

PROGRESSIVE

# Rentale

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1998

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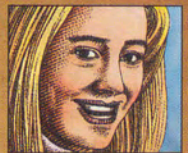
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# november december



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Meet 1998–99 APRO President Ernie Lewallen of United Household Rentals in Cincinnati, OH. Lewallen is committed to his vision for the industry and the Association in order to ensure continued success and future viability for APRO members. Writer Markus Beeby talks to Lewallen about his insight, concerns and hopes for the industry and APRO.

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### **Who's the boss? [Hint: It's not your boss]**

The payoff of a "you're the boss" attitude toward every customer is huge. Having spent more than a decade in the rental-purchase business, Kent Sutherland has learned that only rarely does a customer ask for more than what is reasonable when asked the question, "What can I do for you?" Sutherland shares the finer points of learning the art of providing superior customer service.

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### **2003: APRO's new vision of the future**

Setting goals and timelines for the future was on the agenda for members of the APRO board of directors, who gathered for a five-year strategic planning session in October. With the changing face of the industry, a new set of challenges faces the Association. Find out how APRO plans to meet the needs of the membership in the coming years.

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Once upon a time there was a rental dealer who decided to "help" his customers get through some cash crunches—and help his own profits increase—by coming up with the not-quite-original and not-quite-legal idea of the sale-leaseback. APRO General Counsel Ed Winn tells the story of this dealer's venture into unethical territory.

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# news

## BREAK

COMPILED BY  
JULIE SHERRIER

### Dealers gear up for winter markets

Rental dealers mark your calendars. It's time to plan for the winter markets. As always, APRO will keep you posted on dates and registration information for these markets, as well as APRO's participation in them.

First up is the Atlanta Gift and Home Furnishings Market, held January 6-15. APRO will not be attending this market. For information on registration, call 800/ATL-MART or 404/220-3000.

The 1999 Winter Consumer Electronics Show (CES) will be held in Las Vegas, January 7-10. APRO will again have a booth in the lobby of the convention center. You can visit the web site at [www.CESweb.org](http://www.CESweb.org) or call 703/907-7600 for registration information. You are invited to mingle with others in the RTO industry at the APRO/Sanyo Fisher Hospitality Suite at Bally's on Friday, January 8, 6-8 p.m.

The Dallas Furniture Market will be held Janu-

ary 9-12. APRO will not be attending; however, registration information is available by calling 800/325-6587.

The final January market will be the San Francisco Furniture Mart, held January 15-19. Visit the APRO booth in the lobby of Mart I. Emeralds will host the APRO hospitality on Saturday, January 16 at 5 p.m. in suite 918 in Mart II. Registration information is available

by calling 415/552-2311.

February 18-21 brings the Mississippi Furniture Market in Tupelo. Look for the APRO booth in the lobby of Hall B in the Mississippi Market Complex. Benchcraft will welcome rental dealers for great food and music on Friday, February 19, at the Benchcraft Showroom during APRO's Hospitality Night, 5-8 p.m. Information on the Tupelo market can be obtained by calling 601/844-1473.

The next 1999 market is the High Point Spring Furniture Market, April 15-23. APRO will host a rental dealers' hospitality evening, 6-8 p.m. on Friday, April 16, in the Progressive Furniture Showroom, which is the APRO sponsor for the evening.



For your information, see the calendar of events at right for more events happening in the upcoming year.

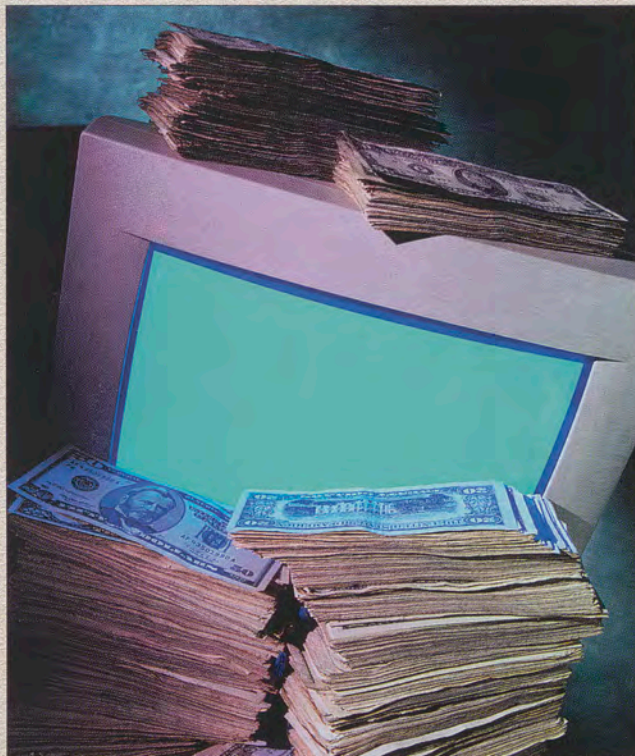
## RTO PC market picks up

The growing acceptance of personal computers in the rental-purchase store product mix is inching its way up, according to the 1998 *Rental-Purchase Industry Survey*.

Computers accounted for 1.2 percent of the industry's \$4.4 billion revenue, which is up from 0.8 percent in 1997. What's most promising is that the smaller rental-purchase store chains are joining the fray, as most of the larger chains have been renting computers for several years now.

What makes this all interesting is that Gateway, which is gaining as one of the nation's most popular PC sellers, has introduced its own leasing program offering PC customers the option of paying a monthly charge for up to four years, with the option of trading up to a bigger, faster computer as upgrades are introduced.

The pricing of Gateway's leasing program starts at \$49.95 a month plus 14.9 percent interest for a four-year plan with a Pentium II 266MHz processor and 32MB of RAM. The total cost of the entry-level system is



about \$2,700, according to *Computer Retail Week*.

The rental-purchase market computer vendors include Hewlett-Packard, Alliance Computing Technologies (which rents PCs under the Mitac brand) and various, smaller PC companies.

Will Gateway's venture into leasing compete with the rental-purchase industry's PC market? Not for a few years, at least. However, it is important to note that here's one more company jumping on the leasing bandwagon, especially where PCs are concerned.

## Renters Choice changes name

Just in case you didn't hear, Renters Choice will be changing its name to Rent-A-Center, effective January 1. Ernest Talley,

chairman and CEO of Renters Choice, also plans to call all company stores by the same name.

"When you get down to the choice of two names, we thought more people were aware of the Rent-A-Center name," says Talley.

Renters Choice paid \$900 million for Thorn Americas, the parent company of Rent-A-Center, in August 1998.

## Aaron's opens 125th franchise store

With its 125th retail outlet opening in early November in Bethlehem, PA, Aaron's Rental Purchase now claims to have a high profile presence in every region of the country. Fifteen additional franchise units were scheduled to open by the end of the month, by both satisfied franchisees

## CALENDAR OF EVENTS

# 1999

### JANUARY

6-15  
Atlanta Gift and Home Furnishings Market,  
404/220-3000

7-10  
Consumer Electronics Show  
Las Vegas, 703/907-7600

9-12  
Dallas Furniture Market,  
800/325-6587

15-19  
San Francisco Furniture Market,  
415/552-2311

### FEBRUARY

8-11  
American Rental Association,  
309/764-2475

18-21  
Tupelo Furniture Market,  
601/844-1473

### MARCH

6-9  
NARDA Institute of Business Management,  
800/621-0298

21-23  
Texas Association of Rental Agencies, Omni Hotel,  
San Antonio,  
972/513-1948

### APRIL

15-23  
High Point Furniture Market,  
910/888-3700

### MAY

Date to be announced  
APRO Mid-Year Conference,  
800/204-2776

### JUNE

9-13  
TRIB Group annual meeting  
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## NEWS BREAK

as well as new openings by experienced entrepreneurs from other industries, including video, fast food and auto dealerships.

"Entrepreneurs are always on the lookout for the next growth market. Furniture, electronic and appliance rental-purchase offers almost unlimited potential for profitable expansion," says Todd Evans, director of franchise development for Aarons.

"By re-engineering the rental-purchase retail environment and sales

transactions to appeal to a higher end of the consumer market, we've created a very attractive opportunity that appeals to experienced, aggressive entrepreneurs looking to expand their business portfolios."

Aaron's has taken rental-purchase beyond its stereotyped urban market with super stores averaging 8,500 square feet built in high-trafficked, suburban neighborhoods. The company has also done away with long-term rental agreements. Customers can



now own their merchandise in 12 months.

### Prepaid dialtone providers tap RTO market

With 7 percent to 8 percent of the U.S. population not having phone service, prepaid dialtone providers have the potential to tap into some strong profits, according to a recent article in *Telecard World*.

The article stated that selling service in more retail locations, such as rental centers, makes it easier for consumers to get local phone service, while giving telecom companies easy access to customers, while drawing more customer to RTO stores.

There is approximately \$300 million to \$400 million in uncollected traditional service revenue, allowing significant potential, the article reported. However, there are only a few players in the game and the prepaid dialtone market has seen many new competitors enter the market, only to quickly fail.

Therefore, these new service providers are looking to the rental-purchase industry as a strong venue to sell their services as the RTO customer base is "a perfect match."

The article stated that prepaid local phone ser-



Rent-to-own dealers from across the country gathered at the High Point Furniture Market in North Carolina in October. Dealers visited during the market at the RTO hospitality suite sponsored by Progressive Furniture. Pictured above are APRO Membership Director Carolyn May, Judy Garrison, Karen McCormick of Buddy's Home Furnishings and APRO Marketing Director Cindy Ganther. Pictured at right are dealers Larry Tinney, Daren Tinney and Brenda Tinney from Rent America, Joe Savovic from Progressive and Mark Brown, also from Rent America.



vice customers usually fall into three categories: credit challenged, short-term need and a reduced cost market (where the incentive is to buy now, on a prepaid basis, in order to get a discount on services such as long-distance calling).

While these customer traits fall in line with rental-purchase, an emphasis was made on developing a profitable partnership between prepaid local dialtone services and rental stores.

## Consumer awareness of HDTV increases

Consumer awareness of high-definition televi-

sion has nearly doubled in the past 12 months, according to a recent Consumer Electronics Manufacturer's Association survey. This could be the next boon for rental-purchase stores considering adding HDTVs to their product mix.

More than half of those surveyed say they are interested in trying out a digital TV in the near future and will check out the new sets at local retailers.

"Retailers can expect consumers to flood their stores to see DTV [digital television] demonstrations this fall," says Todd Thibodeaux, CEMA vice president for market research. The survey also

shows that movies and sports fans will drive the acquisition of digital television.

Rent-to-own dealers can take advantage of the increased consumer awareness by stocking some HDTVs and promoting the "try it before you buy it" concept.

## Giant Rentals celebrates 17th anniversary

With six locations throughout mid-North Indiana, Giant Rentals is the oldest family-owned rental-purchase business in the area, serving more than 20,000 customers. Started on October 1, 1981, in Lafayette, Giant Rentals has expanded with locations in Frankfort, Crawfordsville, Attica, Monticello and Rensselaer.

"Business is good," said Susan Mullins, assistant manager, in an article on the chain that appeared in the *Rensselaer Republican*.

A store where "everybody knows everybody," the Rensselaer location features the latest in DVD equipment, along with the usual electronics, appliances and furniture.

Giant Rentals also gives back to the community with donations to charities and participation in community events.

## APRO receives a WorldFest award

APRO received a WorldFest Bronze award in the film and video production category for the *Home Together* video. WorldFest is one of oldest film festivals in the



world. It is also one of the largest, boasting more entrants than the Cannes Film Festival.

Other recipients of the award throughout the years include Steven Spielberg, Oliver Stone, the Coen Brothers and George Lucas.

One highlight of the the award gala held November 21 — besides APRO receiving its award — was the lifetime achievement award given to Hollywood legend Jack Palance.

Congratulations are due to APRO's Director of Public Affairs, Richard May, who produced the video for APRO members as a public service

**Got mail?**

**A**PRO is soliciting e-mail addresses from both members and non-members involved in the rental-purchase industry. The addresses will not be distributed to vendors, but will be used only to communicate late-breaking news regarding the industry. Please e-mail Laurie Derton (lkderton@apro-rto.com) with your e-mail address.

## ON THE MOVE



**I**llinois RTO dealer **Larry Carrico** of SKY Enterprises Inc. in Mt. Vernon, IL, was elected president of the United Way of Jefferson County.

▶ **Barry Stein** is the new director of advertising for the rent-to-rent division of Aaron Rents. In addition, Carroll/White Advertising was named the agency of record for the rent-to-rent division.

▶ **Judy Garrison**, most recently director of purchasing for B&L/Champion Rent to Own, has joined ABS Artistic Jewelry Inc. as a sales representative and merchandiser and as an associate of Allan Sheres, Jerig Inc. representing Meadowbrook, Next Dimension, Frisco, Owen Benton, Ther-A-pedic and others.

▶ **David Brewer** has taken the reign as president and CEO of Frisco Furniture, producer of promotional bedroom, occasional and accent furniture. Formerly chief operating officer of the company, Brewer will continue his operating duties as well as those of president and CEO. As a result of Frisco's upper management restructuring, the company will relocate its corporate headquarters to Frisco City, AL. **Gary Bryant**, former Frisco president, will serve on the board of the company and participate in its strategic planning as well as merchandising and product development. Frisco will continue its aggressive plan for re-engineering the company.

▶ **Marc Rogovin** assumes the position of vice president, real estate and construction for Aaron Rents Inc. Rogovin had served as director of real estate and construction for the company's rent-to-own division for the past year. His responsibilities now include site selection and construction for stores in the rent-to-rent division, Aaron's Rental Purchase division and MacTavish Furniture Industries and its distribution facilities.

announcement for involvement with Habitat for Humanity International.

## Good press/ bad press

▶ Renters Choice recently got some good ink from *Investor's Business Daily* in Los Angeles. The lead to the article states that, "with bankruptcy and divorce rates rising, more Americans are finding themselves in



need of temporary furniture and appliances. Renters Choice is out to supply them."

Interviews with APRO Executive Director Bill Keese and Renters Choice CFO Danny Wilbanks are included. The article chronicles the company's success and the Thorn acquisition, along with some of the company's future plans to improve store performance.

▶ Keep those happy-customer stories coming! In what seems to be a trend, reports of satisfied customers who are hired as employees keep flow-

ing in. The Danbury, CT, *News-Times* columnist Joe Hurley told the story of a former RTO customer who now works at the Danbury Rentavision store. "The cost may be high [when renting], but rent-to-own is the only way some people can get what they need without falling into debt," says customer-turned-employee Joyce Binder.

The article interviewed an



APRO representative and also provided some tips for doing business with rental-purchase stores.

▶ RTO got the usual bad rap from the Norfolk, VA, *Virginian-Pilot*, which ran a story highlighting the results of a study of 17 rental-purchase stores in Richmond and Roanoke. The study was conducted by the Virginia Citizens Consumer Council and the Virginia Poverty Law Center. The article's headline was "lease now, pay forever" and discussed the "rip-off" nature of the businesses and how low-income citizens are victims of the industry.

▶ Louisiana Rental Dealers Association Pres-

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## Public relations sets the year's agenda

**C**ommunity relations, television presentation, employee/customer empowerment and media relations defined the proposed public relations plan for the upcoming year.

After an intense five-year strategy session, industry leaders emphasized the need for the industry to improve its image and broaden its appeal. Those rental-purchase dealers, along with APRO who will implement these programs, are members of APRO's Public Relations Committee; its new chairman is Gary Romine of Show-Me Rent to Own in Farmington, MO.

"The proposed plan continues the good work already established while adding crucial elements for a comprehensive campaign," says Romine on his committee-adopted plan. The campaign will culminate at APRO's 1999 convention in Reno and plans to cover the many audiences and programs established by previous committees and member directives.

To address television advertisements as the predominant source of negative public perception, the committee wants to produce stock footage of products to create a library for members to use at their discretion. This parallels the approach used by many car dealers where the car companies provide film-produced footage of trucks and cars zipping along the highway or through streams for local dealers to use while customizing their respective specials and local information. If you ever wondered how

Joe's Cars & Trucks could afford such nice footage, it is because the manufacturer provides it for them.

APRO's affiliation with Habitat For Humanity remains a long-term commitment. APRO is considering sponsoring Habitat For Humanity's First Lady build, where each governor's First Lady would host a build in her community. Along with the national commitment, dealers continue to donate locally throughout the nation. Habitat affiliates are building now and could use the help. For more information, contact APRO to assist you in finding the nearest affiliate.

Empowering customers and employees with information about the industry and the transaction may be the most powerful tool to spread the good word about the industry. One proposed program is to offer dealers creative tools in the forms of a video, break room posters and pamphlets to educate employees and customers about the benefits of the rental-purchase transaction and the industry.

Other programs completing the campaign include media placement of positive news articles, continued research on the rental-purchase customer and a proposed third-party endorsement program.

The 1998-99 APRO Public Relations Committee consists of Chairman Gary Romine, Rich Bartel, Dick Eichlin, Mamie Harper, Ernie Lewallen, Bill Morgenstern, Kim Slatton, Shannon Strunk, Darrell Tissot and Dan Weiss.

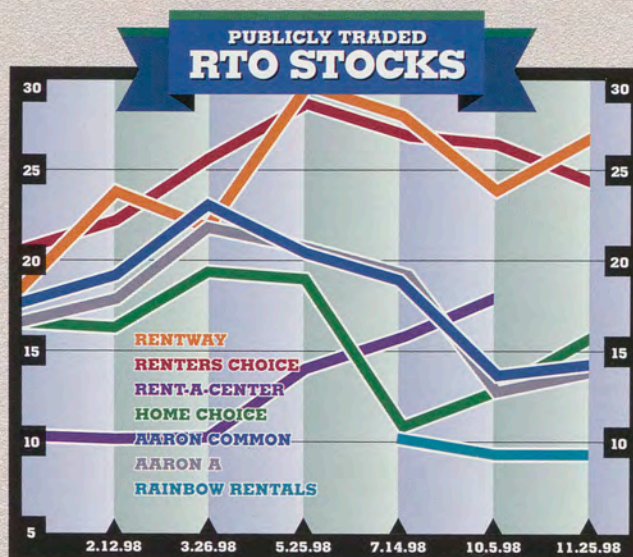
ident Thomas Neyhart, owner of ColorTyme stores in Baton Rouge, LA, was interviewed in a hostile article in the *Baton Rouge Business Report* about the rental-purchase industry facing further scrutiny from Louisiana government officials in October.

"I have no problem with anyone studying our industry," says Neyhart. However, the article went on to say that Neyhart was uncomfortable with the fact that the rent-to-own industry in Louisiana is "being

examined in tandem with the check cashing and payday loan industries."

Neyhart says those types of establishments have "little, if anything, in common with rent-to-own establishments and their long-term relationships with their customers."

Louisiana Rep. Wilfred Pierre (D-Lafayette) says he is concerned with the proliferation of these types of businesses in poor and black neighborhoods. A study is being conducted by the



state's Office of Financial Institutions to study the operations of the rent-to-own industry "in order to establish whether consumer protections are necessary."

If the study's findings indicate action is necessary, legislation to address the matter will likely be pursued during next year's regular session, says Pierre.



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**E**very five years, the APRO board convenes to strategize about the issues affecting the industry and the Association. As your new president, I wanted to make this strategy session fulfilling for the board members participating and inspiring enough perhaps to reinvent the RTO wheel. I felt that my lofty goals might best be developed in a lofty environment. Therefore, Yosemite National Park was chosen as our meeting place, although many of the board members have renamed it "Camp Ernie."

I have learned some intense lessons taught to

for the next three days in meeting rooms.

We were met by news that APRO's largest member — Renter's Choice, aka Rent-A-Center — had decided to leave APRO and go it alone. We spent a lot of time together finding out what was so important to us about APRO and what it might mean if the Association no longer existed. Everyone concluded that APRO must go on. We became re-committed

.....  
 "We spent a lot of time together finding out what was so important to us about APRO and what it might mean if the Association no longer existed."

to an ideal that this Association serves its members by recognizing the needs of all of its members. We also concluded that committed rental

dealers are and always will be the heart of this Association.

The five-year vision became this: "By 2003, APRO members will exceed customers' expectations, be helpful in every community and be welcome in every home." This supplanted the first thought: "APRO, it ain't bad." We made several assumptions: no negative legislation, an active board, the continuation of new APRO recruits, better communications via better technology, new membership services, an increased customer base and an enhanced public image.

For us to fulfill this vision, it was decided that APRO had to enhance its services and better promote these services to non-customers, develop non-dues revenue, continue to promote ethical standards, achieve a more universal acceptance of the industry through a good public image, develop and communicate services to members that meet all their needs, offer creative educational programs to promote growth and act as the liaison between regulators and dealers to promote cooperative dialogue for the future.

We came away from Yosemite more connected than ever. We all feel there is a remarkable future waiting for those willing to participate. I wish this planning event could have been shared with everyone. ■

*Ernie Lewallen is president of United Household Rentals in Cincinnati, OH. For more information on APRO's strategic plan, see page 30.*

## Strategies from Camp Ernie

me by hundreds of miles on the trail. I thought this might transfer over to this varied group of independent thinkers so as to create unity and camaraderie. Hikers are an interesting breed, even novice ones. As in conventional life, you have people who express their individuality in many ways. I have developed my own set of hiking rules that I will share with you:

1. The hike is not a race. There is not a set time to finish.
2. The hiker who starts out leading is rarely the hiker who finishes the trail first.
3. When hiking, always look up to the scenery not down at your feet, unless you are on loose trail.
4. Talk a lot or make noise to keep the bears away.
5. Hiking downhill is tougher than hiking uphill.

The attendees started their strategic planning hike at 9,000 feet above sea level and two hours later, found themselves at 4,000 feet in the valley of the park. This, as you can see, broke rule number 5 in principal, but I also knew that it is easier to push reluctant hikers

off the mountain rather than up.

After the hike was finished, everyone reconvened to our meeting place. I felt confident that we had a good start to this vision of unity as most everyone hurt so badly from the downhill hike that they were more than content to stay seated



**By ERNIE LEWALLEN**  
 APRO's President

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**H**ave you seen the television commercial promoting the AMD K-6 computer chip? It shows computer images existing in a one-dimensional world. Graphically, people are wafer thin, slipping through iron bars chasing a three-dimensional heroine. Then, suddenly, with the advent and use of this chip, everything on the screen is three-dimensional, much to the dismay of the characters, who didn't foresee the dire consequences of remaining one-dimensional.

This ad is enlightening. Since I have been in the market for a personal computer, I now know

## APRO goes 3-D

to look for the benefits of this technology. Some things are just worth waiting for.

Today's APRO, having grown and matured over the past 18 years is another innovation worth the wait. In the September-October 1998 issue of *Progressive Rentals*, APRO General Counsel Ed Winn wrote a concise retrospective on the formation and early days of the Association. If you missed the story, go back and read it. You'll appreciate the history lesson. The founding fathers created APRO with "the goal of easing the legal uncertainty that surrounded the rental-purchase transaction." Most of the Association's focus was based on this premise. You might say we were somewhat "one-dimensional" in our approach back then.

However, very subtly, the nature of APRO has changed. It's a natural evolution of all organizations. Like computer technology, our Association has changed from a one-dimensional entity seeking a protective legal environment to a true, multi-dimensional trade association.



By **BILL KEESE**  
APRO's Executive Director

There are those who may still believe that a flat world of legislative activity is all they want and need from APRO. However, there is more to be gained from association membership than just legislative efforts.

I am not saying that our legal struggles are over or that we should ever not be involved in protecting the legal framework that we have all come to enjoy. What I am saying is that there are many more services a maturing industry needs that can best be provided by a strong national

trade association. In addition to the published member benefits, APRO provides everyday services that benefit the one-store dealer and the 2,000-store chain.

Bankers, financial institutions and investors look to APRO

for industry information. Specifically, they routinely ask for statistical information, legislative initiatives on both the state and federal level, industry opponents and their positions and general business trends. APRO is the clearinghouse for this information and is one of the first places interested parties call when seeking this type of data. Whether you are a publicly traded company with stockholder pressures or a one-store operator looking to find capital, you benefit from your association's interaction with lenders.

The press calls APRO whenever it is interested in stories about the industry as a whole or about specific companies. While APRO certainly doesn't speak for any one company, it does play a vital role coordinating proper contacts between the press and company spokespersons. Information is provided to the press as well as to individual companies that might be contacted. As an organization, we all benefit when we stand together and promote a common front, especially to the media.

Recruiting and educating new vendors seeking markets and offering new products and services to the industry is a vital APRO function. APRO staff, board and members attend numerous industry trade shows annually in search of new and different products and services for RTO. Companies contact us when determining whether our industry can benefit from their products or services. Again, everyone benefits by growing our product and service base.

I hope we can find new ways to convince everyone in the industry to operate with the highest ethical values. We all can and must do better. Through networking, interactions and education, we must become the industry that treats its customers and employees better than any other. APRO provides the only forum for accomplishing this goal.

If anyone asks you why you belong, tell them it's because we want to be the best. It's really pretty simple. ■

.....  
"Like computer technology, our Association has changed from a one-dimensional entity seeking a protective legal environment to a true, multi-dimensional trade association."

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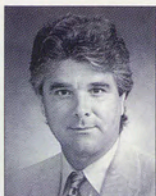
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**W**ith the industry often enough in the news, recently its image has been raised or lowered—depending upon your view of the fictive arts—by its appearance in a new novel. It cannot be said that the industry is now included in the world of literature, because there is no way that *The Right Man for the Job* by Mike Magnuson (Harper Flamingo, 1998) rises to such a level. The book does exist, however, and lately has been offered in the trade paperback section of several bookstores and may yet turn up in a few libraries. For the sake of the publisher, I hope it was a small printing. I predict a quick demise.

## A book report

The author must have been once briefly involved in the rental-purchase business (between writing gigs?), or else how could he talk so knowingly of Saturday night card closes and how the back room of rental store looks and feels. He tells a sad and pointless tale of two account reps. In the book's most creative spurt, they call themselves "reacquisition facilitators." The setting is a rental store in Columbus, OH. The book names some real-life rental companies as competitor's of Crown Rentals, which does business in that celebrated college city.

There is little point in detailing the plot—boy finds girl, boy loses girl, boy kills dog with a cement block, girl burns herself to a crisp with a can of gasoline and a Zippo without explanation or motive, boy steals the last day's deposit and wanders off in search of whatever will happen next. Alongside this bleakest of plot lines, there is a buddy story between rental newcomer Gunnar Lund and rental veteran, Dewey Bishop, who share a van and collection adventures as account managers of their company.



**By ED WINN III**  
APRO's General Counsel

The author regales us with random tales of these "Regents of Repo," these "Sultans of Snag," these "Bishops of Back Rent," as they share prostitutes in the back of the van, exercise the "pizza box" ploy one evening to repo a refrigerator and otherwise indulge themselves on the gritty streets of the "hood" in Columbus. Intermittently, among expressions of Swedish

angst and African-American cynicism, there is some genuinely unimaginative dialogue about life at the low end of the rental business and Gunnar's ruminations about why he is such a disloyal, unfeeling lout.

It is almost accidental that the protagonist, presumably "the right man for the job," works for a rental company. The author's view of life and the world is bleak and for him the existence of rental stores, rental customers and rental employees adds to the bleakness. But the existence of the rental business in the book does not advance the plot, because there is none. Our hero merely lurches from one unforeseeable and unconnected event to the next, until he finally migrates from Ohio back to Wisconsin from whence he came and where he awaits the law to punish him for his many misdeeds.

This is an ugly book. The setting is ugly, the characters, the descriptions, the story, the attitude, they are all ugly. You will not like how the business is portrayed and may not even recognize your business, so disparagingly is it described. But then there are, among the rubble, glimmers of truth about rental customers and how some of them work the system and some truth about the feelings of rental employees. I do not recommend that you read this book. It is a consistently depressing read. If you must read it, learn from it how *not* to live and, for God's sake, how *not* to run the business. ■

.....  
"If you must read *The Right Man for the Job*, learn from it how *not* to live and, for God's sake, how *not* to run the business."

Ed Winn's e-mail address is [edwinn@ibm.net](mailto:edwinn@ibm.net).

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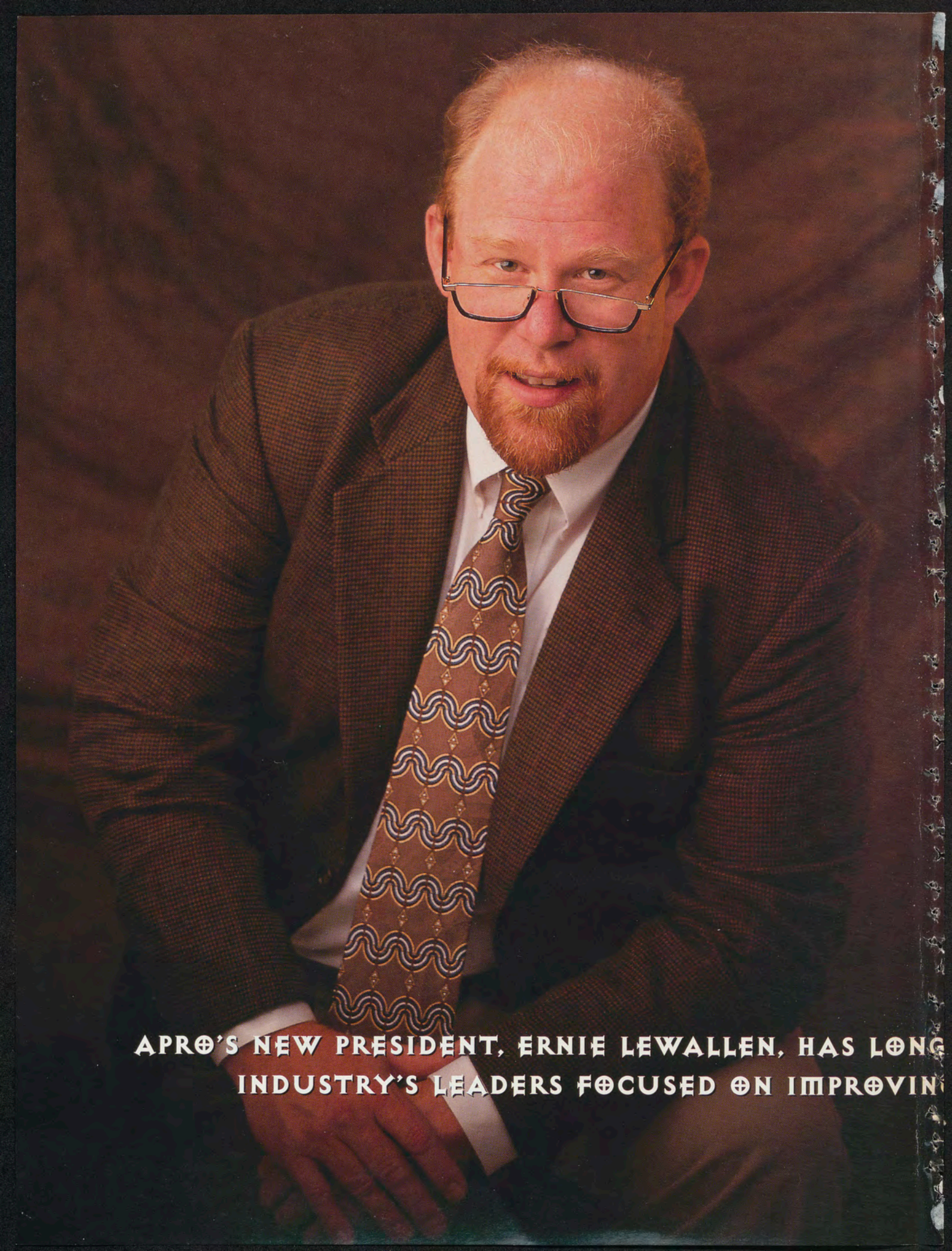


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A professional portrait of Ernie Lewallen, a man with a goatee and glasses, wearing a brown suit jacket and a patterned tie. He is seated and looking towards the camera. The background is a dark, textured brown.

**APRØ'S NEW PRESIDENT, ERNIE LEWALLEN, HAS LONG  
INDUSTRY'S LEADERS FOCUSED ØN IMPROVIN**

APRØFILE BY MARKUS BEEBY

# The Long and Winding Road

BEEN ØNE ØF THE  
THE ASSØCIATION AND ITS IMAGE

IN DECEMBER 1980, a then 25-year-old Ernie Lewallen hit what he describes as “a tumultuous time in my life.” Working as a headhunter in the data processing field, he came to dread his job and was looking for a new direction. For the Beatles-loving Cincinnati native, this month had brought both the birth of his first child and the death of John Lennon and was a major transition point in his life.

POW CARROLL

**I** was recruiting people to work for other people and didn't like what I had to do. So I answered an ad for a 'TV rental store manager' at Universal TV Rentals. Twelve thousand bucks a year," says Lewallen.

Eighteen years later, Lewallen now owns the seven-store United Household Rentals chain, based in Cincinnati, OH, with locations both in Ohio and Kentucky.

An APRO member since 1989 and a member of the APRO board of

the ground, he has been the personal driving force behind the board's focus on public relations.

"Ernie has an energetic, entrepreneurial attitude toward things," says May. "He is very concerned about how the industry is represented to the public and wants people to understand just how the rental-purchase industry works."

Also a seasoned traveler, Lewallen has had great input over the past several years on the destinations for APRO meetings, from Yosemite to Key West to Reno. When in Las Vegas or Reno, he partakes in one of his

us out of business. That's why I first jumped on the bandwagon. I was afraid that the industry was going to go away."

Though still aware of the dangers of the industry's continued battle with public interest groups in Washington, D.C. and across the country, Lewallen feels that there is no real danger of the rental-purchase contract being destroyed by legislature.

"I've come to realize, watching the government operate, that nobody is going to regulate us out of business," he says. "We're widely accepted by

**"ERNIE HAS AN ENERGETIC, ENTREPRENEURIAL ATTITUDE TOWARD THINGS. HE IS VERY CONCERNED ABOUT HOW THE INDUSTRY IS REPRESENTED TO THE PUBLIC AND WANTS PEOPLE TO UNDERSTAND JUST HOW THE RENTAL-PURCHASE INDUSTRY WORKS."**

directors for five years, Lewallen was elected 1998-99 president of APRO in August. He feels that his experience as a five-year board member has prepared him well for his role as the new APRO president.

"I see new board members who want instant change like I used to," says Lewallen. "Experience has taught me that things can't be radically changed in a few meetings. You have to continually plant the seeds and lay the groundwork for an eventual board resolution and an approval that may occur a year or three down the road. You can't make everyone happy with every decision, so you just have to do the common sense things that continue to make sense for our industry."

#### **A FOCUS ON PR**

ONE PART ROCK 'N' ROLL, one part *Cheers'* Cliff Claven and one part Mark McGwire look-alike, Lewallen is an energetic force, according to Richard May, APRO director of public affairs. Using his seemingly endless pool of energy to get projects off

biggest hobbies, playing blackjack. Using a mathematical method to count the deck at the table, he claims to be able to take statistical advantage of the house and win big. May says that although he has seen Lewallen win at "21" often, he isn't so sure about his prowess in other betting areas.

"We were in New York City once, down at Times Square, watching people play three-card Monty," says May. "Ernie tells me, 'This is so easy,' and then starts winning a couple. I don't know how it happened, but he ended up losing \$100."

#### **PLAYING POLITICS**

SINCE LEWALLEN enjoys a gamble, it's easy to understand his pro-active response when the industry's welfare was placed on the table in a wager against Capitol Hill when he joined the board in 1993.

"When I was first a board member, legislative affairs were the talk of the day," he says. "There was a congressman in south Texas—Henry B. Gonzalez—who was trying to run

our customer base, but we'll always have our political and consumer adversaries because the cost of the transaction, compared with retail, is high. But that's an apples-to-oranges comparison. It shows an ignorance on the part of our detractors for not understanding the many different facets of our transaction."

Lewallen says that the key to winning this battle is to place a widespread industry focus on positive press relations that will impact the public on a broader scale. With a focus to "make America say it's OK to rent-to-own," the industry should explain to people that, while not for everyone, the rental-purchase agreement makes good sense and should be part of the fabric of American enterprise.

Also of import to Lewallen, from a public relations standpoint, is the industry's continued support of Habitat for Humanity. Through donated appliances and labor in builds such as the Jimmy Carter build in Houston, the industry has started to pitch in for a good cause.

"We recognize a real opportunity

to give back to America through Habitat," he says. "It's positively affecting people who haven't always had the good chances in life that some of us have had. Our goal is to put a stove in every Habitat build next year."

#### **BIG FISH, SMALL FISH AND MERGERS**

ANOTHER CHALLENGE that the APRO board will have to face in the upcoming years is the ability to meet the needs of both the increasingly larger RTO chains and the smaller dealers.

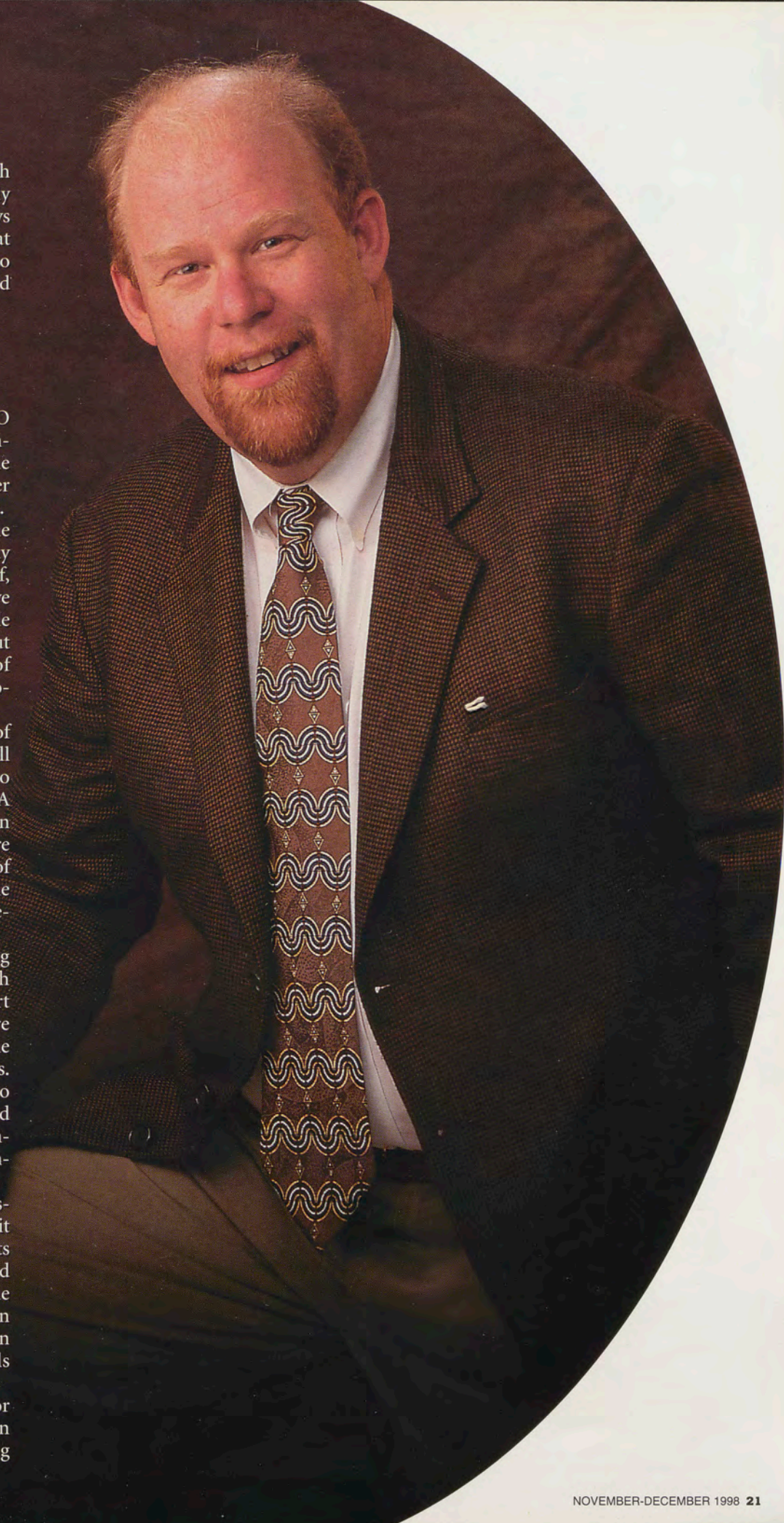
"It's my belief that companies the size of Renter's Choice and RentWay as well as smaller dealers like myself, for example, need us as much as we need them," says Lewallen. "People come and people go from APRO, but they generally see the value of belonging to the industry's Association."

In addition to serving the needs of existing members, the board will focus on attracting small dealers who aren't currently APRO members. A seven-store owner himself, Lewallen understands how smaller dealers are reacting to the increasing number of mergers in the industry and the behemoth chains that are being created as a result.

"It may be that because the big guys have gained so much strength that we're able to garner the support of smaller companies who were reluctant to become a part of the trade association in the past," he says. The board is looking at ways to expand APRO's member services and exploring ways to attract and maintain both members and non-members well into the next millennium.

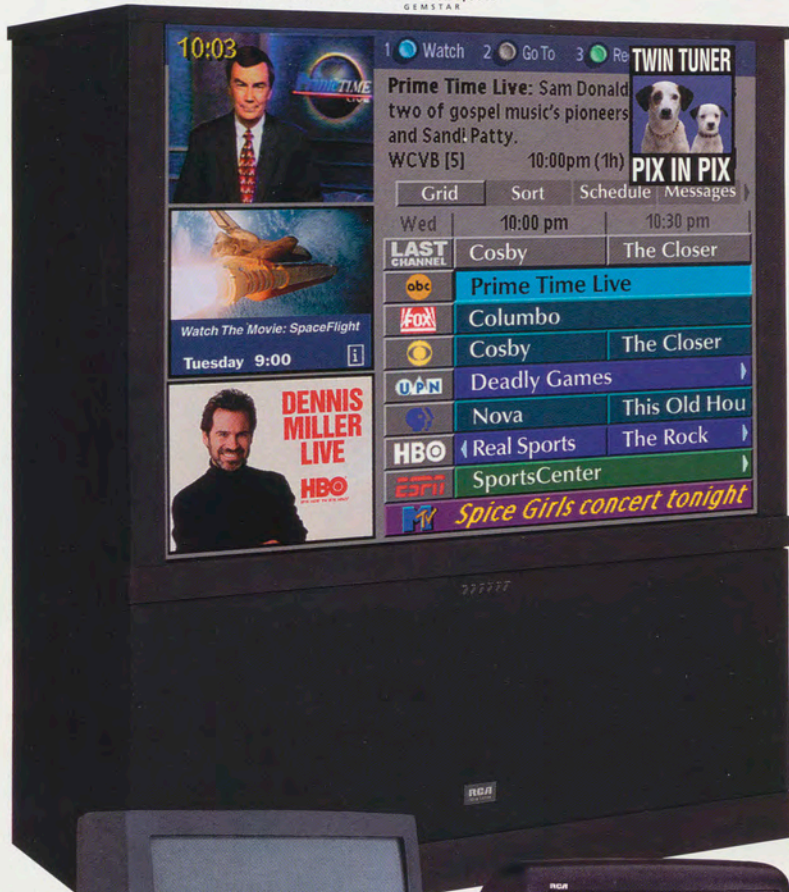
"If we're ever going to be successful in passing federal legislation, it will only be because of the grassroots efforts of dealers both small and large," he says. "One company alone will never get federal legislation passed. It's critical that everyone in the industry supports what bills move forward."

Further outlining APRO's plan for future legislative initiatives, Lewallen gives a laundry list for accomplishing



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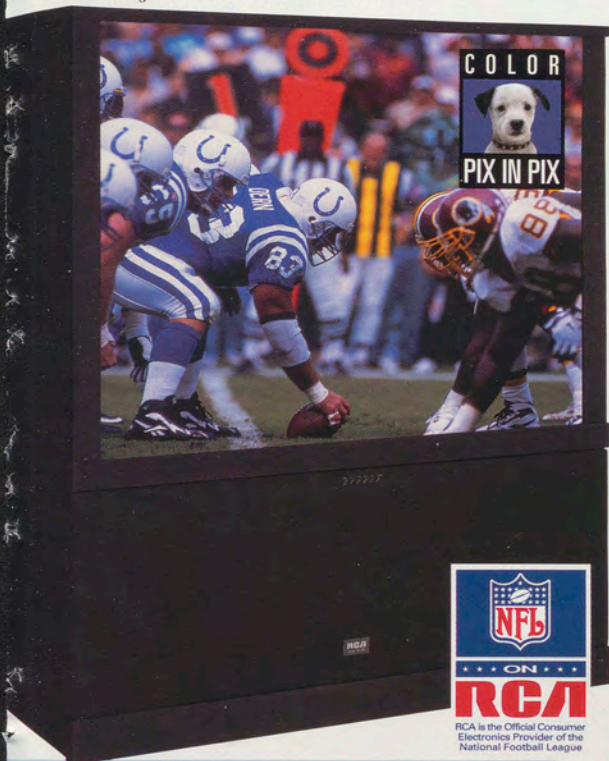


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federal rental-purchase laws. With the significant legal problems coming from the anti-rental-purchase states of Minnesota, New Jersey and Wisconsin, he sees the final goal of federal legislation as a possibility only after individual state efforts succeed.

Still, even with the ultimate legislative goal not foreseeable in the

immediate future, Lewallen feels that the industry is in good shape for the time being. With new opportunities available for both small and large operators through the industry's continued expansion on Wall Street, he predicts that the current cycle of mergers can only be good for the industry.

"There's a progression going on

where public guys are buying out the small guys at a very high rate at a good price. They're now able to reap the rewards of years of hard work and take that pay-day. Then the small guys can go out of the business and bide their time until those 'no compete' agreements expire and then come back again. This provides more food for the big guys and the whole process repeats itself again. We're starting to see the guys who sold out on the first wave come back again. It's a great opportunity for me and for future rent-to-own dealers."

#### SERVING THE CUSTOMER

Realizing the opportunities to help the industry as APRO president, Lewallen also plans to use his time in office to try to help rental-purchase customers.

"I like my customers," he says. "I've been oriented toward what is good for them over the years and, as president, I'll be able to do the greatest justice I could have ever hoped: To sway something that has an effect on those men and women that pay my salary."

With 18 years of rental-purchase experience under his belt, the new APRO president has seen the big changes in the face and structure of the industry and has big predictions about its future.

"This industry has changed a lot," says Lewallen. "We used to rent floor model console TVs and rack stereo systems, mostly. Then the VCR came and our biggest service problem was whether our customers could ever figure out how to set the clock. Now we need to know what to do when a computer's hardware 'burps.' I think in 2010, our stores will be bigger, more retail-look-alike, and it will be easier and cheaper to rent. Our customer surveys of 3.5 to 4 million people come back with about a 90 percent approval rating. I think that pretty indicative of the fact that we are a service industry that knows how to service its customers." ■

*Markus Beeby is a free-lance writer living in Austin, TX.*

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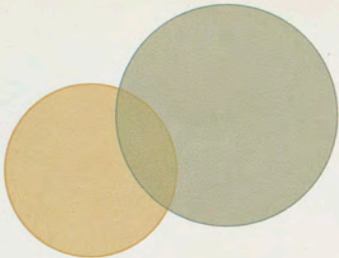


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EDD PATTON



# WHO'S THE BOSS?



**HINT!**

*it's not your boss*

*the real meaning of customer service*

*by kent sutherland*

I was busy with a full calendar of important details to be scheduled and followed up on. My phone was constantly ringing with some dire emergency demanding my immediate attention. Coworkers were walking by and dropping in every few minutes to ask advice, share some bit of important information or just to pass the time until the clock reached that magic hour to end the workday.



# THEN

the new receptionist buzzed me with a dilemma of her own. "Mr. Sutherland, can you take a customer call? This lady called to speak with someone else, but that person is not available. She is demanding to speak to the president. What should I do?"

The receptionist had been told that I previously handled these "customer complaints" at the corporate level for several years and was hopeful I could take this woman off her hands. Like everyone else, I had more important things to do and was slightly annoyed that I had to drop everything and listen to some customer's tale of wrongdoing by one of our stores. I had not been actively involved in dealing with these situations in several years, but there appeared to be no one else available to listen to this customer, so I somewhat glumly said, "Sure, put her through."

For the next few minutes, I listened as this woman vented her frustration with the uncaring reaction she had received from three people

dled at the store level?" This has puzzled me for a long time. Listening doesn't require a college degree. Listening isn't rocket science. Listening isn't the equivalent of finding a cure for cancer. So why is it so complicated? Why are these customer complaints so obviously intimidating to men and women who are paid to listen and act?

## MAYBE THEY DON'T UNDERSTAND

Every business organization, whether large or small, must have someone at the top who takes responsibility, makes decisions, responds to needs or problems and keeps everything moving in a predetermined direction. In a rental store environment, that person is generally the store manager. In a company of two or more stores, that person can be either the owner or a middle manager.

The real challenge is to have a fully trained staff that understands the value of just one customer and responds to every customer need, expectation and problem in a positive and helpful manner. Even one untrained, uncaring staff member can cost a service business many more dollars than he or she produces. And all the while, be convinced that he or she is doing exactly what he or she is being paid to do.

A few years ago, I was in a store that was being systematically liquidated by customer and product losses that far exceeded acceptable maximums. My training instincts were tingling from the time I walked through the front door. What was happening



who only wanted to know when she was going to make her payment. Having learned to handle these calls from a master of customer service, I waited until she had said all she wanted to say and then asked her, "What would you like me to do for you?"

The details of our conversation aren't important. What is important is that after our 15 minute conversation, both the customer and I felt much better about her business relationship with our company. She only wanted someone to listen and care enough to be sympathetic and take some helpful action immediately. I needed to be brought back to the reality of what being in business is all about.

Over the years, I've often asked this question of rental store employees: "Why wasn't this han-

and why? Did the manager not realize the ultimate outcome of this downward spiral? Why had this situation been allowed to develop and continue? I was there to find some answers.

The store was clean, well organized and fully stocked with a good mix of new and used product. The staff seemed to be cordial and reasonably knowledgeable. The manager was very professional in both appearance and deportment. I had the opportunity to observe several phone and in-store sales attempts, most of which appeared to be appropriate for the situation. But I had the feeling something was lurking beneath the surface.

After a couple of hours of asking questions, listening and observing, I met the new assistant manager who had joined the staff just over a month ago and had just returned to the store after making an extensive "pick-up run" as he called it. He and the account manager had a truck full of merchandise and were preparing to unload it so they could make another such "run."

I asked why this product had been returned to the store since it

seemed to me they already had more product than they had room. His reply gave me my first clue I was on to something.

"Well, I was brought in to clean up the credit and if the customers don't pay, we go get our stuff and bring it back to the store," he said. This was his reasoning for piling more on top what was already in the back room. I later found out the store also had two storage buildings full of "stuff."

Now get this picture. Here is an aggressive, but personable, young man who has this idea that his job is to liquidate customer accounts and return product to the store. His training had been collections-oriented rather than customer service- and growth-oriented. He was unconcerned that the store was steadily going out of business because that wasn't his job. In later conversations, this young man was amazed at my concern. In his mind he was just doing his job.

Over the years, I've watched thousands of potentially good employees stumble and fail because they failed to understand who the boss is.

#### **THE BALANCING ACT OF CUSTOMER SERVICE**

When any store employee picks up the ringing phone or takes time to listen to any customer who has a need, problem or expectation, that person becomes a servant with the question, "How can I help you?" This makes the customer the boss because without the customers' cooperation, you don't put their money in the bank. They take it elsewhere.

Admittedly, it's a balancing act. Customers don't always do what they say they will. However, giving the customer an either/or

**The payoff of a "You're the boss" attitude toward every customer is huge. Customer loyalty is the result of your store's loyalty to them.**

ultimatum will seldom gain the desired result. Anyone who has been in the rent-to-own business for one day already knows the potential for conflict exists in many transactions. But we must be very careful not to initiate that conflict with our actions, words or tone of voice.

Training staff members to respond to every customer contact with a customer-friendly attitude is a big challenge. Attitude is everything. It can be determined by the company or store culture. A person's past experience or training can shape it. It can even be determined by something totally unrelated to the work environment. All people bring their attitudes with them when they punch the time clock to begin their work day. And it's everything.

All of us are creatures of habit. Some habits are good, others are marginal and still others are downright dumb. That's what being human is. We do things we know will not produce the result we really want because it's more comfortable than trying something new and different.

Try this: Every time you see a customer walk in the door, visualize the word "boss" tattooed across his or her forehead. Every time you pick up the phone and are confronted with a customer who has a need, problem or unmet expectation, visualize the word "boss" underneath every spoken word. Don't tell the customer, "You're the boss, whatever you want is what I'll do," because you won't always be able to do that. Just try putting yourself in your customer's shoes and respond in the same way you would expect from them if the roles were reversed. You're a customer, too. You purchase the very same goods and services that every customer purchases. Never stop being a customer yourself.

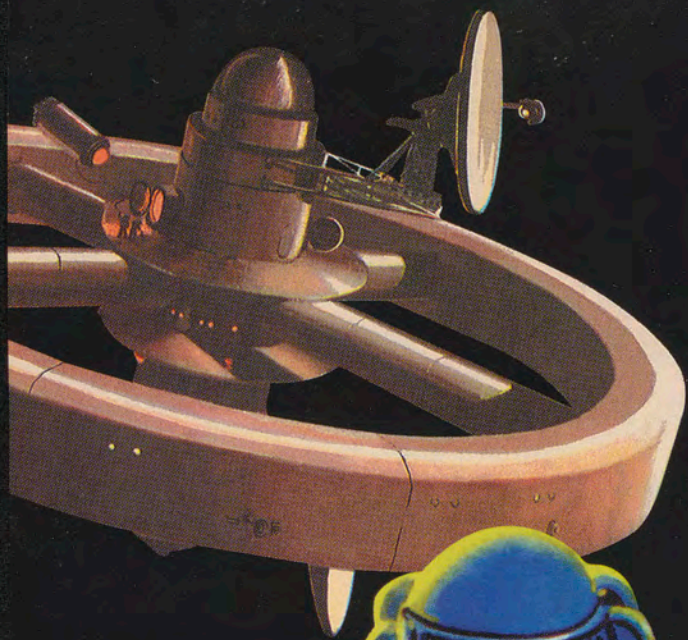
Having spent more than a decade in the rental business, I have learned that only rarely does a customer ask for more than what is reasonable when asked the question, "What can I do for you?" However, the payoff of a "You're the boss" attitude toward every customer is huge. Customer loyalty is the result of your store's loyalty to them. They don't have to rent a refrigerator or stereo from your store. Many competitors will be more than happy to welcome that customer into their store. The only reason customers continue to do business with you is very simple; they like the way they are treated.

I remember a woman who participated in a customer focus group meeting. She was very quick to defend a specific company from whom she had rented for a lot of years. There were others in the group who recounted one bad experience after another. But this lady kept on defending a particular store with the affirmation that she had always been treated with the utmost respect by every person who had worked there over the years. That lady was always made to feel as though she were the boss.

I believe the definition of superior customer service is making every customer feel important and responding to questions, needs and demands as though that customer is the boss. The next customer you talk to, try this, "How can I help you, boss?" ■

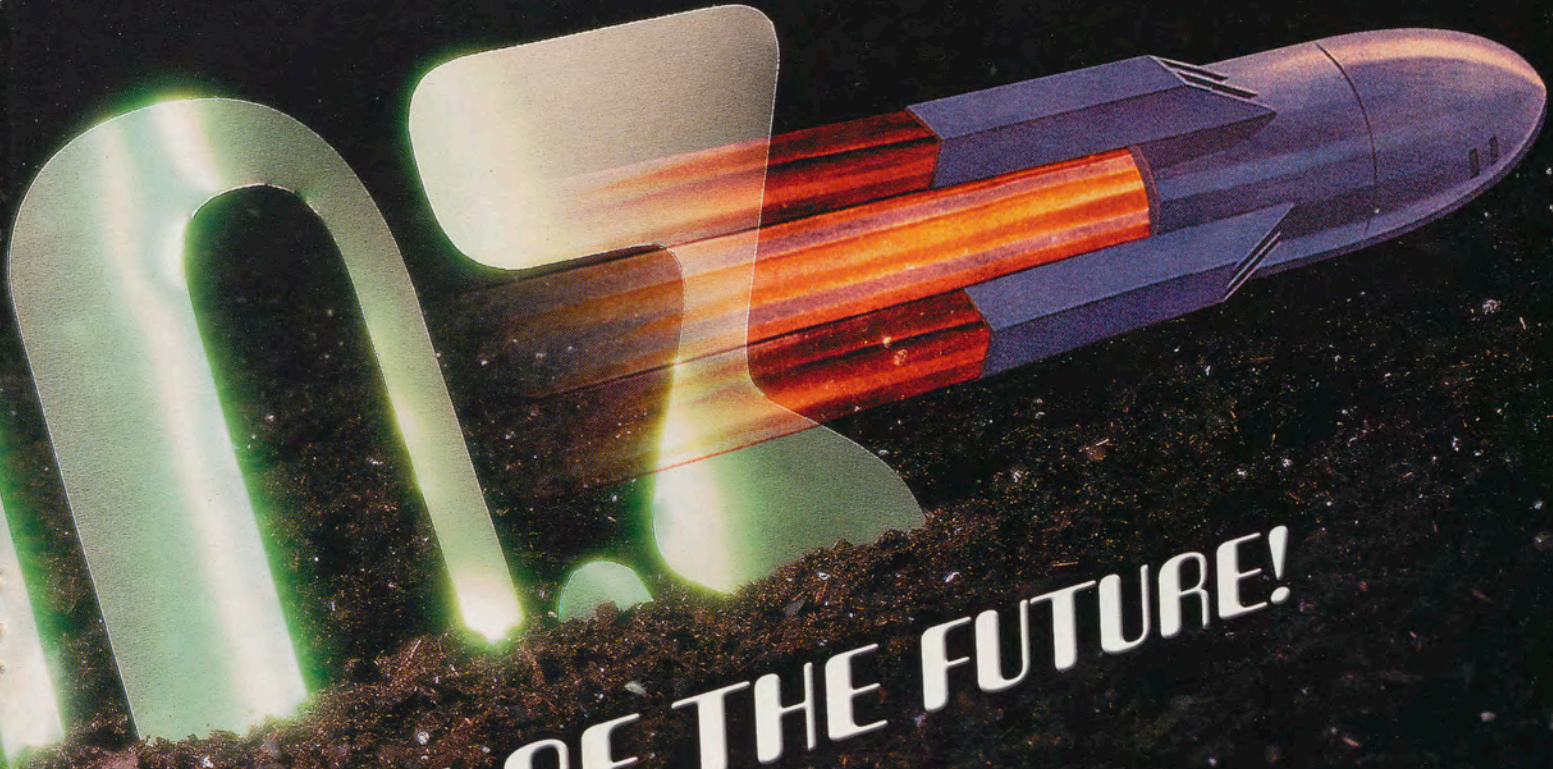
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*Kent Sutherland has been involved in the rent-to-own industry since 1986, serving as director of human resource development for Action. Sutherland has been a featured speaker for the Texas rental dealers association. In addition to writing, teaching and counseling, he also has experience in developing a safety program for rental stores and employee benefits programs designed to improve turnover rates.*

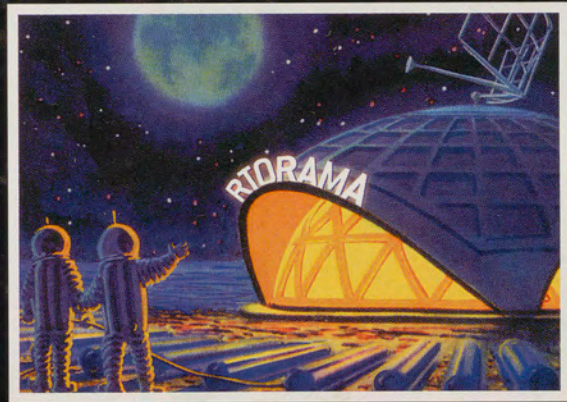


APRO'S NEW

BY ED WINN III



VISION OF THE FUTURE!



By 2003, APRO members will...

# ...exceed customer expectations, be helpful in every community and be welcome in every home.

## APRO'S 1998 STRATEGIC PLAN

**W**hile rental dealers design methods daily to get a leg up on the competition, their trade association, without any direct competition, nonetheless occasionally takes time out to devise plans to make APRO "better"—and, along the way, to make the industry "better" as well. Thus, the APRO board of directors and assorted staff held a retreat recently near Yosemite National Park to plot the future of the Association and to the extent APRO's actions and attitudes can affect it, the industry.

All companies do strategic planning. They may formalize the process with written action plans, timelines and budgets or they may do it informally on a cocktail napkin or the plan may float around loosely in the owner's head. But all businesses have plans. The plan, formal or informal, gets the doors open each day and the employees paid. APRO, as a busi-

ness entity, is no different. For years, the APRO plan was a loose, informal one, despite early and frequent seminars APRO held for rental dealers on the importance of strategic planning to organizations. APRO was good at teaching rental dealers how to create plans for their rental companies, but didn't take the lesson to heart until the early 1990s. It was in 1993 when the process first became formalized. Henry Gonzalez had held public hearings on the industry in the Congress. The IRS wanted \$1 billion from the industry in back taxes. The *Wall Street Journal* ran a hatchet-job piece on its front page about Rent-A-Center. New Jersey PIRG published an anti-rental-purchase rap song. There were lawsuits and other troubles brewing in a dozen states. In a word, the future looked at least uncertain, if not downright bleak. Association leaders determined that APRO and the industry needed a plan. So, a handful of them went away with a facilitator and came back with one.



Those first planners thought what they came up with after several days of collaboration was a good plan when they developed it. History has shown that it was. Henry Gonzalez' efforts were ineffective, the IRS issue went away, the *WSJ* article faded from memory, the rap song never made the charts, the lawsuits diminished—although they haven't disappeared—and the

a company already more than twice that big. The "big dealer/small dealer" controversy has always been an issue for APRO. Today, it looms like a specter over the cohesiveness of the industry that has been so vital in times past. As of this writing, the largest rental company in history has announced its intention to drop its membership in the Association. The board had to incorporate that development into the Association's strategic plan.

With the gap wider than ever between small dealers and large, APRO must be creative, indeed, to be able to offer something for everyone. The Association wants rental companies paying dues to be members because they feel they are getting good value in return. An initial attempt was made last spring to level the dues structure to a flat rate per store. The board took this action in anticipation of Rent-A-Center withdrawing its membership. Today, with the imminent withdrawal of the industry's largest company, the dues structure at least needs revisiting.

Toward that end, the planners adopted an action plan to "develop non-dues revenues for the Association and re-evaluate and set an appropriate dues structure for members." APRO wants all companies, large and small, as active, participating members in the group. At the same time, as the industry consolidates, APRO cannot become beholden to any one or even any few rental companies for its economic survival.

In addition, several plans were developed to add real value to membership in the Association. The planners committed to "develop and communicate services to meet the consumer needs of all dealers." They also pledged to "offer creative and stimulating education programs promoting

**During the past 20 years, the industry has gotten better than it used to be. Over the next five years, the planners want the industry to get better still.**

ness entity, is no different.

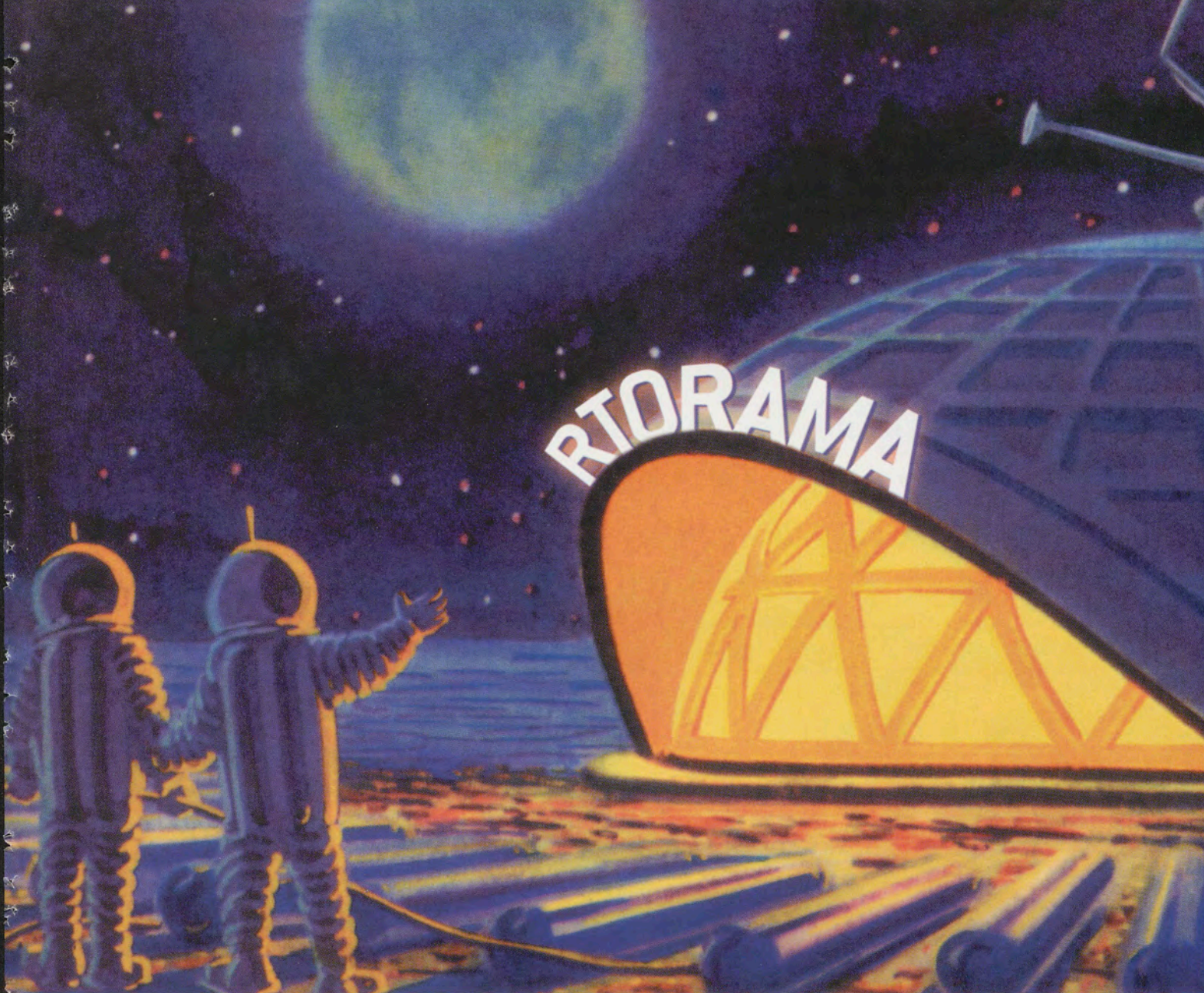
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It was in 1993 when the process first became formalized. Henry Gonzalez

industry's image has been improved in most people's minds, partly the result of the 1993 plan to beef up the Association's public relations efforts on behalf of the industry.

### **By 2003, APRO members...**

TODAY, THE INDUSTRY faces a new set of challenges. One year ago, the industry could barely conceive of a rental company with 1,000 stores. Today, there is



growth." Over the years, Association members have been unusually willing to share their expertise with one another. The planners want to continue that grand tradition and improve upon it.

The larger companies have their own training programs and need APRO less for those kinds of services. However, they are still in the same heavily regulated and legally vulnerable business as everyone else. They need the strength in unity that APRO has always offered when dealing with the government. And, as part of the strategic plan, the planners committed the Association to "act as liaison between regulators and dealers to promote cooperative dialogue for our future."

Obviously, not all rental dealers

belong to APRO. Some non-members have ideological or political differences with APRO leadership. A few aren't members because of perceived personal slights in the past. The planners spent a lot of time thinking about non-members and how to bring them into the fold.

At the same time, they were unwilling to compromise the Association's high ideals and let in dirty-windowed, door-kicking, hiding-under-the-rock dealers just to improve the membership numbers. While the planners want to ensure that there is real value underlying the dues and that the dues are fair for members of every size, they also committed to "create and promote ethical standards for the industry." During the past 20 years, the industry has gotten better than it used to be.

Over the next five years, the planners want the industry to get better still.

### **By 2003, APRO members will exceed customers' expectations**

SPORADIC ATTACKS continue against the industry, the chief claim being the industry "preys" on the poor with goods and services that are too expensive. Several specific plans were designed around the goal of enhancing customers' expectations. The planners want to "enhance service to customers and better promote service to non-customers." If rental customers are "more than satisfied" in their dealings with rental companies, critics will lose the basis for their arguments.

APRO has conducted exactly one consumer research poll, the Beemer

Survey in 1994, concerning consumer opinions and expectations of the rental-purchase industry. Some questioned whether the findings from that survey are still valid. The Association intends to review existing research and accumulate additional research, if needed, to measure customer and potential customer expectations. Then,

of different groups, each requiring different tools and approaches: existing customers, former customers, non-customers, critics, regulators and the media.

This goal of universal acceptance will not be achieved overnight. Market forces far beyond the Association's control can have a considerable

## In a year, we'll be able to measure if we have made progress and are on the right track, but the whole story will not be told until the next century.

APRO intends to devise and plan for member companies to exceed those expectations, whatever they may be, over the course of the next five years.

### By 2003, APRO members will be helpful in every community

REMEMBER, THE PLANNERS—in this case the APRO board of directors—are people who are passionate not just about turning a profit, but about making the industry something about which they will feel pride. This passion is what motivated them to run for the board, when they could have stayed home and made more money. Unsurprisingly, this passion showed up in their vision. The recent Association focus on good works and, particularly, its recent alignment and success with Habitat for Humanity made these board members feel good about who they are and what they do. They want to be sure that APRO continues such activities well in the future.

### By the year 2003, APRO members will be welcome in every home

UNIVERSAL ACCEPTANCE. That is a heady goal for an industry that was pilloried on 20/20 twice during the past year. That, nonetheless, is the goal set by the APRO board for the Association to achieve within the next five years. It will require the most ambitious public relations effort yet. It will require defining and explaining the real value of the rental-purchase transaction to a variety

of impact. For example, when rental rates approach credit sale pricing, the rental-purchase transaction will have achieved universal acceptance, if anyone can figure out how to run the business profitably with rates that low.

Already more people rent things than they used to—millions more people. The planners want to create a

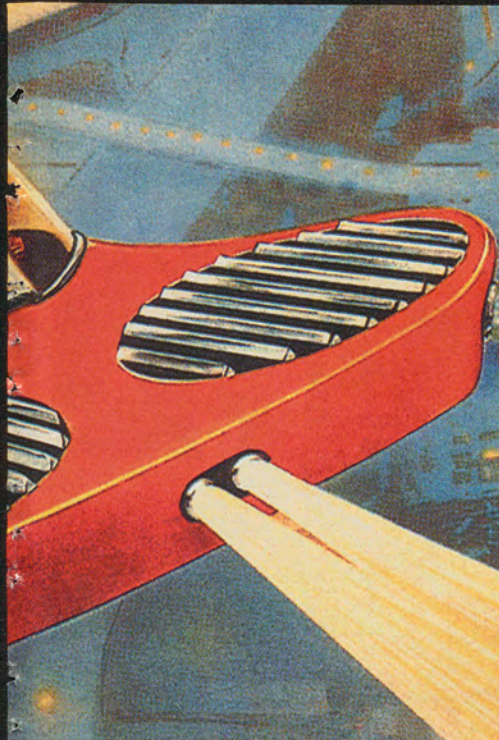


landscape where everyone, under the right circumstances, would be willing to consider the rental transaction and not be put off by the various negatives associated with the transaction today.

The 1998 strategic plan is an ambitious one. It relies heavily on the competency of the APRO staff and the continued good will and volunteer efforts



THE 20TH CENTURY PLANS FOR THE 21ST CENTURY. APRO board members and staffers met at Yosemite in October to devise a strategic plan. Among those who participated were [ABOVE]: Gary Romine, Darrell Tissot, Rich Bartel, "Tiger" Cleek, Kim Slatton, Mamie Harper, Ed Winn, Ron Waters, Richard May, Ernie Lewallen and David P. David. [INSETS]: Kim Slatton and Gary Romine. [LEFT] Kim Slatton, Dan Weiss, Gary Romine, Mamie Harper and Gary McDougal.



of the board and Association members. As with all plans, the proof will be in the execution. It is one thing to sit down and finally decide what needs doing. It is another matter altogether to assemble the will and resources of disparate and not always harmonious forces and get it done. In a year, APRO will be able to measure if it has made progress and is on the right track, but the whole story will not be told until the next century.

### The process

DEALERS WHO HAVE submitted themselves and their companies to formalized strategic planning sessions know that it is hard work. It involves thinking creatively and prospectively about issues and the future, and thinking, real thinking, is always hard work. Dealers who do it for their own companies get immediate positive feedback. Most plans will predict future growth and increased profits and next month or next quarter, the growth and profits are there or they aren't.

The Association planners do not get such immediate positive feedback. They were engaged in a more altruistic endeavor—the future of an Association they had decided to serve and, only indirectly for the future of the industry they are in, less directly still for their own companies.

The planners were not the “fat cats” in the industry either. For the most part, they are owners of small to mid-sized successful companies. There were

no corporate jets taken to this planning session. In fact, they all rode a bus from the Fresno International Airport to the hotel. They have all decided to give something back to an industry that has been good to them and their families.

In an era where greed, selfishness, and the ideals of capitalism are almost indistinguishable, it is as rare as it is

refreshing to see entrepreneurs lay aside the instincts that drive business and take a higher road, if only for a time, to work together for the betterment of an entire industry, which, after all, is what this trade association has always been about. ■

*Ed Winn III is APRO's legal counsel.  
His e-mail address is edwinn@ibm.net.*

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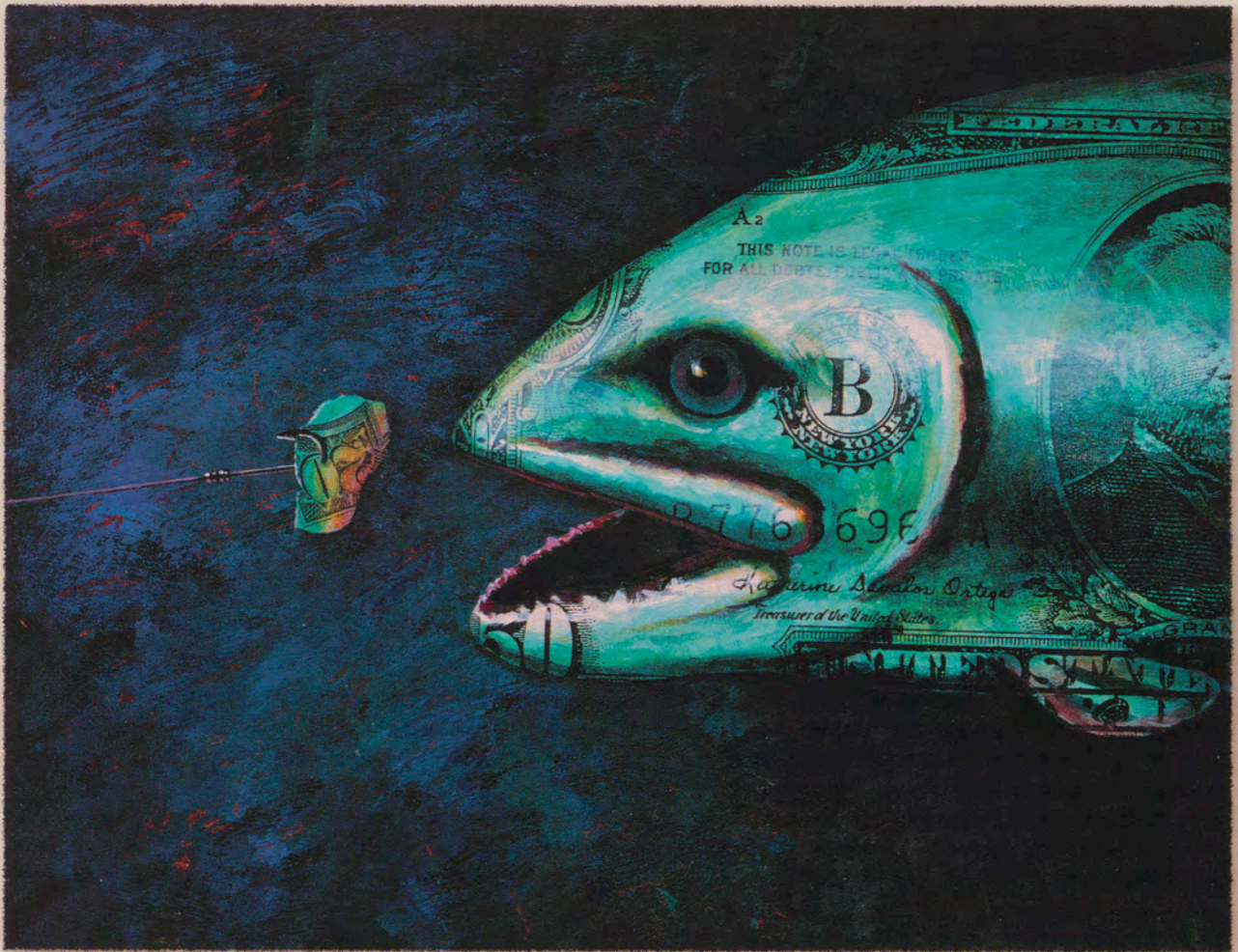
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# TO SCHEME OR NOT TO SCHEME

A Sale-Leaseback Allegory



BY ED WINN III

# ONCE UPON A TIME

there was a rental dealer with a pretty store in a nice neighborhood who was chugging along with 700 BOR and making payroll and feeding his wife and kids and who woke up sometimes wondering, “Is this all there is?” 🌿 He wanted more — more business, more money, more profit — but he didn’t know how to get it. He was renting all the televisions he knew how to rent. Competition was creeping in around the edges of his territory. It wasn’t getting any easier even to sustain his customer base much less increase it. He had, after all, been in the neighborhood for a long time and lots of his customers already owned the things he rented.



He knew them, of course, his customers. He saw them every week and listened patiently to the periodic tales of financial woe that floated across the counter. People were always having this emergency or that, cash crunches of every shape and hue. What some of his customers needed wasn’t a new stereo, but rather some cash to get them over the hump until things smoothed out some.

This rental dealer thought, “I could send these unfortunates down to the finance company, but if I do, I might lose them as rental customers. I know them well. I trust them. Surely there must be a way to help them through these tough times and still keep them as rental customers.”

The rental dealer thought and thought. Then, one morning in the shower, it came to him!

“I know what I’ll do,” thought the rental dealer. “I’ll buy the stuff they have in their homes, give them a little cash and then rent it back to them. Instead of buying product from vendors, I’ll buy it from my customers.” Deep down in his soul, he thought, “I ought to be able to buy the stuff a lot cheaper. It’s used after all. I’m better at negotiating than my customers.

“I can add BOR to the books and boost my cash flow. I’ll have to be careful who I deal with, because I don’t want to have to go pick up any of this merchandise I’ve ‘bought.’ I just want to keep getting those rental payments.”

The more he pondered his plan, the more he liked it. He decided to give it a try. When one of his reliable customers came in with a wrinkled brow and the tale of an unexpected car repair, the dealer made his pitch. “I’ll tell you what we can do. I’ll buy your refrigerator

today from you for cash money — \$200. Then, you sign a rental agreement, same as the ones you’ve signed before and rent that refrigerator back from me, starting today for \$11 a week.”

The dealer quickly did the math in his head and estimated that over 18 months, he would get a four-and-a-half times return on his \$200 “purchase.” There was some risk that he would end up with a used refrigerator, but this guy had been a good customer on and off for years and, besides, life is full of risks.

The customer needed the money and took the deal. The dealer made the guy go home and get the serial number off the refrigerator and filled in the information on a 78-week rental-purchase agreement — the same form he had for his other “real” rental-purchase customers.

This customer came in like clockwork, every Friday with his \$11, and life looked good. The dealer decided to expand. He spread the word of his new program to his other customers and told them to tell their friends. He started running classified ads: “Need cash? I’ll buy your appliances and televisions and rent them back to you. Call 555-1212.”

The business boomed. Before long, he had “bought” nearly 200 units and increased cash flow by \$10,000 a month.

The dealer was feeling smart and smug. More money; little effort. What could be better?

**AND THEN IT HAPPENED.** One day, he got served with a Civil Investigative Demand from the attorney general’s office. The AG’s office wanted to



see all of his books and records relating to his "sale/leaseback scheme" as it was referred to in the Demand. The dealer's stomach lurched. He called his lawyer. The lawyer listened to all the dealer told him and requested copies of the paperwork surrounding the transactions in question. The lawyer told the dealer he wanted to make a few telephone calls to see what he could find out.

Hopping around on pins and needles for nearly a week, the dealer finally heard back from his lawyer. It was not good news. "The AG has been talking to the district attorney about you," the lawyer said. "In addition to a civil class-action suit the AG's office is preparing to file, the DA may seek an indictment for criminal usury. Since they are threatening to go criminal, we're going to have to give them nothing and have you plead the Fifth Amendment. Some guys have done this kind of business a few other places in the

you bought?"

"No," the dealer answered.

"Not when you bought it or later when a customer defaulted?" asked the lawyer.

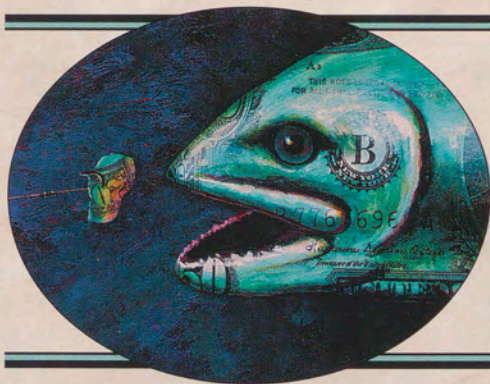
"No."

"Tell me, what does your sales paperwork look like? I didn't get any in this first batch of stuff," said the lawyer.

"Well, there isn't any," said the dealer. "I just have the rental-purchase agreement with the serial number of the unit and a cash receipt the customer signed when he got the money.

"It doesn't look good," said the lawyer, "but I'll see what I can do."

TODAY, there is a make-your-own-pottery store in that pretty little neighborhood where the rental



THE DEALER'S KNEES BUCKLED. "CAN'T WE WIN?" HE ASKED. THESE ARE LEGAL RENTAL-PURCHASE AGREEMENTS, AFTER ALL—EVERY ONE OF THEM.

country and, every time, the courts have determined that they are disguising loans and they violate the usury laws. On this one example you sent me, where you gave the guy \$100 for his TV, the annual percentage rate calculates out to 850 percent. In this state, when you go over twice the legal limit of 18 percent, you pay damages of twice the interest charges plus you forfeit the principle. And that's assuming they are satisfied with a civil case and don't go criminal. I've got to get you a criminal lawyer, anyway. The one I recommend wants a \$25,000 non-refundable retainer. I estimated my fees and if we have to go to trial on the class action, it will run you \$50,000 to \$75,000.

The dealer's knees buckled. "Can't we win?" he asked. These are legal rental-purchase agreements, after all—every one of them.

"I don't know," said the lawyer. "We would have to prove that your purchases of those used TV and appliances were bona fide and separate from and independent of the rental-purchase transaction. Tell me, did you actually pick up any of that merchandise

store used to be. The dealer is gone. He went broke. His criminal lawyer did keep him out of the penitentiary, but the AG made him give all the money back he had taken in as rent on the "purchased items" and then whacked him for treble damages—far more than the company was worth—because the attorney general wanted to make an example of him lest other creative entrepreneurs became too enamored of sale/leaseback schemes in his state. The case made all the papers, caused the dealer some degree of personal embarrassment and some say contributed mightily to the AG's recent re-election. He ran on a consumer protection platform and highlighted this case.

The dealer, whose head still spins occasionally at the quirks of the law, is working for one of the big rental companies these days. He likes the business. He likes his customers. After all, he was only trying to help. ■

*Ed Winn III is APRO's legal counsel. His e-mail address is edwinn@ibm.net.*

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**Igloo Products Corp. \***

Contact: Eve Heim-Grubb  
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Fax 713/935-7702

**Maytag Appliances \*\*^**

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**PRS Products Inc. \***

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Contact: John W. Cowart  
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~R T O~

# on display

## Get rustic with Bell Furniture's new collection

Bell Furniture Industries introduces its Rustic Mexican Pine Collection, that will be available in all

industry. Each group combines the hot, new "lift-top" cocktail table with several other choices in each selection. The collections include Mission Oak, Contemporary Oak, Country Pine and Contemporary Whitewash. These



five Bell warehouses. The Rustic Pine Collection includes a crown top or bonnet top armoire, a traditional leg desk, end table, a storage square or rectangular cocktail tables, a bench, bookcase, a sofa table, center back provincial leg chairs and a half-door, flat-top dresser.

Also, Bell is introducing a series of six occasional table groups aimed directly at the rental-purchase

products are extremely hot in the retail market, so why not rental-purchase?

For more information, contact Dick Klein, Bell Furniture Industries, 118 Northeast Dr., Loveland, OH, 800/837-0102.

## Chairs with a purpose

More and more work is being done in home



offices. With the introduction of two wood-accented executive chairs, Office Star makes it easier than ever to get the job done in style. Both chairs were developed by the company's Siesta Furniture division, which has a solid reputation for quality craftsmanship in a wide range of woods.

Model 1208 is a high-back executive chair with a gracefully scalloped back, plus gently contoured oak armrests and matching pedestal base. It also offers pneumatic seat height control as well as a handy locking tilt mechanism for added flexibility.

Model 1308 is a fully upholstered high-back scallop chair with con-

toured padded armrests. Designed to offer exceptional durability and comfort, this chair features a solid alder wood frame as well as pneumatic seat height control and a convenient locking tilt mechanism.

Each chair is available in more than 100 different made-in-USA fabric patterns, including the company's popular assortment of soft and durable chenille fabrics. Many of the fabrics have been treated with 3M's Scotchgard process to ensure simply and convenient cleaning.

For more information, contact Rick Blumenthal, Office Star Products, 2883

Surveyor St., Pomona, CA  
91768, 800/950-7262.

## PowerScour your dishes

**C**rusty, baked-on food just met its match! Whirlpool's new PowerScour dishwashers are up to any baked challenge and are armed with temperature-controlled water levels and tidal waves of cleaning power. The PowerScour option, found on models GU980SCG and GU940SCG eliminates the need to soak dishes and cookware.

Rack up the dishes because no other dishwasher in the industry holds more dishes. The SC100 racks and Whirlpool exclusive AnyWare silverware basket offer the most convenient and flexible loading options.

For more information, contact Bradley Wire, Whirlpool Corp., 2000 M 63, Benton Harbor, MI 49022, 616/923-3243.



## New fridge is back-to-black cool

**N**ew from GE Appliances is the TBX18JAB refrigerator, which comes in white on white, almond on almond and the increasingly popular black on black. With 18.2 cubic feet

capacity, two vegetable/fruit crispers, four adjustable glass fresh food cabinet shelves and two freezer door shelves, this new cooling wonder will help your customer's keep their food fresh and organized.

For more information

and to find out about more GE black-on-black appliances, contact Paula Allison at 800/782-8093 or Carolyn Halvarson at 800/782-8097 at GE Appliances, Appliance Park, 4-200-A17, Louisville, KY 40225.

## Expand Your Customer Base!



**Disposable time is disappearing and the electronic entertainment industry is eating it up. During the next six months, over 10 million console game systems are going to be sold.**

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# What is your outlook for 1999?

## Curtis Knight

CENTRAL RENT TO OWN DBA  
HOME CENTRAL RENTAL PURCHASE

We're opening another store next year, if that says anything about how we're doing. My outlook is generally pretty positive. We're expecting to grow pretty dramatically over the next several years. Part of the reason is because rent-to-own is gaining momentum as people recognize the business as a viable alternative to acquiring goods.

We changed our store name from rent-to-own to rental-purchase to move away from the negative stereotype. That seems to have helped us a lot. Our clientele has stepped up to include businesses and people in suits and ties. And we added computers to our product mix, which is going bonkers, and also has brought in another group of new customers.

## Jan Arnette

Z BEST RENTALS  
ST. AUGUSTINE, FL

Our company plans to double its size in 1999. Basically, we want to make sure we keep our customer's happy and broaden our customer base. While this is a \$5 billion industry, there are still quite a lot of people out there who don't know what our industry is all about and what we have to offer.

Like Chuck Sims and Ernie Talley, you have to have a dream. Our dream is to open 100 stores in nine years.

As far as the image of the industry is concerned, you can never be complacent. While the image of the industry may be good today, it can change in a day. We need to continue to strive to make it better.

## Jay Rogers

RITE-WAY TO RENT  
COLLINSVILLE, IL

I think the merger of Rent-A-Center by Renters Choice is going to affect the industry in a positive way, especially with Ernie Talley taking the reins. The industry will be a lot stronger due to the way Talley does business. It may take a few years, but the changes will be for the good of the entire industry.

Business next year should be good. Our growth pattern is to open more stores next year than we did this year.

We need better quality employees working in this industry to keep things moving forward. We need employees who are more business-savvy, who are interested in being successful and not just focused on the next paycheck. After all, our customers need and deserve good service. If an employee can't identify with our customer base, then he can't be successful in this business.

## Fred Pearson

PAY-LESS RENTALS  
JONESBORO, AR

I don't see much change ahead, but we are going to continue to expand with the opening of three to four new stores next year. We are confident enough to proceed with those plans. We are also trying to follow APRO's lead to change the focus of our advertising from price-oriented to service-oriented messages. We started that at the beginning of 1998 in order to try

to bring in more customers who have not traditionally shopped RTO. Part of our overall strategy is to tap a larger demographic market. It will take time, however, to alter people's perceptions. Old habits are hard to break, but this is the course that we need to pursue.

Computers are really beginning to take hold in RTO, especially since the prices have started to come down. I think computers are going to be big business for our industry now and in the future.

## Evan McDonald

ONE PLUS  
BEDFORD, NH

Image-wise, I think we are moving ahead, slowly. We opened our first store in a major mall this year, which was a first. We're looking forward to see how that store performs, since it's such an unusual location.

The future is moving ahead on two tracks. First, there's the image of the industry, which is improving. Second, there is so much credit available right now that I don't see tremendous growth in the near future. Once credit tightens up, our industry will boom. But I do see steady growth overall.

We're looking to open up one store a year, including one in 1999. We're having an extremely difficult time hiring and retaining good workers, though. That prevented us from moving ahead with our plans this past year. This year was the first year that particular problem impeded our progress. I hope it gets better. ■



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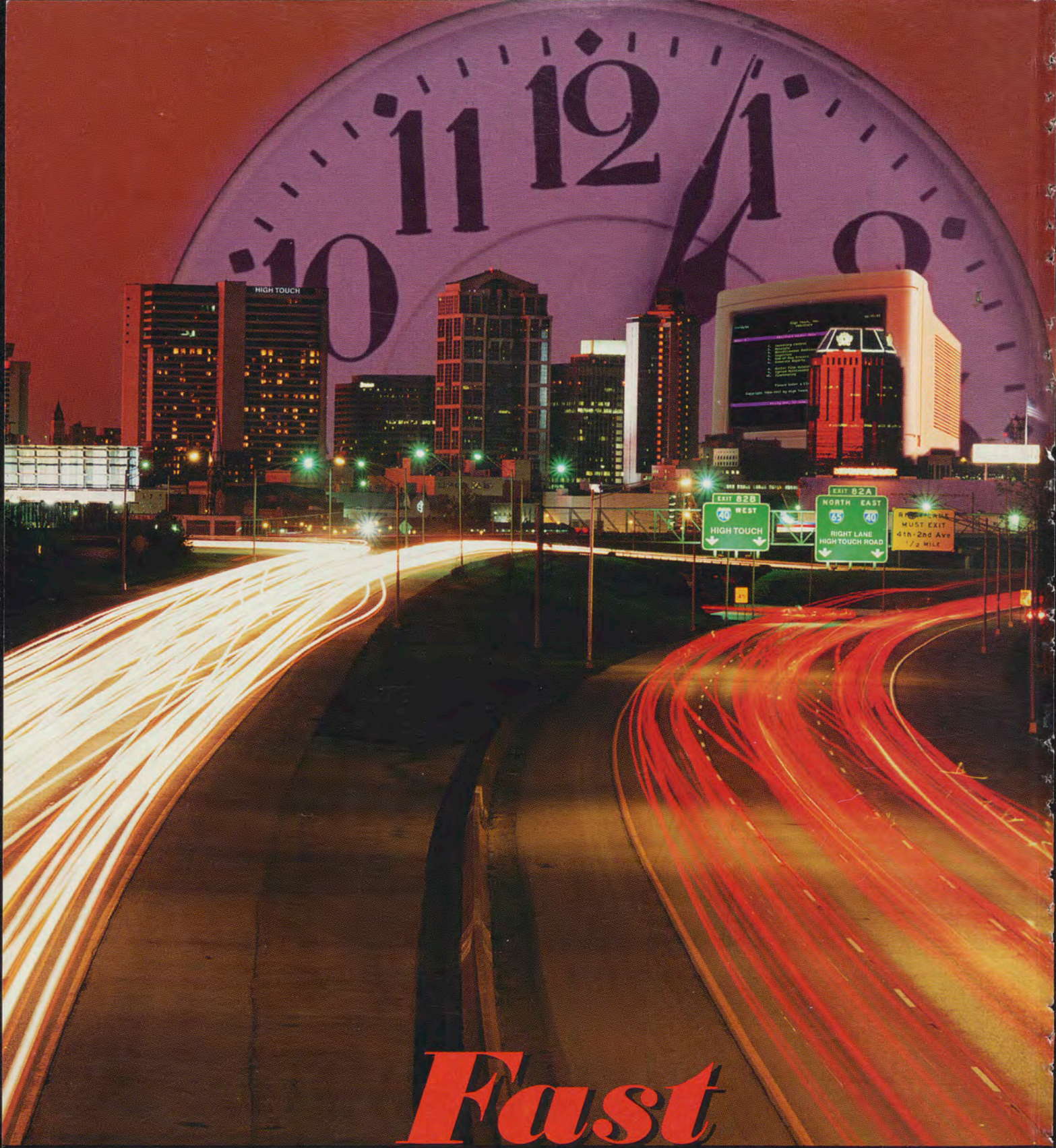
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