

VIDEO SURVEILLANCE IN RTO STORES | WHO'S CHECKING REFERENCES?
A PROFILE: COLORTYME'S BOB BLOOM

PROGRESSIVE
Rentals

THE VOICE OF THE RENTAL-PURCHASE INDUSTRY | MARCH-APRIL 2005



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PROGRESSIVE Rentals

MARCH-APRIL 2005

26 | WHAT'S THE KEY TO CUSTOMER LOYALTY? FEEDBACK

The most obvious and powerful tool for increasing customer retention and loyalty is being responsive to your customers' needs. Find out some of the methods that rental dealers across the country are employing to keep their customers coming back.

BY MIKE HETHERINGTON

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The price and size of closed-circuit video cameras and recording equipment keep diminishing. It's no wonder that rental dealers are considering this technology to keep an eye on things in the store. Here's what you can and cannot do with video surveillance equipment.

BY ED WINN III

34 | WHO'S CHECKING REFERENCES?

What is it in human nature to not perform one of the most basic tasks in completing the RTO transaction when the boss is not around?

Clamping down on checking references may mean that a delivery or two gets delayed or maybe not delivered at all, but it can mean fewer skips and stolens and easier collections.

BY ED WINN III

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Meet the man who has been tapped to lead America's longest-running franchised RTO company. His goals for the future are heady, but if ever there was someone who could double the company's growth, it's Bloom.

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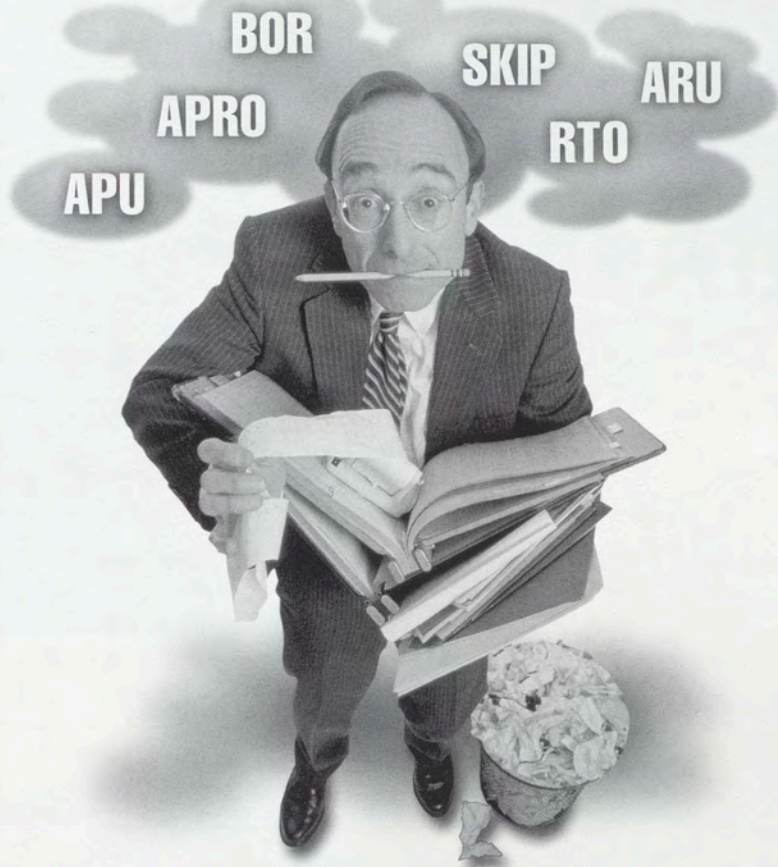
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news

B R E A K

COMPILED BY
JULIE SHERRIER

APRO to celebrate 25th anniversary at the 2005 Convention and Buying Show in August

It was 25 years ago that the first meeting of RTO dealers was held in Dallas in July 1980. Several months later, the Association of Progressive Rental Organizations was formed and APRO General Counsel Ed Winn was appointed as APRO's first executive director.

1980-2005

THE APPROACH
APRO
25

The 2005 Convention and Buying Show will celebrate the Association's quarter-century mark with several events, including a look back at the accomplishments, setbacks and milestones achieved by the active involvement of hundreds of rental dealers from all 50 states. Scheduled for August 8-11 at Mandalay Bay in Las Vegas, the event will feature numerous attractions, including:

▶ The second annual Buying Show. In 2004, the APRO trade show was transformed into a buying show where more

than \$13.2 million in product was sold in the exhibit hall.

▶ The 2005 Rental-Purchase Employee and Rental-Purchase Customer of the Year will be honored. Entry forms are now posted on the APRO Web site at www.APRO-Vision.org. Enter your best employee and/or customer today. The winners will be treated to a free trip for two to Las Vegas during the show.

▶ The winners of the 2005 Rental Advertising Excellence competition will be displayed in the exhibit hall. Entries produced in-house and by advertising agencies will be judged separately. Enter online today on the APRO Web site.

▶ Top speakers and RTO experts will offer invaluable education seminars focused on your business. Industry updates and annual survey results will also be discussed.

▶ Social events with great food and entertainment are always a highlight of the APRO Convention and Buying Show. This year's parties include an exclusive evening at The Palms Hotel in the Rain in the Desert nightclub as well as a *Tonight Show* spoof celebrating the 25th anniversary of APRO, with a Jay Leno impersonator.

▶ The Joe Eason and Tom Kitchens Golf Tournament will be held at

NEWS BREAK

the Paiute Golf Resort, a course that will appeal to all handicaps with relatively easy holes with great views of the Spring

and Sheep Mountains. Stay tuned for more information in the next issue of *Progressive Rentals*, on the APRO

Web site at www.APRO-Vision.org and in the biweekly online newsletter, *Rental Viewpoint*. We hope to see you there!

Rental-Purchase Customer and Rental-Purchase Employee of the Year call for entries

The search is on for the best RTO employee and RTO customer for the 2005 Rental-Purchase Employee and Rental-Purchase Customer of the Year contests. As in previous years, this contest is a wonderful vehicle that can extend beyond APRO and can be customized for your stores to find your best employee and your best customer.

Entrants get a chance



for an all-expenses-paid vacation to Las Vegas, NV, if selected as the Employee of the Year or a similar package tailored to the winner's choice if selected as the Customer of Year. By participating in this year's competition, dealers will indirectly encourage their employees to

ENTRY FORM

2005 APRO Rental-Purchase Customer of the Year and Employee of the Year competition

This is a nomination for (check one): Customer of the Year or Employee of the Year

Nomination for _____

Company (if applicable) _____

Address _____

City _____ State _____ Zip code _____

Telephone (_____) _____ Fax (_____) _____

E-mail _____

Your name, (if other than nominee) _____

Company (if applicable) _____

Address _____

City _____ State _____ Zip code _____

Daytime telephone (_____) _____

E-mail _____

Explain why you think your nominee deserves to be named the 2005 Rental-Purchase Customer of the Year or Employee of the Year (attach a separate sheet if necessary):

I certify that the information provided is correct and true and can I can attest and stand judgment pending possible further inquiry.

Signature _____ Date _____

Mail this form to APRO Contest, 1504 Robin Hood Trail, Austin, TX 78703; or fax to 512/794-0097; or nominate on the APRO Web site at www.APROVision.org.

stop and reflect on what they do and how they positively impact the lives of their customers on a daily basis.

And before you send off your entry forms to APRO, you may want to select your own winners.

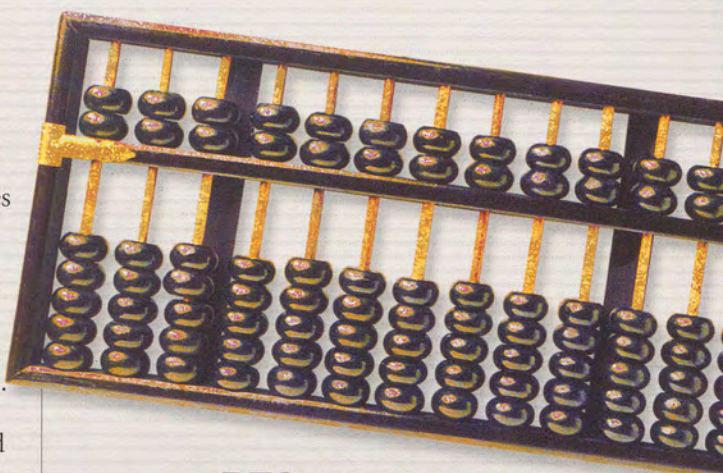
The Rental-Purchase Employee of the Year and the Customer of the Year contest is not just a competition, but a rallying point around an industry that is filled with human interest stories in every store in every community.

"We're putting a face and a story to the industry with this annual competition," says APRO President Shannon Strunk.

For the past five years, APRO has received some of the best stories around the nation on how and why rent-to-own is more than just a place where people go to lease appliances, furniture or electronics. RTO fills a unique niche in the marketplace that helps individuals become better parents, civic leaders and human beings.

Each rental company may nominate as many employees and customers as they see fit. Only APRO member companies are eligible to enter the competition. Anyone can nominate an employee or customer—you can even nominate yourself. The nominees are narrowed down to five finalists in each contest and

[CONTINUED ON PAGE 9]



RTO store count by state declines in 2004

While the RTO industry's economic revenue continues on a steady growth pattern, the number of stores in each state reflected an average of an 8 percent decline in 2004, according to the *2004 Rental-Purchase Statistical Survey*. A state-by-state analysis revealed that an average 15-store decrease was reflected per state. Forty-five states showed a drop in store count with the remaining five states having similar store counts as in 2003.

"The sheer consistency of store reduction throughout 90 percent of the nation reflects a significant economic consolidation trend in the industry. The rent-to-own industry has been experiencing a consolidation trend the past several years and these numbers show the consolidation trend is still alive and strong," says APRO Executive Director Bill Keese.

The most significant store reductions were reflected in West Virginia (46 percent decline), Arizona (21 percent), Nevada (19 percent), Michigan (17 percent) and Oklahoma (15 percent). Alaska, Kansas, Nebraska, North Dakota and Utah were the five states that maintained the same store count as the previous year. The highest store count reduction was in Texas where the total store count dropped 90 stores from 2003. However, since Texas is the largest rent-to-own store count state, the 90-store drop reflected the average 8 percent reduction, leaving Texas with a total of 997 stores.

These comparisons are derived from the annual statistical survey in which all APRO members are encouraged to participate. These numbers help bankers, financial analysts, investors and new business owners better understand and promote the rent-to-own industry in America especially in the financial communities. APRO members will receive their 2005 survey questionnaire in the mail in the next months. Survey results will be presented at APRO's annual convention in August.

2005

APRIL

26-27
Arkansas Rental Dealers Association 2005 Spring convention and trade show, Arlington Hotel, Hot Springs, AR, 870/910-0059, www.arkansasrentaldealers.org

MAY

3-7
TRIB Group 2005 Convention, Gaylord, TX, 770/451-4302, www.tribgroup.com

10-11
Tennessee Rental Dealers Association conference, Nashville, TN, 423/626-8025

17-18
APRO 2005 Legislative Conference, Washington, D.C., 800/204-2776, www.aprovision.org

JUNE

22-26
ColorTyme summer convention, Myrtle Beach, SC, 972/403-4945, www.colortyme.com

JULY

19-21
Missouri Rental Dealers Association summer training programs, St. Louis (July 19), Columbia (July 20) and Springfield (July 21), 913/371-2400, www.missourirentaldealers.org

22-25
San Francisco Furniture Mart, San Francisco, CA, 415/552-2311, www.sfmart.com

25-29
Las Vegas Furniture Market, Las Vegas, NV, 888/380-0919, www.lasvegasmarket.com

AUGUST

8-11
2005 APRO convention and buying show, Las Vegas, NV, 800/204-2776, www.aprovision.org

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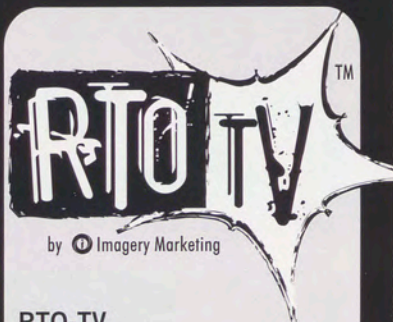
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NEWS BREAK

2005 APRO Legislative Conference set for May 17 and 18

APRO's annual Dave Egan Legislative Conference will be held this year in Washington, D.C., May 17 and 18. The Loews L'Enfant Hotel will be the 2005 headquarters for this classic event.

Rental dealers from around the country take this opportunity to explain the importance of federal RTO legislation to their congressmen and senators. This year's event is particularly vital because this is a new Congress with new proposed RTO legislation.

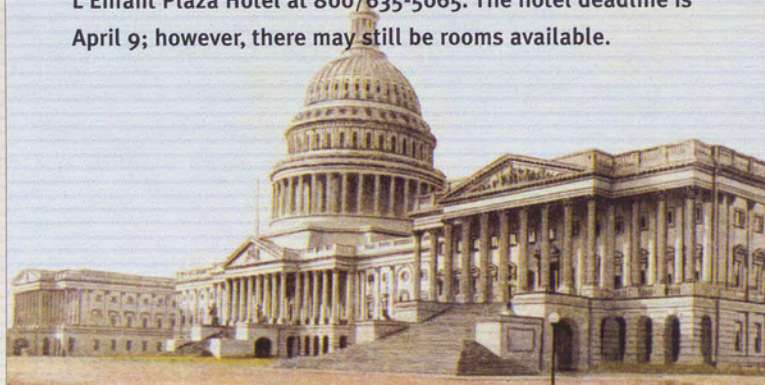
"If you value your business, you will want to attend this year's conference," says APRO President Shannon Strunk.

"Mark your calendar today and come to Washington with your fellow rental dealers and let's get the job done! I promise you will experience a lifetime opportunity to protect your business and build our industry."

The critical grassroots contacts APRO members have established over the past several years have set the stage for this new Congress. There will be new committee assignments, newly elected congressmen and congresswomen and new contacts to make to add to our already impressive grassroots program.

The individual(s) with the highest number of meetings with his or her members of Congress will be honored with a U.S. flag that will be flown over the nation's Capitol. This flag will be presented to the winners at the 2005 APRO Convention and Buying Show in Las Vegas, NV, in August.

To register or for more information, contact Jeannie Hutchison at APRO at 800/204-2776, ext. 108, or visit the APRO Web site at www.APROVision.org on the Legal Channel for online registration. For hotel reservations, contact Loews L'Enfant Plaza Hotel at 800/635-5065. The hotel deadline is April 9; however, there may still be rooms available.



["ENTRIES" FROM PAGE 7]

then an impartial panel of judges selects one from each. Entries are now being accepted. The entry deadline is June 1. To enter, just fill out the entry form on page 6. Feel free to make multiple copies of this form or customize your own entry form if your store is sponsoring its own contest. A blank entry form (PDF) can also be downloaded from the APRO Web site at www.APRO-Vision.org. If you have any questions, contact Richard May at APRO at 800/204-2776, ext. 104.

Brighter horizons for RTO in New Jersey

Rent-A-Center had a big and important courtroom victory in New Jersey in early 2005 that will change the legal landscape for RTO in that state. The state Court of Appeals ruled that a rental agreement with a bona fide balloon purchase option at the end was not a retail installment sale and, therefore, did not violate the state's criminal usury statute. The industry had been plagued with a series of

adverse rulings from state court judges that had cost the industry tens of millions of dollars in the 1990s and had created an uncertain environment for the business. New Jersey courts had been quick to rule how the business could not be run, but gave little guidance about how it could be run legally.

This latest case had different facts from the previous adverse rulings because of the contractual fair market balloon-purchase option. The Court of Appeals in this

latest case, *Perez v. Rent-A-Center*, distinguished all of the previous cases because of the purchase option and went on to conclude that RAC's rental agreements do not fit within the definition of a retail installment contract under New Jersey state law.

The ruling leaves RTO transactions with balloons unregulated in the state and has already had political repercussions. One of the industry's previous opponents in the legislature has recently sponsored a bill that would regulate RTO

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transactions in a fashion similar to how they are regulated in other states and may finally give New Jersey rental dealers a safe legal environment in which to do business.

Premier Rental-Purchase forms partnership to create Premier Wheel Rentals

Premier Rental President Trooper Earle and longtime wheel and tire rental guru Scott Savell, founder and president of American Tire Rental, announced a new venture called Premier Wheel Rentals. They will soon help Premier dealers license freestanding wheel rental stores with an unprecedented support system.



Earle and Savell

“Several Premier stores have very successfully begun adding the wheel and tire program to their bread-and-butter operations,” says Earle. “We want to expand our position in the industry and give our dealers the opportunity to license freestanding, full-service wheel and tire operations. Combining Scott’s experience with Premier’s licensing operations and commitment to dealer service and value, we are certain we can provide the highest

support to our future wheel rentals dealers.”

“We both understand that together we can achieve a whole lot more than we can separately,” says Savell, “We are marrying unique abilities and 40 years of combined service. Trooper and I share a common belief that dealer support is critical, more so than any other element.”

RentWay’s Morgenstern to step down May 1

After serving as CEO of the 776-store RentWay chain for more than 24 years, William E. Mor-

genstern will step down from his role as president and CEO on May 1. Morgenstern will continue to serve the company as the non-executive chairman of the board and will provide services to the company as a consultant.

William S. Short, RentWay’s executive vice president and chief operating officer, was elected to replace Morgenstern as



president. Short has 21 years of RTO experience and joined RentWay in 1996. Since July 2002, he has been responsible for all rental-purchase operations as senior vice president of operations and later as executive vice president and chief operating officer.

Arkansas grassroots network heads off negative legislation

Arkansas Senator Sue Madison from Fayetteville, AR, submitted Senate Bill 1016 on March 7 to enact price controls and additional regulations to the state’s rental-purchase act. The bill was on the fast track with a hearing immediately scheduled for March 9. Arkansas Rental Dealers Association members, led by Alan

Vail elected to APRO board

Geron Vail of Pearson-Vail, dba Furniture and Appliances Now, an 18-store RTO chain based in Jonesboro, AR, was elected to the APRO board of directors on March. Vail has been an APRO member for seven years and has been very active in reorganizing the Arkansas Rental Dealers Association and in the industry’s legislative efforts.



Vail replaces Gary Romine of Show-Me Rent-To-Own in Farmington, MO, who resigned from the APRO board in late February in order to devote more time to his new political career serving as chief of staff to Missouri Senator Kevin Engler. Romine will be advising Engler on state legislative issues for the session. “It has been a great honor to serve the APRO board all of these years and it definitely has prepared me for my new role as Engler’s chief of staff,” says Romine.



Frazier, John Raines, Geron Vail, Chris Korst, Larry Carrico and a host of ARDA grassroots support were successful in postponing immediate action on the bill through letters, faxes and phone calls coordinated through ARDA Executive Director Jill Crews and the APRO offices.

The bill's hearing was postponed in the Judiciary Committee in order for Madison to hear the concerns of ARDA group on the proposed legislation. Madison and the ARDA group met during lunch for an informative

and productive meeting. ARDA plans to investigate Madison's concerns while the bill remains pending. In the meantime, ARDA hired a state lobbyist to represent the group before the state legislature for the session.

The bill was drafted and introduced by Madison as a result of her concerns about collection practices utilized against one of her tenants, who also is her constituent. The RTO company in question has a good reputation; ARDA plans to contact

Call for RAE Awards entries

Entries are now being accepted for the 2005 Rental Advertising Excellence competition. This is an annual competition designed specifically to recognize the creative advertising efforts of the rent-to-own industry in a variety of categories that are created either in-house or by an advertising agency. Introduced last year, there are new categories for Web sites and/or an online presence by a rent-to-own firm. Download the entry form today at www.APROvision.org. The deadline for entries is May 13.

the company to report the complaint and take any necessary actions regarding the alleged incident.

Madison told the group that she has received numerous phone calls and e-mails from across the state, as

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Robert Briley ■ RENT CITY / ABILENE, TX



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well as the entire country, expressing opposition to this bill. She did not expect the level and quickness of the grassroots response to the bill and admitted she was very unfamiliar with the rent-to-own industry. She agreed not to move the bill forward in the future without first talking to ARDA regarding the bill's impact on small business and consumers.

"Our current structure of ARDA could not have worked better in this situation," says ARDA President Alan Frazier. "Our legislative monitoring setup worked to perfection; ARDA quickly rose to the occasion and was dealing with this issue within a matter of minutes."

FRDA Economic Crime Council learns how to file criminal complaints

On March 10, the Florida Rental Dealers Association Orlando Economic Crime Council met in Orlando for the second time this year. Those in attendance included the 15-person council represented by Buddy's Home Furnishings, RentWay, Rent-A-Center and Rent King. Orange County Sheriff's Department Detective Craig Fulton led the 45-

Dealers raise money; vendors cash in at 2005 Mid-Year Conference

The mood at the 2005 APRO Mid-Year Conference, held March 14-16 in Key West, was upbeat and convivial. Twenty-two exhibitors enjoyed a breathtaking view on the rooftop of the historic La Concha Hotel, displaying services and products and meeting with more than 50 rental dealers

attending the conference. APRO president Shannon Strunk thanked conference sponsors D&H Distributing, RSSS, High Touch and Bryce.

Strunk kicked off the networking state-of-the-industry session with an update, followed by a lively discussion by 50 participants. Topics discussed included DLP vs. plasma TVs, the RTO industry calendar, term lengths, tire and wheel rentals, employee and advertising issues, customer loyalty and insurance pooling.

"Tiger" John Cleek raised pledges of \$73,000 for APRO's new Team Fund. Seventy percent of the commitment will go toward a special dues assessment and 30 percent will go toward APRO PAC.

The APRO Scholarship Foundation Golf Tournament was played at the Key West Golf Club with 32 golfers. The golf raffle raised more than \$4,000 for the foundation.

The conference concluded with the annual RTO Legal Update, presented by APRO General Counsel Ed Winn. He covered the new bankruptcy law for rent-to-own, reported on the California class-action settlement and reviewed pending legislation in Arkansas, New York and New Jersey.



minute session with very informative material regarding filing, paperwork and the expectations of documentation needed when rent-to-own companies find it necessary to file criminal

complaints.

The next ECC meeting will be held April 14. Arrangements have been made for State Attorney Stephen Foster to speak. FRDA President Terry Beville encourages all

store managers, account managers and anyone associated with rent-to-own not to miss this session.

For more information, contact Terry Beville at 813/623-5461.

RTO consultant Semon takes helm of Rent World



Twenty-two-year RTO veteran Lindsey Semon left his eight-year RTO consulting business to assume the position of COO of Rent World on March 16. Rent World, based in Memphis, TN, is a four-store operation with a healthy group of investors who want to see the chain adopt an

aggressive growth plan. The expansion plan includes opening stores in Tennessee, Arkansas, Mississippi and Alabama.

"Rent World has the resources to expand and we are in an aggressive mode," says Semon. "These are new investors to the RTO world and have been successful in opening four locations since last fall." Semon brings with him a wealth of experience, contacts and knowledge to the company. He has owned RTO stores prior to consulting, served on the APRO board and in sev-

eral advisory capacities for the Association, as well as assisting with the passage of safe rental-purchase laws in North Carolina.

Semon can be reached at 901/737-2988.

SED International now offering Pioneer home entertainment gear for RTO

RTO digital technology distributor SED International announced on March 17 that it reached

an agreement with Pioneer Electronics to provide consumer technology products such as plasma displays, home audio and home video products to the RTO market.

"SED International is very excited about our new relationship with Pioneer Electronics," says Senior Vice President of Purchasing Chuck Marsh. "I am confident that Pioneer Electronics will become the leading line of consumer electronics within the RTO channel."

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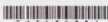


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ColorTyme opens first store in Alabama

Opp, AL, is the first Alabama location for the Pannell family—who have been ColorTyme franchisees for the past 16 years—and also for the ColorTyme franchise operation. The Pannells (Frank is president, his wife Georgia is treasurer and their son, Richard, is vice president of EBRO International Inc.), who live in DeFuniak Springs, FL, opened their first store in their hometown and have since branched out with five other stores; three in Florida and two in Mississippi.

The Opp store celebrated its grand opening on April 1. The Pannells plan on adding another Alabama location within the next six months. The family chose Opp for its rural characteristics and community atmosphere.

Tennessee dealers to meet May 10 and 11

Tennessee rental dealers won't want to miss this year's state meeting in Nashville, May 10 and

11 at the downtown Hilton. "If you're in the RTO business in Tennessee, you'll want your voice heard," says Tennessee Rental Dealers Association President Larry Goad. "We plan to add to our board of directors and discuss the future of RTO in our state. All dealers in the state are invited to enjoy the good food, good speakers and great fun."

An invitation will be mailed to Tennessee dealers in April. For more information, contact Larry Goad at 423/626-8025.

Former Ohio store manager opens Premier franchise

With more than 10 years of RTO experience under his belt, Scott Kinnear decided two years ago that he wanted to open his own store. After doing his research, Kinnear turned to Premier Rental-Purchase and turned his dream into reality with the opening of his first store in January.

Having spent the past decade in Dayton, Kinnear

State rules and regs update

Important legislative issues remain for the RTO industry. Currently, Arkansas, California and New York have bills pending that would amend existing RTO statutes. Two of these bills, the Arkansas and New York bills, would restrict rental-purchase pricing at levels so low as to make the business uneconomic in those states. The New York bill would limit RTO pricing to the cash price plus 25 percent over the life of the agreement. The Arkansas bill would limit RTO pricing to 150 percent of the cash price. There are nine states that limit the total RTO price to not more than twice the cash price or some higher percentage. Ed Winn's updated RTO state rules and regulations charts are available for download at www.APROvision.org/PDFs/rtostateregs05.pdf.

knows his customers and they are tracking him down in his new setting. "Anything the com-

petition can do, we can do better," says Kinnear. The new store is located at 4817 Salem Ave.

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Being heard

Before I got involved with the industry's legislative issues, not only did I not understand how important my individual voice is to my congressman or senator, but I also didn't realize that they actually are interested in my opinion. At my first APRO Legislative Conference, I had no clue what was expected of me nor did I know what to do while I was there, but it was one of the single most important events in helping me understand the political process.

Once again, we are gearing up for the industry's annual legislative conference, May 17 and 18 in Washington, D.C. This is the time for rental dealers to educate legislators on the merits of our transaction and, equally important, the time to educate legislators on what our transaction is not.

What we do in Washington in virtually every visit—whether it is during the conference or any other time during the year—is explain to congressmen and their staffers why we want our transaction defined as a lease, not a sale, in the United States. We explain that we rent products to our customers and provide a group of services within that rental transaction that actually provides customer service for our customers, not just the use of the product.

We explain that most of our rentals are returned to us and we, in turn, rent that product again and again, each time with services that make the rental experience more pleasant and enjoyable for the customer. We also explain to the legislators and staffers that we are not a credit sale, that as a matter of practice, rental dealers treat each rental as a rental. If the customer actually intends on owning the product, the transaction is still treated as a rental and if the customer exercises the purchase option or rents the item the number of weeks/months as priced, then and only then does he or she own the product. This single issue is what makes our transaction different from retail sales. The actual right to return the product at any time, whether it is simply to return the item, upgrade the item or even rent some-

thing entirely different, is what makes rent-to-own unique.

For 16 years we have worked on securing federal legislation that defines our transaction. Again this year we are going to Washington to educate our congressmen and senators on the merits of our transaction and ask for their support in passing a law that defines our transaction as a lease and not a sale. We need your support in educating your legislators!

In every election cycle, the makeup of Congress changes. We have new people to educate and ask for help; it is not an endless cycle, but a welcome change to make sure the people who make laws that affect us understand our business. As employees in this industry, you can help us in this effort by visiting with the elected congressmen and senators in your areas when they are in recess. It is important to members of Congress to hear constituents' concerns.

In addition, part of the process in educating our legislators is educating their staffers on our issues. Each congressman and senator has legislative staffers who specialize in particular areas of interest. These are the people who do the background work on issues and keep the legislator up-to-date on the progress of the different issues that are being worked. Their influence should not be underestimated.

I want to personally invite you to attend this year's conference. APRO has materials that will explain the issues and help you better understand what we are trying to do. This simple act for the industry will positively affect us all and it will be the beginning of your education on the political process. I am so fortunate to now understand that my voice does count in Washington, whether it is for our industry or other issues that are important to me or my family. ■

Shannon Strunk is the president of Baber's Inc. in Pascagoula, MS.

"In every election cycle, the makeup of Congress changes. We have new people to educate and ask for help."



By SHANNON STRUNK
APRO's President

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Organizations, whether they are corporations, family businesses, trade associations, school or church groups, service or social clubs, all have life cycles—they grow, expand, stagnate, shrink and then they may die. This cyclical nature of organizations is analogous to the cyclical nature of the life cycle of human beings. Just as individuals try to enrich and expand their lives in their own way, so do wise leaders of organizations look for meaningful ways to build and extend the life and success of their organizations. Volumes of books, tapes and

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articles and countless specialists, advisors and consultants are readily available to give advice. The challenge is to choose wisely among the clutter.

This is certainly no easy task. However, one book that came my way recently attracted my attention. Paul C. Light has just published an interesting book in which he attempts to examine and identify four characteristics of a vibrant organization. What is it about some organizations that allow them to maneuver through surprise and disappointment to build a favorable future?

In *The Four Pillars of High Performance: How Robust Organizations Achieve Extraordinary Results*, Light has drawn upon his experience with the Rand Corp. and through “think tank” partnerships with federal agencies, private-sector companies and the U.S. military to reach these four common traits.



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

An examination of the four traits recognized by Light as common in high-performing organizations can be of value to rental dealers, both large and small, to vendors, state associations, buying groups and your trade association, APRO.

First, Light identified that healthy organizations recognize changing circumstances in their environment that can make them either more vulnerable in the marketplace or can provide them with new opportunities. Healthy organizations, he observed, focus on the opportunities of the future and not on the prob-

lems of the past.

Secondly, healthy organizations are always prepared to respond quickly to any signs of change and have the flexibility to move resources and personnel wherever they may be needed. These organizations never find themselves caught in the all-too-common straight jacket of following their original game plan when the playing field and the spectators have changed around them. They are flexible and have a culture of experimentation. Healthy, growing organizations are always looking at new ways of thinking and doing business.

The final characteristic of thriving, growing organizations is a leadership commitment to keep focused on the mission of the organization. Leaders set clear goals and constantly communicate these goals with everyone in the organization. Organizations succeed because they have leaders who strive for high performance and never get bogged with routine decision making. Delegating authority is critical. Successful leaders continually monitor the operations and activities within their organizations and make the necessary changes to ensure success.

I challenge everyone in this industry to think about these four characteristics and honestly relate them to your store, your company or any other organization of which you are part.

Today, we still face challenges for RTO. Can we finally secure federal legislation for the industry? Yes. But like other issues from other times, we stand a better chance by being flexible, by changing with the times and looking positively toward the future and not muddling around in the quagmire of past mistakes. There is no better time to open our minds to new avenues and new approaches not only to pursuing federal legislation, but also to building a stronger, more vibrant association for the future that meets the changing needs of our membership and their customers. I welcome any and all ideas from the APRO membership on how your association can make itself more valuable to the industry and the customers it serves. Call or e-mail me anytime. I welcome your input. ■

Bill Keese's e-mail address is bkeese@aprovision.org.

“We stand a better chance by being flexible, by changing with the times and looking positively toward the future.”

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The rent-to-own political winds are swirling as they often do when legislatures sit. Ink has been spilled on the subject and will be again. The industry suffers from some lack of cohesion, lately. Not possessed of any incantations to re-cement internal industry relations myself, I prefer to comment on something more soulful, as it were, than political disagreements. I am in the political fight—make no mistake—but politics is too slippery, too uncertain, too ever changing, too evanescent for me or anyone else to declaim with certainty that “This is the one right road to the Promised Land

Is it worth it?

of a federal enactment.” We have collectively been looking for that road on and off for 25 years and it remains as elusive today as when we started looking. If it were a clear-cut process, rich people would write checks and Congress would write laws for them. It is not that simple. Ask George Soros. A concentrated, united approach has failed consistently for over two decades. A bifurcated approach cannot do any worse.

Now, on to the more soulful stuff. A dealer called yesterday with a set of unhappy facts all around. A customer had just rented a bunch of electronics and furniture. Her agreement was worth \$3,000. The dealer’s hard cost in the stuff was \$1,000. She had made two semi-monthly payments totaling \$160 and then got behind by two payments and then her house burned to the ground with the rental stuff in it.



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

The customer had chosen the dealer’s damage waiver which, in pertinent part, covers losses from fires and also requires the customer to be current on the agreement at the time of loss; a fair provision. Insurance companies will not pay for your wrecked car if you have not paid your insurance premiums. The customer was a good 30 days past due.

The agreement also requires the customer to furnish a fire report within a few days after a fire. Police reports for thefts make a certain amount of sense. It is pretty easy to take a screwdriver and gouge the wood around a door lock, but requiring a police report will at least make a rental thief lie to the police and that might give

some people pause.

But fires are usually self-evident events. The dealer had no doubt about this fire. He saw the smoldering rubble. But, I suppose that a grease fire in a kitchen might destroy an appliance without burning down the house and so maybe a fire report may actually help every now and then.

Reporting aside, the stuff burned up. The customer is in trouble a couple of ways from being able to invoke her LDW coverage. The dealer politely inquired of me as to his legal rights and also what he should under the circumstances. Two fair questions that have two different answers.

As a strict legal matter, the dealer could chase the customer for the value of the lost merchandise—probably somewhere between \$1,500 and \$2,000. A customer whose house has burned to the ground probably has greater concerns than a rental agreement and may miss her court date. The dealer may win by default. Otherwise, he can prove up his rental agreement and show the court why the customer has failed to satisfy the conditions precedent to qualifying for the LDW.

So, now he has got a judgment against a customer who has lately lost everything. She may have to move away. She may have to live with relatives for a while. Collecting on that judgment will be problematic at best.

Rental dealers are not, for the most part, immoral beasts, and this dealer is not, which is why he went on to ask the “should” question.

In response to that question, I suggested that he let the milk of human kindness flow on this account and to think about something else besides the company’s hard loss. We discussed the law. We discussed how well the LDW works, overall, in his company and how much revenue it drives through the door and how much merchandise is finally lost under the program.

At the end of the conversation, the dealer decided to write the deal off and, moreover, to feel good about doing so. He lost a hard \$800 on the deal and maybe more, but he freed up a lot of time and mental energy to direct toward renting more TVs and he slept deeply and soundly and with a crystal clear conscience that night. All things being equal, not such a bad deal. ■

“The dealer decided to write the deal off and, moreover, to feel good about doing so.”

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

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When people ask me why I belong to APRO and why I stay so involved, my first response is the glow that must appear on my face as the answer is stored deep in my heart. My love affair with this Association was born in the spring of 1981. My first RTO employer selected a number of staff to attend a seminar in Cincinnati by a young man who was to become an industry icon. It was at this meeting that I first met Ed Winn.

I will never forget the message he would deliver that day. While he spoke about the need to rec-

Triple my dues

ognize professional collection practices (and that by doing so meant we would lose a few televisions once in a while), his real message was that we all needed to learn how to come together as an industry and learn our trade as one. In those days, state RTO laws were few. A federal law was only a dream, but he and the other founders of this new trade association called APRO knew that if we were to survive we could only do so as one unified voice. On that day in 1981 it was his voice that beckoned to me.

A few years later, I opened my first store. Not long after we joined APRO, I soon found myself immersed in RTO politics in Ohio and pursuing a state law. As I became more involved, something magical happened. I became aware that for me to



By **ERNIE LEWALLEN**
APRO board member

thrive in my new business, it meant opening my mind to new ideas. It became clear to me that there were many people with different viewpoints who worked in this industry. As I spent more time with other industry leaders, I realized that only by having an open mind would my business grow. One idea that was passed on to me from Ed was, "we always need to stick together."

As we fast-forward through the years, I can look back and clearly define the reasons that I have been able to maintain a high level of success in RTO. They all point toward APRO membership. Today I can break those reasons into three

categories: APRO staff, APRO vendors and APRO members.

I use my APRO membership to its fullest extent. As I have served as a director on the APRO board, chaired committees, spoken at meetings, or traveled far and near for some industry project, I have learned that the primary value has come through my involvement. Had I never joined, I would have never experienced the loving devotion of the APRO staff. I would have never enjoyed the learning process of how to plan a meeting or how to organize a grassroots effort for legislative and public relations purposes. I could never have shared the industry vision of Bill Keese, Ed Winn and the eight APRO staff members who give far more of themselves than they are required.

Over the years I have come to know every member of the vendor community that serves RTO. These people always provide a fountain of knowledge that has helped me run a better business each and every year. It has become more than clear that their choice in supporting our industry is far more than selling product. There is no question that they give of themselves to offer RTO dealers every chance to succeed. There is a strong bond that exists between us.

There is not nearly enough room to list the names of the men and women who have made a positive impact on me. From the founding fathers to the newest guys on the block who have opened their first store, I can better list you as family. The details of your professional lives that you have shared with me have made me a far better person today as compared to a long time ago when I first rented a television in 1981. The best thing a family does is share and that is what we do as APRO members. I could never give back enough to repay my gains from just belonging to APRO and staying involved. You could "triple my dues" and it would never repay what I have learned from being involved. You can have this, as well. You don't have to write another check. Instead, you just need to be involved. ■

Ernie Lewallen is president of UHR Rents based in Cincinnati, OH. He was APRO president 1998-99 and currently serves on the APRO board of directors.

"I could never give back enough to repay my gains from just belonging to APRO and staying involved."

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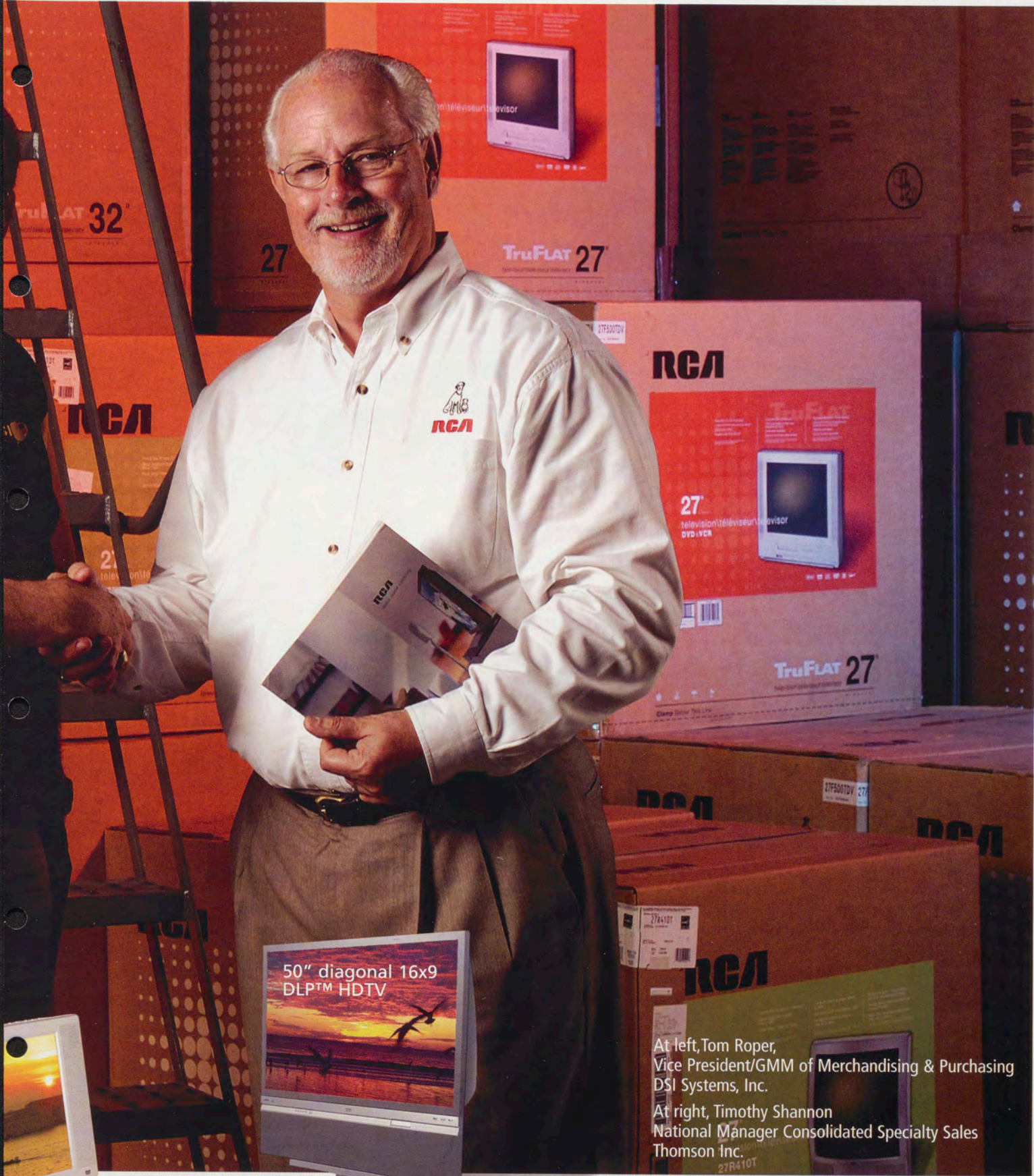
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At left, Tom Roper, Vice President/GMM of Merchandising & Purchasing DSI Systems, Inc.
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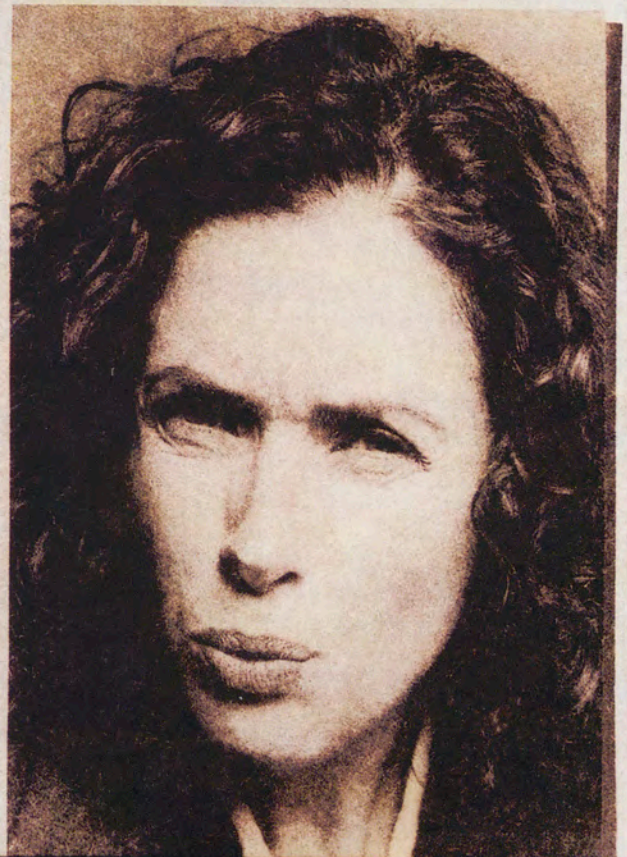
How to get inside your customers' minds
By Mike Hetherington

FEEDBACK

"The purpose of business is to get and keep customers."

PETER F. DRUCKER

While the world of business has lurched, reinvented itself, crashed and soared, this wisdom remains unchallenged 50 years after it was written. With look-alike competitors offering commodity products, retaining RTO customers is the name of the game. "A lost customer may be difficult and expensive to recover. In some cases, it is necessary to wait a generation before the account has the potential to be resold," says John Sviokla, professor of marketing at the Harvard Business School and author of *Keeping Customers*.



The good news for the rent-to-own industry is the Federal Trade Commission's 1999 *Survey of Rent-to-Own Customers*, which found the average RTO customer purchasing 2.5 items every five years with 75 percent of the respondents self-described as satisfied.

The link between customer retention and profit is strong. "Businesses that earn superior levels of customer loyalty and retention also earn consistently higher profits—and grow faster as well," says Bain & Co.'s Frederick Reichheld, author of *The Loyalty Effect*.

The most obvious and powerful tool for increasing customer retention and loyalty is learning what your customers think and feel and then being responsive to their needs, problems and wishes. Here are some methods innovative rental dealers across the country are employing to keep their customers coming back.



IT'S ALL IN THE DELIVERY

Many already "get it." Brownie Calvin is president of Option Rentals' four Nashville, TN, locations and a 24-year RTO veteran.

Viewing delivery as *the* pivotal customer experience because of its lasting impression, he does a post-delivery phone follow-up asking about presentation, explanation of options, courtesy, promptness and payment confirmation.

Calvin supplements the call by mailing a simple, eight-question survey checking on the clarity of equipment-use instructions, evaluating the sales and delivery staff and open-ended questions inviting customer comment.

Lastly, his stores have a registry that rewards sign-ins with a small gift. Using the data collected, they make calls to anyone who didn't rent, tracking what those customers wanted but didn't find. This has led directly to expanded jewelry and furniture inventory.

Reichheld likes Calvin's strategy, citing "failure analysis...is a preferred feedback tool especially as it applies to customer defections."

To sustain continuing loyalty, Option Rentals also mails birthday cards, makes periodic "check-up" calls and even has an occasional customer appreciation dinner.

BUILDING A "HAPPINESS GENERATOR"

Stephanie Primm, president of SAM, a Sandpoint, ID,-based marketing and branding firm, has specialized for 20-plus years in "simple and smart marketing for real people doing real business," consulting for national clients from the Fortune 100 and for storefront main street businesses.

She highlights one area of useful "stealth" feedback. "Transaction data is a very real—and often overlooked—type of feedback simply collected at the time of sale. Your marketing strategy should target those customers who are or will be your primary sources of revenue.

"Learn as much as you can about your best customers and make *sure* they're happy. Correct anything making a customer unhappy and focus on building "happiness generators." This is the just the 80/20 rule—80 percent of your business comes from 20 percent of your customers—and will protect your baseline revenues."

Primm suggests moving away from the casual—"I see my customers every week and know them well"—and toward hard facts that may tell a different story. "It's scary how often what you 'know to be true' really isn't," she says.

What types of data does Primm suggest you gather? "Get the profile of who's renting what. Knowing those profiles helps you tailor your messages and focus your marketing dollars. For example, if your highest margins are on case goods, it'll pay you to track who's renting them and proactively targeting that market."

HEADING OFF THE SNOWBALL EFFECT

Another feedback pro is Chuck Kuluva of Kansas City, MO, co-owner of three Rental City stores. During his 15 years in the RTO business, he's come to value feedback as a strong business builder.

One of the two feedback tools he uses is a manager follow-up call immediately after delivery. "I want to know of anything wrong, damaged, missing or that made them unhappy so I can fix it right away. If we can catch problems early, we prevent a lot of problems before they get ugly later. These things have a way of snowballing. I don't want customers out there festering and unhappy and not know about it."

As Primm says, "There's no downside to feedback. It's like going to the doctor. If you're healthy, it's a relief. If there are problems, it's a good thing you went in when you did. It's always better to know than not know how you're doing."

Kuluva's second feedback tool is a letter mailed the day after delivery. "It reminds the customer of when payments are due and it has my name and personal phone number on it. It's a terrific 'early-warning' tool."

Monitoring feedback also alerted him to a profitable trend. "I knew for some time that people were becoming more astute shoppers, but I learned they were willing to pay more—sometimes a lot more—for high-end furniture so we started stocking more."

THE MYSTERY SHOPPER

Feedback can also be gathered indirectly. Since 1990, "Secret Shopper" (www.secretshopper.com) has been one of North America's largest mystery shopping services with more than 250,000 shoppers quietly monitoring live customer service and sharing those findings with clients. Paul Wilson is founder, president and CEO.

Why mystery shopping? "Consistent, classic 'survey research' is way beyond the budget of all but the largest businesses," says Wilson. "Comment cards tend to elicit extreme responses. Only through mystery shopping can

business consistently and reliably measure and improve customer satisfaction.”

While direct feedback is cumbersome to gather, sort and classify, mystery shopping frees clients to focus on what they do best. “We can gather the information for them in the most cost-effective method possible and present it in the most user-friendly and useable manner; 24/7 instant Internet access is pretty amazing,” says Wilson.

That impressive immediacy gives users powerful responsiveness to service lapses, snags and suggestions while its arms-length, third-party anonymity yields valuable candor.

Wilson tackles the cost question head-on: “Mystery shopping does not cost—it pays. That is why most of

added high-margin small appliance business (e.g., bread makers), a specialty tools area (e.g., unique shop equipment) and an expanded special-order catalog that’s been a big hit spurring repeat business. He’s also rented high-profit custom products such as “carpet, a customer’s entire Christmas wish list and even lumber and sheetrock for finishing a room.”

Loyalty doesn’t sprout from the information gathered, rather from the actions taken in response to it. Just ask Bob Eakin, president of Star United Rent-to-Own in Hillsboro, OR, who is a firm believer in “the customer is always right.”

He gives credit to his response policy, which is to “take care of *any* problem immediately. I don’t care what it is—we take care of it right now. When someone doesn’t think



“Take care of any problem immediately. I don’t care what it is — we take care of it right now. When someone doesn’t think his TV remote works right, we just replace it. Customers aren’t too concerned with fine print; they just want a TV that works. That kind of service is worth a fortune in repeat business.”

your strong competitors are doing it. Mystery shopping is your cost-effective answer to, ‘What can we do better to obtain more revenue?’”

ADDING A PERSONAL TOUCH

Gathering feedback is a daily activity for Jeff Parish, a 14-year RTO executive who is currently COO of New Vision Rentals’ two locations in Oswego, NY. Parish is always looking for “what products people want and what service issues are most important to them.”

Killing two birds with one call, New Vision calls inactive customers to gather feedback about any issues they might have had as well as inviting them back. “Sometimes we discover why we haven’t seen them recently and also have the opportunity to plant seeds for future business.”

Is that effective? “Absolutely. It’s an easy conversation to rekindle a relationship. Very few don’t repeat. We tell them how important they are to us—and that means a lot to many of our customers.”

Feedback also increases loyalty by helping RTOs spot new trends early on. As an example of how feedback can drive new business, Parish developed a new niche selling tires. He isn’t alone.

RAISING THE BAR

Keith LaBahn, president of All American Rentals in Ft. Collins, CO, for 18 years, also found himself adding new items to his inventory.

Responding to direct, face-to-face feedback, he’s

his TV remote works right, we just replace it. Customers aren’t too concerned with fine print; they just want a TV that works. That kind of service is worth a fortune in repeat business.”

In a similar vein, Option Rental’s Calvin credits high retention to “our goal of carrying our customers ‘to term.’ We want to turn inventory, not customers. Many RTO customers are not financially capable when we first meet. They come in thinking ‘I need help’ and it’s our responsibility to help them stay current so they don’t lose what they want. We want to ‘marry’ our customers long-term, not just get some of their money short-term.”

REPEAT BUSINESS IS A TWO-WAY STREET

Retention and loyalty arising from feedback-driven responsiveness is the growing trend. “Repeat negotiations are costly and time-consuming. Repeat purchases are the reward for those who constantly deepen their ties with existing accounts,” says Sviokla.

Marketing is shifting away from a one-way monologue to a dynamic dialogue. “The winners use knowledge gained from interaction with customers to innovate, invest in core skills and make excellent products to fill customer needs,” says Sviokla.

The future belongs to those who leverage and apply what they learn from their customers. ■

Mike Hetherington is a national speaker, writer and trainer specializing in small business topics.



VIDEO SURVEILLANCE IN

EYEROBOTS



RENTAL STORES

BY ED WINN III



Both the price and size of closed-circuit video cameras and recording equipment keep getting smaller. Some cameras are the size of your thumb. It is no wonder that rental dealers wonder about using this technology to keep an eye on things in the store when they aren't physically standing there looking around.



Who wouldn't like to have a camera on the back room to see where those DVD players keep disappearing to? Who wouldn't like to have a camera trained on the Dumpster in the parking lot to record who is really "Dumpster diving" for customer lists or other proprietary information? Who wouldn't like to watch and listen in on a new employee's sales presentation to measure his or her progress and attention to the expensive new training program?

Well, in the words of Meatloaf, "Two Out of Three Ain't Bad." You can do the first two. You can't do the third.

Here is the law in a nutshell about video surveillance in the workplace as it applies to the typical store.

First, you can do it. You don't need permission. You don't need consent. You don't need to post no-



tices if you don't want to. You can be as surreptitious about it as you want. You can hide or camouflage the cameras so that people will not know that they are there if you want. You might ask yourself, however, if you are intent on cutting down on pilferage and that is the main reason you are videotaping activity in the store or the parking lot, that maybe big posters telling everyone that they are being filmed and having cameras openly on display will actually help with the theft problem. Otherwise, nobody knows about the filming and somebody is going to have to watch a lot of boring footage to catch the thief. Maybe it's better to put the thief on notice that he or she is being watched.

Next, make your videos silent. Don't record voices. This is because of the Electronic Communications Privacy Act (18 USCA sec. 2510). This federal law, an amendment to the Omnibus Crime Control and Safe Streets Act, governs aural communications and provides a civil remedy to anyone whose wire, oral or electronic communication is intercepted, disclosed or used by someone else without permission.

The act does not address the issue of videotaping without sound directly, but a number of lawsuits have done so. There have been several federal appeals court cases testing the proposition and the rulings have consistently been that it is the interception of an oral communication that

triggers the statute and not mere video surveillance without any sound.

You can't tape someone's conversation without his or her knowledge and consent and if you do, there is civil liability under this federal law and under some state laws as well. That is why you hear the voice telling you that your call may be recorded when you are put on hold with almost any company these days. They are selectively recording conversations for training and other purposes and are putting everybody who is on a call on notice. This federal statute does not apply to silent video recordings as per a number of federal circuit court opinions.

The only other rule you must follow is not to set up a video camera in areas where either customers or employees could arguably have a "reasonable expectation of privacy." The Nevada Supreme Court held that people have less of an expectation of privacy in the workplace than elsewhere. This was a case brought by PETA against an animal trainer in a Las Vegas casino act. The trainer was secretly videotaped beating an orangutan backstage before a performance was to begin. The trainer's contract with the casino provided that he was to be free "from distracting intrusion and interference with his animals." He used this language in his contract to argue that he had a reasonable expectation of privacy in the backstage area where his animals were kept. The court ruled against him holding that the videotaping of the area did not interfere with his handling of the animals.

There are not going to be many places in or about an RTO store where either customers or employees can legitimately claim a reasonable expectation of privacy. It does mean no cameras in restrooms. Rental dealers aren't renting clothes, yet, and so there are no dressing rooms, unless employees wear uniforms and there is a place for them to change in the store. Employees don't generally have a reasonable expectation of privacy in the back room. Nobody can reasonably expect privacy in the parking lot. On this point there was a case against the Golden State Warriors in California in which the court dismissed privacy claims from a plaintiff who was trying to suppress videos taken by a private eye of the employee taking drugs in his car while parked in a parking lot. You can videotape parking lots and the cars that are in them. Dumpsters aren't private.

There are rules against videotaping employees doing union business under the Labor Management Relations Act (29 USCA sec. 185), but so far at least, there are few, if any, union employees or union activity in rental stores.

Do think about your goals in setting up cameras in your stores. Make sure that it is something you feel you need to do to protect and further your business. You can find out all about the equipment that other merchants are using and how much it costs by Googling "video surveillance equipment" on the Internet. Happy filming. ■

**MAYBE BIG POSTERS
TELLING EVERYONE
THAT THEY ARE
BEING FILMED AND
HAVING CAMERAS
OPENLY ON DISPLAY
WILL ACTUALLY HELP
WITH THE THEFT
PROBLEM. MAYBE IT'S
BETTER TO PUT THE
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THAT HE OR SHE IS
BEING WATCHED.**

Ed Winn III is APRO's general counsel.



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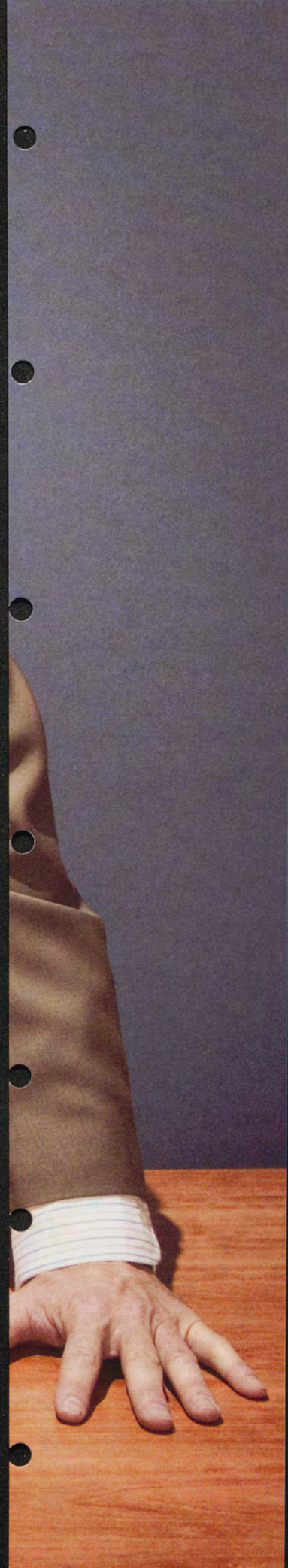
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NAME	
ADDRESS	
CITY	
STATE	
ZIP	
TELEPHONE	
DATE OF BIRTH	
EDUCATION	
EMPLOYMENT HISTORY	
REFERENCES	
REMARKS	



WHO'S CHECKING REFERENCES



... was sitting around drinking with a rental dealer late at night not long ago in Florida. I learn a lot from rental dealers in such circumstances—good things and bad things. I generally keep the bad things to myself. I try to circulate the good things. I learned some good things from this guy who is also a drummer and seemed to have a good sense of rhythm to his life. • Anyway, this rental dealer has been in the business for a long time and has a few stores and has been in and out of the day-to-day stuff. When his head is firmly in the rent-to-own game, his stores do very well. When he pulls away, not surprisingly, things go less well. Most rental dealers with any experience know how this goes. However, this was not the most important thing I learned from this rental dealer—that rental dealers need to stay involved in their businesses if they are to be maximally successful. It was something else he shared with me—something more nuts and bolts—that I want to share with *Progressive Rentals* readers.

BY ED WINN III

This dealer's company had a policy, like all rental companies probably, that employees are supposed to check an applicant's references before delivering the merchandise. That is a pretty fundamental concept in the business. The company even had a checklist to show that each reference had been duly contacted. When my drinking buddy, the storeowner, was hovering in the store, references were getting called and merchandise was getting delivered and collections ran smoothly and the business grew and there was a respectable bottom line and life was good.

Then, when the owner was out doing other things, guess what? Customer references weren't getting called with the same devotion and reliability as when he was in the store. The paperwork looked the same. The boxes were getting checked so that it looked like references were getting checked and merchandise was still getting delivered, but the collection end of the business was getting badly out of whack. Suddenly there were too many skips, too many stolens, too many hard accounts were popping up in the system and the business was not growing and the bottom line suffered.

And when the owner went back in (and not without some sense of foreboding and alarm), at first he could not put his finger on what was wrong. Everything looked the same, except for the deteriorating results on the books. It was somewhat by chance that he pulled a few customer files and dialed a few reference telephone numbers—call it a rent-to-own instinct developed from a long life in the business—when he quickly discovered that employees were taking some shortcuts in the calling references department when he was not around.

Now, we could take time out here and speculate forever about why this kind of thing happens in a rental store. Why won't or why don't store-level personnel do their jobs every day with

the level of responsibility, conscientiousness and professionalism that the owner wants and is paying for? It probably has to do with some fundamental flaw in human nature or in the nature of some humans, at least, to take the easy way out when the boss isn't in. But it finally does not matter much why. It is the kind of thing that happens in rental stores and similar kinds of things happen in other kinds of stores when

but in the day-to-day chaos that goes on in a rental store, sometimes things don't work like they are supposed to. People get in a hurry and there is pressure to make deliveries and one of the shortcuts that can be made is to pretend to call a reference and not really make the calls. Or, to try perhaps, faithfully, many times even, to make the call and not be successful—nobody is ever home—and to finally go ahead and O.K. the delivery. After all, most people are honest, the employee reasons. A couple of the references did check out and what the heck, "If most people weren't honest, we wouldn't be able to be in this business in the first place."

True enough, but not all people are honest and one of the things that the crooks will do is dummy-up personal references. And so when a rental shop gets sloppy on the front end, that slop will almost always show up on the back end with too many skips, too many stolens and too many hard collections. That makes the business so very much harder to run and so much less fun and so much less profitable.

Clamping down on references and insisting that every one be called may mean that a delivery or two gets delayed and maybe not made at all. But had those deliveries been rushed out the door, they are not the good, clean, easy, regular paying accounts that make money for the store. They are trouble and most dealers will agree that it is better to catch them up front than later when merchandise is at risk.

It was such an easy fix to a momentarily puzzling problem in my friend's company. He and I both hope that it is not an issue in your company and that your employees are calling and verifying every reference every time. But, if something isn't quite right in your shop at the end of the month, here is a place to start looking for what might have temporarily gone wrong. ■


Ed Winn III is APRO's general counsel. His e-mail address is edwinn@e-bylaw.com.

NOT ALL PEOPLE ARE HONEST AND ONE OF THE THINGS THAT THE CROOKS WILL DO IS DUMMY-UP PERSONAL REFERENCES. AND SO WHEN A RENTAL SHOP GETS SLOPPY ON THE FRONT END, THAT SLOP WILL ALMOST ALWAYS SHOW UP ON THE BACK END WITH TOO MANY SKIPS, TOO MANY STOLENS AND TOO MANY HARD COLLECTIONS.

management is not as attentive as its needs to be on how the job is being done. So if we want to lay some blame, we can lay plenty of it all around.

Well, the owner may have thrown things. He may have fired some people. He and I didn't get into all of that. We were drinking and it was a happy story. What I know he did do, because he told me, was that he fixed the problem. It came down from the top—from him—that henceforth, in the company, all references would always be checked on all accounts before any merchandise could be delivered. As soon as that policy was put back firmly into place and emphasized and trained for and checked by management, the business perked up and life got good again, almost instantly.

The front end of rental transactions is vitally important to the health of a rental enterprise. We all know that and could answer that question on a test,



SEE
PAGE 6 FOR
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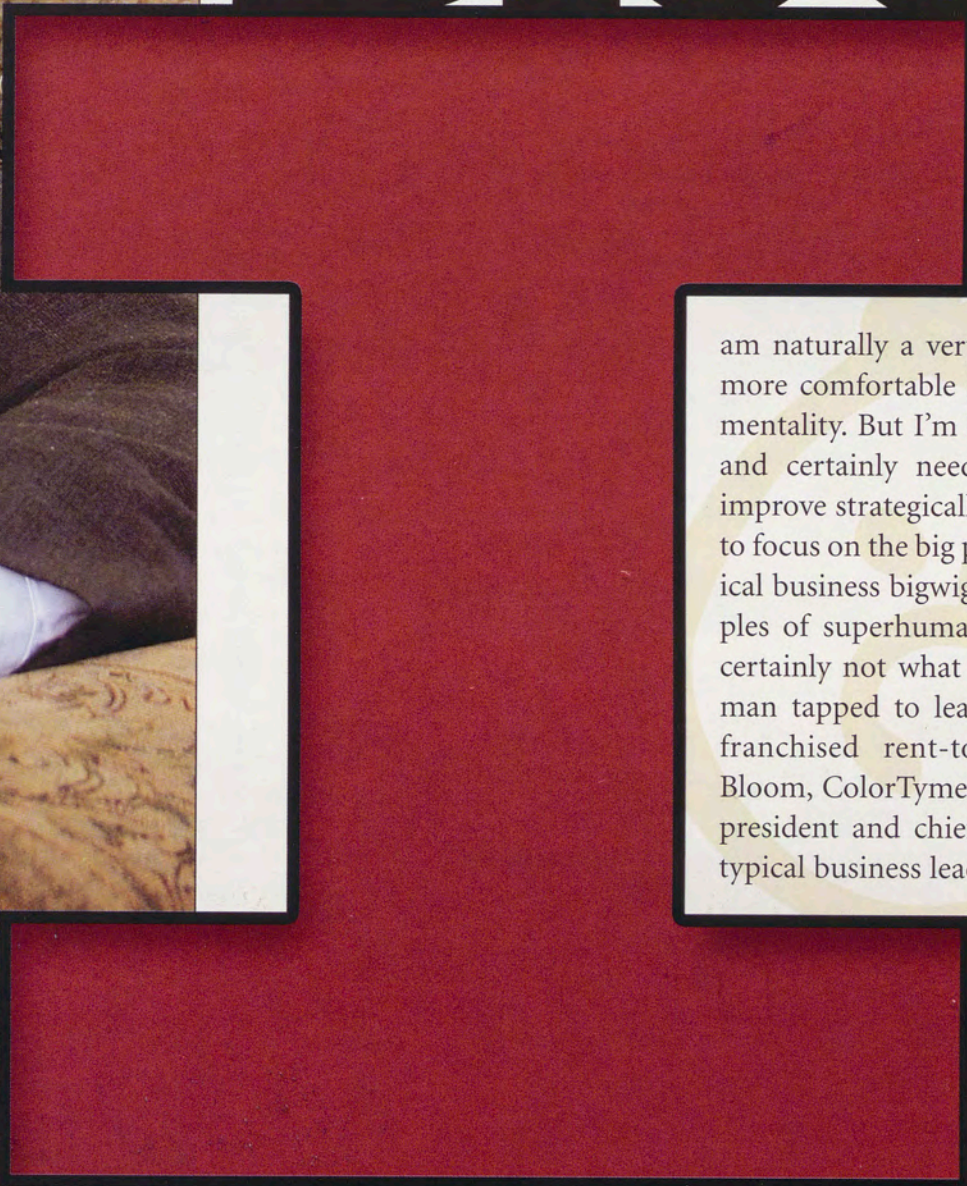
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ColorTyme's new CEO
and President Bob Bloom
prepares the company
for a season of growth.
APROfile by Kristen Card,
with photographs by
Mark Mahan

In full Bloom



am naturally a very detail-oriented person; I'm more comfortable in the tactical, checklist-type mentality. But I'm learning to be more strategic and certainly need to continue to grow and improve strategically in my current role in order to focus on the big picture." ☞ It's not your typical business bigwig bravado, stuffed with examples of superhuman professional strengths and certainly not what you expect to hear from the man tapped to lead America's longest-running franchised rent-to-own company. But Bob Bloom, ColorTyme's (www.colortyme.com) new president and chief executive officer, isn't your typical business leader.

B

loom has built a remarkable reputation for himself by building and rebuilding multi-unit operations, including being part of the Thorn America team that grew from 500 to 1,500 stores, and helping take EZCORP's net income from an \$8-million loss to an \$5.4-million profit in just four years. Not quite a year ago, ColorTyme engaged this titan of turnaround to take the company reins during a "critical time of growth." However high profile his string of successes may be, Bloom, who is consistently candid and refreshingly self-aware, insists his career path isn't the product of some master plan. It has simply been a series of opportunities that have presented themselves, he says, and he has been prescient enough to seize and make the most of them.

"My personal dream has always been to be fulfilled at what I'm doing," Bloom says. "I've got a clear vision for ColorTyme and am here to execute that plan, but I'm not a person who looks out there and says, 'Here's where I want to be in five years.' I'm not visionary. If I'm happy with what I'm doing, then I don't look for something else.

"I'd never heard of Rent-A-Center until the day of my first interview I never envisioned myself in the pawn business and, while I was doing that, I never saw myself returning to rent-to-own—though I'm unquestioningly passionate about this business. But frankly, I never thought of myself as president of a company until the day I got the job. Opportunities happen. I just try to recognize them."

Learning the ropes

Opportunities do happen, but as writer and economist Stephen Leacock said, "I am a great believer in luck and the harder I work, the more I have of it." Hard work has played an essential role in Bob Bloom's life from early on.

Born in Cambridge, NY, just three miles from the Vermont border, Bloom had a relatively rural upbringing, working on dairy farms from the age of 12 and graduating high school with a class of only 70. His father, a decorated war hero, was severely injured as a prisoner of war during World War II and hospitalized for almost a year.

Once he was able to return home, however, he made sure he was able to support his family. His uncompromising work ethic continues to inspire Bob even now.

"My father was a very hard worker," says Bloom. "He was blue-collar, a lineman for the electric company. He took extra jobs in order to support his family. He was the epitome of integrity. At his funeral a couple of years ago, everybody kept coming up to me and saying, 'He was such a nice guy.' Now that's not a bad epitaph."

Bloom worked full-time while attending Hartwick College, a small private school in upstate New York. During summers, he bartended nights while continuing to work full-time days. Bloom graduated with a history degree and while he enjoyed the restaurant and

hospitality business, he realized he had to get out of bartending "for all kinds of reasons," he says. He accepted a manager trainee position with Ponderosa Steakhouse Inc.

"Ponderosa was a very small company at the time," Bloom says. "I think they had five stores in New York State and about 75 stores nationwide. I helped the company grow quite a bit one way or another by opening about 50 stores within seven years."

Bloom managed a single store, then four stores and then 15 and was then requested to go to corporate headquarters to supervise research and development.

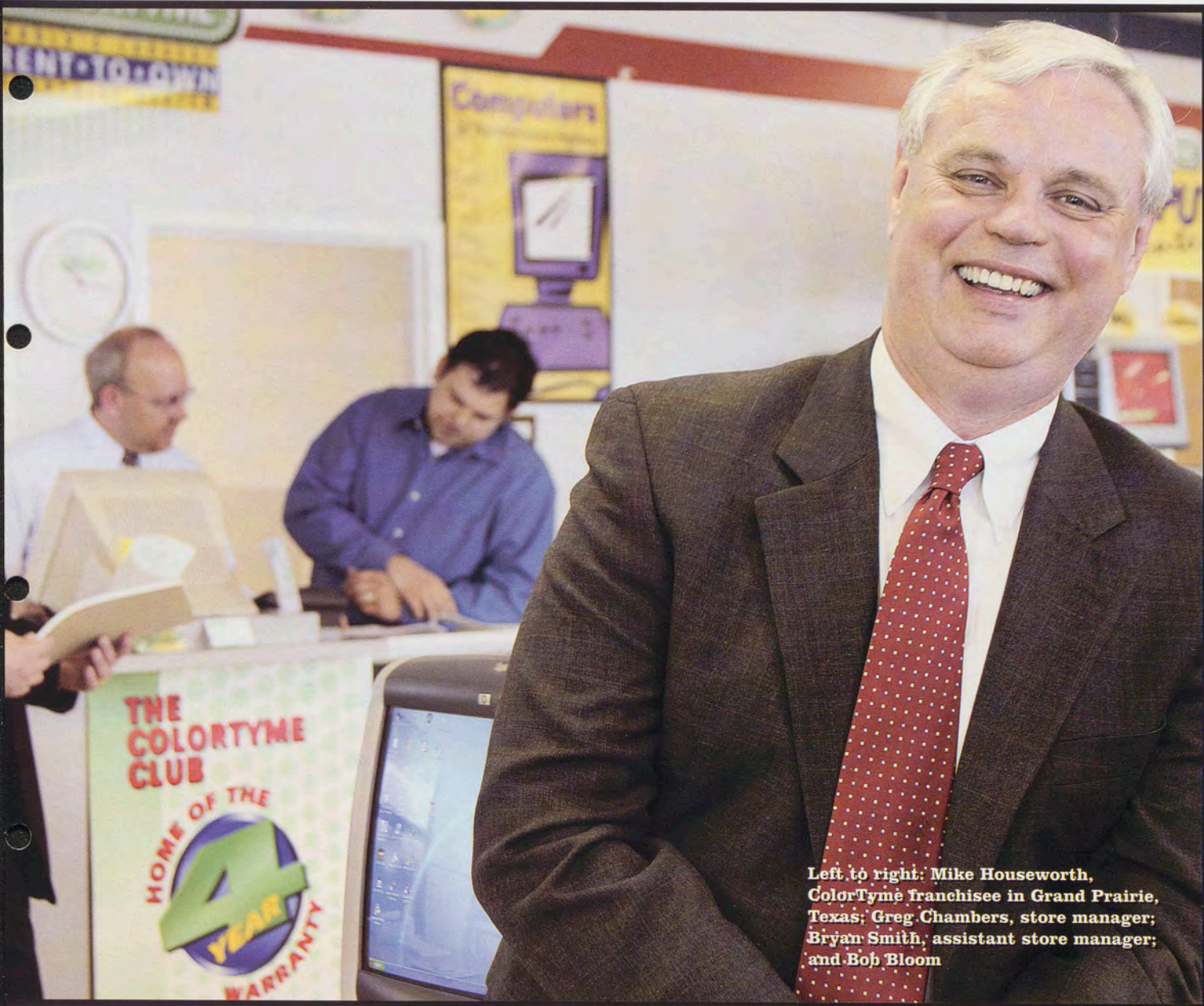
"It was a fascinating learning experience," he says. "I learned research, marketing, how to take an idea from a concept to a national rollout, how to analyze different trends. I was growing tremendously personally and developing a lot of terrific people for the organization."

Promoted again to assistant vice president for Pennsylvania, Bloom oversaw 36 restaurants. Working with a strong team, he used his expertise to develop new products for the company and, says Bloom, "life was really good." Then, opportunity knocked.

"[The company] wanted me to go back to New England," says Bloom, "where they'd gone from about a \$5-million operating profit to a \$1-million loss within a year. I brought a lot of

"Our franchisees are our customers. All good ideas in a franchise organization come from franchisees. And the franchisors that listen to and work with their franchisees, they're the ones who develop the new programs that keep a company alive."





Left to right: Mike Houseworth, ColorTyme franchisee in Grand Prairie, Texas; Greg Chambers, store manager; Bryan Smith, assistant store manager; and Bob Bloom

people along with me and we completely turned the marketplace around in two years. We were the best-performing region in the company.”

**A change in venue:
from foodservice to RTO**

All that changed when Ponderosa was bought by a man who sought to sell off all its assets and pocket the profits, leaving employees jobless. Bloom chose to leave. Within 90 days, he had four job offers—three in the restaurant business at the VP level and one from Rent-A-Center as an area manager running six stores.

“I took the Rent-A-Center job,” Bloom says. “At the time, you did what

was called a waiver day, which is where you actually spent a day at the store and went out on deliveries, did collection calls and worked in the store. I did that for eight hours and had so much fun, I went back the next weekend and worked for free.”

Hired in June 1990 to manage six stores, Bloom was managing 12 stores by October, 16 by November and by January had been promoted to regional director for the Northeast overseeing 47 stores and six area managers. Nine months later, he was promoted to vice president of operation administration where he was responsible for company policies and procedures, new products and programs and franchising.

“It was a great run,” says Bloom. “I had a lot of good people working for me, some of whom are now presidents of their own companies. Rent-A-Center wanted new ways to continue to grow the business and put me in charge.

“We developed a company called Thorn Leasing Concepts, which got into the rent-to-rent business,” he says. “Within about a year, we had \$8 million in revenue and about \$3 million in profit. It was going great, but I was no longer needed, so I became divisional vice president of rural stores, responsible for developing a growth model and program. Over the next 15 months, we grew to 185 stores, operating completely independent from the urban Rent-A-

Center stores. At the time, we were the best return-on-investment of any business line [Thorn EMI] had worldwide.”

But when Rent-A-Center was sold to Renter's Choice, the new owner decided to clean house and Bloom was on his own again. He returned to Ponderosa to head the company's franchising operations, but found the leadership lacking and the work environment stagnant.

Meanwhile, Rent-A-Center's former chief operating officer had moved on to become CEO of EZCORP, America's second-largest pawn chain. The company was in deep trouble. He called on Bloom for help.

“He took me in as a vice president, then promoted me to senior vice president of operations,” Bloom says. “We revitalized the management team, put systems into place, established standards of operations and performance-based management and introduced payday loans.” According to Bloom, EZCORP lost \$8 million during his

first year with the company, lost \$600,000 his second year and, two years later, made \$5.4 million.

“It was just a phenomenal turnaround,” he says. “I started in May 2000 and stock was at 50 cents; it hit \$20 today.”

ColorTyme calls

“I have to be happy in what I'm doing and being challenged,” says Bloom. So when ColorTyme called last spring with a new challenge, his interest was piqued.

ColorTyme, a subsidiary of Rent-A-Center, celebrates its 26th year of business this year. With more than 20 of those years as a franchiser, ColorTyme is the oldest franchised rent-to-own company nationwide. Now, the company's longevity was beginning to work against it, as its early franchisees began to reach retirement age and bow out of the business.

“For the past five years, [ColorTyme]

has opened about 30 new stores a year,” Bloom says. “But longtime franchisees have begun retiring and selling about the same number of stores back to Rent-A-Center every year. As a result, our growth has been regressing and, without intervention, that trend seemed unending. I was brought in to grow this company.”



Bloom took over as ColorTyme's president and CEO last June. During his first six months, he and his senior management team—who, combined, have more than 100 years of rent-to-own experience—got together for a minimum of eight hours a week to talk about the business and put together a new strategic plan for the company. What they came up with is clearly centered on what Bloom considers to be the core of ColorTyme—its franchisees.

"Our franchisees are our customers," says Bloom. "All good ideas in a franchise organization come from franchisees. And the franchisors who listen to and work with their franchisees are the ones who develop the new programs that keep a company alive."

Bloom says his first focus is on helping current franchisees grow. Of ColorTyme's current 73 franchisees, 45 (almost 60 percent) of them have fewer than three stores. Bloom is working to find new revenue streams and launch new product opportunities for franchisees, including payday loans and custom wheel rentals.

Franchisee focus and a new strategic plan

Bloom and his team are also concentrating on helping franchisees better manage their businesses by providing a variety of exceptional training resources.

"One of the programs developed by our vice president of operations, Sam Lowe, is exCEL, a self-paced computer training program for store personnel," Bloom says. "Sam is a world-class trainer with over 20 years of expertise. He also recently revamped our ColorTyme University 'graduate' program, which has separate classes for store managers, regional directors and franchise owners. It's comprehensive and very impressive; it offers situational leadership skills, people development, self-development, time management, inventory management—the tools you're not going to get just working in the store. And not only are the course materials excellent, but

the owners also have an opportunity to spend four-and-a-half days in a classroom with 14 of their peers talking about their business. It's invaluable."

Additionally, the company's new strategic plan includes two new financing programs intended to serve as incentives for rent-to-own veterans to become franchisees. ColorTyme is offering \$1,000 credit toward its initial franchise fee for each year of experience franchisees have within the rental-purchase industry, up to \$10,000 per person. The company is also facilitating partnerships between multi-store managers and investors so that multi-unit operators can own 51 percent of their own ColorTyme store for an investment of only \$20,000.

Bloom understands that getting ColorTyme to grow again will be an uphill climb, but he's definitively optimistic, in part because he's a true believer in the heart of the company. "We care about our business a lot more than someone who's working for one of the large, publicly traded companies," says Bloom. "It's people helping people. We're locally owned and operated, we give back to our customers, we're developing our people and our businesses, sharing best practices and helping our communities be better places because we're there. People helping people is our value statement; it's who we are, it's what we do."

Yet amid ColorTyme value statements and strategic plans, Bob Bloom is always keeping one eye on the prize. "My proudest professional moment will be when ColorTyme doubles its growth," he says.

A team effort

Bob Bloom's official bio refers to him as a "proponent of participatory leadership." This seems plainly accurate—he rarely speaks of his professional achievements without mentioning the great teams he's worked with to reach them, often naming specific individuals who impressed, influenced or

mentored him along the way. It's apparent, too, that just as often, he has served as the impresser, influence or mentor for others.

"From day one, I've had a keen eye for talent," he says. "I've been able to surround myself with quality people and help them develop and grow. I'm not easy to work for because I challenge

"There are no little things. Whether it's picking up gum wrappers or cleaning your windows daily, there's nothing too small to attend to. Your customers will reward you for providing quality, for taking care of the little things."

them all the time, but I think one of my talents is helping people see their potential and get the most from it."

Bloom helps his colleagues realize their potential through a leadership approach that is as upfront as he is. Integrity is key. Be accountable—what gets measured gets done. Try to understand where other people are coming from and what's in it for them. Each and every interaction you have with another person is a learning opportunity. And excellence isn't just possible, it's expected.

"There are no little things," says Bloom. "Whether it's picking up gum wrappers or cleaning your windows daily, there's nothing too small to attend to. Your customers will reward you for providing quality, for taking care of the little things."

Oh, and don't try to B.S. him. He hates that.

"I can't work with people like that, who tell you what they think you want to hear," Bloom says. "I'm very straight-



forward. I'm not political. I don't know how to say things in shades of gray. While I understand I can't expect that from others, I do look for it."

Bloom claims, rather convincingly, that he simply isn't a person who can work 8 to 5. Usually at the office before 7 a.m., a 12-hour day is much more likely, so time for family and favorite pastimes is at a premium.

"But when I'm home, I'm home," says Bloom. "I don't have a lot of other interests."

That helps explain Bloom's successful 28-year marriage to his wife, Kathy, and their two grown daughters, who, Bob says with a laugh, luckily inherited their mother's smarts and their father's work ethic. One daughter works with cable network Spike TV in New York City, while the other is in Boston, working with global business consulting firm Bain & Co.

"My girls," says Bloom. "They're by

far my finest achievement."

Somehow, Bloom still finds the time to read voraciously, regularly devouring five magazines and two books a week. He's also an avid hunter of white-tail deer and turkey and, lately, has taken up archery hunting, because, he says, it's more challenging.

Proud to be RTO

Bloom might have been brought back into the rent-to-own industry as a troubleshooter, but he says his plans for ColorTyme go way beyond getting the company past some short-term growth difficulties. His passion for the business is genuine and likely just as lasting.

"I love this business, I love these customers—I'm serious," Bloom says. "Our customers—the cash-constrained, credit-constrained consumers—are great people and are under-served. There are about 40 million of them, they're one of the fastest growing consumer segments

and they're very loyal. Time and time again, you deliver a big-screen, you deliver a refrigerator and you see how you're improving their quality of life. You don't get that type of opportunity with many other businesses.

"At ColorTyme's convention a couple of weeks ago," he says, "I told our franchise store managers they should celebrate paid-in-fulls just like they celebrate birthdays at restaurants. We ought to all come out and play loud music and clap our hands. We should be patting that customer on the back, because that customer—through our help and a lot of timely payments—has received ownership of a product he or she had no chance of getting ownership of otherwise. I'm very proud of that, and I think this whole industry should be, too." ■

Kristen Card is an independent business writer in Austin, TX.

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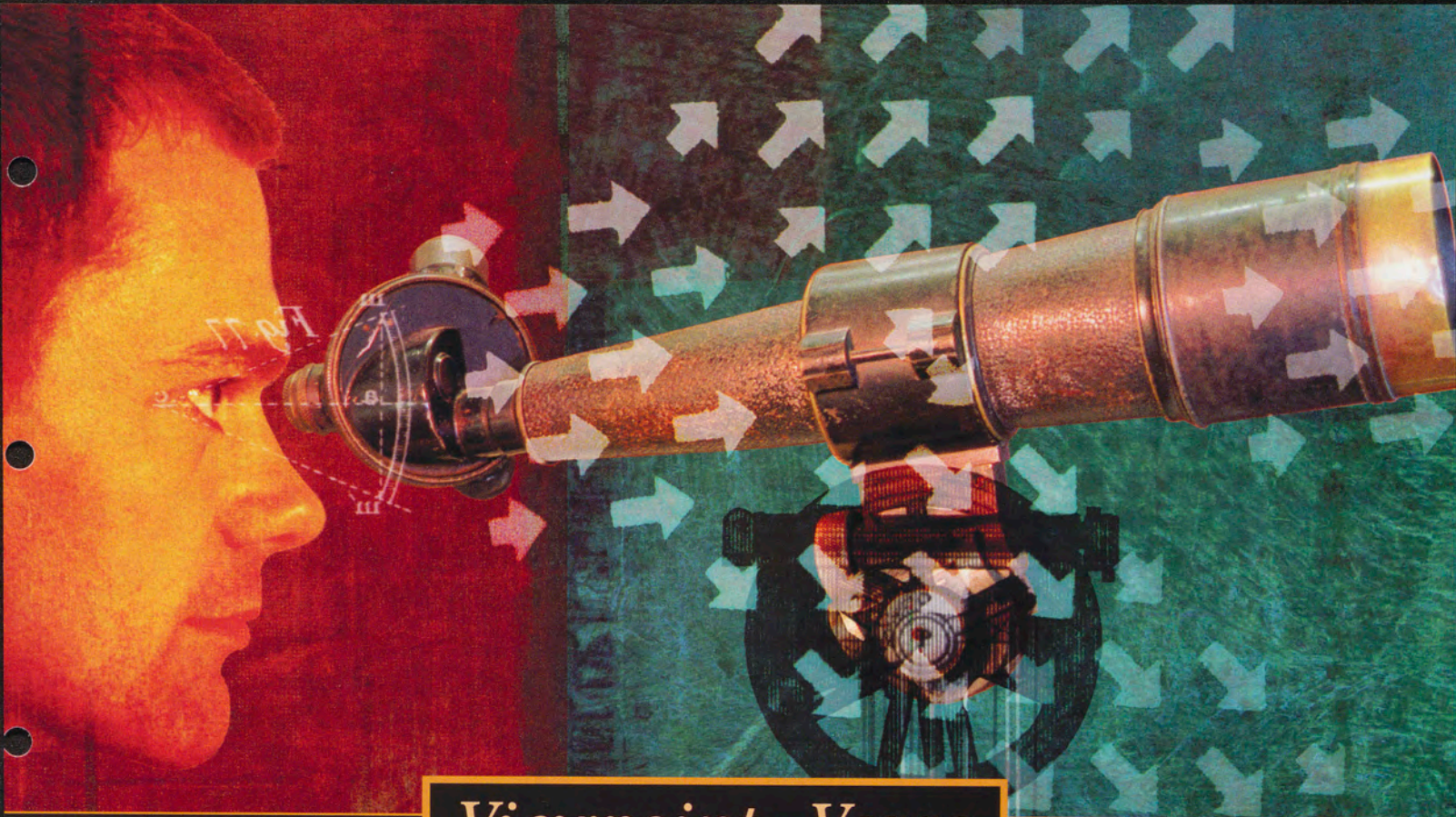


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EQUITY INVESTMENT FUND AND
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Ethics in RTO has been discussed in many gatherings across the United States at various functions over the years. The biggest misconception is the separation between personal ethics and business ethics. There is no difference. You either behave in an ethical manner or you don't, whether it is in the workplace or in your personal life.

My definition of ethical behavior is doing the right thing at the right time for the right reason, regardless of who is watching. That is also my definition of integrity. People who possess integrity behave in an ethical manner. Let's dissect the above definition.

Ethics aren't conditional

The right thing: As RTO professionals, we have to be clear and concise as to why we do what we do and the reasons for doing what we do. We must continue to monitor our thinking to assure that we are continuously doing the right thing.

At the right time: When we are clear about what is the right thing to do, then there is no better time to do it than right now. When you are faced with problems or situations, make a decision immediately and stand by it.

For the right reason: We must determine that the decisions we make are for the right reason. As industry leaders, we have to make tough decisions that are not always the most popular; however, they are made for the right reason.

Regardless of who is watching: The true content of a man's character is revealed by the decisions he makes and the actions he takes with someone who cannot benefit him in the least. It is not important who is watching, but rather that you are doing the right thing, at the right time and for the right reason.

By JAY ROBERTS

Why do we do what we do and where does our behavior come from? Sigmund Freud's teachings indicate that every decision we make is directly related to obtaining pleasure or avoiding pain. A Neuro Linguistic Programming technique describes that we are either moving toward something or moving away from something else. I tend to agree with both concepts.

The behavior we demonstrate on a daily basis is

the result of training received beginning in infancy. We have been programmed through cultural conditioning through our parents and teachers, principals, counselors, bosses, friends and other people with whom we associate.

The influence of others is a powerful force in our lives. We must accept the possibility that those people who have so dramatically influenced our lives in the past were simply teaching us what they learned and that it may not be correct by today's standards. Therefore, we must constantly analyze our behavior to confirm that our decisions and actions are consistent with our beliefs and values and not someone else's.

In the event you do not have congruency in your decisions and actions then you must consider the source and fix it. By fixing it, I mean changing your perception of what it means to you by increasing your level of awareness through study. Congruency, simply put, is when what you are thinking, what you are saying and what you are doing are consistent.

There are three things needed to assure ethical behavior from the people in your organization:

1) A clear and concise description to all personnel as to why they are on the payroll. That being "to satisfy the wants and needs of the people we serve in a manner that improves the quality of their lives."

2) The entity and the people involved in it are responsible for their actions. The ultimate responsibility lies with the CEO initially; however, all employees are responsible to make sure that interactions with customers send the message loud and clear that "we are here to serve them."

3) There is a commitment by all personnel to do what is right all the time because it is based on the foundation of honesty, integrity, character and several other qualities that you must discover yourself, while reorganizing, if need be, the foundation of your company. ■

.....
"My definition of ethical behavior is doing the right thing at the right time for the right reason, regardless of who is watching."

Jay Roberts is vice president of operations of the Missouri-based, 16-store National TV Sales & Rental chain.

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