

A FAIRER VIEW OF RTO » DANGEROUS E-MAIL PRACTICES » A PROFILE: THE EICHLINS

PROGRESSIVE

# Rentals

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**JANUARY-FEBRUARY 2002**

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# news

## BREAK

COMPILED BY  
JULIE SHERRIER

## HR 1701 voted out of subcommittee

**B**y an overwhelming majority, the House Financial Services Subcommittee on Financial Institutions and Consumer Credit passed HR 1701 on November 28. The bill would regulate the rent-to-own transaction on the federal level and substantially enhances consumer protections in 32 states, but has nevertheless been accepted as reasonable regulation and is supported by the rental-purchase industry.



HR 1701, co-sponsored by Walter Jones (R-North Carolina) and James Maloney (D-Connecticut), is designed to provide meaningful consumer disclosures and to define more accurately the unique nature of the rent-to-own transaction. The bill is scheduled to be voted on by the full committee early this year.

"The rent-to-own industry is a relatively new kid on the block in our economy. The passage of this legislation would solidify our 30-year-old industry into an American institution," says Gary McDougal,

president of APRO and owner of American Rentals in Hixson, TN.

The subcommittee passage reflects a decade's worth of discussion regarding rent-to-own on Capitol Hill. These discussions resulted in the Federal Trade Commission study of RTO customer satisfaction in 2000. The study showed that 75 percent of RTO customers are satisfied and that a need does not exist for the federal government to limit access to the industry.



## New Rental Training Online course now available

You say you know everything there is to know about rent-to-own? Do you really? "Introduction to Rent-To-Own," the second course now available as part of APRO's Rental Training Online program, covers all the basics of the industry—from the history of how, when and where it began to statistics about today's 3 million rent-to-own customers. Whether new to the industry or an old

hand, this course offers plenty of interesting and valuable information. "Introduction to

Rent-to-Own" is a must for all trainees and some companies are opting to give the course to

prospective employees before hiring, just to make sure they have a clear understanding of

what it means to be a part of RTO.

To be certain that all RTO employees know the difference between retail

## Savannah hosts 2002 APRO Mid-Year Conference

**I**f you haven't heard by now, Savannah, GA, is where rental dealers will be heading for the 2002 APRO Mid-Year Conference, scheduled for March 20-22, at the Westin Savannah Harbor. This conference is an annual gathering of rental dealers, both APRO members and non-members, who want to learn more about the latest in rental-purchase industry research, tax, accounting and legal issues.

Three half-day seminars will address issues such as APRO's new Rental Training Online program, legal issues in RTO employment and an industry update.

Named by *Conde Nast Traveler* magazine as one of the top 10 U.S. cities to visit, Savannah offers an enchanting stroll back in time. Bits and pieces of the city's rich, colorful history adorn virtually every corner of the downtown area. Known as one of the best walking cities in the nation, Savannah offers the perfect environment for rental dealers to unwind and

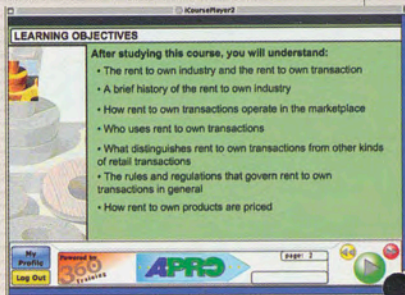
stroll along historic squares, azalea-laden parks, 18th-century cemeteries and riverfront boardwalks.

As a Westin Savannah Harbor guest, attendees can partake in a variety of luxuries, including privileges at The Greenbrier Spa, the exercise facility (a fully equipped fitness center), two lighted outdoor swimming pools, four Har-Tru tennis courts, a 400-foot floating dock, the Westin Kids Club, area tours arranged by

the concierge and unlimited use of the water taxi.

Dealers interested in lugging along their golf clubs will be pleased to know that The Club at Savannah Harbor, a Robert Cupp and Sam Snead-designed and Troon Golf-managed championship golf course is in close range.

If you have not registered already and are interested in attending, contact Shelley Martinek at APRO at [smartinek@apro-rto.com](mailto:smartinek@apro-rto.com) or call 800/204-2776 or 512/794-0095. Additional information, registration and travel reservations can be made online at the APRO Web site at [www.apro-rto.com](http://www.apro-rto.com). To reserve accommodations for the conference, contact the Westin Savannah Harbor Resort directly at 888/627-8457.



and rent-to-own transactions, this convenient and affordable training course educates students on how RTO operates. It gives employees the resources to explain this unique and often misunderstood transaction to customers and friends alike. The course helps them start out with the knowledge of what the "RTO choice" can offer and the pride to do their jobs well.

For more information, check out APRO's Virtual University at [www.apro-rto.com](http://www.apro-rto.com) or call Shelley Martinek, APRO's education director, at 800/204-2776.

### 2002 Legislative Conference to push forth federal agenda

With the industry-supported federal bill HR 1701 successfully voted out of the U.S. House Financial Services Subcommittee on Financial Institutions and Consumer Credit in

November, rental dealers face their biggest challenge yet—to continue the momentum to push HR 1701 through to become a federal law.

Never before has the industry come this far with its federal effort. In its annual call to arms, the Association of Progressive Rental Organizations is issuing a challenge to rental dealers throughout the country to head to Washington, D.C., for the 2002 Dave Egan Legislative Conference, scheduled for May 14–16. Without a strong show of support, rental dealers could see their hard-earned efforts turned to naught.

The purpose of the conference is to educate our elected representatives on the viability and credibility of the rental-purchase transaction. In 2002, the focus will be on making sure that powers that be are fully aware of HR 1701 and why it is necessary to continue the momentum in getting the bill passed. [CONTINUED ON PAGE 9]



## Journal touts benefits of RTO

**T**he Winter 2001 issue of *The Journal of Consumer Affairs* published an article highlighting the benefits of and countering previous controversial studies of the \$5.3 billion rent-to-own industry.

“A Reconsideration of Rent-to-Own,” written by professors Michael H. Anderson and Raymond Jackson of the University of Massachusetts, concludes that, “from a public policy standpoint, efforts to educate consumers about the pitfalls of RTO are bound to be unsuccessful because these agreements provide a necessary alternative in the marketplace for those who cannot, or wisely feel they should not, secure traditional installment or credit card financing.”

For a more detailed examination of this academic study, APRO General Counsel Ed Winn III has evaluated and summarized the article on page 28 in this issue of *Progressive Rentals*.

“The rent-to-own industry received positive validation on customer satisfaction from the Federal Trade Commission report last year,” says Gary McDougal, president of APRO and owner of American Rentals in Hixson, TN. “The publication of this article continues to prove the worthwhile and valuable nature of the rent-to-own transaction in the American market place.”

# 2002

### FEBRUARY

13  
Missouri Rental Dealers Meeting Annual Business Meeting and Seminar, Columbia, MO, 573/442-2963

21–24  
Tupelo Furniture Market, APRO Booth Lobby Hall B Mississippi Market Complex; APRO Hospitalities, 5–7 p.m., February 21, sponsored by Ashley Furniture and 5–7 p.m., February 22, sponsored by Benchcraft, 662/844-1473, [www.tupelomarket.com](http://www.tupelomarket.com)

### MARCH

5–6  
TRIB Group Meeting of the Minds, Atlanta Airport Hilton, 770/451-4302, [www.tribgroup.com](http://www.tribgroup.com)

20–22  
APRO 2002 Mid-Year Conference, Westin Savannah Harbor Resort & Spa, Savannah, GA, 800/204-2776, [www.apro-rto.com](http://www.apro-rto.com)

### APRIL

18–25  
High Point Furniture Market, APRO Hospitality 5–7 p.m., April 19, sponsored by Progressive Furniture, 212 Jacobs Place, 336/888-3700, [www.ihfc.com](http://www.ihfc.com)

### MAY

TBA  
Florida Rental Dealers Association Annual Meeting, 813/623-5461

TBA  
Arkansas Rental Dealers Association Annual Meeting, 870/931-5377

5–7  
TARA Annual Meeting, San Antonio Omni Hotel, 940/497-1150, [www.taramembers.com](http://www.taramembers.com)



## What's your story?

**B**ecause of the unique relationships the rent-to-own business fosters with its employees and its customers, APRO has been able to capture some heartwarming stories through its annual Employee of the Year and Customer of the Year contests. The contest began two years ago and APRO has canvassed its members each year to find the best human interest story regarding their two most prized possessions: customers and employees. As a result, APRO has been able to tell the world the real story behind the rent-to-own business.

• A contest only two years old has already paid off. The stories from our previous winners have helped our political and public relations landscape. The stories

from our previous winners are told in legislators' offices and are frequently brought up to reporters when discussing who rents to own and, more importantly, why.

Delivering real stories of how rent-to-own improves people's lives delivers a powerful punch to cynical reporters. Without these stories, APRO

representatives are left with statistics and defensive pull quotes. These stories humanize the industry and we could not tell them without contest entries.

For instance, Maria Magdalena Estrada, APRO's

2000 Customer of the Year recipient, credits rent-to-own with helping her create a safe, stable home to raise her four children, finish college, become a teacher and win Teacher of the Year for El Paso. Each of her four children has a college degree, is in college or is going to college.

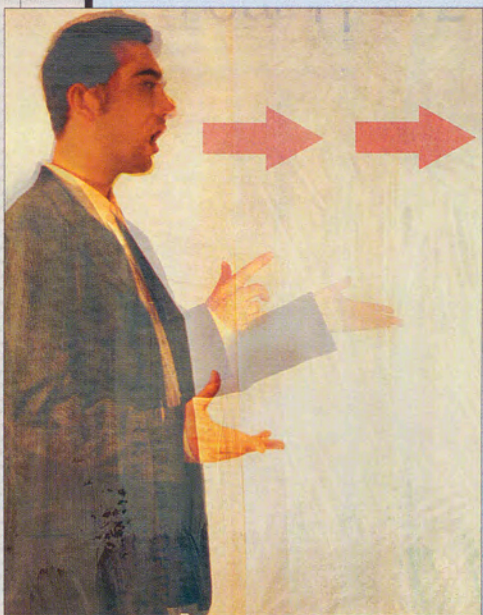
The Atchison family, APRO's 2001 Customer of the Year recipients, won because they, too, credit rent-to-own with helping them maintain a stable, family environment to help raise the many foster children they have adopted through the years.

Eric Ison, from Marion, OH, was the industry's first Employee of the Year because of his involvement with the community through his employer, Showplace Lease/Purchase, by organizing food drives, Christmas toy drives and building a community playground.

Last year's Employee of the Year, Josef Warren, keeps rewriting his story that began through his New Image Rent-to-Own store in Colorado City, CO, where he helps counsel terminally ill patients, death row inmates and, most recently, traveled to New York City to help counsel relief workers at Ground Zero.

"The Customer and Employee of the Year are going to be our most valued public relations program as an industry in the future because we are showing America that we are an integral part of our community and our society," says Gary Romine, APRO Public Relations chairman. "You cannot buy stories like that because they're real and, yet, it happens everyday in rent-to-own."

What is your story? Details about the 2002 Rental-Purchase Industry Customer of the Year and Employee of the Year competitions will be mailed to APRO home offices in February. Questions? Contact Richard May at APRO at 800/204-2776 or 512/794-0095.





## APRO 2002 Dave Egan Legislative Conference

Jurys Washington Hotel, 1500 New Hampshire Ave., N.W., Washington, DC 20036, 800/423-6953 or 202/797-0154. Room rate \$160 single or double (ask for APRO rate). Hotel registration deadline is April 5; APRO registration deadline is April 15.

### Tuesday, May 14

8-10 a.m.	<b>APRO board meeting</b>
10 a.m.-12 p.m.	<b>State Presidents meeting</b>
1-3 p.m.	<b>Registration</b>
2-3:30 p.m.	<b>First-time attendee seminar</b>
3:30-5 p.m.	<b>General session</b>
5-6 p.m.	<b>Kickoff cocktail reception</b>

### Wednesday, May 15

8 a.m.-4:30 p.m.	<b>Meetings on the Hill</b>
5:30-10:30 p.m.	<b>APRO PAC social event</b>

### Thursday, May 16

8:30-9:30 a.m.	<b>Buffet breakfast</b>
10 a.m.-4 p.m.	<b>Meetings on the Hill</b>
5-6 p.m.	<b>Debriefing cocktail reception</b>

The conference will be held at the Jurys Washington Hotel. The deadline for registration is

April 15. The hotel registration deadline is April 5. To book your travel, visit the APRO Web site

at [www.apro-rto.com](http://www.apro-rto.com) for discounted airfare or call 800/929-4242, mention Group #680.

## Member survey results are in

The APRO Membership Committee recently surveyed the APRO membership to gauge satisfaction levels regarding member services and the value of association membership in general. Of the 320 surveys sent out, 102 companies responded to the questionnaire that covered everything from APRO events to proposed services.

The best news from this "report card" is that APRO members are happy with the overall



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## Convention 2002 in July!

**T**he 2002 APRO Convention and Trade Show will be held in July this year instead of August. The 2002 show is scheduled for July 22-25 at the Mandalay Bay in Las Vegas. For more details, visit the APRO Web site at [www.apro-rto.com](http://www.apro-rto.com).

services, events and products APRO offers with a 90 percent approval rating.

"APRO members want their trade association to continue to represent them as an industry," says APRO Executive Director Bill Keese.

Keese is referring to the enormous approval ratings regarding the APRO *Progressive Rentals* magazine (87 percent rated it as "very important"), the annual convention (87 percent), the annual Legislative Conference (77 percent) and the various industry and customer surveys (71 percent).

There were several trends revealed to help steer future membership strategies.

"We are already developing strategies in response to some of the results of the study," says Carolyn May, APRO membership director.

"For example, many members do not realize APRO offers various professional services and/or products, so now we're working on message

campaigns to remind members of the many programs APRO offers."

"The survey also shows that we need to promote the value of the Mid-Year Conference and the *View* newsletter," says May. "These two programs are very important to dealers and we need to promote them and/or look at how we can improve them. Ed Winn's seminar alone is worth attending the Mid-Year Conference."

Winn's limited legal consultation and the state association network rated very high as well (81 percent and 84 percent respectively). APRO

members are also eager for more membership services to add value to their membership.

"APRO members, while very satisfied with APRO, still want us to continue to improve the value of their membership fees," says Keese.

The APRO Membership Committee currently is researching additional services such as a furniture repair video, discounted travel services and office supplies, among others. If you have an idea for a member service or benefit, contact Carolyn May at APRO at 800/204-2776 or [cmay@apro-rto.com](mailto:cmay@apro-rto.com).



### GOOD PRESS/ BAD PRESS:

#### Alliance Computing gets good ink

The *Tampa Bay Business Journal* profiled RTO computer supplier John Foster of Alliance Computing Technologies in its December 24 issue. The article chronicled Foster's determination to make a go of a company that provided personal computers to the rent-to-own industry. Foster was quoted as saying that his "company took the mystery out of computer renting and made it fun and easy for [rental] stores to make them available to the consumer... All the store has to do is get the computer to the customer and we take it from there. We provide 24-hour technical support lines to answer their questions and if repairs are needed, we send technicians to the customers' location."

Alliance is based in Tampa, FL, and is an exclusive supplier of Hewlett-Packard computers and software application packages to RTO stores throughout the country.

From 1998 to 2000, the company grew almost 245 percent, making it one of the fastest-growing businesses in



the Tampa Bay area.

"We built this business with the thought in mind that solving our customers' problems with an eye toward understanding their businesses would pay dividends in the end," says Foster.

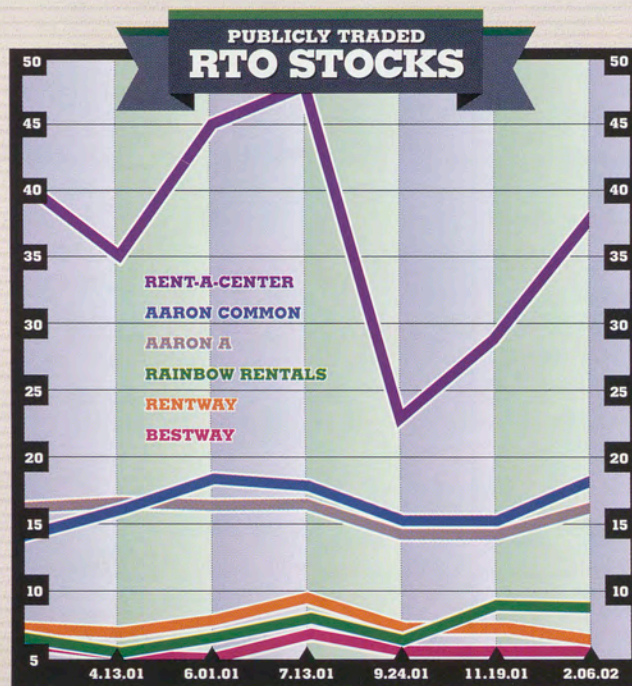
### RTO doing well in soft economy

WOIO-TV in Cleveland, OH, reported on December 20 that, "while other retailers are struggling, rent-to-own stores are said to be doing well in today's soft economy." The report quoted



Jean Ann Fox, director of consumer protection for the Consumer Federation of America as saying that rental stores "appeal to consumers who've been laid off or are otherwise struggling financially. That also includes people who may have impaired credit or who think they don't have other options. The stores promise not to do a credit check and simply take back your item if you fail to pay."

Fox was also quoted as saying the price of ownership of RTO items could be substantially higher than if purchased



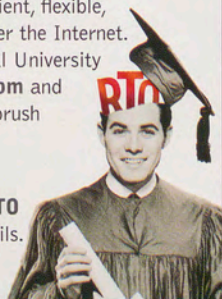
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See page 5 for details.



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**Rental business is changing, writes Gainesville Times**

A very positive news article on rent-to-own stores appeared in the December 10 issue of the Gainesville [GA] Times. The reporter interviewed APRO, a manager at



Aaron Rents and a former branch manager for Rent-A-Center. The focus of the piece was on how the industry was relatively new, how it has changed over the past 20 years and how RTO fits a particular niche in today's society. A sidebar to the article pulled the demographic statistics on the average RTO customer from the APRO Web site, as well as a clear description of how the transaction works and how many customers the industry serves. The former Rent-A-Center manager was quoted as saying that he estimates "a huge portion in the growth potential [for the industry] will come from corporate clients relocating employees."

**RTO reviews mixed in Anniston Star**

"There are signs that consumers are finding fewer faults with the rent-to-own industry these days," reported a



# TRIAD introduces CD ROM interactive training

**C**ombining the best of self-study education with hands-on practical exercises, Triad has introduced a CD ROM interactive training program. Each program includes video instruction followed by a series of test questions after each section that must be completed correctly before a student can move on to the next area of the program. In addition, after key sections, the student can print out an instruction sheet to guide him or her through a series of hands-on exercises to enhance the level of understanding and confidence.

The first program is "30 Steps to a Successful Delivery." Triad plans to introduce a complete series of programs in this format to cover subjects such as sales, account management, marketing, customer service, safety, orientation and a series for store managers.

Triad has been providing training to the rent-to-own industry since 1988. The company's new CD ROM program allows dealers to train one employee or more with the same CD with no additional cost.

To find out more, visit [www.triadlearning.com](http://www.triadlearning.com) or call 800/235-5045.

December 11 article in the Anniston [AL] Star.

"The Alabama attorney general's office, for example, reports three consumer complaints about rent-to-own companies this year. And although the state's Better Business Bureau received 30 inquiries about various rent-to-own businesses last month, it fielded only one complaint," the article went on to report.

The reporter interviewed a satisfied RTO customer and a disgruntled customer, APRO and Shawn Bailey, a RentWay manager in Anniston.

## Rent Rite's Wheeler joins Patterson/Bach

Chuck Wheeler, former vice president of marketing for Rent Rite in Boca Raton, FL, has joined Patterson/Bach Communications as director of marketing. As a result of his extensive experience in rent-to-own, Wheeler will be heading up the firm's new RTO marketing division.

Based in Orlando, FL, Patterson/Bach President Tim Bach says that he is excited about the opportunities. The challenges

in the rent-to-own industry "have definitely got our attention."

Wheeler has more than 10 years of experience in developing and executing strategic marketing plans for the RTO industry. He spent six years with Champion Rentals in Daytona Beach, FL, where he was responsible for the marketing and marketing communications for the 140-plus store chain. RentWay purchased Champion Rentals in January 1998.

Wheeler was then part of the initial seven-member start-up team that

broke with its first store in Ft. Lauderdale, FL, in August 1998. When Wheeler left Rent Rite in September 2000, the chain has grown from a concept to a 47-store chain.

"The rent-to-own industry has spent, or should I say wasted, a lot of time and a lot of money trying to reinvent RTO marketing. There is a specific strategy involved in getting the merchandise from the store into the customers' homes. It all comes down to basic marketing principles," says Wheeler.

## RentWay adds new director

John Higbee, a former partner at Arthur Andersen, has joined the RentWay board of directors. During his career, Higbee served clients in retailing, manufacturing and technology industries. He worked for Arthur Andersen for 35 years. Higbee has also served as the president of the National Kidney Foundation in Western Pennsylvania and on a number of other non-profit boards.

"We are delighted to add John Higbee to our board. He brings us extensive experience with publicly traded companies in a variety of industries," says RentWay Chairman and CEO William E. Morgenstern.

New ideas are growing here all the time



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APRO PRESIDENT GARY McDUGAL HAS DONATED HIS COLUMN SPACE TO APRO MEMBERS WISHING TO SHARE THEIR THOUGHTS ON VARIOUS INDUSTRY-RELATED ISSUES.

**M**ichael Hammer, author of *The Agenda: What Every Business Must Do to Dominate the Decade*, writes that attention to customers goes far beyond friendly service. Businesses must evaluate all aspects of their customer interface, he says.

APRO is no different than a rental store when

## How are we doing?

it comes to trying to provide its customers—APRO members—the best in possible customer service. And like other businesses, it was determined that it was time to measure the Association's effectiveness among its membership, which is why APRO recently conducted a member survey to evaluate its services and value to you, our members.

APRO received a 33 percent response to this survey, which, as surveys go, is a very healthy return. I want to thank APRO Membership Director Carolyn May for coordinating this much-needed effort. Here are some of the results:

- ▶ In general, 90 percent of the APRO membership is happy with the service, events and products offered.

- ▶ *Progressive Rentals* magazine ranks as the most important product APRO provides.

- ▶ The annual *APRO Statistical Survey* and the *Employee Survey* each received a 71 percent approval rating.

- ▶ Sixty-five percent of respondents rated the *APRO Customer Survey* as very important.

- ▶ The *View* newsletter garnered a 58 percent approval rating, which gives us a golden opportunity to upgrade this publication for new communication possibilities.

- ▶ APRO's commercial productions ranked in the middle among all the services and benefits offered.

As far as APRO meetings and events are concerned, the annual APRO convention and trade

show received an 87 percent approval rating and the annual Dave Egan Legislative Conference received a 77 percent rating. The Mid-Year Conference solicited a 35 percent approval rating. In response to this low score, the APRO board of directors and the membership committee are exploring new and creative ways to improve the purpose and content of this important educational and networking opportunity.

APRO member services, insurance programs and business-related benefits were also ranked. Of the most important programs offered by APRO are the state rental-dealer association network (84 percent), followed by APRO General Counsel Ed Winn's legal consultation (81 percent) and wage-and-hour consultation (54 percent).

As a new APRO board member and co-chairman of the APRO Membership Committee, I want to thank everyone who responded to this survey. Your input will provide much-needed guidance in the months and years to come. I also want to say that the time and effort you took to fill out the survey will not be wasted. There is a lot of room for improvement and, most of all, for more personalization.

What do I mean by personalization, you may wonder? Personalization involves reaching out to members, new and old, and creating critical relationships. It means making phone calls to new members. It means finding ways to make new members of the Association feel like part of the "in" crowd. Personalization means targeting specific groups of rental dealers and asking them for their input on how APRO can better meet their needs.

The APRO Membership Committee is committed to taking the results of the survey and finding ways to build upon APRO's current stability and success. Like any business, there is always room to improve and to grow. And like any customer, there are always new ways to impress. We've got a lot of work to do. And as the author Michael Hammer also writes in his book: "Suddenly, business is not so easy anymore."

*Robert Briley is president of Rent City in Abilene, TX.*

In order to provide the best customer service, APRO determined that it was time to measure its effectiveness with members. Here's what we found.



By **ROBERT BRILEY**  
APRO Board Member



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**C**ommunity! The concept of people gathering together is older than recorded history. By the time Neanderthals depicted groups of hunters tracking down and killing mammoths for food and clothing in drawings on the walls of the caves they called home, they had already formed communities.

Communities are created for many reasons to fulfill different needs. People living in the same locality or under the same form of government group themselves together in communities. When people recognize common interests or view themselves in distinct segments of society,

# The RTO community

they create communities.

People group themselves in communities of interest. When they find others who are similar or when they identify themselves with others, they create communities. Communities of people find themselves sharing, participating and having fellowship with each other and that brings them comfort. People also join together to endure similar environmental conditions.

Communities arise out of people's need for protection from common enemies, to help each other during crisis or conflicts and to wage war on the illnesses of the body, mind and soul.

Individuals unite to improve themselves. In communities, people gather in order to educate themselves and their young. Business communities form to provide environments for individuals and companies to learn, to grow and to prosper. Wise minds believe that for one to experience growth and prosperity, one must belong to a community of like-minded people. It is difficult to grow and prosper in a vacuum by yourself—in the absence of a community of some sort. After all, it was John Locke who said, "No man is an

island, entire of himself, every man is a part of the whole."

Rental dealers have such a community. It's APRO. The Association exists only to promote and improve the rent-to-own industry. Sixteen

rental dealers and one vendor set policy for the Association and they do so with the collective best interest of rental dealers as their only motivation. The voluntary membership is composed of four of the five publicly traded RTO companies, yet 49 percent of our members have only one store and 84 percent have six or less stores.

We recently conducted a membership survey and found that 90 percent of our members are very satisfied with the value of their membership. While this isn't perfect and we know we have more work to do, it's a very high approval rating for any organization. As a trade association, APRO offers myriad benefits, which will be amplified in this magazine. Yet two of the more abstract, yet vital, benefits are providing a community and exercising responsible leadership.

Opponents of the industry, decision-makers and the media examine whatever we say or do. Since we have a constituency, which are our members and, in effect, rental dealers everywhere, we must be prudent and thoughtful in everything we say, print or do. This is responsible leadership.

Through our publications, educational opportunities, meetings and conventions, we provide the largest community available for rental dealers. I have heard many RTO dealers say one must just look at the successful RTO operations in the country and you will find the common element is membership in APRO. There is value far greater than the cost of one television set per store as membership dues.

I want to thank all APRO members for your personal contribution to this RTO community. I urge you to share with non-APRO members your perceived value as an APRO member. ■

*Bill Keese's e-mail address is [bkeese@apro-rto.com](mailto:bkeese@apro-rto.com).*

.....  
**"As a trade association, APRO offers myriad benefits. Yet two of the more abstract, yet vital, benefits are providing a community and exercising responsible leadership."**



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

# Is your system man's best friend or a menace to society?

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**I** was talking with Gary Hughes the other day. He is a ColorTyme dealer out West and a new APRO board member. Gary has done a lot of different things over the years. He is not afraid to take chances and is quite serious about making the things that he does work. Not entirely happy with how the rental industry is viewed, he has started changing that image in his markets. What he has been doing is worth noting.

Over the past couple of months, he has made talks to Rotary clubs, the Kiwanis and a group of Idaho credit counselors. He begins by telling them that he is in the rent-to-own business and

\$1,000 on his laundry pair and if he sells it he might get \$400 to \$500, if he's lucky. It will cost him \$100 month to rent a storage shed to house the units, just in case this latest love of his life fades in a few months.

How much better it would have been if the couple had treated the television like they treated their relation-

ship and "tried it before they bought it?" If the young man had rented the washer and dryer for, say, \$60 per month, he could have given the unit back after six months and the rental store would have thanked him for his business and told him that he was welcome back any time. In a day when even true love is so uncertain, rent-to-own makes great good sense for young lovers. That is how Gary describes the value of his business. It is a captivating story.

I'm personally fond of the Laundromat example, which I use to show how it can actually be cheaper to rent a washer and dryer than to go to the Laundromat. RentWay CEO Bill Morgens-tern, I know, has a powerful example using a fancy stereo and his daughter.

Every rental dealer has a way that he or she understands the value of the business to customers. It would be a bigger, better and more profitable world if every rental dealer got out and started telling that story to groups in the community.

By the way, all of these civic groups—and also church groups, schools and other groups—are always looking for speakers. It is not hard to get invited to lunch if you are willing to get up and make a short talk. What better topic than to explain in your own words why renting makes sense and offers good value to your customers.

Do you want more customers? Go talk to some people who may never have thought about renting before or if they did, they only thought about it in a negative way. Gary Hughes is changing the way people think about the rental business in his markets. You could be doing the same thing. ■

*Ed Winn's e-mail address is [edwinn@e-bylaw.com](mailto:edwinn@e-bylaw.com).*

.....  
**"Every rental dealer has a way that he or she understands the value of the business to customers. It would be a bigger, better and more profitable world if every rental dealer got out and started telling that story to groups in the community."**

# Explaining our value

asks who in the audience would recommend rent-to-own to a child or a friend. (I told you he isn't afraid.) Inevitably and predictably, no hands go up. Twenty minutes later, however, when he asks the question again, Gary reports that about 75 percent of the hands in the audience go up. Gary has no innate love of making speeches. He is, though, a practical man, and he fully expects that these lunchtime chats of his will result in some new business for him in his store—and he reports that it already has. Here is the gist of what Gary tells these audiences:

Twenty or thirty years ago, people who lived together without the benefit of matrimony were deemed to be "living in sin." Today, young people may live with as many as three different people before they get married.

Suppose a young couple has a few dates and decides to start living together. They want, among many other things, a washer and dryer in their new home and he, in love, goes out and buys a set on his credit card. The cash price for the laundry pair is \$1,100 and the minimum payment on the card will run about \$30 per month. They are happy and clean for

about six months, but then they break up.

The young man's next girlfriend, who shows up soon enough, and with whom he also decides to live, already has a washer and dryer, and so what does the young man do? He still owes more than



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

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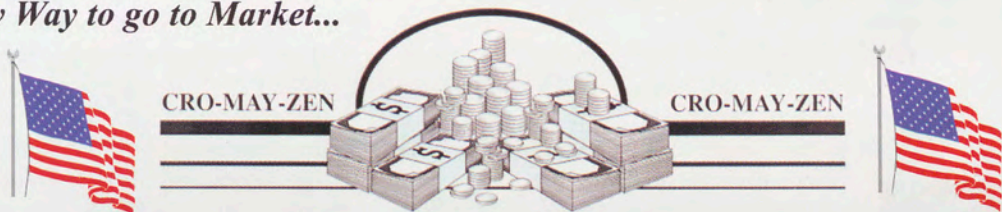
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**I** am finishing up with an investigation of a rental dealer by a state attorney general over advertising disclosure issues. It has been a painful and expensive process for the dealer. He has had to send all of his financial and some operational information to the A.G. with a covering affidavit swearing that all of the information provided is true and correct. The process will finally end when the dealer signs an Assurance of Voluntary Compliance, which will get filed in a court and will follow the company around forever. Such is the power of the state.

So what? That is what happens when you

advertising. To my knowledge, no rental dealer thinks that way. The circulars introduced the new rental store to the market. It did not disparage the competition in any way. Rental-purchase advertising rules vary slightly from state to state and the flyer that got circulated would have passed muster in a number of states.

All of this is not to suggest that rental dealers have to delight in having competitors invade their turf. In these days of stagnant BOR, rental dealers are edgy any-

way and quite naturally protective of their markets. Adding a competitor only makes it worse, but we are still an industry under intense scrutiny and not infrequent attack. Consumer advocates are desperate to scuttle the industry's federal legislative effort. Any black eyes that can be inflicted on rental companies anywhere help our critics.

We can, all of us, compete vigorously with one another without bringing the state or the press into our family struggles. To the extent possible, we need to solve our internal problems internally. We have a national association and a number of state associations eager to help with this sort of thing.

The industry has really moved beyond the days when it had a few brigands and poltroons among its number. Today, most rental dealers are professional and committed to the work they do. Differences have arisen from time to time among these professionals regarding employees and non-compete agreements, for example, and rental dealers have gotten together and negotiated among themselves to resolve the differences. This is a far better and higher road to take than to run to the A.G. when you think that you have caught a competitor with his pants down. ■

*Ed Winn's e-mail address is edwinn@e-bylaw.com.*

.....  
**"We can compete vigorously with one another without bringing the state or the press into our family struggles. We have a national association eager to help with this sort of thing."**

# Solving problems internally

screw up in this business. What do advertising disclosure issues have to do with industry ethics? Just this: the dealer was turned into the A.G. by a competitor rental dealer.

This particular dealer moved into the competitor's market a few months previously. The offending advertising circular was one of the company's first advertising efforts in the state. After that, the facts get murky. The competitor (a non-APRO member, incidentally) insists that he warned the company of its advertising problems. However, the A.G.'s investigation alleges that the ad only ran once before the complaint was made and the dealer does not remember the competitor ever calling about the advertising.

The A.G. has since found a consumer complaint against the company and while the matter has not spiraled completely out of control, it has made the A.G. suspicious not just about the company under investigation, but about all other dealers in the jurisdiction. What we now have is an assistant A.G. in the state with his antennae up about all matters relating to rental-purchase businesses. This is not a happy situation for anyone with

stores in the state.

This situation could have been so easily avoided. The dealer, it can be fairly said, was not out to gain some devious competitive advantage by omitting some of the required disclosures in his



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

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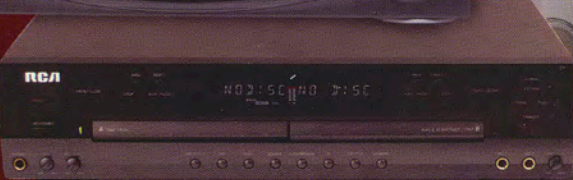


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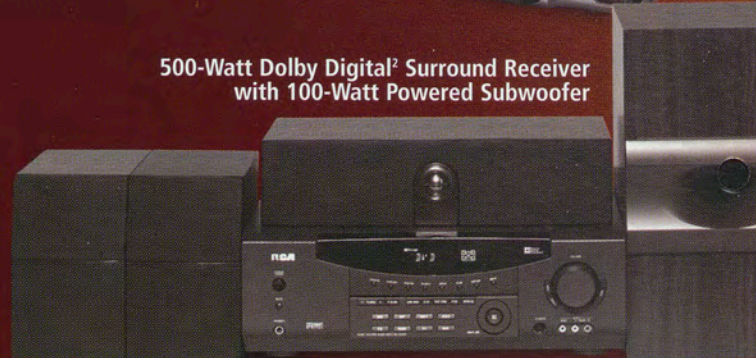
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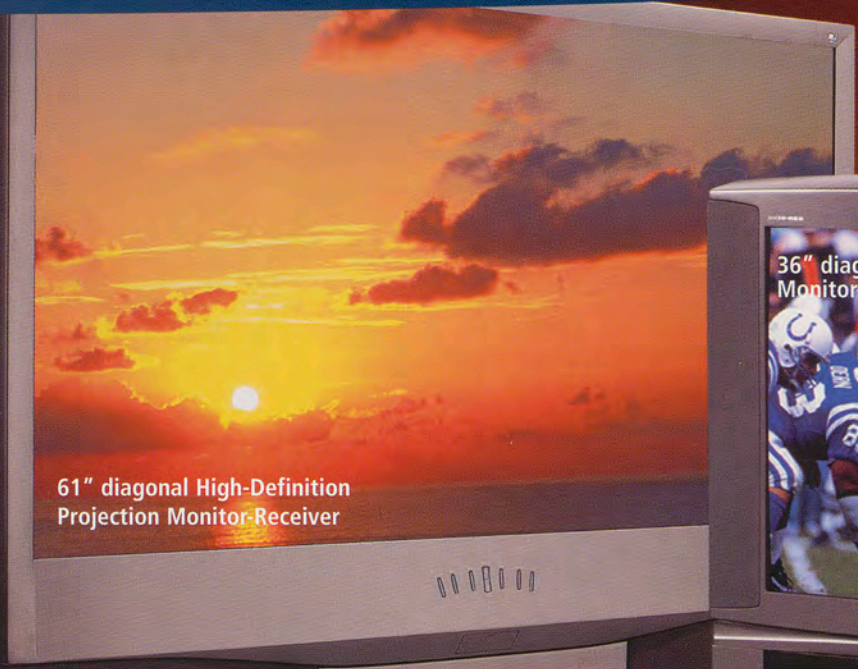
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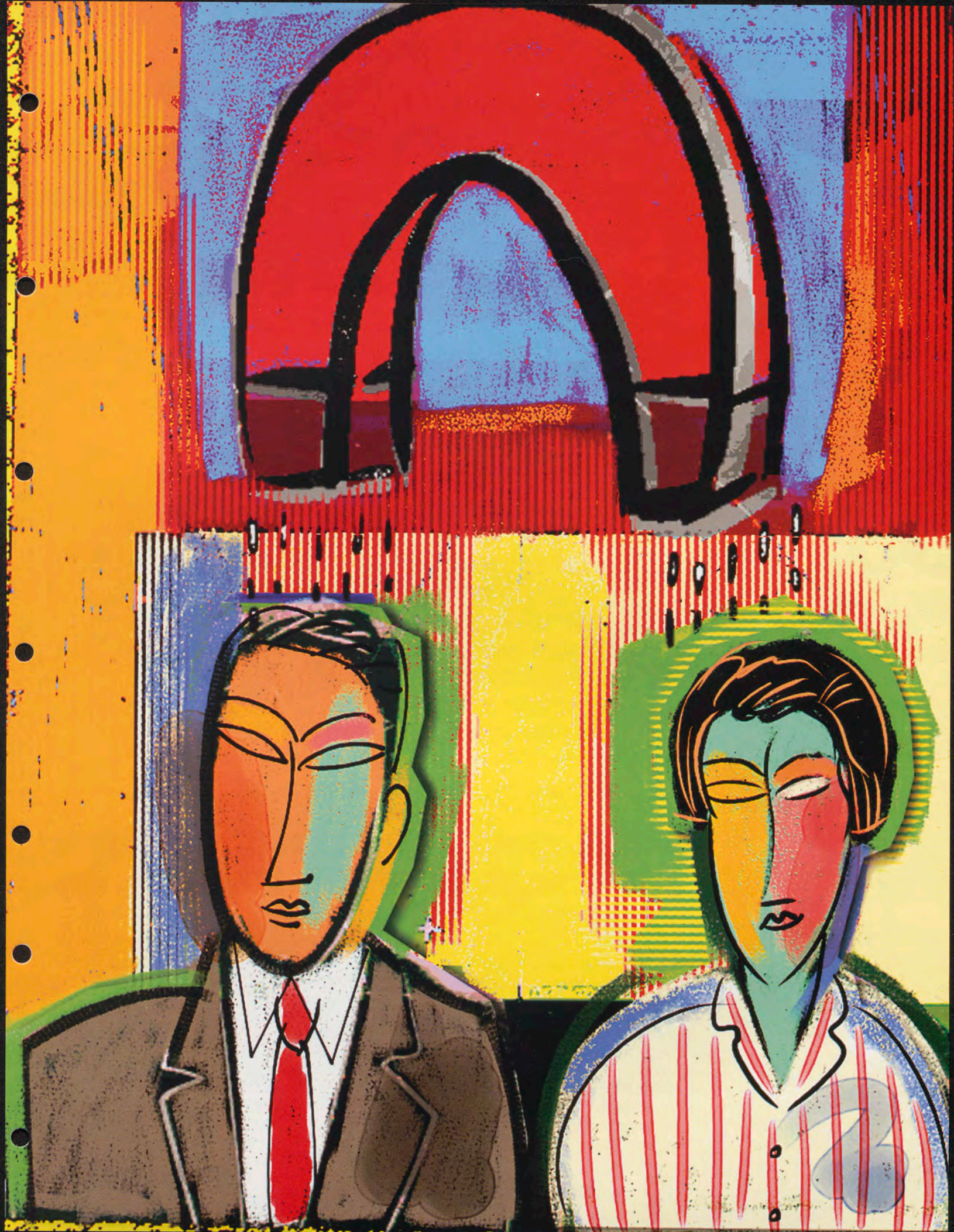
A NEW MULTICULTURAL  
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# CREATING INCLUSION

Be honest with yourself. Have you ever passed judgment on a walk-in job applicant before he or she has spoken a word or filled out an application? You simply took one look at the person and thought, "He won't fit in" or "She's not who we're looking for." If you're honest, your answer is yes. ▼ These snap judgments are called first impressions. They're inevitable. We've all passed initial judgments on people based only on appearances. As much as we don't want to admit it, we sometimes size up individuals because of their clothes, their race, their gender, their weight, their age, their accent or other immediate cues.

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**BY KATIE GARZA**

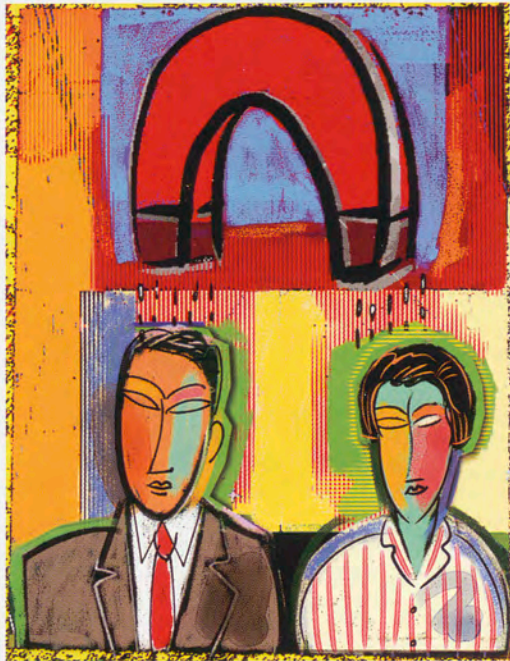


# W

e perceive these visual traits as insight to who a person is on the inside. The man is old; he must be a slow and feeble worker. The woman is overweight; she must be lazy and indifferent.

The danger in these quick judgments is that they often betray us. When we make decisions based on superficial traits alone, we most likely are turning away untapped talent and resources that could make our businesses more competitive and profitable.

Back in the 1960s, President Lyndon B. Johnson signed a Civil Rights Act bringing affirmative action into the business arena. This anti-discrimination movement made it a legal and moral obligation to provide equal opportunity for minorities and women within the workforce. It was seen as a temporary measure to "level the playing field," so to speak.



**"THIS IS NOT A SOCIO-ECONOMIC LESSON. IT'S ABOUT PROVIDING AN ENVIRONMENT FOR PERSONAL GROWTH AND CAREER SATISFACTION. IF WE KEEP TAPPING THE SAME RESOURCES FOR TALENT, WE'LL BECOME STAGNANT AND MAY NOT ACHIEVE OUR FULLEST POTENTIAL AS A COMPANY."**

Critics say that the fault with affirmative action, however, was that it primarily addressed only racial discrimination and operated on the assumption that minorities and women had deficits and needed extra support to thrive. The racial quotas that were meant to "equalize" the business environment sometimes resulted in accusations of "reverse discrimination"; suddenly there was a new kind of dissension among the workforce. To a certain degree, the legal approach to "equal employment opportunity" suffered a backlash.

In the 1970s and early 1980s, however, a new approach gained popularity: cultural diversity training. Cultural diversity training addressed differences in race, as well as ethnicity, gender, age, sexual orientation, tenure, social class and geographic origin—all factors that filter an individual's outlook on life and work.

Cultural diversity taught business professionals to embrace each other's differences and have mutual respect for one another. Cultural diversity was no longer a legal

obligation based on numbers and statistics. It was now corporate America's social responsibility.

On the heels of cultural diversity was borne yet another human resource movement called inclusion training. This business approach is still widely used in today's corporate environment. Inclusion training encompasses all of the high points of cultural diversity yet takes it one step further by making it relevant to a business's bottom line.

The goal of inclusion training is to provide an atmosphere where every employee can reach his or her fullest potential. This benefits the customer and the company.

"Inclusion training says that cultural diversity makes good business sense," says Pamela Leri, director of global diversity at PricewaterhouseCoopers Unifi Network. She points out that anti-discrimination movements in the past focused on social, moral and legal obligations. "Inclusion training shows that there are solid business reasons behind including all groups in a workforce. It's not just 'the nice thing to do.'"

According to Leri, numerous high-profile companies in various industries have implemented inclusion training over the past 20 years; Merck and Hewlett-Packard are two noteworthy practitioners. Recently the rental-purchase industry, specifically RentWay Inc., began its implementation of inclusion training.

"I think that many large Fortune 500 companies had seen the need for inclusion training much earlier on than the rent-to-own industry," says Leri, who recently consulted with RentWay, the nation's second-largest rental-purchase company with approximately 1,100 stores in 41 states. RentWay has taken numerous steps to incorporate inclusion. The

company now has a department devoted to inclusion training and regularly schedules inclusion workshops for store managers.

"This is not a socio-economic lesson," says Wallace Wright, director of inclusion at RentWay. "It's about providing an environment for personal growth and career satisfaction. If we keep tapping the same resources for talent, we'll become stagnant and may not achieve our fullest potential as a company."

Wright explained during a recent inclusion seminar in Shreveport, LA, that RentWay's rapid business growth in its early stages and the company's need to meet staffing requirements partly contributed to its inclusion opportunities. He said it is now time to focus on issues such as inclusion, employee development and promoting from within.

A critical component of inclusion training is that companies can gain a competitive advantage in their industries by building corporate cultures that encourage all groups—including white males—to work to their fullest potential.

The theory is that all individuals, based on their different life and work experiences, are capable of finding new ways to solve problems, better serve existing customers and reach out to new markets. Leri says inclusion training can make the rental-purchase industry more inviting for newcomers.

"Employees don't quit companies; they quit environments," says Leri. And Wright agrees. "If you want to retain quality employees, you need to show them that you value their contributions," he says.

Inclusion training teaches managers how to recognize their personal "filters," or biases, which can undermine the potential success of others in the company or prevent untapped talent from contributing to the company. The participants at the recent Shreveport inclusion seminar talked about how their familial backgrounds and geographic origins have influenced—both negatively and positively—the way they approach business decisions today.

One man admitted that his extensive military background sometimes causes him to view civilian life as unorganized and frustrating—a filter that affects his expectations of other employees. Another gentleman talked about his upbringing in Chicago, IL, and how it filtered his views of Southern people—a bias he still battles now that he works in Louisiana. A third participant pointed out that his mother, who single-handedly raised three children and juggled two jobs, influenced his opinion about women. He said watching his mother as a boy made him realize early on that women could be strong, self-sufficient providers—an opinion that has influenced him to recruit more female employees within his stores.

## REACHING OUT TO THE CUSTOMERS

Yet valuing and understanding diversity within the company is only one of the objectives behind inclusion training. "Inclusion is about making customers feel welcome too," says Leri, noting that a diverse workforce positions a company to be more in touch with an increasingly diverse marketplace.

According to Wright, in addition to promoting a diverse workforce, companies can gain a competitive edge by reaching out to surrounding neighborhoods. In essence, companies that practice inclusion make the community feel included as well.

Wright recommends getting involved in the community by getting out and talking to civic leaders and other local business people. With this information, rental-purchase companies can plan marketing strategies and public relations campaigns that are more effective and relevant to their local markets. If you discover that consumers in your neighborhood prefer family-run businesses, you might want to find ways to make your business more family friendly.

## LASTING IMPRESSIONS

Alvin Odom, a RentWay employee who attended the Shreveport seminar, says that inclusion training offers an important message that resonates with employees and customers alike. "It tells me a lot about the company itself when it decides to implement something like this," he says.

Allen Kelly, a fellow workshop participant, agrees. "I like that inclusion focuses on discovering the potential in all individuals; it's not just about racism."

Wright says he hopes that the managers take home what they learn from inclusion training and apply it to their stores. "All this doesn't mean anything unless you deliver the message to your employees and set a good example," he says. "You are the most important people in our organization, because you are where it happens."

Wright's message rang true for seminar participant Sonny Lewis Jr., who said he now realizes that creating inclusion relies heavily on his actions and the tone set at the top. "I think from now on I'll be paying just as much attention to my own performance as I do my employees' performances," he says. ■

*Katie Garza is a free-lance writer.*

## SUGGESTED READING ON INCLUSION TRAINING AND CULTURAL DIVERSITY

### BOOKS

- ▶ *Managing a Diverse Workforce: Regaining the Competitive Edge*, by John P. Fernandez, Lexington Books, 1991
- ▶ *Profiting in America's Multicultural Marketplace: How to Do Business Across Cultural Lines*, by Sondra Thiederman, Ph.D., Lexington Books, 1991

### ARTICLES

- ▶ "Making Differences Matter: A New Paradigm for Managing Diversity," by David A. Thomas and Robin J. Ely, *Harvard Business Review*, September–October 1996
- ▶ "From Affirmative Action to Affirming Diversity," by Roosevelt Thomas, *Harvard Business Review*, No. 90213

## the A Reconsideration of Rent-to-Own

Rent-to-own agreements (RTO) are traditionally seen as disguised installment contracts imposed on uninformed consumers at usurious interest rates. After the flaws and omissions in these interest rate calculations are addressed, the implied annual percentage rates (APRs) remain extraordinarily high. It is shown that alternatives to RTO, such as layaway and long-term rental, yield comparable APRs. The appeal of rent-to-own is then attributed to its structure that includes an initial pure rental phase of high value to persons in volatile financial and/or personal situations followed by an installment phase. Should these situations be resolved, the consumer exercises an imbedded option to acquire a perhaps otherwise unobtainable installment agreement at a competitive interest rate.

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**EFFORTS TO EDUCATE CONSUMERS ABOUT THE PITFALLS OF RTO ARE BOUND TO BE UNSUCCESSFUL BECAUSE THESE AGREEMENTS PROVIDE A NECESSARY ALTERNATIVE IN THE MARKETPLACE FOR THOSE WHO CANNOT OR WISELY FEEL THEY SHOULD NOT, SECURE TRADITIONAL INSTALLMENT OR CREDIT CARD FINANCING.**

” **“A RECONSIDERATION OF RENT-TO-OWN”**

**BY MICHAEL H. ANDERSON AND RAYMOND JACKSON  
THE JOURNAL OF CONSUMER AFFAIRS**

”

# Summer View

*of rent-to-own*

**T**he excerpt above is the conclusion of a new article in the consumer academic press that offers new insights into the economics of rental-purchase transactions and dispels much of the previous biased and shoddy research into the economics of the industry.

Academics in the field of consumer studies have, over the years, done cursory studies of rental-purchase transactions and concluded, predictably, that the transactions bore high interest rates and were both unfair to and bad for consumers who used them.

One study often cited by industry critics based all of its findings on interviews with 61 rental-purchase customers from West Palm Beach, FL. Another study examined 12 rental-purchase agreements, seven for 19- and 20-inch televisions and five for washers. Much of the consumer advocate condemnation of industry pricing and policies are based on these two articles and others using similarly scanty research methodologies.

**BY ED WINN III**



The authors of the most recent study had access to a database of hundreds of rental stores and tens of thousands of agreements and customers, which they examined to understand what really happens with rental-purchase agreements in the marketplace.

The authors take pains to debunk the common myths and assumptions about rental-purchase transactions. After reviewing the research to date, the authors conclude that calling rental-purchase transactions installment sales with hidden, exorbitant interest rates obscures the true nature of the

cal situation to construct an implicit interest rate for going to the Laundromat that is higher than in a rental-purchase transaction for the same washing machine. The authors note that no one is suggesting that Laundromat patrons are exploited and suggest that rental-purchase customers are not being exploited either.

The authors also compare rental-purchase transactions to layaways in order to lay waste to the installment sale comparison even further. In layaways and in RTO there is typically no credit check and both may be terminated without penalty. The authors find a lower implicit interest rate in a layaway transaction, but the lower rate is offset by higher payments over a shorter period of time. Layaway also offers no delivery, no maintenance beyond warranty coverage and, most importantly, no use of the product until it has been paid for in full.

The authors list six benefits of rental-purchase in addition to the bene-



*The authors conclude that calling rental-purchase transactions installment sales with hidden, exorbitant interest rates obscures the true nature of the transaction and threatens to mislead policy makers about how the transaction ought to be regulated.*

transaction and threatens to mislead policy makers about how the transaction ought to be regulated.

The earlier Florida study found that 40 percent of those surveyed did not understand what they were doing when they rented. The Massachusetts authors conclude that the early studies “underestimated consumers’ ability to make efficient utility-maximizing decisions.”

Indeed, it is a fundamental precept in economics that people are capable of acting—and in most cases, do act—to maximize their well being by making rational decisions. Liberal consumerist theory maintains that many—if not most—citizens are incapable of making rational economic decisions; thus the need for the state to step in and make those decisions for them. Not so these latest authors who observed the popularity and growth of the rental-purchase industry and concluded that there must be something going on besides unscrupulous rental dealers “doing business with the desperate and uninformed.”

If it were really the case that the industry charged customers 250 percent interest on transactions when credit card interest rates hover at around 20 percent, then the business would not survive. That the industry has not only survived, but also has prospered means that other elements besides a simplistic analysis of the time value of money must be at work.

The Massachusetts authors use a hypotheti-

fit of an installment sale, which is essentially the ability to pay over time instead of all at once. Those benefits are:

- ① Provision of all customary retail services such as delivery, set up, maintenance and repair. [The authors do not acknowledge that the use of loaners and other aspects of rental-purchase maintenance are superior to most retail maintenance plans.]
- ② Immediate product availability without a formal credit check.
- ③ Immediate product availability without a security deposit or a large down payment.
- ④ Payments by cash or check scheduled on a weekly or monthly basis.
- ⑤ Ability to secure insurance against damage or theft on the item.
- ⑥ Termination of the agreement by the consumer at any time without further financial liability or damage to his or her credit history.

These benefits are, of course, well known to rental dealers. It is nonetheless nice to see them recited in the academic press.

Instead of being merely an installment sale with unconscionably high “interest rates,” the authors borrow the economic concepts of “puts” and “calls” from the world of corporate finance to explain how consumers employ rental-purchase transactions in their own best interests.

A *put* is an option to sell something at a fixed price at or within a certain time. If the put is exercised by the holder, the other party, the buyer, must purchase the item from the put holder at the strike price. A *call* is an option to buy something at a fixed price at or within a certain time. If the holder exercises the option, the other party, the seller, must sell the item to the call holder at the strike price.

In the rental-purchase context, the authors find that for each rental payment the customer makes, the dealer is providing a bundle of services and financial instruments:

- ① Use of the product and maintenance service for the rental period.
- ② A put option with a zero strike price.
- ③ An option to acquire a call with a zero strike price when the final payment is made.

If a customer returns the property, it means that he is exercising his put

option and abandoning the third option. Over time, as the transaction progresses, the value of the put option declines while the value of the third option increases.

According to the authors, "unlike conventional put and call options whose value to the investor increases with the volatility in the market price of the underlying asset, the value of the imbedded options to an RTO customer increase with the possible future volatility in her or his financial or personal profile."

The authors then acknowledge that consumers with uncertain financial or personal futures will be particularly drawn to rental-purchase transactions because the value of the put and call options is higher for them.

The authors also offer an alternative analysis of rental-purchase transactions as first a rental agreement with multiple optional rental periods and finally an installment purchase with competitive interest rates. This is so because most rental-purchase customers who terminate do so fairly early on in the transaction. Once a customer has been renting for 12 months, it is likely that he or she will rent long enough to obtain ownership. The authors offer the example of a washing machine to demonstrate that even during the final installment purchase phase of the transaction, the implicit interest rate is not higher than for a traditional credit sale.

In this model, the original third option to acquire a call transforms into an option to secure an installment purchase at a competitive rate.

The authors identify three separate categories of consumers for whom rental-purchase transactions have high value:

- ① Short-term renters.
- ② Financially tentative buyers.
- ③ Denied buyers.

Short-term renters are, as the name suggests, only interested in the first and second elements of the transaction. They want immediate use of the property without any hassle and they want to be able to return it later. Financially tentative buyers want to purchase the property, but have volatile personal or financial circumstances and do not want to be dunned by debt collectors, have their wages garnished or suffer the other unpleasant results of defaulting on an installment sale in their future. For them, too, the first and second elements of the transaction have high value.

Denied buyers are those who have bad or no credit histories and cannot make an installment purchase, even though that is their goal. For them, all elements of the transaction have value because they can use the multiple period rental phase of the transaction to get to the installment phase.

"This consumer is effectively given the opportunity to establish or restore a record of financial responsibility," write the authors. If "denied buyers" make timely rental payments, they can become buyers whom the credit market previously has denied. If they fail once again and cannot make timely payments, they are no worse off than they were before they rented and can keep trying.

The Massachusetts authors attempt to

demonstrate with a thorough economic analysis of what the marketplace has recognized all along—that rental-purchase transactions offer a valuable choice to consumers in a variety of circumstances. RTO is not intended to supplant credit sales, but to suggest that it is a harmful choice for consumers to make in all circumstances "may be detrimental to consumer welfare," as the authors put it.

It is rare that the academic community will take a realistic look at how ordinary people live and analyze carefully and objectively the economic decisions that they make. Here is a piece that does just that and rental dealers everywhere will be gratified to read about themselves and their businesses portrayed in such a positive light. A limited number of copies of the article are available to APRO members through the APRO office. To view online, visit [www.consumerinterests.org/public/articles/details.html?id=16](http://www.consumerinterests.org/public/articles/details.html?id=16).

*Ed Winn is APRO's general counsel.*

*His e-mail address is [edwinn@e-bylaw.com](mailto:edwinn@e-bylaw.com).*

## Puts and Calls and Courts

**T**he Massachusetts authors are not the first academics to analyze rental-purchase transactions using *puts* and *calls*.

A Yale law and economics professor was hired as an expert witness and was paid by the plaintiffs in a New York lawsuit brought against a rental company. This professor testified that rental-purchase transactions were not really rental transactions at all. Instead, they are really credit sales with a *put* option granted by the merchant. The professor had the temerity to assert that the rental company was loaning rental customers money for the purpose of purchasing both product and a *put* option. While it is true that the transaction could be structured that way and in some environments likely is (some real estate sales give the buyer the option of *putting* the land back to the seller under certain circumstances), that is not how rental-purchase transactions are structured, since the title to and ownership of the property remains with the dealer as a legal matter. The facts, however, did not deter this expert from reaching the conclusion that the client paid for. The rental company won the case and, among other things, the judge ruled that the testimony of the expert was irrelevant to the specific question before the court.



AN APROFILE OF



DICK AND MIM EICHLIN

# a SHINING STAR

**W**hat can rental dealers do to guarantee industry-wide success and continued growth in the future? The question is a critical one that members of the rent-to-own industry have always faced, but as we move further into the 21st century—into a more volatile, technology-based economy and an increasingly competitive market—finding the right answer may prove to be even more difficult.

If you ask Dick Eichlin that question, however, he'll tell you the answer is clear. The road to a better, more prosperous tomorrow, he says, begins with federal legislation for the industry.

"The opportunity to get federal legislation that would prevent state legislatures from calling the rent-to-own transaction a credit sale is here," Eichlin says. "Right now the industry spends so much time and money on lawsuits and public relations that if we had federal protection, those energies and finances could be used to benefit the industry and increase business."

**BY STEPHEN SCHENCK**

**PHOTOGRAPHS BY GENTRY PHOTOGRAPHY**

**A**n RTO veteran, Eichlin entered the business in 1980 as a store manager for Universal TV Rentals. Together with his wife, Miriam, they opened Shenandoah TV & Appliance Rentals (STAR Rentals) in 1987. During his 21 years in the industry, Eichlin has learned that the roller coaster world of RTO offers no guarantees, but from the beginning he says he recognized how fundamental national involvement and lobbying would be to his livelihood.

"We attended the first seven APRO legislative conferences in Washington, D.C., because there was a need to explain the nature of our transaction and to educate the people who are against RTO and who mislead the public about interest rates," he says. "There are no interest rates because there is no obligation. There is no debt!"

Eichlin's passion for the business led a fellow RTO dealer at the time, Roger Sharp, to ask him to run for the APRO board of directors in 1989. Outmatched by more experienced candidates two years in a row, Eichlin says he ran again after "realizing what the board was all about" and won. He went on to serve with the APRO board for seven years and says it was a high point in his career.

"The board is just a fabulous group of people. I was on the public relations committee and my philosophy was to do whatever they wanted," he says. "I told them I was a grunt—I just wanted to contribute in any way I could to help preserve our interests and our business."

Bill Keese, APRO executive director, remembers Eichlin's years on the board well. "Dick was the kind of board member that you just loved because he brought a lot of enthusiasm to the job," Keese says. "He was always very involved and supportive and when we asked him for support, he would always follow through."

#### BLUE-COLLAR BEGINNINGS

**E**ichlin has carried that humble, "can do" attitude with him since his childhood days. It's also a big reason why customers have kept coming back to STAR Rentals year after year.

"We come from blue-collar families, so we know what

it means to work and we can appreciate good customer service," says Miriam Eichlin. Miriam or "Mim" is the daughter of an electrician and a homemaker and grew up in Tatamy, PA. Eichlin lived across the Delaware River, in Phillipsburg, NJ. His father was a machine operator and his mother was also a homemaker. Although they lived within 10 miles of each other, Dick and Mim didn't meet until after they had graduated high school and after Eichlin had finished a four-year stint in the Navy.

Shortly after returning home in January 1957, he met Miriam at a dance in New Jersey and six months later, they were married. He quickly put his GI Bill to good use and attended Rider Business College in Trenton. However, in 1959, with a baby on the way, Eichlin dropped out of school and took a job in a distribution center with Top Value Enterprises, a trading stamp company.

Gradually, Eichlin earned his way into management and, as the trading stamp business began to decline, was transferred to manage one of Top Value's catalog showrooms. For 20 years, Eichlin worked for Top Value, but when he failed to catch employees who had been stealing from the company, he was fired. Losing his job after so many years could have dealt a devastating blow to Eichlin, but instead it became a positive turning point that would lead to greater opportunity and success.

Unemployed and searching the Pittsburgh paper for work, Eichlin applied for a manager position with a Uni-

versal TV Rentals store. With little knowledge of the RTO industry and few expectations, Eichlin interviewed for the position and on the afternoon of that same day was offered the job.

"I accepted it thinking I would continue to seek other employment," he says with a chuckle. "My reaction was, 'Who in God's name rents televisions?' I was dumfounded." It didn't take him long, however, to realize that rent-to-own was big business. During his first week, Eichlin trained at a store in Moline, IL, and was surprised to see the store crowded with customers.

"If you're in a white-collar job and considered middle class, you don't really realize how many people would not have the kinds of things they have in their home if not for this industry," Eichlin says. "Right away, I definitely felt like I was providing a good service to our customers."



**"IF YOU'RE IN A WHITE-COLLAR JOB AND CONSIDERED MIDDLE CLASS, YOU DON'T REALLY REALIZE HOW MANY PEOPLE WOULD NOT HAVE THE KINDS OF THINGS THEY HAVE IN THEIR HOME IF NOT FOR THIS INDUSTRY."**



Over the next six years, the company grew from 15 to 60 stores. Eichlin worked his way up to store supervisor, eventually transferring to Columbus, OH, where he oversaw as many as 13 stores. Over time, Eichlin had seen his career take some remarkable turns—he had gone from what he thought was a stable, long-term job to suddenly being unemployed and landing a job in an unfamiliar industry to working his way back to upper management. At last, everything seemed to be in place for Eichlin and his family.

Then, one day, when he was helping to get two new stores off the ground in Dayton, OH, Eichlin's career fell apart, all over again.

"I reported to my immediate supervisor that we were having a credit problem. The manager of one of the stores was not controlling credit and was not collecting on his accounts. But instead of addressing the manager, [my supervisor] called me into the office and said, 'Dick we've got a problem in these two stores and I'm going to have to fire you.'"

Eichlin once again found himself on the outside looking in. This time, however, he was determined to get an explanation. After all, by uncovering the problem and reporting it, Eichlin had followed correct procedures. He submitted a written request to find out why he was fired and, a few days later, was rehired by the general manager

to run a store temporarily in Columbus.

As it turned out, Eichlin replaced the same supervisor who let him go. "I've been fired twice; once because somebody stole and I didn't catch it, which was my responsibility, and again because my supervisor was passing the buck," he says.

#### SMALL TOWNS AND BIG BUSINESS

In 1986, just as Universal's ownership was about to change hands, Eichlin left to become the new rent-to-own division manager for Bell Furniture, a furniture distributor. Philip Bell, the company's founder, saw in the RTO industry a relatively untapped market and hoped Eichlin could use his experience to convince RTO owners to stock his furniture.

"I could talk to store owners about past dues and specific business concerns and was able to build on the foundation of my predecessor and business doubled," says Eichlin.

While working for Bell, he often gave seminars to members of the RTO industry and gradually befriended the owners of Rent-A-Vision in Ohio. One day, they told Eichlin, if he opened his own store, they'd be interested in investing as venture capitalists.

Faced with this offer, Eichlin went to work putting to-

gether his own market research and found potential in western Virginia. Throughout his career, Eichlin had been based in big cities, but had made up his mind a long time ago that if he ever had the chance to open his own store, he would trade the sprawling metropolis for a small town.

While visiting relatives in Harrisonburg, VA, Eichlin decided the 20,000-person town would be a perfect location for STAR Rentals, but it wasn't until Miriam Eichlin gave her support that the decision became final.

"We talked it over and she asked me, 'Are you sure you want to do it in Harrisonburg?' I said, 'Well, if we fail and I go on the bread line, I'd rather be in the Shenandoah Valley than the big city.' So, my wife said, 'Let's do it' and that's the reason we're in business today."

Backed by investors and with borrowed money and Miriam's inheritance, Eichlin moved to Harrisonburg. He arrived to find his store unfinished and filled with ceiling tile for the grocery store being constructed in the same new shopping center. He hired independent contractors to finish the job and had enough money left over to advertise his grand opening special. Despite the ad, Eichlin says no customers showed up to the store.

"Nobody knew where the new Dukes Plaza shopping center was," he says. "I did a lot of soul searching at that time and, my God, I wondered if I could still get my old job back. It wasn't pretty."

**T**hough the beginning was rough, Eichlin says he was able to make it through the slow times because of strong family support. His son and son-in-law joined the business early on, helping to keep it afloat, sometimes even working for free. Most of the credit, he says, belongs to Miriam, not only for her book-keeping skills and the valuable perspective she brings to the business, but also for her emotional support. Eichlin is also quick to point out that from the first moment they chose to open the first STAR Rentals store, he and his wife have shared 50/50 responsibility and ownership.

For some couples, working together would add stress to a relationship, but Dick and Mim say the positives far outweigh any negatives. "Sometimes it's a struggle if we



"SOMETIMES IT'S A STRUGGLE IF WE BOTH HAVE OUR OWN IDEAS ABOUT HOW THINGS SHOULD GO, BUT IT'S NOTHING WE CAN'T HANDLE. WE'VE BEEN MARRIED 43 YEARS AND HAVE STAYED IN BUSINESS FOR 15. I THINK THAT SHOULD SAY IT ALL."

Rentals' dedication to customer service.

"I wish there was another way to say this because it's something you always hear, but the most important thing in this business is to treat people the way you want to be treated," he says.

"We provided the kind of service that RTO customers had not been getting from the competition. We took care of repairs quickly and gave out loaners so our customers didn't have to wait—eventually we began to capture a share of the business and more."

Throughout their 15 years in RTO, the Eichlins have seen many ups and downs, but they have never questioned whether to stay in the industry and don't have any immediate plans to retire or sell the family business. As they have gotten older, Eichlin says that some aspects of the job have gotten more difficult and the growth of STAR Rentals over the years has caused him to miss out on some of his favorite parts of the job.

"I enjoy working with people and get a lot of satisfaction from seeing people I haven't seen in years who still remember me and are still doing business with us," he says. "When we expanded and I moved to the corporate office, it was hard."

Despite these few complaints, both Dick and Mim are content and proud with their work in RTO not only for the professional success it has brought them, but also because it has reaffirmed their lifelong appreciation for hard work, customer service and family. ■

*Stephen Schenck is a free-lance writer and a former student intern at Progressive Rentals.*

**SOMETIMES THE SIMPLE THINGS MAKE ALL THE DIFFERENCE!**



The RSSS solution is the only software available that allows you to completely track your business. Of course, RSSS software handles the standard functions of the RTO business. More importantly, RSSS also incorporates the details that make your business operate a little bit easier. The RSSS application was designed by an RTO dealer for RTO dealers. We understand the business! Other software systems do not offer you the same level of functionality that has always been a part of the RSSS solution. Ask yourself these questions about your current software provider's application:

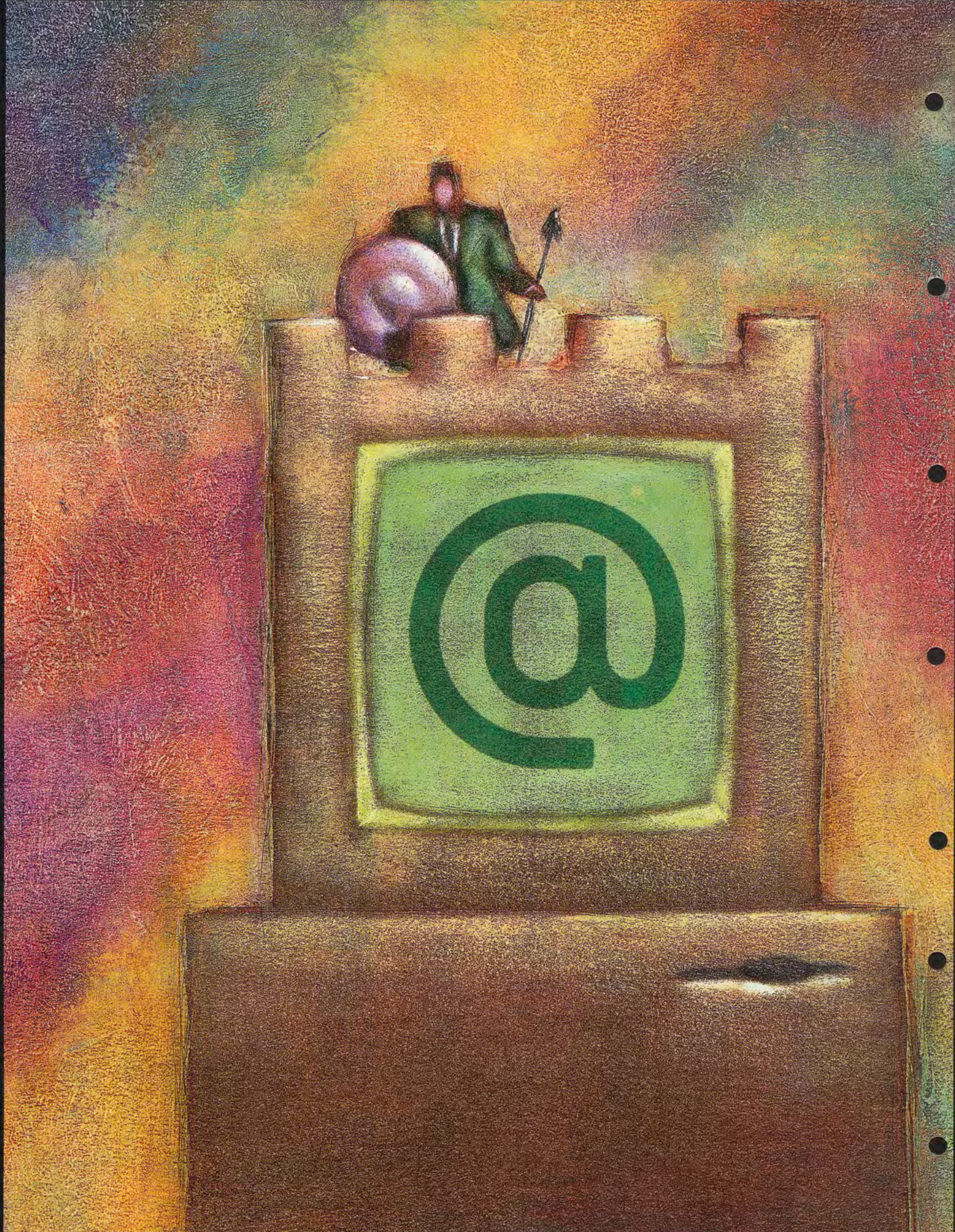
- Can I **reprint an existing customer's agreement at any time**? Do I have the ability to print my **agreements in their entirety on a laser printer with my logo** on plain paper for a clean, professional agreement every time?
- Can I conduct a **retail transaction** that integrates with the rest of my business application?
- Do I have the ability use the **"latest" computer technology** with my application? Can I put my **stores on-line** so they can share inventory and customer information with each other in real time?
- Does my computer software automatically print out a **delivery ticket** when someone opens up a new agreement?
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# THREE STEPS FOR KEEPING EMPLOYEES'

# E

# MAIL

# FROM LANDING YOUR BUSINESS IN COURT

With an estimated 1.3 trillion e-mail messages being sent annually, electronic mail is quickly becoming the communications medium of choice in many business settings. While e-mail transmissions do offer many benefits, such as speed, ease of use and relative low cost, business owners are learning the hard way that e-mail is a visible and potentially perilous communication tool. For example, one company faced six claims of sexual harassment because an employee downloaded an "adult bulletin board" to the company's computer system and programmed it to display the offensive material on employees' screens when they accessed their mail.

BY PATRICIA S. EYRES

**a**nother company paid \$2.2 million for racially charged e-mail messages exchanged on its system by employees. But these incidences don't only occur in large organizations. Companies as small as 10 employees have had to discipline employees for misuse of company computer systems with violations ranging from inflammatory messages to software piracy.

E-mail abuse and Internet misuse can cripple communications, disrupt operations or embarrass a business. It also increasingly leads to real legal liabilities. Inflammatory or abusive content, off-the-cuff jargon, ambiguous instructions, imprecise memos, embarrassing gossip, unprofessional language or breaches of confidentiality are all a fertile source of concern for e-mail writers and their employers.

Many of these e-mail-related challenges can be eliminated or controlled. Below are the three most critical steps every company should take to reduce its chances of an e-mail disaster.

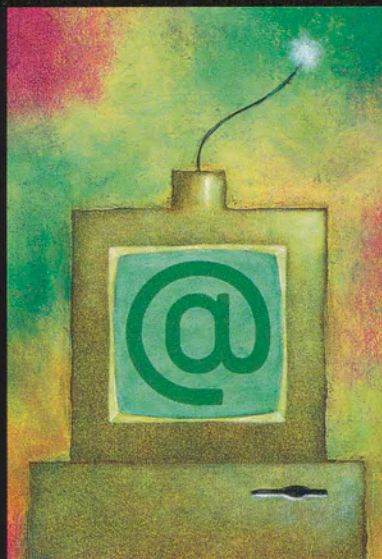
### 1. ENACT AN E-MAIL USAGE POLICY

To improve your company's control over employee e-mail, adopt policies that clearly define what rights the company reserves and explain that e-mail communications are not private. The specific language of the policy will vary depending upon the company, the industry and the specific needs of the work environment. The policy should be written and incorporated into employee manuals or policy books. Employees, indicating that they have read it and agree to be bound by its terms, should then sign the policy.

Some common e-mail usage policy highlights include:

► **DEFINING THE PERMISSIBLE USES OF THE E-MAIL SYSTEM.** Make it clear that the business owns the e-mail system. All messages that are created, sent or received using the system remain the property of the company. Indicate that

workplace e-mail systems are to be used for business communications only. Personal business is unauthorized and should not be conducted at any time. Additionally, it is wise to state that offensive, discriminatory or disruptive e-mail messages are strictly prohibited.



**INFLAMMATORY OR ABUSIVE CONTENT, OFF-THE-CUFF JARGON, AMBIGUOUS INSTRUCTIONS, IMPRECISE MEMOS, EMBARRASSING GOSSIP, UNPROFESSIONAL LANGUAGE OR BREACHES OF CONFIDENTIALITY ARE ALL A FERTILE SOURCE OF CONCERN.**

All non-discrimination policies should also refer to e-mail as a prohibited medium for inappropriate content.

All employees should be made aware that access to messages received by or transmitted through the e-mail system are limited to persons who need to know the information. Employees should disclose information or messages only to authorized employees. Equally important is to put employees on notice that any communications created, sent or retrieved using e-mail may be read by individuals other than the intended recipient.

► **DEFINING APPROPRIATE AND IMPERMISSIBLE CONTENT.** Employees must know specifically what is allowed and what is prohibited in the e-mail system. Explain that messages containing insensitive language, racial, sexual, ethnic or religious material is not acceptable. Prohibit all offensive or disruptive messages, as well as abusive, obscene or vulgar language, gossip, ridicule or retaliatory messages. Further explain that downloading sexual, racial, religious or otherwise discriminatory or offensive material from the Internet is not allowed. Finally, inform employees that violations will result in appropriate discipline.

► **RESERVING THE RIGHT TO MONITOR E-MAIL.** To keep your employees in compliance, specifically reserve the right to review, audit, intercept, access and disclose any business or personal messages created, sent or received on the e-mail system. To assure legally sufficient employee consent, the policy should contain a clear description that the employer will monitor the e-mail, which goes well beyond simply reserving the right to do so.

### 2. ENFORCE YOUR E-MAIL USAGE POLICY REGULARLY

Establishing a policy is only the first step to limiting liability when monitoring e-mail. Equally important is enforcing the policy in a manner that makes it fully effective in eliminating employees' alleged reasonable expectations of privacy. To make your employees continually aware that the policy is

in effect, consider using an electronic disclaimer that is triggered each time the individual logs onto the e-mail system or accesses a personal e-mail mailbox. This also helps establish that the employee has no reasonable expectation of privacy.

Enforce your e-mail policy systematically and regularly, even for what may seem like a minor offense. Failure to do so could result in waiver of the employer's rights. For example, employees may allege that they expected privacy because the employer was known never to enforce its monitoring policy and was also known to be aware that employees were exchanging personal or private e-mail messages. Be advised, though, that employers must exercise caution and monitor only in situations where monitoring is necessary to protect legitimate business purposes. Train management on the use of the e-mail technology to assure that accidental leaks of information obtained do not occur.

### 3. EDUCATE EMPLOYEES AND MANAGERS ABOUT THE E-MAIL USAGE POLICY

Despite the prevalence of e-mail abuse and consequences played out in the media, many employees still believe their e-mail is private and transitory and that personal access to the Web at work is untraceable. Employers must educate their employees that this is not so. A good employee education system will alert employees that the use of passwords does not indicate a message is confidential or that the company will not be able to intercept it. Additionally, it will point out that the deletion of a message does not give an assurance that it will not be retrieved or read. Employees should understand that until the message is written over on the hard disk drive, it is retrievable and that the company has the technical tools to do so and so reserves the right.

As e-mail communication continues to dominate the business world, it's more important than ever for

employers to keep tabs on employee e-mail messages. Not doing so could leave the organization in the midst of legal troubles. In today's electronic age, smart companies will enact and enforce an e-mail usage policy and will educate employees and managers as to its purpose and use. It's one measure that could keep your employees safe from inappropriate communications and could save your company millions of dollars in potential lawsuits. ■

*Patricia S. Eyres, an experienced litigation attorney, is a professional speaker and author on proactive legal management of the workplace. She is president of Litigation Management & Training Services, Inc., in Long Beach, CA, 800/LIT-MGMT. Her newest book, The Legal Handbook for Trainers, Speakers and Consultants: The Essential Guide to Keeping Your Company and Clients Out of Court, provides more detail for business presenters.*

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**Teletrack Inc. \*+^**  
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# STATE ASSOCIATIONS

By Julie Sherrier

Missouri Rental Dealers Association  
3407 Bridgeland  
Bridgeton, MO 63044  
314/291-3139; fax 314/291-3538

Progressive Rentals is profiling each state rental dealers association. Without these organizations and grassroots activities on the state level, the industry would not be as successful as it is today. You may find ideas here that can be applied to your state association. We want to hear from you. Contact Julie Sherrier at APRO at 800/204-2776 or e-mail [jsherrier@apro-rto.com/](mailto:jsherrier@apro-rto.com/).

Like many state rental dealer associations, the Missouri group first organized in the late 1980s to push forward a rental-purchase bill through the Missouri Legislature. APRO Government Relations Committee Chairman Dave Egan called Missouri rental dealer John Cleek to ask for his help to organize a group of rental dealers in the state for a meeting. The purpose of the meeting was to educate these dealers on the benefits of passing an RTO-friendly bill.

"About 20 dealers came in from around the state for that first meeting, which was held right before Thanksgiving in 1987," says Cleek. "It was a horrible, snowy day. Dave Egan talked about how getting a bill passed would protect the industry and consumers. He introduced John Britton, who is one of the top lobbyists in Missouri, who said he would help us get the bill passed. He talked to us about our chances of success. He also said we needed to come up with \$25,000 to pay his fee."

The dealers were easily convinced that to protect the future of their businesses, they had to mobilize and raise the money needed to hire Britton. John Thompson of Thompson's TV in Moberly, MO, was elected as the Missouri Rental Dealers Association's first president. Thompson's brother, Jan, was elected secretary-treasurer. Cleek served on the newly created board.

"John figured that we needed about \$250 per store in order to hire Britton. Our entire focus that first year was fundraising. John was tireless in his efforts trying to raise those funds," says Cleek.

When the time came, several dealers were prepared to provide testimony before the Missouri Legislature through which Britton was shepherding the bill, but "we were never called on," says Cleek. In May 1988, the Missouri Rental-Purchase Act became law.

Over the next few years, MRDA held a collections seminar featuring Bud Holladay and hired an attorney to provide legal counsel to their members. Then, in 1991, they got motivated to organize, network and grow. Gary Romine of Show-Me Rent-To-Own in Farmington, MO, was elected president, Cleek was elected vice president and Daniel Cole of National Rent To Own was elected secretary-treasurer. "We then went about being more aggressive about having regular meetings and improving the quality of our association," says Cleek.

Association bylaws were drawn up that July, along with a code of ethics and collections practices. In 1993, MRDA members decided to add a trade show and seminar to their calendar, to be held at the Lake of the Ozarks in September. The annual trade show and seminar has grown to a 60-booth exhibit hall, with attendance surpassing 200. With this growth, MRDA sought to hire outside management to handle the complexities of the show. As a result, Ken Steiner of Steiner and Associates was hired.

"Before we hired Ken, MRDA lost \$7,000-\$8,000 every year on the trade show. Now we turn a profit, even after Ken's fees are paid," says Cleek. "All the calls and paperwork are handled by Ken and his son, Don. It just got to a point where we couldn't do it with volunteers anymore." Steiner recently was hired by the Arkansas Rental Dealers Association to help with its administrative matters and newsletter.

Missouri is well represented at the annual APRO Dave Egan Legislative Conference, which is held in early spring in Washington, D.C. MRDA is also a sponsor of the Missouri Democratic Black Caucus Golf Tournament and was one of the first state associations to kick in \$5,000 to help develop the new Rental Training Online program.

MRDA continues to maintain a lobbyist, along with an attorney, to help deal with legislative and legal issues as they arise. The board of directors decided to open the pipeline between vendors and MRDA members by recently creating a non-voting position on the MRDA board for a vendor representative.

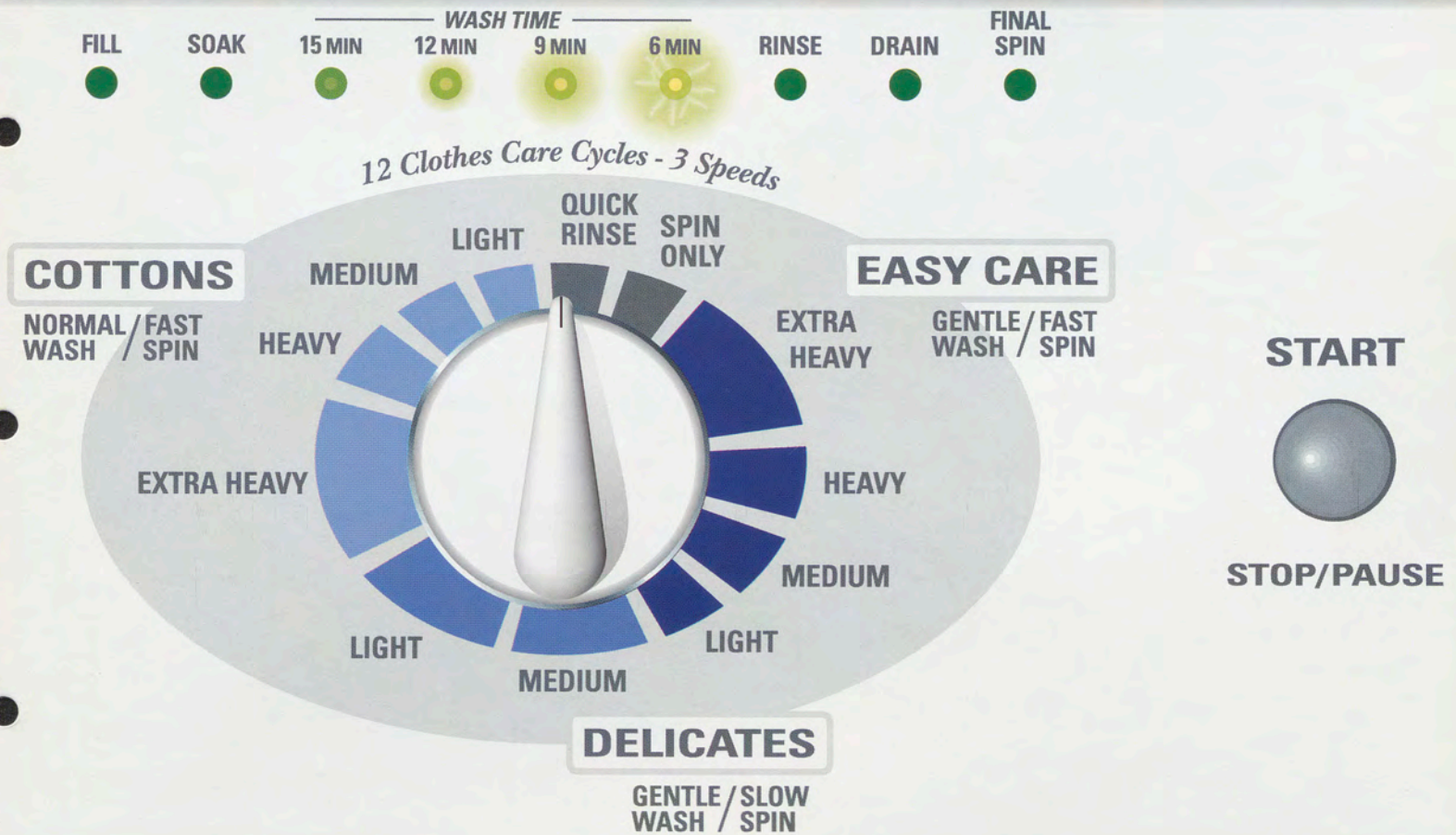
For all their hard work, spirit and activity, members of the Missouri Rental Dealers Association were recognized as the APRO State Association of the Year in 1994 and in 1998. In 1996, "Tiger" John Cleek was named APRO Rental Dealer of the Year. Missouri is also well represented on the APRO board, with Gary Romine currently serving as second vice president and Cleek is serving as APRO treasurer.

## STATS:

2001-02 MRDA Board of Directors  
President: Daniel Cole, National Rent To Own, Bridgeton, MO  
Vice President: Dwight McQuade, DDJM Inc dba Rentacolor, Kansas City, MO  
Secretary-Treasurer: Chuck Kuluva, Rental City Inc., Kansas City, MO  
Immediate Past President: "Tiger" John Cleek, Cleek's Rent To Own, Columbia, MO

Number of regular members: 32  
Number of associate members: 52  
State RTO law passed: 1988

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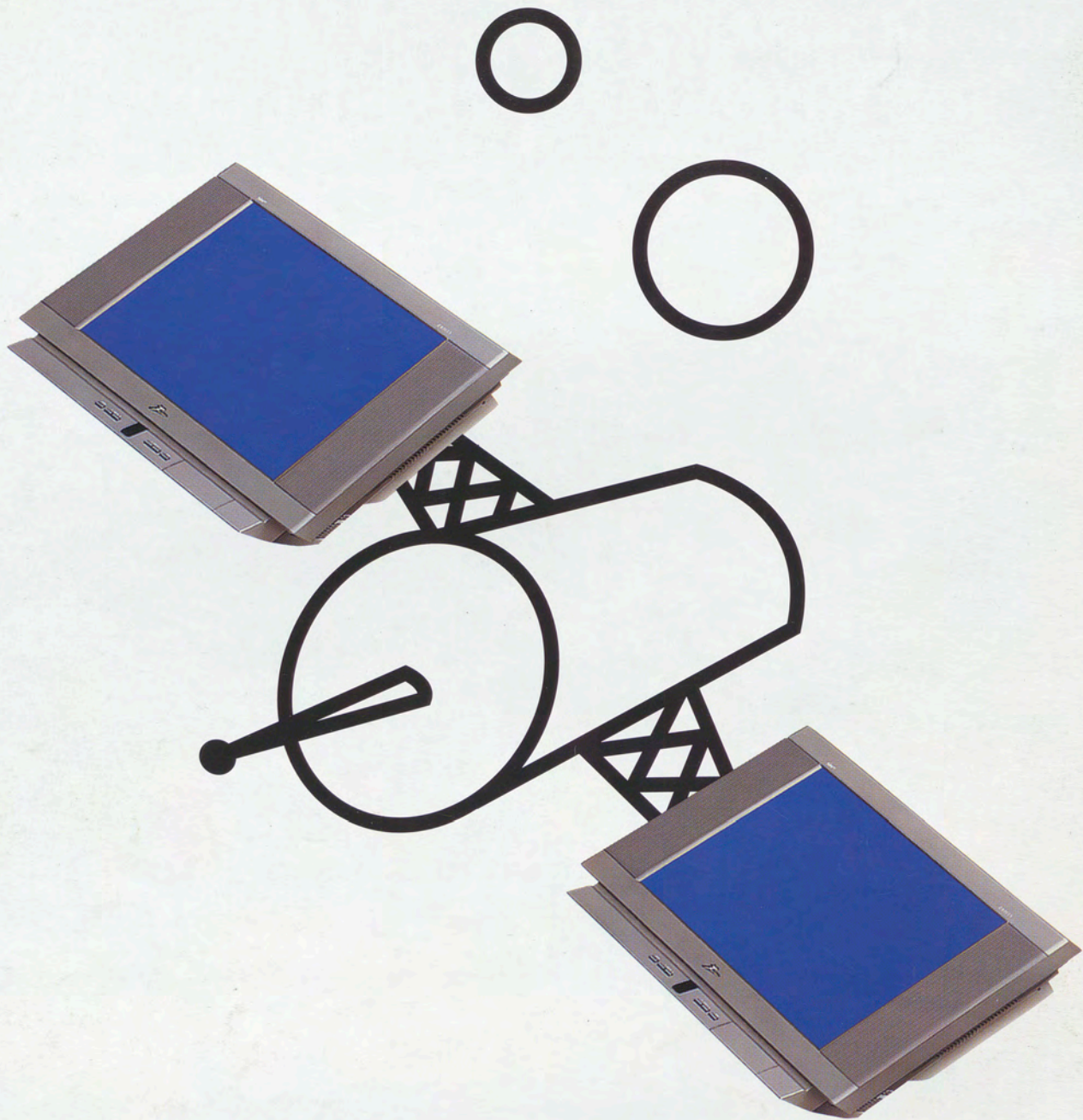
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