

The plaintiff told the judge that she was struggling to make ends meet, trying to buy a washer and dryer worth \$600 for an eventual ownership price of \$1,839.60. When she had paid a little more than \$1,000 and quit, she got sued. Despite the rental company's best efforts to explain the transaction, the judge bought Mrs. Hall's story. The judge was so upset by his view of the business that he sent a letter to the State Banking Commissioner stating:

"Because I believe that this scheme is a violation of the usury laws and your agency is responsible for enforcement of those laws, I felt it was important to forward this decision to you. The most disturbing aspect of

this case was the fact that it is those who are least able to pay who are being victimized by this scheme. Apart from the dictates of law, I cannot comprehend what kind of corporate conscience could possibly sanction charging people like Ms. Hall 125 percent interest."

The judge showed his bias and the rental company was hopeful of a reversal on appeal. Instead, in 1993, the three-judge circuit court upheld the trial court and held that the balloon was too small, without saying how much would have been enough. Mrs. Hall's agreement was a disguised credit sale.

In 1994, the Wisconsin Banking Commissioner intervened. Unlike the judge who learned about the business in his courtroom in one day, the Commissioner properly recognized that the Wisconsin rental-purchase industry needed some guidance and was willing to provide it. He told rental dealers in a letter that if they used a balloon purchase option of at least 12 percent of the total of rental payments called for in a transaction, then the agreement would not be covered by the WCA. No sooner had the Banking Commissioner issued his letter than the state's attorney general publicly criticized him for undermining several lawsuits the attorney general had pending against rental companies in the state.

In early 1996, the Banking Commissioner revoked his letter, leaving rental dealers scratching their heads about how to operate legally. The dealers made the proper assumption that if laws exist in other states recognizing rental-purchase transactions as different from credit sales, surely there must be some way to write a rental agree-

ment in Wisconsin that is not a credit sale.

Several weeks ago, a Wisconsin federal district court judge issued a lengthy opinion in the case, *Burney v. Thorn Americas Inc.* The judge ruled that an entire class of the defendant's rental customers, going back six years from when the suit was filed in 1994, were entitled to damages for the defendant's violations of the WCA. The class action suit consists of all customers who had, since 1988, paid in as rent at least as much as the original cash selling price or who were likely to pay that much in rent in the future.

The judge held that Rent-A-Center, despite its best efforts, did not and could not offer bona fide balloon purchase options to its customers. The judge had to argue away the existence of a balloon in order to hold Rent-A-Center liable. It is important to track the judge's reasoning, flawed though it be, to understand how some people view the business.

The judge correctly cited the law as it relates to leases

**T**he judge's ruling is legal alchemy. He simply plowed new legal ground when he concluded that the ability to pay an option price in installments nullifies the existence of the option.

and sales. Some leases are disguised sales. However, a lease is just a lease if there is a bona fide purchase option at the end of it. A purchase option equal to the fair market value of the property means the transaction must be just a lease. Lease payments can only have been for use of the property, since the lessee must still buy the property at option time for its fair market value.

Balloons are an interesting legal proposition. If the payments are too big, customers are put off. Balloons make it sound like it's going to cost more. If the balloon payment is too small, the law says it's not a balloon at all and the whole transaction is a credit sale disguised as a rental agreement.

There is no legal requirement that a customer must pay a balloon in one lump sum. Customers can finance balloons if the company is willing to extend credit. Vehicle lessors do it all the time. After a customer had made more or less regular rental payments for a year or more, the defendant rental company did indeed think the customer was credit worthy and readily offered to finance the balloons. The company even told customers up front that the finance option was available. The judge decided that telling customers up front they could finance the balloon when they got to it was evidence that the company was not offering a bona fide transaction, but was, instead, trying to dance just outside the shadow of the WCA.

Over the years, Rent-A-Center did make a series of operational changes in Wisconsin in an effort to preserve the integrity of the transaction in the face of an uncertain and potentially hostile legal environment. Originally, after *Palacios*, the company offered a balloon equal to roughly two monthly payments until it lost the Hall case. Then the company added balloons equal to one-third of the total of rental payments. Then the banking commissioner wrote his letter and the company went to 12 percent balloons. When the banking commissioner revoked his letter, the company was left to wonder what to do.

The fact all along is that the WCA covers credit transactions and excludes leases with purchase options that are not nominal. That is what the statute says. There must be a way to structure a lease with ownership options without having the transaction turn into a sale. The judge, however, concluded that Rent-A-Center wasn't really offering a balloon; it was still in the pure "rent-to-own" business, which has been covered by the WCA since the law was enacted in 1973 and certainly since 1984 when *Palacios* was decided in the Wisconsin court of appeals.

The judge hinted that there could be leases with purchase options to consumers not covered by the WCA, but Rent-A-Center couldn't offer them, because it had once been in the rental-purchase business.

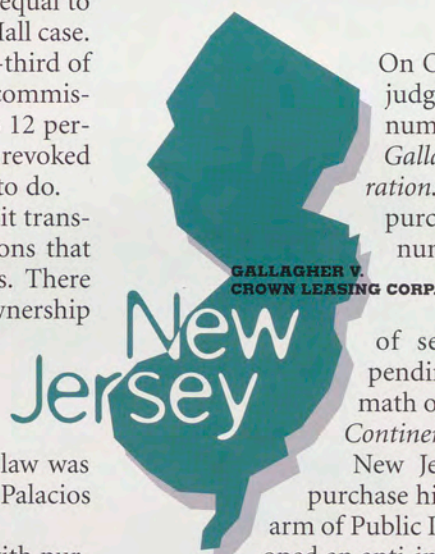
The judge's ruling is legal alchemy. He simply plowed new legal ground when he concluded that the ability to pay an option price in installments nullifies the existence of the option. Most car leases, for example, have balloon

purchase options at the expiration of the lease period. The options are calculated to be close to the car's value at the end of the lease. Lessees of cars have the option to turn the car in or to buy it when the lease expires.

Rent-A-Center argued that the Commissioner of Banking's letter protected the company from exposure under the WCA, at least for as long as the letter was in effect. The judge, while acknowledging the Commissioner's authority to issue an interpretive letter, ignored the Commissioner's intent in issuing the letter and its effect. The judge ruled that since Rent-A-Center didn't really have a balloon purchase option at all, the Commissioner's letter was irrelevant.

The court's conclusion that the Rent-A-Center rental-purchase transaction was really a disguised credit sale led to a number of other conclusions. For example, the company's reinstatement fee was really a disguised delinquency fee; the company both failed to give proper grace periods as required by the statute and charged too much.

Rent-A-Center failed to make the disclosures called for under the WCA, exposing the company to a penalty of \$25 per agreement plus the plaintiff's actual damages. The judge spared the plaintiffs the trouble of proving any actual damages and ruled without evidence that damages for each class member was equal to the actual finance charge less 5 percent. The actual finance charge is equal to the amount paid by a customer less the cash selling price. Initial estimates put the damages as calculated by the judge at \$20 million. As soon as it is permitted to do so, Rent-A-Center is expected to appeal Judge Reynold's decision. The appeal will go to the 7th Circuit.



On October 25, 1996, a state court judge in New Jersey ruled on a number of motions in the case, *Gallagher v. Crown Leasing Corporation*. He concluded that the rental-purchase company had violated a number of state laws because its transactions were disguised credit sales. Gallagher is one of several class action lawsuits pending in the state in the aftermath of the 1994 decision in *Green v. Continental Rentals*.

New Jersey has a long anti-rental-purchase history. In 1993, the New Jersey arm of Public Interest Research Group developed an anti-industry poster campaign complete with an anti-rental-purchase rap song that got some play on local radio stations. Rental dealers and consumer advocates have battled for a decade to a draw in the legislature as each has tried without success to get rental-purchase legislation enacted.

In 1994, Judge Alterman, a state trial judge, issued his ruling in the *Green* case. Not content with finding a dis-

guised credit sale under New Jersey law, Alterman ruled that rental-purchase transactions also violated federal Truth-in-Lending law. The rental company went out of business before the decision could be appealed, leaving the *Green* opinion sitting like a siren on the courthouse steps calling to plaintiffs' lawyers around the state and even neighboring states. At least three class action lawsuits were filed against rental companies in New Jersey before the year was out.

In *Gallagher*, the defendant rental company had filed a motion for summary judgment on all claims last spring. When the judge denied the defendant's motion to dismiss, he talked at length about how he felt about the transaction, which led plaintiffs to conclude that they could probably win on summary judgment without having to go to trial. As a result, the plaintiffs filed a motion for summary judgment which the court heard in October.

Ruling from the bench, the trial judge declared the Crown agreements to be covered by the New Jersey Retail Installment Sales Act as transactions "similar to" credit sales and found a number of disclosure and other violations because Crown admitted that it was not complying with the installment sales statute.

The court went on to find a violation of the state usury statute, even though the RISA has its own finance charge limit separate and apart from the usury statute. The court also found a separate violation of the law relating to late fees and a violation of the Consumer Fraud Act. The judge told the defendant rental company, "I think what you're endeavoring to do is create a subterfuge to avoid the Consumer

Fraud Act, to avoid the Retail Installment Sales Act and to do the very things which...those particular statutes were designed to regulate and prevent." The rental company has indicated its intent to appeal this decision.

Another judicial cut came in September when the Eighth Circuit Court of

**FOGIE V. THORN AMERICAS INC.** Appeals affirmed the Minnesota federal district court's opinion in the case, *Fogie v. Thorn Americas Inc.*

The Eighth Circuit opinion

has its roots in the Minnesota state courts, specifically the Minnesota Supreme Court's ruling in *Miller v. Col-orTyme* in 1994. Rental dealers may recall that the Minnesota Legislature enacted a comprehensive consumer protection rental-purchase statute in 1990. The statute provided that in the case of a conflict between the new rental-purchase statute and the older Consumer Credit Sales Act, the rental-purchase statute would control. In 1995, the state Supreme Court ruled that there was no conflict between the two statutes and that rental-purchase transactions were also consumer credit sales in Minnesota. The Supreme Court went on to declare that the transactions are also usurious under the state law limit of 8 percent.

In *Fogie*, the federal circuit court demonstrated no independent analysis of the issue and followed the state Supreme Court in every detail, including the revised definition of usury, which no longer requires a debt or any absolute obligation to repay it. Instead, Minnesota rental-purchase transactions are usurious because, well...because they just are.

The court refused to consider any appeals relating to the plaintiffs' RICO claim or damages and sent the case back to the trial court in Minnesota for resolution. Unlike the opinions from Wisconsin and New Jersey, the *Fogie* decision came from the Eighth Circuit and can influence other cases. However, the impact will be limited because of the peculiarities of Minnesota state law.

The Eighth Circuit's ruling caused Rent-A-Center to announce its intention to offer only rent-to-rent agreements in the state beginning the next day after the ruling. Rent-A-Center

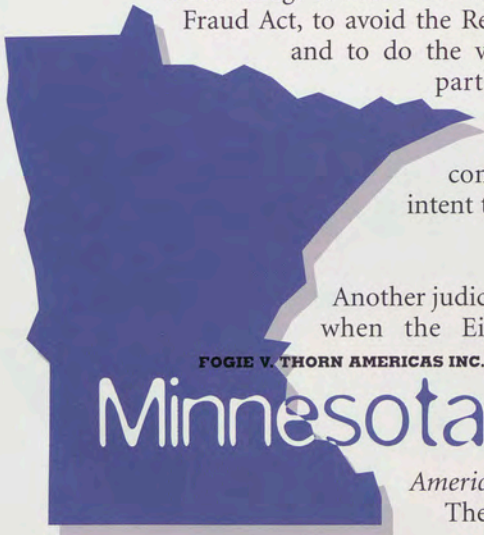
recently requested the Eighth Circuit to reconsider its opinion, which the court declined to do. The next step is for Rent-A-Center to ask the U.S. Supreme Court to consider the issue, which the company is considering.

The ruling potentially means an ultimate judgment for a class of plaintiffs in the tens of millions of dollars and, if RICO applies, it means that the amount of actual damages will be tripled.

**U**nlike the opinions from Wisconsin and New Jersey, the *Fogie* decision came from the Eighth Circuit and can influence other cases. However, the impact will be limited because of the peculiarities of Minnesota state law.

### Coincidence or turning tide?

In the past two months, three judicial decisions have been handed down, each ruling that rental-purchase transactions are disguised credit sales under various state laws. Are these three cases merely coincidental, coming as they did on the heels of one another, or do they represent a turning of the legal tide against the rental-pur-



chase industry? The odds are in favor of coincidence over a turning tide.

In the first place, all three cases come from states with statutes regulating consumer credit transactions that can only be called peculiar. Most state credit sales statutes were adopted in the 1960s and 1970s from the old Uniform Sales Act or, less often, the Uniform Consumer Credit Code and show a remarkable consistency with federal law and with one another. However, for reasons known only to the legislative members involved, each of these states broke from the Uniform Sales Act tradition and wrote its own new law relating to credit sales.

Each of these three cases is interpreting language in a state statute that is unique. Minnesota has its own rental-purchase statute, but the statute does not clearly state that a rental-purchase transaction is not and cannot be a credit sale, which language exists in nearly every other rental-purchase statute.

Wisconsin has that execrable "pays or" language, so easy to misinterpret if you think poor people renting televisions is a misallocation of resources in the first place.

And New Jersey has its unique "other similar transactions" language. Well, there is a lot of litigating yet to

occur in New Jersey before plaintiffs lawyers get their payday. The New Jersey statute has its quirks, but is not so different from other state credit sale laws and the federal law, which have been interpreted to exclude rental-purchase transactions from coverage.

It has been a bad 60 days in the courthouse for the rental-purchase industry. The courthouse is a risky place to go under the best of circumstances. Reporting on these lawsuits provides a useful cautionary tale for rental dealers everywhere to be on guard. We have both friends and enemies in high places. Some of our enemies wear black robes and only feign impartiality when given a chance to reign in what they feel is an abusive industry. We all like to think that if we get a full chance to tell our side of the rental-purchase story before an impartial body, we will win every time. In reality, what we learn every now and then is that we don't always get the chance to tell our side and that the decision makers are not always impartial. ■

*Ed Winn III is APRO's general counsel. Copies of these rulings are available from the APRO office upon request by APRO members.*

**RES**  
Marketing, Inc.

AUDIO / VIDEO COMMUNICATIONS  
RCA / GE PARTS  
ELECTRONICS ACCESSORIES  
APPLIANCE ACCESSORIES

# RENT-TO-OWN ACCESSORIES

- Single Unit SKU's Available
- Multiple Distribution Plans
- Hundreds of Products Available
- NO Minimum Order

Coast-To-Coast  
**ONE STOP SHOP**

Ph. (800) 444-7304  
Fax (800) 444-7312

**APRO** Associate Member since 1986

# New & improved

AN  
APPLIANCE  
UPDATE

BY BARBARA STOOKSBERRY

**W**e asked a few random rental-purchase dealers what improvements they'd like to see from appliance manufacturers and guess what? We heard no complaints. Apparently, RTO dealers are generally satisfied with the white goods available to them and their customers and the service that appliance manufacturers provided. Nevertheless, manufacturers are forever making changes; here's an overview of what's new and hot in the major appliance game.

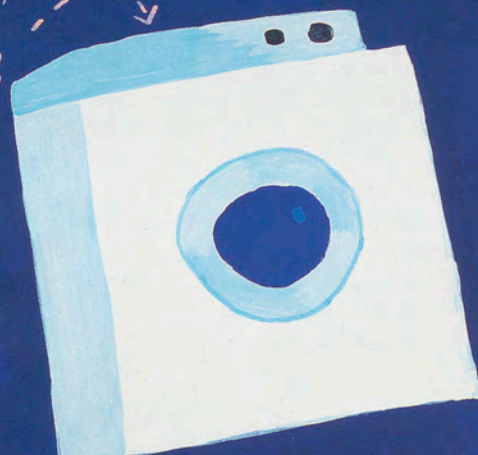
## RELIEVING WASH-DAY WOES

Because laundry machines comprise by far the biggest chunk—about 70 percent—of the white goods business for rental-purchase, manufacturers who serve this industry pay a lot of attention to this segment of their clientele.

Whirlpool/Roper makes wash day easier for the consumer with the introduction of its washer and dryer with Cyclelogic™, a system of color-coded controls that matches functions on the washer and dryer for ease of use. If the load is washed on red, the load is dried on red. This feature is targeted to the rental-purchase market, says Whirlpool's Mark Spear, so children, seniors, first-time users and those coming off the laundromat circuit have no problem learning to sort fabrics and use the machines properly and efficiently.

...really!

*gentler  
on  
fabrics*



*Larger  
Capacity*



*Scratch-  
Resistant!*



*Stainless Steel  
Food Chopper*



Geography sometimes plays a role in laundry preferences. In areas where much of the urban housing is older, there is more demand for 24-inch stackables, with washers that hook up to the sink and 120-volt dryers that don't need to be vented. These "portables" are set on casters and are ideal for those with no washer/dryer connections, even though the dryer takes a little longer to do the job compared to conventional dryers.

Bruce Manning of General Electric says his company's washing machines for this year are all new. "We offer a total redesign," says Manning, "to provide the largest internal capacity without getting bigger externally." Everything about the washer is different except for one belt and the result is the biggest tub available, he says. The new machines are attractive to RTO, he says, because on the rental floor, the customer doesn't need a hard sell. The salesperson need only to lift the lid to impress the customer.

Manning points to a trend in rental-purchase: today's customers are willing to pay more for features they consider to be important. "Rental consumers don't want to settle for the lowest thing on the market if they can afford more features," says Manning. The result is that customers often keep the product longer because they are happier than they would have been with a lesser product. This benefits RTO dealers in the long run, as satisfaction is important with customers who can return the product at any time.

By the next APRO convention, Phil Wilson of Frigidaire/Gibson will have a new front-loading, tumble-action washer to present—an extra-large machine with a matching dryer. The front-loading washer, says Wilson, is "gentler on fabrics because there is no agitator and does a better job of removing dirt and stains." Clothes last longer without agita-

tion, says Wilson, and the washer uses less detergent and 40 percent less water than top-loading machines. The tumbler propels the clothes in one direction, then reverses direction to plunge the clothes back into the water. Wilson believes the rental-purchase customer is changing and is no longer necessarily the

The reality is, consumers want improvements. And, many believe, the customer—whether retail or rental-purchase—is willing pay for upgrades and improved merchandise.

individual who had no choice but to go the RTO route. The result of the changing RTO clientele is a demand for better products.

Kenmore introduces monochromatic styling in its complete line of full-sized laundry equipment for 1997. The company's dryers, says Al Zagorniak, have a larger loading door for added customer convenience. The rent-to-own model offers three cycles and two additional temperature settings to give consumers increased drying in less time.

Kenmore gets high marks from dealers for making its entire line of washers and dryers available to rental-purchase dealers. The company offers a special order program to fill "the expanding needs of the different markets and the ever-changing wants and desires of the consumer." By using the catalog, RTO dealers can offer additional merchandise and have it in the store in a couple of days. The availability of a catalogue that shows the full line is not unique to Kenmore, but it is a method in which the company puts a lot of stock. "Not only do you have what is on the floor for immediate delivery, but dealers can offer a vast resource of additional products that are available in a short time frame," says Zagorniak. The availability of a catalog satisfies the customers' desire to view the full range of what's out there and to feel satisfied that they have chosen the best features for their purposes.

This has been a big year for Jenn-Air, Maytag, Magic Chef and Admiral, which saw a consolidation of its major home appliance resources in Newton, Iowa. New in the Maytag line is its Dependable Care™ line, which brings a new wash system and an agitator that works only when you need it. The Load-Sensor™ agitator judges the size of the load by sensing the amount of pressure and resistance of the wash load. For large loads, spiral fins engage to guide clothes down and through the cleaning zone. On small or delicate loads, the fins disengage to avoid over-vigorous agitating. Less wear and tear on clothing is a good selling point to consumers, who have a significant investment in their wardrobe.

The new Maytag washers can wash loads 33 per-

cent larger than earlier models and offer other refinements such as extra rinse options, extended spin cycles, a permanent-press cool-down that uses less water, rounded styling for easier cleaning and larger graphics to make the control panel easier to read. The company's new dryer line saves energy by stopping the dryer when preset dryness levels are reached and has settings to minimize wrinkling and ironing.

### SHHHH...THE DISHWASHER'S ON

Quiet is the operative word in dishwashers. With better insulation and tub design, dishwashers now operate so quietly that conversation can actually be carried on in an adjoining room.

Jenn-Air introduced its Quiet Series and Ultimate Quiet Series dishwashers in a number of models with an assortment of features, but all are equipped with the SoundGuard™ insulation package and Quiet Liner™ tub. The lower-priced Magic Chef line also offers a variety of wash cycle settings, a multiscreen filtration system and stainless steel food chopper with filter to break down food particles and drain them away. Maytag's Jetclean® dishwashers and the top-of-the-line IntelliSense™ Plus dishwasher have all been refined to provide a larger racking capacity, more racking flexibility, new cycles and additional wash jets.

Phil Wilson reports that Gibson also has in production a new line of "super quiet" dishwashers that save money by using less hot water and less detergent. Wilson says the Gibson line is "simple to operate, does the job it's supposed to do and lasts a long time."

### "NEW AND IMPROVED" HAS CUSTOMER APPEAL

Even though the manufacturers we talked to said they were doing well with what they had, as Doug Ringger, director of prod-

uct planning for Maytag, points out, "The reality is, consumers want improvements." And, many believe, the customer—whether retail or rental-purchase—is willing pay for upgrades and improved merchandise.

Maybe it is changing demographics or just good advertising and salesmanship, but the trend toward higher-end products is also holding for refrigerators, where the customer is more likely to opt for the side-by-side than in the past.

Refrigerator pocket handles are no longer news, but they are still worth mentioning as an example of the vendor heeding concerns of the dealer. Broken handles were the leading complaint of rental-purchase dealers. However, appliance manufacturers listened and began providing recessed handles on refrigerators for rent-to-own, resulting in fewer mishaps during delivery and fewer headaches for the dealer.

Where upscale refrigerator features, such as ice and water through the door, are concerned, RTO customers who rent their homes may still shy away from these features as they require drilling holes in other people's property. RTO customers are more interested, however, in glass shelving and gallon storage in the door, basically the same conveniences that appeal to retail customers.

As for ranges, look for a bigger demand and more availability of self-cleaning ovens, quicker-cleaning smooth tops and pilotless ignition. The smooth tops, says Mark Spear, are "virtually indestructible" and offer advantages beyond easy cleaning in that they are scratch-resistant and provide extra counter space when not in use. Stoves are moving toward increased use of electronics, which are more accurate, can control temperature better and produce more consistent results. The option in higher-end products include sensor cooking and convection cooking, which distributes

heat more evenly. Sealed burners on gas ranges also offer better control of the cooking heat.

## SERVICE AND DELIVERY

The relative advantage of one machine over another is, of course, only part of the picture. Delivery and service play a big part as well. Each manufacturer has settled on a way of serving this industry that works for them and, judging from the positive response we got in our minisurvey, works for dealers.

Whirlpool, for example, has no distributors, but uses its own trucking company, Quality Express, especially for rental-purchase. Whirlpool, Spear

points out, will unload merchandise and take it into the store, which not all truckers do. Whirlpool delivers in one to two days from local and regional warehouses, so it isn't necessary to have a large inventory on hand and using a catalog for special orders is always an option. Spear says Whirlpool gives delivery priority to RTO stores over retail because of the nature of the rental-purchase business.

GE has 313 warehouses across the country and uses different trucking companies for delivery, relying on the company's large volume for delivery clout. Gibson is handled through independent distributors, who are able to supply the rental-purchase dealer with merchandise on an emergency basis and in small quantities from a network of warehouses.

"White-goods suppliers are the best to deal with as far as deliveries are concerned," says Debbie Hall of Action TV and Appliance Rental. She says she gets what she needs and has no complaints about appliance vendors. "We have fewer problems with white goods than with anything else we stock," she says. Hall, too, is a believer that when it comes to selling a higher-level product, "If salespeople know what they are selling, they can sell the higher level."

Mark Reopelle, warehouse manager for Quality Rentals in the Pacific Northwest, says his company takes a proactive approach in offering higher-end products because providing a quality product is part of his company's philosophy.

"The customer," says Reopelle, speaking from experience, "will pay the difference to get features they want." The APRO survey and industry wisdom both support that contention and perhaps signal a new way of doing business in rental-purchase appliances. ■

## APPLIANCE RENTALS Who's who

### Amana Refrigeration Inc. \*

Contact: Mary Nedved  
Potter  
2800 220th Trail  
Amana, IA 52204-0001  
319/622-2661

### The Appliance Connection \*!

Contact: Jerry Minnery  
P.O. Box 344  
Goshen, KY 40026-0344  
800/628-6527

### Frigidaire Co. \*!

Contact: Jon Rosensweig  
6000 Perimeter Dr.  
Dublin, OH 43017-3233  
614/792-4157

### GE Appliances \*+!

Contact: Bruce Manning  
Appliance Park, 4-200-A17  
Louisville, KY 40225  
502/452-7779

### Gibson Appliances \*!

Contact: Phil Wilson  
6000 Perimeter Dr.  
Dublin, OH 43017-3215  
614/792-4239

### Jayco Ventures Inc. \*!

Contact: Jason Cohen  
5600 NW 23rd Ave., #305  
Fort Lauderdale, FL 33309  
954/491-9080

### MAS Inc. \*

Contact: Harry L. Steller  
P.O. Box 526  
Richfield, OH 44286-0526  
216/659-3333

### Maytag Appliances \*

Contact: Jay Mayne  
2110 New Market Parkway,  
Suite 206  
Marietta, GA 30067  
770/953-3509

### Petra Industries Inc.

Contact: Jay Wehba  
P.O. Box 14708  
Oklahoma City, OK  
73113-0708  
800/443-6975

### Sears, Roebuck & Co. \*!

Contact: Al Zagorniak  
9701 Metcalf Ave.  
Overland Park, KS  
66212-2219  
913/642-8835

### The Timmerman Co. \*!

Contact: Alan D. Smith  
114 Western Ave.  
Davenport, IA 52808  
319/323-1801

### United Distributors \*!

Contact: Tammy Williams  
1133 Empire Central  
Dallas, TX 75247-4351  
800/338-6679

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

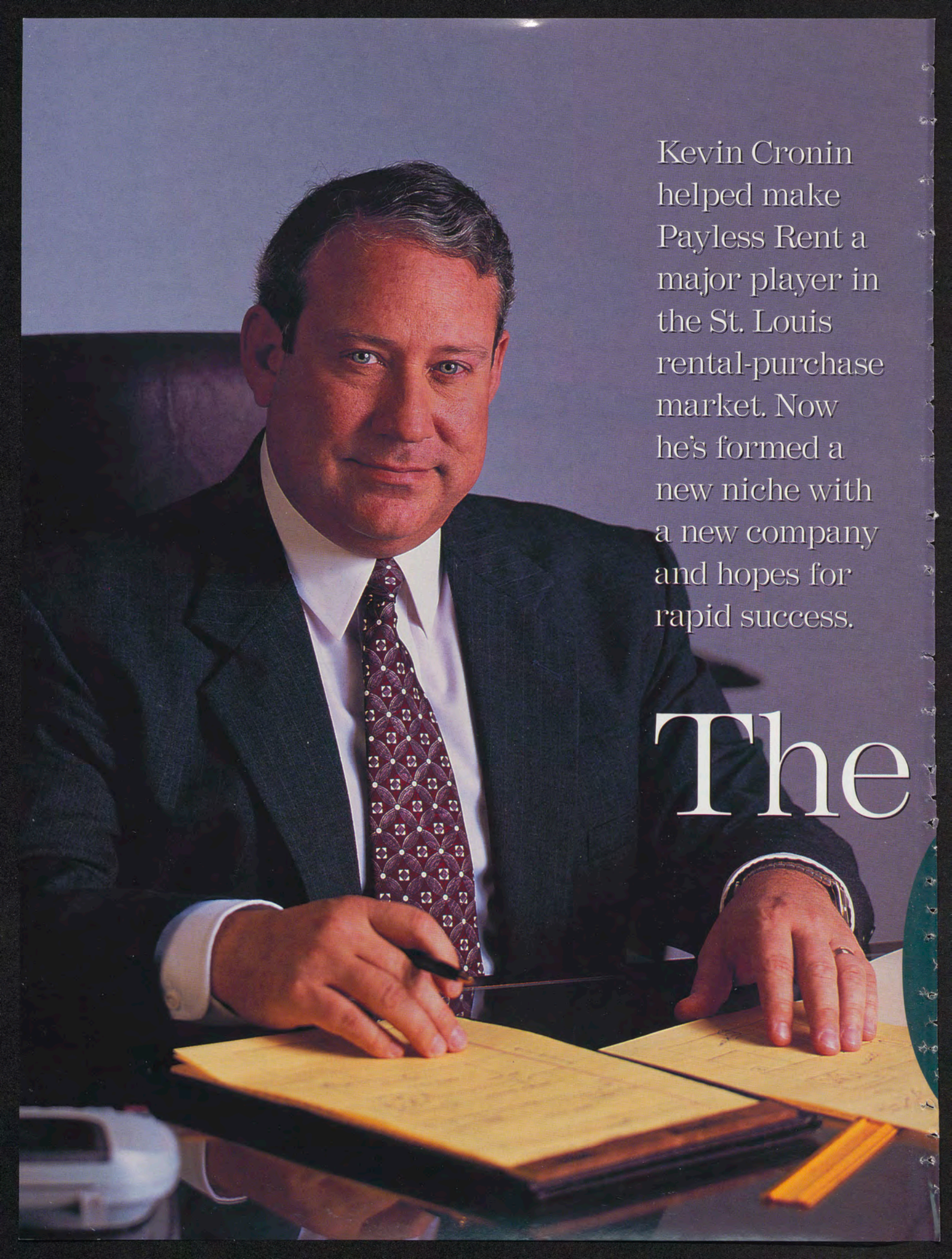
Contact: Walter Terry  
P.O. Box 230714  
Houston, TX 77223-0714  
713/227-6369

### Whirlpool Corp. \*+!

Contact: Mark Spear  
2000 M 63  
Benton Harbor, MI 49022  
616/923-2417

\* APRO associate member; + APRO publication advertisers; ! APRO convention exhibitors

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



Kevin Cronin helped make Payless Rent a major player in the St. Louis rental-purchase market. Now he's formed a new niche with a new company and hopes for rapid success.

The

## APRfile

BY JOSH GOTTHELF  
PHOTOGRAPHS BY SUZY GORMAN

**K**evin Cronin literally stumbled into the rent-to-own business. He doesn't remember why he was walking through downtown Belleville,

Illinois, on that cold winter day in 1981, but he sure is glad he was. As he passed by a Rent-A-Center store, he noticed a friend he hadn't seen since high school inside. When Cronin made the decision to stop in and pay his regards to this old friend, he had no idea he was choosing a path that would eventually take him to his current position — as a leader in St. Louis' booming rent-to-own industry.

Two weeks after bumping into his old friend, who sang the praises of the rent-to-own business, Cronin made the decision to leave his banking job and join Rent-A-Center, where he spent the next eight years working his way up through the ranks. Cronin held the titles of store manager, district manager and finally zone manager, before he and a co-worker decided to go out on their own and form Payless Rent Inc.

"Rent-A-Center was a great training

ground, but we realized we could make money doing the same thing on our own," says Cronin, 41.

The two partners opened up their first store just north of St. Louis in August 1990. For the next few years, they opened up a new store about every four to five months. At last count, Payless Rent had expanded to include 14 stores and 64 employees.

On December 1, after nearly six years of successfully building Payless Rent into a major player in the St. Louis market, the two partners split up and went their own ways.

Cronin's new company is called Rapid Rentals Inc. He started with seven stores and about 32 employees. He says his plan is to expand Rapid Rentals in St. Louis and central Illinois.



# CRONIN factor

**W**hile he will be competing primarily against larger companies, Cronin feels he can offer his customers something both valuable and unique. "I think there will always be room for the little guy,"

says Cronin. "We can react a lot quicker to a customer's needs. If a local style changes, I can change gears almost instantly."

But being small can have its disadvantages as well.

"I definitely have to be more strategic about where I put my stores," Cronin says. "The big guys have the funds to open up a store and take a loss for a while if they have to." St. Louis has close to 60 rent-to-own stores run by about half a dozen companies.

So what's the secret to Cronin's success? He says he can narrow it down to two words—hard work.

"Part of me is always here," he says, gesturing to his new office in O'Fallon, Illinois, where Rapid Rentals will be headquartered.

Every employee—from delivery men to zone managers—must go through Cronin. He personally interviews every prospective employee. "I like to at least talk to everybody who is hired," he says.

He says recruiting and interviewing typically occupy about 25 percent of his time on the job. But St. Louis' unusually low unemployment rate has left all businesses fighting for quality help. St. Louis' unemployment rate is currently at 3.8 percent—the second lowest it has been in 25 years. The national rate is about 5.5 percent.

With some fast-food restaurants, supermarkets and temporary firms offering employees "signing bonuses" of up to \$100, Cronin says he has to be more resourceful.

"I'm always on the lookout for good workers," he says. "When I go to the mall with my wife Carol, she shops while I pay attention to the help. I may offer him a better future."

Although many, including Cronin's wife, might find it hard to believe, he says he has actually slowed down a little bit. "When I first got into the business, I was working 70 hours a week, Monday through Saturday," he says. "Now I take most Saturdays off and work about 45 hours in an average week."

Along with his two brothers, Pat and Mike, Cronin grew up in East St. Louis, Illinois, just across the Mississippi River from the Gateway City. What is now a crime-ridden area devoid of any significant commerce, was once rated among the country's top places to live. In the 1960s and 1970s, around the time Cronin was growing up, East St. Louis was a thriving community, boasting a population close to 100,000. The struggling city is now home to about 30,000.

Cronin attended a private Catholic high school and went on to Belleville Area College. He also attended the American Institute of Banking. He now lives in Trenton, Illinois, about 30 miles east of St. Louis. He and Carol have two teenage sons, Sean and Tim.

If Cronin could give one piece of advice to his colleagues in the rent-to-own industry, it would be to become politically active.

"If you can get close to your legislators, it can only help," he says.

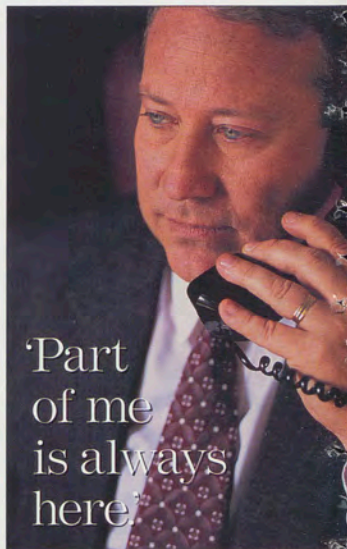
Cronin himself was instrumental in defeating a bill in Illinois that would have changed the way all rent-to-own dealers did business. In his words, the tax bill he lobbied against would have "put us out of business."

Cronin, who has made trips to Washington to lobby for the best interests of the rent-to-own industry, is a two-time president of the Illinois Rental Dealers Association and will serve as the organization's vice president next year. He is also an active member of APRO.

Like many other industries, the rent-to-own business has experienced consolidation in recent years. National companies gobble up their mom-and-pop counterparts on a regular basis.

As far as the future of the industry goes, Cronin expects consolidation to continue to trim the number of players. But he would advise other smaller companies to stick it out.

"If you really want to survive, you can," he says. ■



Part  
of me  
is always  
here



**D**uring the course of his 15 years in the rent-to-own industry, Cronin has seen a dramatic transformation in public perception. He believes the industry, as a whole, may be close to winning over many of its skeptics.

"When I first got into the business, only about 10 percent of the population had used rent-to-own products," he says. "Now, it's almost up to 25 percent."

Cronin says he feels rent-to-own provides a service to people who can't find what they're looking for elsewhere.

"Most of my customers have a household income of \$30,000 or less and have a poor credit history," he says. "There's a great feeling of satisfaction when you send a family home with something they really need," says Cronin.

*Josh Gotthelf covers sports business, gambling and the hospitality industry for the St. Louis Business Journal.*

• ACTION TV & APPLIANCE RENTAL • RENT-A-CENTER • BLUE RIBBON RENTALS • AL'S RENT TO OWN • SIGNATURE RENTALS • THE RENTAL KING • NORTH COAST RENT TO OWN • SOUTHERN HOME RENTALS • 544 SUPERSTORE RTO • DELSAM • WHITE & STAFFORD RENTAL • FURNITURE PLUS, INC. • S&H SALES • GEORGE'S RADIO & TV • THORN AMERICAS • RTO SUPERSTORE • BENNIE'S RENTALS • GATES RENTAL • ALL-PRO RENTAL PURCHASE • CHAMPION RENT TO OWN • REMCO • CENTRAL RENTS • RENT-RITE •

• GREYHOUND • RTO • RENTAL • AMERICAS • U CAN RENT • RENT SMART • ROYCE RENTALS • RAC WEST VIRGINIA • GREAT LAKES RENTAL • LEBAKKEN'S, INC. • FAST • SOUTHERN • RENT ONE • KING RENTAL • RENT-A-THON • QUALITY RENTALS • SIGNATURE RENTALS • RENT-WAY • RENT-IT-ALL • WESTGATE OF TENNESSEE • FRESH START RENT TO OWN • CHOICE RENT TO OWN • NORTHCAL RENTAL MGT. • CHOICE PLUS • BUDDY'S E-Z PAY • RENTO • SCOTT'S RENT TO OWN •

• MATHES • RENT-A-THON • FURNISHINGS • AMSCOT, CORP • BARGAIN CENTER • SHOWCASE RENTALS • YAMS RENT TO OWN • NATIONAL RENT TO OWN • KESL TV & APPLIANCE • AMIGO RENTALS • RENTAL ZONE • ECON-O-RENT • CREATIVE RENTS • FARRAR'S TV SALES • RENTRONICS • WILSON ENTERPRISES • BEST RENTAL • CURTIS MATHES • NORTHRAC PARTNERS • LIBERTY RENT TO OWN • VILLAGE SQUARE • AMERICA'S SALES & LEASING • QUICK RENTALS • FAMILY RENTALS • FASTWAY RENTAL PURCHASE • FAMILY RENTAL CENTER • RENT AMERICA • RENTAL MANAGEMENT, LTD. • CLEEK'S APPLIANCES • COLOR VISION RENTAL SYSTEMS • SAVE ALL SUPER RENTALS • WOODVILLE RENTAL CO. • ACTION RENT TO OWN • SOUTHERN HOME FURNISHINGS • RITE-WAY RENTALS • HOUSE OF TELEVISION •

# FORESIGHT

AMERICA'S LARGEST PROVIDER OF  
CLUB BENEFITS TO THE  
RENTAL PURCHASE INDUSTRY.

INCREASE PROFITS  
AND ENHANCE CUSTOMER SATISFACTION  
CALL 1-800-733-0811 TODAY.



**FORESIGHT**  
PREFERRED CUSTOMER CLUBS

1995 APRO VENDOR OF THE YEAR

APRO ASSOCIATE MEMBER  
SINCE 1991

# on display

## Relaxation in motion

Grandma's old wooden rocking chair is a thing of the past as new motion chairs grow in popularity. Relax-R Corporation, responsible for the fastest growing motion chair line in the United States, is changing the way Americans will "rock."

The Relax-R chair features all-metal frame construction and is quick and easy to assemble with just two bolts. The chairs come in a variety of fabrics, vinyl or leather to match any room decor and feature a matching ottoman. The Relax-R reclining back can be adjusted to stay in one position with the help of an easy-to-use handle located on the right side of the chair.

The Relax-R 350 is the most popular model, featuring 360-degree swivel movement, a fully adjustable reclining back and smooth gliding motion. All models can be shipped out of the warehouse within five days.

For more information, contact M. "Butch" McCracken, Relax-R Corp., 75 Nason St., St. Albans, VT 05478, 800/850-2909.



## Zenith zooms ahead in remote control technology

Zenith Electronics Corporation, the inventor of the wireless TV remote control, has developed two

innovations to solve one of the most frustrating consumer electronics dilemmas — operating the remote control in dimly lighted areas. Four new Allegro and two Zenith multi-brand pre-programmable remote controls now feature NightVision keys that glow in the dark.

Zenith has also introduced an Allegro multi-

brand preprogrammed remote control (model MBC4050) that features an extra large, easy-to-read keypad. With large numbers and channel/volume buttons designed for comfort and easy operation, these remotes are ideal for seniors and small children who have difficulty operating small controls. The MBC4050 operates TV, VCR, cable and a second TV or VCR. Highlighted features include long-range operation, optional on-screen menu control, direct channel access, color-coded keypad and a program code/battery saver.

All Allegro and Zenith remotes are ergonomically designed for ease of use and hand comfort. Allegro

## Cellular service available for the rental-purchase market

While the demand for cellular phones is climbing, many potential customers are being rejected service due to credit problems. Rent-A-Cell introduces a solution to this problem with the latest debit cellular phone, designed specifically for the rental-purchase industry.

Rent-A-Cell's debit technology, combined with the state-of-the-art Motorola Flip Phone, provides the highest level of control and security available in the prepaid industry. The Motorola Flip Phone is



the most popular and recognizable phone in the cellular industry. In addition, Rent-A-Cell's new system is the first fully automated activation system.

Every day, approximately 25,000 people apply for cellular ser-

vice. Approximately 30 percent of these applicants are rejected for credit reasons. Rental-purchase dealers stand ready to capitalize on this excellent opportunity.

For more information, contact Blair Organ, 5500 Oakbrook Pkwy., Suite 150, Norcross, GA 30093, 888/237-8770.



UNION CITY'S MATCHING COCKTAIL AND LAMP TABLES

remote models MBC4035 (seven-function) and MBC4025 (four-function) and Zenith models MBC4425 and MBC4435 feature full NightVision keypads. Allegro model MBC4030 (seven-function) features a glow-in-the-dark channel/volume cluster.

All units offer an Auto Find setup feature, control most on-screen menus, feature direct channel access with mute and enter buttons, and include a program code/battery saver.

For more information, contact John Taylor, Zenith Electronics Corp., 1000 Milwaukee, Glenview, IL 60025, 847/391-8181.

## Table talk

Union City Mirror and Table Co. unveils two new beautifully crafted cocktail and lamp tables. The lamp table is 22 inches round and 23 inches high and is available in any finish. The cocktail table is also available in any finish and measures 45 inches long, 22 inches wide and 19 inches high. Both the cocktail and lamp table feature solid wood core construction.

Union City Mirror and Table Co. also features two special finishes available for these and other furni-

ture pieces. The antique gold, silver nitrate finish is the result of an 11-step process and stylishly complements a solid-cultured white-on-white onyx tabletop. The same tabletop also goes well with the company's nine-step mahogany finish.

For more information, contact Thomas "Chopper" Russo, Union City Mirror and Table Co., 129 34th St., Union City, NJ 07087, 201/867-1827.

## Hiring help

McGraw-Hill/London House has made the task of choosing competent employees a little easier with the introduction of the Customer Service Application Inventory, a pre-employment assessment developed for the retail industry, and the BioGraph background verification, a search that enlists the service of Equifax Employment Services, the nation's largest employment screening company.

Employers can use the CSAI to screen job applicants for skills and attitudes critical to work productivity and customer service. The 164-question, multiple-choice assessment measures the likelihood that a job applicant will: be

## Selling every second

When customers call or come in and can't be dealt with right away, take advantage of that time you put them on hold or have them waiting with a digital announcer for advertising and on-hold message delivery. "Sold on Hold" Communications has introduced two lines of digital announcers: the RU 2600 for on-hold messages and the ISP 4000 for in-store announcements.

The RU 2600 does not require new on-hold programs to be loaded at each location from cassette. Instead, messages are changed overnight via telephone line direct from studio computers to each installed customer location. Managers have more time for other tasks and proper messages are still guaranteed to be playing. Flash memory takes the place of battery back-ups or cassette reload requirements and recorded messages are retained without power.

The ISP 4000 delivers professionally recorded, in-store announcements over store PA systems while customers shop. The ISP fades background music down, plays the advertising message and then fades music back up. The announcer allows for multiple messages to play at programmed intervals and for the message to be changed easily. "Sold on Hold" also supplies the accompanying overhead music and PA system hardware.

For more information, contact Damon Oran, 12700 Park Central Dr., Suite 1401, Dallas, TX 75251, 800/777-0898.



friendly, attentive and cooperative when helping customers, cooperate and collaborate with co-workers, avoid work-related accidents, handle work-related stress effectively, respond well to training, engage in on-the-job theft or use illegal drugs at work.

The CSAI is available in paper-and-pencil or computer software formats. Employers can choose from several scoring options that provide applicant results in minutes. For each applicant, employers receive a report complete with scale scores, follow-up interview questions and

significant behavioral indicators that alert employers to an individual's strengths and weaknesses.

Through the BioGraph background verification, employers can conduct a variety of pre-employment searches, including criminal history, driving records, Social Security number verification, credit histories and employee and education verification. The search typically requires three days.

For more information, contact McGraw-Hill/London House, 9701 West Higgins Rd., Rosemont, IL 60018, 800/221-8378 or fax 847/292-3400.

**Furnish with Frisco**

Frisco Furniture unveils the Huntington Pike collection of bedroom furniture. The collection includes a matching panel headboard, footboard, door chest, night stand, framed mirror and door dresser. The Huntington Pike collection comes in a subtle pale fern green color with light airy wood tones that combines graceful, traditional styling with European heritage.

Special attention to detail is the Frisco custom. This bedroom ensemble features solid wood drawer pulls, quaint bun feet and triple embossing. The famous Frisco "6 Way Better Story" of quality con-



struction is a given on any Frisco piece.

For more information, contact Jeff Holmes, 101 S. Main St., Suite 813, High Point, NC 27260, 910/885-5310.

**Software that's state of the art**

State of the Art Inc., a leading developer of accounting software for middle-market companies, introduces its Vertical Marketing Partners program. SOTA offers complete vertical application developed upon its strong accounting software products by partnering with key software developers in specific industries. SOTA's VMP program includes training and marketing support designed to assist resellers in creating additional revenue opportunities.

SOTA will provide marketing and training pro-

grams, including direct mail, collateral and vertical marketing seminars held throughout the country.

To participate in the VMP program, resellers must make a commitment to train and provide dedicated sales personnel within a vertical market. Because compensation is based on levels of participation, resellers can either sell the entire vertical solution from product specification/installation to training or outsource specific aspects of the implementation cycle to the VMP.

For more information, contact Denise Hutchison, State of the Art Inc., 56 Technology, Irvine, CA 92718, 714/450-3868.

**Software for your hardware**

RS Tech Resources Inc., dba Rentek, presents its new software "RTO" for the rental-purchase industry. "RTO" helps shorten the learning curve, decrease the time needed to accomplish tasks and helps employees feel more relaxed about using computers.

It's easy to learn yet powerful to use. "RTO" is available for lease or purchase at reasonable rates. Software packages are available with or without complete computer systems. Rentek also offers conversions, consulting and custom programming.

For more information and/or a demonstration disk, contact Jerry Rankin, Rentek, 6804 Bancroft Woods Dr., Austin, TX 78729, 800/9RENTEK.

**PROGRESSIVE RENTALS ADVERTISERS**

Audiofile Home Theater.....	11
ColorTyme .....	25
FLX Industries Inc. ....	4
Foresight.....	39
Frisco Furniture.....	3
High Touch .....	15
GE Appliances .....	IBC
GE Electronics .....	IFC
Office Star Products.....	4
Petz Enterprises Inc. ....	1
Rental Information Systems Inc. ...	8
RES Marketing Inc.....	31
RSSS.....	17
Thomson/RCA.....	22-23
TRIB Group .....	25
Whirlpool Corp. ....	13
Zenith Electronics Corp.....	BC

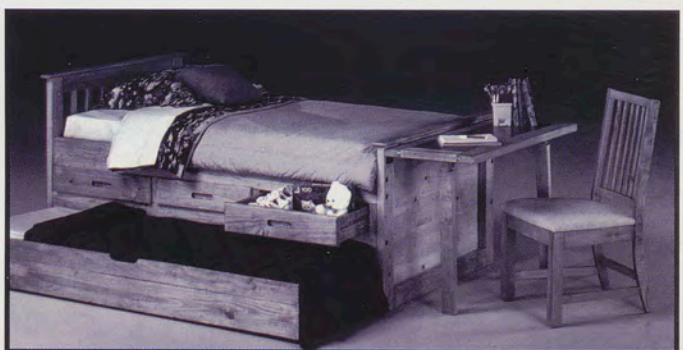
**Tom Kitchens**

❖ ❖ ❖

**WE WILL ALL MISS YOU VERY MUCH.**

❖ ❖ ❖

Danny Bozof



**Slumber in a trundle**

Ridgewood Furniture introduces a trundle bed with three-drawer storage and an attached student desk. This item from the Timbertown collection features dual-sleeping capacity, a study area and three drawers of storage in a single unit that occupies about the same amount of space as a normal twin bed.

The desk locks in the study position and features a Formica top. Overall features include solid yellow pine construction, center drawer guides and threaded bolts that attach siderails to end posts.

For more information, contact Ridgemont Furniture Inc., One Broyhill Park, Lenoir, NC 28633, 704/758-3779.

**I** present to you some inescapable truths and other stuff about life in the rental business, or—if you joined late—rental-purchase.

▶ The number of television screens turned toward the sales counter in your store will almost exactly equal the difference between last month's deliveries and what you have now. Subtract another 10 percent if the only working remote is on the sales clerk's desk.

▶ In descending order, the three costliest items on rental store financials are generally inventory, people and occupancy. Ask around and you will find that any rookie manager with six weeks on

does the most hiring? Natch—same guy.

▶ I ran across another crackpot manager the other day who was going berserk because the same people kept falling past due, week after week. He wanted to know why these people can't pay their bills on time. *Duh!* The scary part of that is, he's the guy responsible for explaining the business to new hires.

▶ Speaking of customers, has anybody really looked hard at this cellular phone deal? Seems to me it's likely that the same customer who can't budget for a Saturday payment is likely to use up his entire hour of prepaid air time before even leaving the parking lot. That leaves two choices: dump the phone out the window or send the sofa back to buy more air time. Can't see where either is a winner

## Simple truths about RTO

for the company. But only home office folk are allowed to buy sofas or sign leases, and then it's all done with triple oversight and double-secret code rings. So how come the official line is always, "Our people are our most important asset?" Go figure.

▶ I used to wonder why the one-store guy with the ugliest sign and no ad budget always seemed to have more BOR than my store with the gorgeous layout and 8 percent TV outlay. Then I realized the owner was behind the counter and his survival was behind everything else.

▶ Now that drug testing has about done away with lotus eaters and crack heads on the job, what can we do about the mushheads? You could count on a good three or four hours a day from the druggies before their brains jellied up. The mushheads come to work stupid. Reminds me of that great bumper sticker: "I'm fat and you're ugly—but I can diet."



By **BUD HOLLADAY**

▶ Remember when pasta was still spaghetti and multi-level marketing was just a pyramid scheme? Back then, cable was something the phone guy laid, not what your customers watched. And a VCR rented for more than a color television and no store got more than six until we figured out whether it was going to be more than just a fad. Cutting edge.

▶ Look around and you will find that the worst managers always have the most turnover. So who

for the company.

▶ Now the politicians want us all to ante up to this PAC deal. Good for the industry, they say. Some of us remember when contributing to a PAC meant kicking in with a six-pack for the lowest Saturday close. We thought that was pretty good for the industry. Before you snicker, just look at how far we've come.

▶ And what is all the hullabaloo about deep-pocket investors coming from nowhere and buying up stores? When's the last time fresh capital and new ideas was bad for any industry?

▶ In case you were wondering how to tell when your company has really made it big: If you have less than 5,000 BOR, you get together every few weeks at Denny's to review BOR gains and close-outs. With more than 5,000 but less than 15,000, you have a monthly meeting in a hotel but nobody stays overnight except the boss (and maybe the meeting planner). With more than 15,000 but under 30,000, you have quarterly meetings where the big shots kill time between golf games planning monthly meetings for everybody else. And after 30,000 BOR, you don't have meetings at all, you have a convention. If you don't believe me, just ask your outfit's meeting planner. ■

*Raymond C. "Bud" Holladay is COO and executive vice president of Alrenco, based in New Albany, Indiana.*

# What advertising strategies are you using to attract new customers?

## Earl Ritter

RENTAL MART INC.  
GRAND JUNCTION, COLORADO



I spend most of my advertising money on daytime television rotators, but also use newspaper flyers. I find I get a very good return on the commercials and they keep us right in front of the public. This month I kicked off the Gus ad for 30 days to see how it would do. So far, the public response to the Gus ad has been great. People have seen it and say they like it; it's different and is giving us an image I think we're looking for.

COMPILED BY  
**NICKI  
CARLSON**

## Lori Piper

FISHER'S RENTALS  
MACHESNEY PARK, ILLINOIS

We have a small, one-store operation and get a lot of commercial business off the yellow pages. We have developed our own TV commercials with in-store filming voice-overs that air on the Fox network. We also do private mailings to our current customers, including exclusive promotions. When we get a new customer, we sometimes follow up with a mailing encouraging them with benefits to bring in new customers. I am planning to expand our direct mailings to include a targeted demographic audience.

## Stewart Libby

RENTOWN  
PRESQUE ISLE, MAINE

People don't know much about rent-to-own here; in fact, I have the only RTO store in this area, so it's hard to get the concept across in 30 seconds in a television or

radio ad. I thought print would be best, but found that a lot of my customers don't read the papers. I use TV and radio because it was the only way to access them and television advertising is very inexpensive in my area.

The most effective advertising I've done is in a buy, sell and swap guide. This is very popular and effective in rural towns. I put my ads in the electronics or appliances section.

Another strategy I've used is to buy grocery store cash register tapes and print ads and coupons on the back. This worked pretty well for a while; I am planning to wait a couple of years and then go back to it.

## Kevin Dorsey

HOUSEHOLD RENTALS  
OSHKOSH, WISCONSIN



We have a new team of managers and are starting from scratch after 10 years of doing pretty much the same thing. For the next year, we'll be using trial-and-error with direct mail, radio, flyers and in-store promotions. Wherever our dollars are best spent, that's where we'll be spending more money in the future.

Our expanded direct mail and welcome wagon services target new people moving into the area. We're also moving into a regional-type newspaper that hits a more upscale customer. For our radio spots, we're using a representative — an agent — who will represent us at five different stations. We found that a large part of our clientele listens to rock and roll, oldies and country. Our represen-

tative is using our demographics to find stations where we can really target the people we want to attract.

## Tom Lacey

LACEY & SONS INC.  
DBA COLORTYME RENTALS  
NATIONAL CITY AND  
CHULA VISTA, CALIFORNIA



We primarily use the two- and four-page color brochures and flyers put out by ColorTyme that are mailed directly to customers. We recently started advertising computers in these flyers and found that this brought in new, somewhat more sophisticated customers. We also advertise every week in the *Pennysaver*, which is a small, local publication. In addition, we run ads and coupons in the coupon tabloid of the local newspaper. Unfortunately, because our store is located in a big city, television and radio ads are not affordable for us.

## Marilyn Lawhon

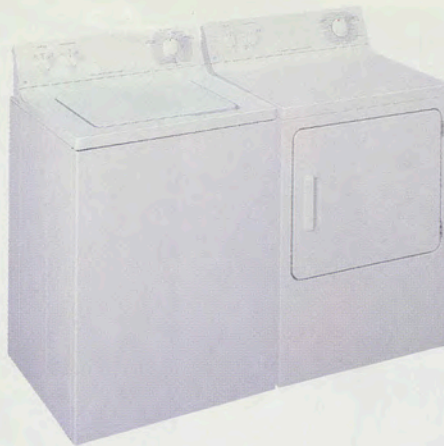
AMTEX TV INC.  
AMARILLO, TEXAS



Almost all of our advertising is geared to new customers. We place ads in *The Thrifty Nickel*, which is a tabloid that can be picked up at most discount stores. We also put flyers on doors and is distributed on parked cars. Some methods we've tried that didn't seem to work out included television spots, grocery store handouts and Valpack coupons that come in the mail. We also use in-store promotions to gain repeat customers with incentives like referral coupons; we send mailers to our current customers. ■

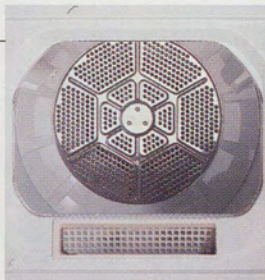
*Nicki Carlson is a free-lance writer living in Austin, Texas.*

# Why GE Laundry?



Because GE Delivers To The Rental Purchase Industry:

## Capacity



### The Largest Capacity Pair in the World!

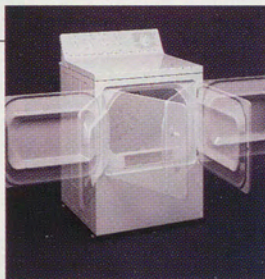
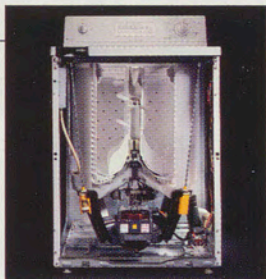
#### Washers

- These washers are Super 32 (3.2 cu. ft.).
- 1-1/2 foot opening for those extra-large loads.

#### Dryers

- Extra-large opening for easy loading and unloading.
- 7.0 cubic foot drum for maximum capacity.

## Dependability



### Long Lasting Reliability!

#### Washers

- Innovative design with 40% fewer parts and 31% less weight
- PermaTuf II™ Basket 20 year limited warranty.
- Auto Balanced Suspension System.

#### Dryers with Reversible Doors

- The DuraDrum™ provides long lasting durability.

## Logistics



### Distribution Anywhere in the Contiguous U.S.!

- Our flexible nationwide distribution system and availability is designed to deliver your appliances within 2 to 5 working days.
- We can track the delivery and check on its progress and confirm the arrival date.

## Service



### Our Service is Outstanding!

- The 100% front serviceable laundry pair offers exceptional accessibility.
- We offer consumer information services, 24 hours a day, 365 days a year. Simply call **1.800.GE.CARES.**
- For more information on our complete product line and programs, please call Paula Allison at 1.800.782.8093 or Paul Eichberger at 1.800.782.8097.



*We bring good things to life.*



Advanced Video Imaging™  
 Z-Trak™ Trackball Remote Control  
 Advanced Performance Flat Screen  
 Picture Tube  
 Seq Front Surround Sound  
 New Surf's Up™ Favorite Channel Selection  
 New Icon Based  
 Trilingual On-Screen Display  
 New SoundRite™ Volume Control  
 Parental Channel Control  
 Sleep Timer



# Whatever.

Whether your customers want a 19" tabletop TV, a 52" projection model, or an easily programmable VCR, there's a Zenith to suit their needs. They'll find cutting edge performance and viewer-friendly technology in everything we make. And you'll find sizes, styles, finishes and features to satisfy your customers...whatever they're looking for.



**When  
 You Rent,  
 Rent  
 The Best!**



*The Quality Goes In Before The Name Goes On.* **ZENITH**



Contact Norm Smith, Zenith Electronics Corporation,  
 1000 Milwaukee Avenue, Glenview, IL 60025 (847)391-8231.  
 © 1996 Zenith Electronics Corporation. R9607-4

**APRS** Charter Associate Member