

Handling workplace problems

APROfile: High Touch's Lyle Jones

PROGRESSIVE

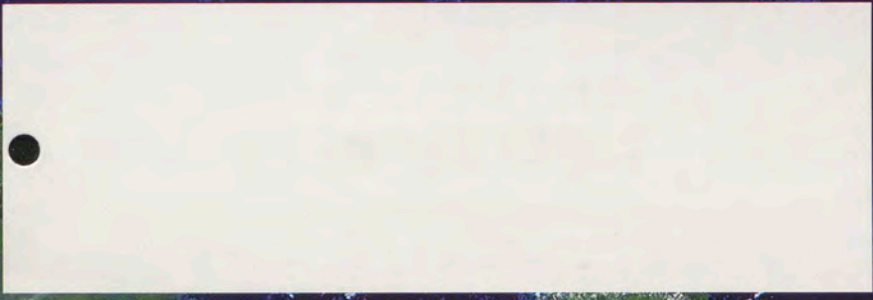
# Rentals

THE VOICE OF THE RENTAL-PURCHASE INDUSTRY | OCTOBER-NOVEMBER 2005

## Katrina

and the wave of relief support  
from the RTO industry

WHY PEOPLE  
DON'T RENT, PART II:  
PERCEPTIONS and FEARS



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Franchisee - Chicago, IL

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**PROGRESSIVE**  
**Rentals**

**OCTOBER-NOVEMBER 2005**

**20 | KATRINA AND THE WAVE OF RTO INDUSTRY SUPPORT**

In the days following Hurricane Katrina, hundreds of RTO dealers, vendors and employees rallied to the support of their affected RTO families. In addition to a report on the relief effort, APRO President Shannon Strunk shares his first-hand account of the storm and talks about the importance of staying positive in the face of disaster.

BY SHELLIE FAUGHT

**30 | WHY PEOPLE DON'T RENT, PART II: PERCEPTIONS AND FEARS**

In his ongoing report on RTO's non-customers, Ed Winn III explores the public's common fears and perceptions of rent-to-own. Find out what they are and what you can do about them.

BY ED WINN III

**34 | TOUGH TALK: HOW TO HANDLE THE MOST STRESSFUL WORKPLACE PROBLEMS**

Bad breath, rudeness, termination—successful managers are great handlers of these sticky situations, but even the best run into the occasional workplace challenge.

BY PHILLIP M. PERRY

**38 | KEEPING UP WITH JONES: AN APROFILE OF LYLE JONES**

On the eve of his retirement, High Touch President Lyle Jones talks about his career in RTO, his future in a camper and what it means to be the first vendor to win the APRO Lifetime Achievement Award.

BY KRISTEN CARD

**DEPARTMENTS**

**5 | NEWS BREAK**

**14 | RTO PERSPECTIVE**  
BY BILL KEESE

**16 | THINKING RTO**  
BY ED WINN III

**18 | MEMBER VOICES**  
BY JOHN ROGERS

**44 | WHO'S WHO IN COMPUTERS**

**COVER PHOTOGRAPHS  
COURTESY OF SHANNON  
STRUNK, LARRY GOAD  
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OCEANIC AND  
ATMOSPHERIC  
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The above averages are based on the actual results of the company-stores operated for two full years before January 1, 2004. Of these 302 stores, 139 (46.0%) stores had higher average total revenue, 151 (50.0%) stores had higher average pre-tax earnings, 146 (48.3%) had higher average pre-tax cash flow, and 107 (35.4%) had higher total revenues, pre-tax earnings, & pre-tax cash flow. As a serious investor, wouldn't you be interested in learning more?



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Even though the above figures are actual results, the FTC requires us to include the following statement. CAUTION: "The figures are only estimates; there is no assurance that you'll do as well. If you rely on our figures, you must accept the risk of not doing as well."

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# news

**B R E A K**

COMPILED BY  
SHELLIE FAUGHT AND  
RICHARD MAY

## APRO 2006 Legislative Conference dates set

**M**ake plans now to attend APRO's 2006 Dave Egan Legislative Conference scheduled for February 28–March 1. Held annually in Washington, D.C., rental dealers and other industry supporters from across the country meet to educate their elected officials on issues facing the rent-to-own industry.

“The Legislative Conference will be meeting earlier in 2006 for good reason,” says APRO’s Executive Director Bill Keese. “This being the second year of a congressional term, we felt it was important to shift dates so that we can maximize the efforts to secure a federal bill. With elections being held in the fall of 2006, many legislators will be involved in re-election strategies by late spring [when the Legislative Conference is usually held] and we don’t want to be put on the back-burner during that process.”

The best way to assure that the rent-to-own industry receives favorable legislation and a federal bill in 2006 is for rental dealers to work together in forming a successful grassroots campaign. The history of our industry has shown that grassroots strategies are the most successful.

For the second year, the L’Enfant Plaza Hotel will be the headquarters hotel for this event. Room reservations can be made by calling L’Enfant Plaza Hotel at 800/635-5065 or 202/484-1000, ext. 5000. The APRO room rate is \$199.

For more information, contact Jeannie Hutchison, APRO, 800/204-2776, ext. 108. Conference registration and additional information will be mailed in November 2005.

## Wisconsin RTO bill passes committees; floor votes next

The Wisconsin Senate Committee on Housing and Financial Institutions passed the Wisconsin Rental-Purchase Act, Wisconsin Senate Bill 268, by a vote of six to one on October 3. The Wisconsin Assembly State Affairs Committee passed its companion legislation with a vote of six to three on the same day. Each bill will receive



fiscal impact statements then be referred to the Senate and Assembly floor for votes sometime in October.

During the committee hearings on the RTO legislation, the Wisconsin

chapter of AARP held a press conference announcing its opposition to the state's proposed rent-to-own legislation.

"I feel confident that when we make our

rounds through the legislature with the responses [to AARP's criticisms], we will show the opposition that we will be well received," says Jeff Lebakken, president of the Wisconsin Rental

Dealers Association. "We can show that we have compromised on two issues and that they are misrepresenting the facts on the other two issues."

Lebakken says he is confident that the legislation is still on track, despite the delay caused by recent media activity.

## Two hundred turn out for Florida rental dealers' fall meeting

**T**he Florida Rental Dealers Association (FRDA) hosted a successful fall meeting on October 4 and 5 at the Hard Rock Hotel and Casino just outside of Tampa. A dozen rental companies were in attendance with approximately 200 employees turning out for meetings with vendors and seminars.

The two-day event was kicked off by a day of golf. Eighty golfers weathered wind gusts up to 40 miles per hour, which was a brutal test of RTO golfing skills. The group returned to the Hard Rock for a dinner and evening of gambling and fun.

The fun and games were just one part of the FRDA fall meeting. On the second day, 36 vendors displayed tabletop exhibits throughout the morning. Teams competed for prizes by visiting with vendors. Seminars on legal issues, regulation, RTO history and statistical surveys filled the afternoon. Mark Edelman, Buddy's Home Furnishings in-house attorney, spoke on recent court opinions that will likely have a negative impact on the industry's ability to file criminal charges. Ed Winn III, APRO's general counsel, gave a seminar on the history of the RTO industry's efforts in Washington, D.C. Winn also updated the group on new bankruptcy code that went into effect on October 17. He was followed by outgoing FRDA President Terry Beville who highlighted the results of the 2005 APRO statistical survey.

Next, Fred Pearson of Arkansas' Pay-less Rentals, spoke on the value of customer relationships in RTO stores and how to manage and preserve them. Finally, Larry Sutton, owner of Rent-n-Roll, introduced his friend and keynote speaker for the event, Bill Morgenstern, chairman of the board of RentWay. Morgenstern concluded the afternoon sessions with a rousing talk about leadership, sprinkled with personal stories about his experiences in RTO.

At the close of the day, Beville reported that the group raised more than \$7,500 in PAC funds for the industry's state legislative efforts and then graciously passed the presidential gavel to FRDA's new president, Chris Kale of Rent King.

FRDA is the second largest state association behind the Texas Association of Rental Agencies in number of stores represented and is one of the most vibrant and active of the state rental dealer associations.

## Chambers named High Touch president

Wayne Chambers has been hired by High Touch to be the third



president in the history of the company. Chambers will succeed

Lyle Jones who will retire at the end of December 2005 after 15 years as High Touch president (see Jones' APROfile on page 38). Chambers will assume the president's duties in November of 2005 and Jones will continue to serve on the board of directors.

Chambers, a Wichita, Kansas, native, began his rent-to-own career in 1976 with Remco in Houston and advanced with several rent-to-own companies to become the vice president of finance at Home Choice Holdings until 1999. When Home Choice Holdings was sold to RentWay, Chambers joined Advance America Cash Advance Centers where

2005|06

## NOVEMBER 2005

1-4

SEMA (Specialty Equipment Market Association), Las Vegas, Nevada, 909/396-0289, [www.sema.org](http://www.sema.org)

9

Texas Association of Rental Agencies' Situational Seminar, 10 a.m.-4 p.m., Shreveport, Louisiana, 817/539-0500, [www.taraontheweb.com](http://www.taraontheweb.com)

## JANUARY 2006

5-8

Consumer Electronics Show, Las Vegas, Nevada, 703/907-7600, [www.cesweb.org](http://www.cesweb.org)

18

Florida Rental Dealers Association Board of Directors meeting, Tampa, Florida, 813/241-0601, [www.frida-rto.com](http://www.frida-rto.com)

20-24

ColorTyme 2006 Winter Operations meeting, Dallas, Texas, 972/403-4945, [www.colortyme.com](http://www.colortyme.com)

January 30-February 3  
Las Vegas Furniture Market, Las Vegas, Nevada, 888/380-0919, [www.lasvegasmarket.com](http://www.lasvegasmarket.com)

## FEBRUARY 2006

2-6

San Francisco Furniture Mart, San Francisco, California, 415/552-2311, [www.sfmart.com](http://www.sfmart.com)

16-19

Tupelo Furniture Mart, Tupelo, Mississippi, 662/844-1473, [www.tupelomarket.com](http://www.tupelomarket.com)

February 28-March 1  
APRO's 2006 Legislative Conference, L'Enfant Plaza Hotel, Washington, D.C., 800/204-2776, ext. 108, [www.APROvision.org](http://www.APROvision.org)

he currently holds the position of executive vice president of administration. He also served as APRO's 1991-92 president.

"In searching for the next president for High Touch Inc., we took very seriously the need to find someone who fit our company's values and could provide leadership in the industries we serve," says High Touch Vice President and Board Chairman Mark Lenz. "We felt that Wayne's deep experience with both the rent-to-own and payday loan/financial services industries provided an outstanding fit for us."

In accepting his appointment, Chambers says, "I appreciate the confidence being placed in me by the board of directors. I am ready to serve as the new president building upon their 21 years of experience providing quality service and software to the rent-to-own and payday loan/financial services industries."

Chambers lives in Spartanburg, South Carolina, with his wife, Susan, and their four daughters.

Based in Wichita, High Touch is a rent-to-own industry leader in software and hardware solutions. The company actively develops new products and provides service to more than 3,100 rent-to-own stores nationwide.



## From bulldogs to brides, animator has APRO ties

**T**hey might not realize it, but APRO members will see a familiar name on the movie marquee this month. Before earning directorial credit on *Tim Burton's Corpse Bride*, stop-motion animator Mike Johnson created RTO's loveable bulldog, Gus. Johnson was commissioned by APRO in 1995 to create Gus and to direct the rent-to-own industry's first national advertising identity, *Introducing Gus*.

"Gus was a great character to create and animate," says Johnson. "Gus was my first big project as a director and I am thankful for the opportunity to work with a great group of people who believed and supported the art of stop-motion animation."



Johnson used the funds from *Gus* to finish his short animated film, *The Devil Went Down to Georgia*. Prior to being tapped by Burton to direct *Corpse Bride*, Johnson's animation credits included *The Nightmare Before Christmas*, *James and the Giant Peach* and television's *The PJs*. In its opening week, *Corpse Bride* ranked number two at the box office and has grossed more than \$42 million so far.

*Introducing Gus* won several national awards, including best animation, and is still available to APRO members. *Gus* continues to air on behalf of the rent-to-own industry and APRO members. For more information on ordering your copy of *Gus*, contact APRO's public relations director, Richard May, at 800/204-2776, ext. 104.

Johnson, left, at the U.S. premiere of *Corpse Bride* with online movie critic Harry Knowles.



9/05 HURRICANE KATRINA

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to the Gulf Coast.



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Red Cross Volunteer  
Rae ford, NC



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## RentDirect Nationwide expands across U.S.

Nationwide Marketing Group has launched RentDirect Nationwide, a purchasing and marketing organization for independent rental/lease dealers. With annual purchases of more than \$9 billion in appliances, consumer electronics and furniture, Nationwide says its strength and experience led the organization to move into the rental/lease area.

"The rent-to-own industry is growing, and within the industry, independent retailers are showing the strongest growth," says Ed Kelly, CEO and director of Nationwide.

Nationwide has named James MacAlpine to head its newest venture.



MacAlpine now serves as executive director of RentDirect Nationwide. A native of Killeen, Texas, MacAlpine has spent most of his career in the

industry, most recently as COO of Rent 2 Own in the Houston area. Previously, he was regional manager for Rent-A-Center in Texas, Louisiana and New York. MacAlpine is vice president of the Texas Association of Rental Agencies. He joined RentDirect Nationwide in August.

"RentDirect Nationwide was developed to provide the growing market segment with a series of unique benefits and competitive advantages that were traditionally unavailable to RTO dealers," says MacAlpine.

"In addition to group-negotiated vendor programs and pricing, members of RentDirect Nationwide are able to take advantage of a variety of aggressive programs and events. I was really impressed, too, when I learned about the Nationwide group's print, radio and television promotions that are customized to each member's unique identity at RentDirect Nationwide's own media production facility."

Another key benefit for RentDirect members is a unique warehousing

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system, WarehouseDirect Nationwide—an operations and distribution system that allows members to keep off-site inventory on-hand and make it available for direct shipment within two to three business days.

Like Nationwide Marketing Group, Rent-Direct Nationwide sponsors two large buying conventions each year so that members can meet with vendors, see new products, and benefit from a number of promotions. RentDirect Nationwide also offers training programs, semi-

nars, and other benefits for its members.

**Lewallen honored with Mike Kent Sr. Pioneer Award**

Ernie Lewallen of UHR Rents in Cincinnati, Ohio, was named the second recipient of Rent-n-Roll's Mike Kent Sr. Pioneer Award at the Rent-n-Roll annual meeting in Tampa, Florida, on September 12. The Pioneer Award was established in 2004 to honor forward-thinking

individuals in the RTO industry.

According to Larry Sutton, president of Rent-n-Roll, Lewallen was chosen for his passion for the industry and his many contributions to Rent-n-Roll. "Many of the ideas he contributed became a permanent part of Rent-n-Roll," says Sutton. Lewallen is the creator of the recommended floor plan for Rent-n-Roll franchises.

Lewallen opened his first Rent-n-Roll franchise in 2004 in Covington, Kentucky. His second store opened in February



2005. According to Sutton, Lewallen is known in the industry for his passion and enthusiasm for Rent-n-Roll. "Because he believes in the concept so much, he has led others to take the same path," says Sutton.

The award is named for Mike Kent Sr., the first recipient of the Pioneer Award.

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## ColorTyme secures line of credit for pay-day loan services

ColorTyme has secured an additional line of credit to support pay-day loans, one of ColorTyme's newest growth ventures for its franchisees.


The company finalized a new \$5 million line of credit for pay-day loans to add to the existing \$65 million line of credit supporting the traditional rent-to-own portion of the business, making a total of \$70 million in total credit line to support the company's growth.

Currently, 19 ColorTyme stores offer pay-day loans. ColorTyme anticipates adding pay-day loans in 40 additional locations by the end of 2006. Sam Lowe, ColorTyme vice president of operations, developed the pay-day loans program and is responsible for implementing it in the new stores.

"In an industry that is becoming increasingly competitive, it's important that ColorTyme provide not only excellent support for our franchisees through training, marketing and other programs, but also provide them with diverse service to offer their customers," Lowe says. "Securing this additional

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- Easy to use and learn
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structures with vendors and manufacturers and giving all our members the buying power of The Big Guys. Our goal is simple: you must be satisfied with our services. Or we'll give you your money back.\* Pretty straight-forward guarantee policy.

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credit specifically for pay-day loans gives Col-orTyme franchisees the capital to fund pay-day loans programs, as well as additional tools such as software, training and security measures.”

### **New Premier store opens in Michigan**

After being in the RTO business for 24 years, Jim Forker decided to venture out on his own. Forker will open his Premier Rental-Purchase store in Benton Harbor, Michigan, in September. However, it was a two-year decision that proved harder to make than implement.

“I saw an ad in *Progressive Rentals* magazine



in 2003 and I called Premier and inquired,” says Forker. I was impressed by Trooper [Earle, Premier’s president and CEO]. He seemed very supportive. He didn’t push. He wanted to make sure it was my decision, not his.”

Forker discussed his idea with his friend Mike Lewis who was working for the same RTO firm as Forker. Lewis was so intrigued, he opened a Premier store himself within a year, based on Jim’s recommendation.

“Mike has been very successful with his store,

and he has been a huge help to me,” says Forker.

The national headquarters of Premier Rental-Purchase is located in Williamsburg, Virginia. All Premier stores are independently owned and operated.

### **Nationwide’s Stein recognized for 20 years of leadership**

The Society of Certified Insurance Counselors (CIC) honored Alan Stein, a certified insurance counselor for Nationwide Club Administrators in Coral Springs, Florida, for his ongoing pledge to educa-



tion, commitment to excellence and dedication to the insurance

profession. CIC presented Stein with a formally inscribed certificate for his continued participation in the program.

Earning his CIC designation and maintaining all update requirements for 20 years places Stein in the top one percent of all insurance professionals in the country.

“The high standard maintained by Mr. Stein not only benefits Nationwide Club Administrators, but the insurance profession as a whole,” says William T. Hold, president of the society.

CIC is a non-profit organization nationally recognized as a leader in continuing education for insurance professionals.

## **Rent-A-Center announces store consolidation plan**

**I**n September, Rent-A-Center announced plans to close as many as 162 stores across the U.S. by the end of 2005. “We believe our aggressive store acquisition program over the last few years has resulted in over-penetration in some markets,” says Mark E. Speese, the chairman and chief executive officer of Rent-A-Center.

The stores that are marked for closure will transfer their customer rental-purchase agreements to existing Rent-A-Center stores and the company expects to retain the majority of these rental-purchase agreements. At the conclusion of the restructuring, the company expects a monthly operating income benefit of \$1.4 million to \$1.8 million.

“The rationalization of our store base does not change our outlook with regard to our new store development plan,” says Speese. “We have opened 34 stores year-to-date and intend to open approximately 60 to 70 new stores in 2005.”

### **Sandberg welcomes new employees**

Sandberg Rental Express has added David Humphrey and Matt Harris to its rental team. Humphrey has been an independent representative for Sandberg for almost four years. Harris has been appointed sales coordinator and will work at the Florida office. Harris will be available to answer questions and comments regarding sales and service.

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**I**t started as an insignificant, modest storm on the eastern coast of Florida. No one could have imagined the havoc Katrina would cause on the southern coast of the United States. Once she moved into the warm waters of the Gulf of Mexico, her fury would change lives forever—including many in our rent-to-own world.

I started paying attention to Katrina on the Friday before she hit. My thoughts were of another time when I experienced my first hurricane, Carla. I was 11 years old and thought it to be quite an adventure headed our way. When my father heard

plan to provide our APRO family members—employees of APRO members—with a supplement to help them survive.

With a little luck and much dedication, APRO's membership director Laurie Hill contacted all affected

APRO members to tell them of our plan and to ask for their help. Within 33 hours of calling for donations, we were able to send our first monetary assistance to our APRO members, just in time for the weekend. Laurie has reported that those calls to tell our

friends that help was coming were the best calls she has ever made. There were many tears of happiness coming across the phone lines that day.

At the same time, APRO began hosting daily conference calls to provide a forum of help and encouragement to RTO colleagues who had phone service. We solicited the help of many in the industry to get the word out about these calls. When a member expressed confusion about how to get money and pay bills when all the banks were down, we called the FDIC and relayed bank closure information. When other members were going to send in trucks of supplies, we helped with information about road closures. When questions about the Federal Emergency Management Agency (FEMA) were raised, we called other APRO members with experience working with FEMA in previous hurricanes and got questions answered.

Thanks to Richard Rose and Bob O'Connor for their knowledge and their willingness to help fellow dealers get through this disaster. Insurance issues are vital at this point and APRO's general counsel, Ed Winn, is rounding up experts to give advice.

Thanks go to all of you who have participated in this relief effort. The affected RTO employees are greatly appreciative. Giving a helping hand is what family does best. And let there be no mistake—APRO is a family. ■

*Bill Keese's e-mail address is [bkeese@aprovision.org](mailto:bkeese@aprovision.org).*

.....  
 "Thanks to all  
 of you who have  
 participated in  
 this relief effort.  
 Giving a helping  
 hand is what  
 family does best.  
 And let there be  
 no mistake—  
 APRO is a family."

## Families helping families

experts forecasting 15-foot waves in the Houston ship channel, he decided we would get out.

I can only remember parts of the experience. All of us, including our cat and dog, packed up in our car and went to my grandmother's house. I remember feeling frightened when the lights went out and my father lit our kerosene hurricane lamps. With the wind blowing harder than I'd ever experienced, the windows rattled and debris crashed against the house. But, when it all passed and we had survived with little damage, I thought I had grown up a little more having had the experience.

More than 40 years later, I can't imagine the thoughts, fears and uncertainty the people of Louisiana, Mississippi and Alabama must have felt over the past couple of months. While life has continued uninterrupted here in Austin, thousands of Americans have had their lives changed forever.

This did not go unnoticed by our rent-to-own family. Even as the storm was blowing through, opportunities to help were surfacing. Larry Sutton, a survivor of several Florida hurricanes, e-mailed me and offered \$10,000 to help RTO employees who were affected by Katrina. Larry's idea was soon adopted

by the APRO board of directors. APRO used our charitable foundation to assist displaced employees. Terry Beville named the effort "RTO families helping families of RTO." With Katrina's damage unfolding, APRO sprang into action developed a



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

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**I**n the world of personal finance, a large chunk of the population falls below the magical credit-score red line. Those above the line are credit-worthy and those below aren't. The line is drawn in different places by different creditors, but generally falls between the credit scores of 400 and 500. The murky waters of sub-prime finance are always aboil, with people moving in and out everyday. It is much easier to fall than to rise in this world. One big default can dump a consumer into the classification known as sub-prime. It will take a couple of years of steady, timely bill paying to get out.

Historically, people who once fell into the

bers, i.e., presumptively illegal immigrants.

Innovative merchants are developing profiles of sub-prime customers to help identify which are likely to pay and which aren't. It is complicated math using heuristic probabilistic algorithms, since there is no way to predict with absolute certainty whether a given consumer will pay a given bill at some point in the future. The best anyone can do is calculate the odds, using accurate givens and making reliable presumptions and then hoping for the best—and collecting like crazy.

Mortgage bankers are offering seminars on sub-prime credit scoring. Customers below the credit score red line are no longer lumped together and ignored. Companies now exist with

software programs that purport to predict who among the credit-challenged will pay on time.

In some ways, the rental industry observes their customers' new-found popularity with some bemusement. A lot of rental companies still employ some variation of the "mirror test." If a customer tells the truth on a rental application, he or she can get a TV, credit scores be damned. With a stubbornly stagnant customer base, the rental industry cannot afford to get too picky.

But the overall trend should prove to be good news for rental dealers. If a way can be found to sell houses to people who formerly could not qualify for a mortgage, it will mean more houses are sold, which is happening in the country—including a growing trend in RTO housing, both private and public. That will mean more happy homeowners who will want nice furnishings and appliances in their new homes. RTO stores could be ferreting out new homeowners—it's public record everywhere—and doing a direct marketing blitz to them. Of course, sub-prime homeowners are more likely to be "house poor" than other homeowners, but that may be all the more reason for them to need to rent a sofa, a TV or a lawnmower.

It continues to be a brave new world out there. This time it is the creditors who are being brave. ■

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

.....  
 "Historically, people who once fell into the murky stew of sub-prime found themselves shunned by the traditional retail world. That may be changing."

## Parsing the sub-prime

murky stew of sub-prime found themselves shunned by the traditional retail world. That may be changing. Existence in sub-prime no longer means that someone does not have money or is automatically a deadbeat—and the financial community has awakened to this fact. Rent-to-own dealers, of course, have always done business with credit-challenged customers. Now, banks, savings and loans, mortgage bankers and entrepreneurs of every stripe are interested in doing business with this sector for many reasons, not the least of which is that it is so big—as much as 40 percent of the population has trouble making ends meet from time to time.

How credit scores are derived is beyond the scope of this message, but part of it has to do with bill-paying habits, income levels, assets and stability. Credit scores have never told the whole story, and in the sub-prime world, among the millions with failing credit scores, there are millions of consumers who can, do and will pay their bills more or less on time. RTO companies have always known this, and buy-here/pay-here car lots and

some small loan finance companies have always known this, but now the traditional banks and other lenders are figuring this out. Banks are asking the government for permission to finance houses for people without social security num-



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

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**B**eing a part of a committed community with a rapidly growing membership base are just two of the benefits High Touch receives from its membership and participation in APRO.

First, APRO has a growing membership base. This is important for vendors such as High Touch, whose business is primarily in the rent-to-own industry. As our industry is succeeding and growing, our company can be succeeding and growing along with it. To help foster this industry's membership growth, we've never hesitated to give back. We're a major sponsor of the annual APRO Con-

## A vendor's view

vention and Buying Show and have increased our booth space at this event by 25 percent over the past four years. We also continue to be sponsors of the APRO Legislative Conference in Washington, D.C., and try to sponsor many of the growing number of regional trade expos around the country.

For High Touch, having a place among a growing membership base also gives us the opportunity as a vendor to lend our time and expertise to support the several state associations. Not only do we participate in each association's annual events, but I also have served as the vendor liaison to the Missouri Rental Dealers Association. I currently serve on the Ohio Rental Dealers board of directors and as the vendor liaison to the Texas Association of Rental Agencies.



**By JOHN ROGERS**  
Past APRO board member

The growing number of referrals we receive from friends and acquaintances around the industry continues to increase the number of dealers and stores using our software for point-of-sale and accounting. This is a testament to how business builds upon business in this growing, close-knit community.

These close business relationships are the second key benefit of membership in APRO. News travels fast in our industry—both good news and bad. Vendors who want to offer good products at competitive prices with quality support will find that establishing one customer establishes many. This makes entry and success

for any vendor easier than in other markets. There is a high degree of loyalty among the membership and once established as a quality company, a vendor can count on many years of productive and profitable business.

And by the way, the benefits of APRO membership also serve as rules for continued success. The more that a vendor pitches in to help grow and serve the membership, the larger a piece of the business pie he or she has the chance to receive. By this rule, vendors who strive to offer quality products and services to industry members will be rewarded.

We haven't always won business that we've proposed, but I can say assuredly that our time and support at the state and national levels has given us a welcomed access to decision makers that might not otherwise have been granted. At times we've been allowed to make proposals in circumstances where our products might not have been the best fit. But instead of a simple "no" to our request to make a proposal, High Touch was at least given the chance to make a presentation and make the sale. I believe is the direct result of the goodwill fostered by our efforts on behalf of the industry.

APRO not only provides a forum in which vendors and dealers can interact, but it fosters that interaction and provides the necessary channels for both parties to get the best deal possible. APRO is one of the few industry associations that elevates vendor representation to a board-level position. Not only does our industry maintain a sitting vendor advisory committee, but the head of this committee also sits on the APRO board of directors. More than any other factor, this is evidence to High Touch of the importance APRO places on vendor issues and concerns, especially on such matters as site locations for annual conventions and buying shows.

For High Touch, our APRO membership gives us a better opportunity to continue building our company and the honor to continue helping build such a fine national association. We look forward to many years of mutual benefit between industry members and vendors alike. ■

*John Rogers is director of sales at High Touch in Wichita, Kansas.*

.....  
 "These close relationships are [a] key benefit of membership in APRO...vendors will find that establishing one customer establishes many."

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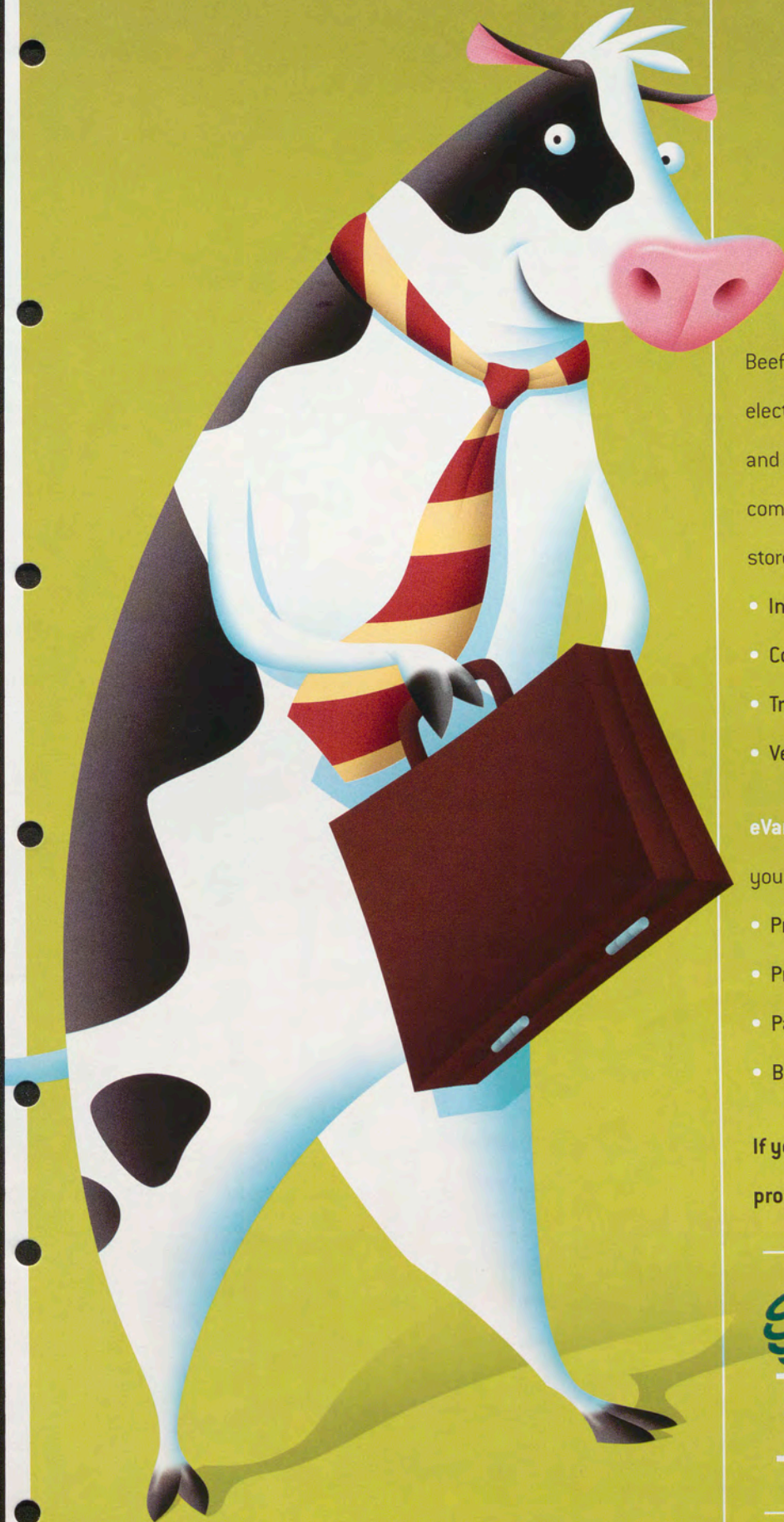
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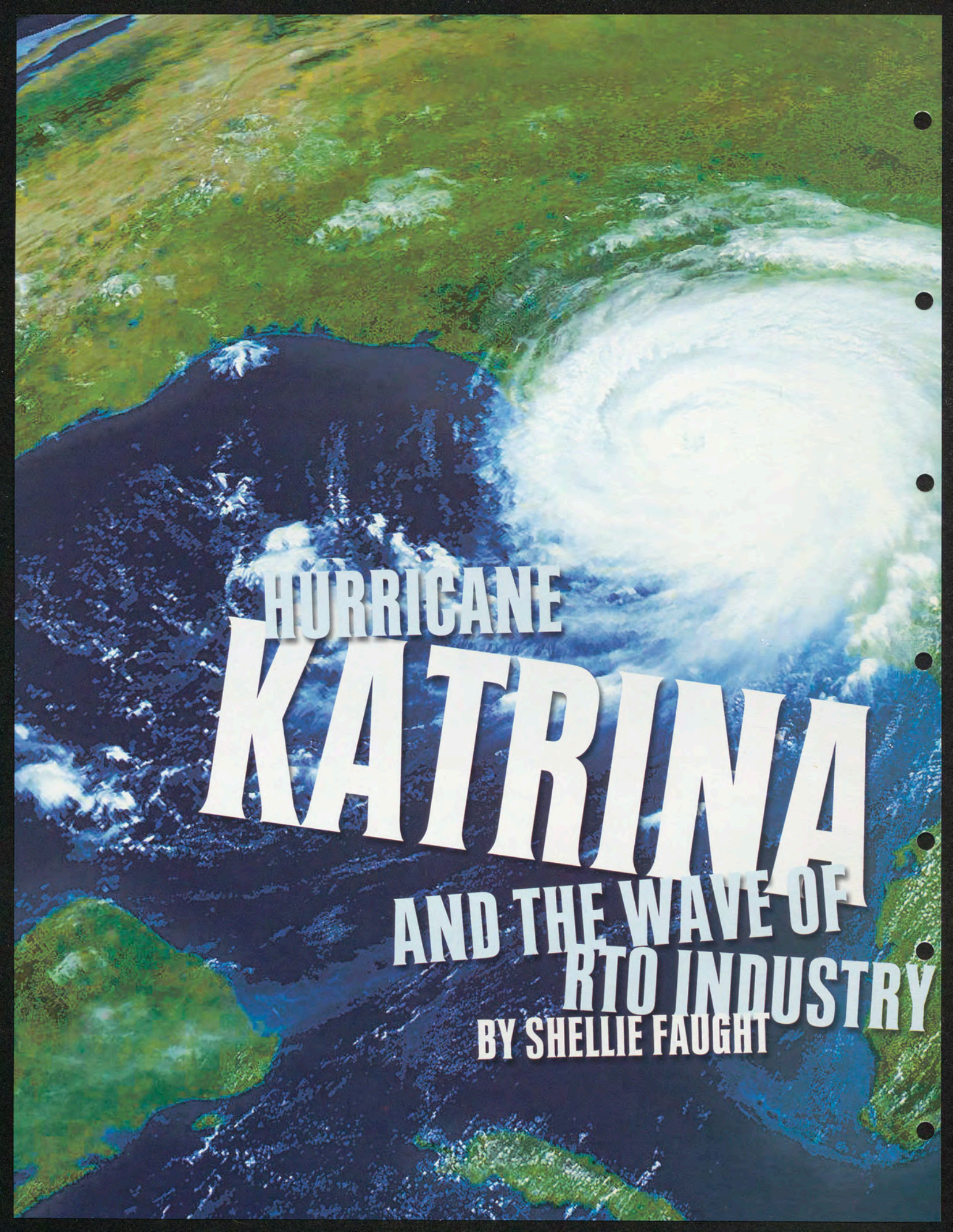


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An aerial satellite-style photograph of Hurricane Katrina. The hurricane's eye is a bright white circle in the upper right, surrounded by dense, swirling white and grey clouds. The Gulf of Mexico coastline is visible in the lower left, showing the Gulf Coast of the United States and parts of Mexico. The land is green and brown, while the ocean is dark blue. The text is overlaid on the lower half of the image.

**HURRICANE**  
**KATRINA**  
**AND THE WAVE OF**  
**RTO INDUSTRY**  
**BY SHELLIE FAUGHT**



# SUPPORT

# O

On Monday, August 29, Larry Goad watched as news bulletins reported that a Category 4 hurricane named Katrina had made landfall along the central Gulf Coast. Two days later, the president of Tennessee's Zion's Rental-Purchase was on the road to Baton Rouge, Louisiana.

Goad, an APRO board member, drove more than 750 miles through gas shortages, traffic jams and hurricane ravaged territory to serve in the Tennessee unit of the Southern Baptist Disaster Relief (SBDR) team. He spent eight days in Louisiana, helping the Red Cross' mass feeding mission run smoothly. An all-volunteer organization, the SBDR sends help into disaster areas to perform behind-the-scenes tasks such as cleaning up, rebuilding, child care and mass feeding. Goad was called up by Tennessee's statewide unit of the SBDR and spent much of his time in Louisiana unloading, organizing and inventorying up to seven tractor trailers full of food per day. The food that Goad organized was used by the mass feeding crew to prepare meals for evacuees. In the aftermath of Katrina, the mass feeding crew in Baton Rouge prepared and distributed as many as 30,000 meals a day.

In his two years of volunteer service, Goad has served on crews that assisted with disaster relief in Florida. However, he says, witnessing the aftermath of Hurricanes Ivan and Francis did little to prepare him for the devastation caused by Hurricane Katrina. "I've been on several relief crews before," says Goad. "I know what the experience is like, but the damage done by Katrina was so big and so widespread, it was unbelievable." [CONTINUED ON PAGE 24]



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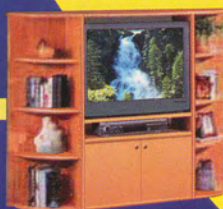


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# “UNBELIEVABLE”

was the most common expression used by newscasters and reporters to describe the destruction in the Gulf Coast. Hurricane Katrina originally made headlines as a small, Category 1 hurricane, when it made landfall just north of Miami, Florida, on August 25. Four days later, it landed near New Orleans, Louisiana, as a Category 4 storm. Within hours, Katrina's storm surge had breached the levee system that protected the city from Lake Pontchartrain and New Orleans flooded.

In the days following, Federal Disaster Area declarations blanketed approximately 90,000 square miles of Alabama, Louisiana and Mississippi. Damages were estimated to be higher than \$200 billion. An estimated five million people were believed to be without electricity in the sweltering Gulf Coast heat. More than one million people were displaced, causing a humanitarian crisis on a scale unseen in the United States since the Great Depression. On September 3, U.S. Homeland Security Secretary Michael Chertoff described the aftermath as “probably the worst catastrophe, or set of catastrophes” in the country's history.

As the rest of the nation watched the news stories roll in, another

[CONTINUED ON PAGE 26]



Southern Baptist Disaster Relief workers in Louisiana cooked meals that the Red Cross delivered to hurricane victims. Cambros, the red boxes pictured above, kept food hot for up to 12 hours. The Tennessee SBDR unit cooked 30,000 meals per day for the Hurricane Katrina relief effort.

## RTO HELPED

I'm a positively optimistic person. I have made it my mantra to be optimistic and try to show people how to use that outlook to better their lives. I must admit though, over the past weeks my attitude has been tested.

On Friday, August 23, it became apparent that a storm could hit the Mississippi Gulf Coast where my family and I live and work. My wife, Cynthia, and I began working the “Hurricane Preparedness Checklist” that we developed for our company. As Pascagoula, Mississippi, residents and business owners, we have done this many times in the past and usually found that our efforts were not necessary. On Saturday morning, I went to the home we were renovating and picked up bricks, lumber and construction trash that could become a potential hazard in the storm. The whole time I was thinking what a waste it seemed to be. Like many of the warnings before, Katrina probably wouldn't amount to anything that bad.

That afternoon, we went back to the office and started calling stores that were in the National Oceanic and Atmospheric Administration's hurricane cone and finished working our preparedness checklist. Cynthia got all of our personal non-replaceable belongings and we packed them in a truck to take with us. We packed the home office computer systems, the payroll office and accounts payable office. We are used to creating a mobile home office. After many wasted packing events we were doing it again, but by then the storm was beginning to look worse.

As we left the house, we made a mental note of what Pascagoula looked like, more out of habit than experience, and drove down by the beach saying a silent good-bye to our home and community. From there, we headed to our Bay Minette, Alabama, store, which was our choice for an evacuation shelter this time. We always gather the family and some friends and go to a store that is far enough away from the coast, yet close enough to get back quickly to survey the situation and get things going again. The stores make a good shelter since we have plenty of mattresses, couches, refrigerators and televisions. This time, we had about 30 people with us. We set up televisions for the kids and some for us to watch the

# ... AND ALSO GOT HIT

## APRO PRESIDENT SHANNON STRUNK'S HURRICANE EXPERIENCE



progress of the storm and wait until we could go back home. This time was different from all the others, though. We watched as the storm whacked us.

On the drive back to Pascagoula, all we could do was say our prayers—prayers of thanks and prayers of hope. First, we went to the office and warehouse. From the outside we could see it was intact, but from the smell when we entered it, we could tell it had flooded. Next, we went to our house. It also looked normal from the outside, minus some roofing and a thin layer of mud everywhere. We pulled the plywood off the back doors and opened it up. I had never seen a house that had flooded so it was an amazing sight for me. The water had seeped into the house so fast that everything floated. We had furniture in the wrong rooms, refrigerators were on their backs and the water heater had been ripped from the wall. It was as though someone poured bayou mud in, shook the house up and set it back down. Everything that was on top of the furniture for safe keeping was now on the bottom with the furniture on top of it. Finally, we went to our home that was under renovation.

We had heard that there weren't any houses left on the beach, so we were expecting the worst. The roads to the house

were littered with five- and six-foot piles of rubbish, boards and furniture; all that remained from the houses the storm had torn up and deposited along the path. When we got to the house we could see it was still standing, but the water had pushed completely through the first floor of the house and most walls were torn down. Much of the exterior had been torn away. The bottom floor looked terrible, while the top floor almost looked untouched. It was hard to believe with all this damage that we were a few of the lucky ones who had anything left.

I always answer the question "how are you doing?" with a loud "great," but then it would not have been truthful right after Hurricane Katrina. All I could muster was a "fine." Every day, after working at the office, we went to the house to try to recover some of our belongings—and every day the view would change. One day the shells of houses were there and the next day whole blocks had been bulldozed. It has become hard to remember what it used to look like. We find ourselves among the thousands of homeless and we are now living with our daughter and her family in Mobile, Alabama. There is just not enough time in each day. We spend most of our time trying to get

some order back into our lives and the lives of our employees. We all want to be back to normal, but we know that the normal we knew is gone forever.

You simply can't buy enough insurance to cover these events and the impact they have on your company. One week after the storm, 20 of our 50 stores were still closed. Three of the stores' buildings were completely destroyed or uninhabitable. We were certain the seven stores directly on the coast had lost most of their customers. When we toured the area, all we saw was destruction. After talking with APRO members Bob O'Connor and Richard Rose about their storm-related experiences, we put a plan together to help our employees and our customers and keep the company going.

Thankfully, our worst business fears were not realized. As I write this, four weeks later, we have 48 stores running. By selling products at very low prices and renting even more product, we are able to help our customers and keep the company running and providing jobs for all of our great employees. Cynthia and I are certain that a positive attitude is the key through times of trouble. If you consider the damage and destruction in Mississippi alone, Katrina would still be the worst natural disaster to hit the United States. In the face of that tragedy, it is great to witness and participate in the strength of those overcoming the event, especially our employees.

I am very proud of what APRO and its generous members have done for the employees of this fine industry. Again, APRO is there when it is needed. I am also proud of the spirit of our employees and happy to see the resilience and pride they take in building our company. If you call me today and ask how I'm doing, I will once again answer "great!" It is great to love what you do for a living and be able to help people doing it.

Having shared these thoughts with you, know that Cynthia and I are both thankful that all our employees, friends and family survived Katrina. We are also thankful for all of the friends in our industry who have shown great concern, compassion and generosity during this disaster. ■

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

[“KATRINA” CONTINUED FROM PAGE 24]

member of the rent-to-own industry was also on the front lines, performing clean-up operations for the recovery of the Gulf Coast. Terry Beville, APRO treasurer and vice president and CFO of Florida’s Buddy’s Home Furnishings, traveled to Mississippi to serve on a clean-up crew with the SBDR. He and his crew donated their time and their labor to help residents haul off downed trees and other hurricane debris. “We supplied basic labor to get stuff cleaned up and get life back into some semblance of order for them,” says Beville.

Across the nation, RTO professionals took up the call to help those affected by Hurricane Katrina with any means possible. In Tulsa, Oklahoma, Stanley’s Rent To Own partnered with a local church to collect and deliver supplies to evacuees in Baton Rouge. Together, Stanley’s Rent To Own and the Church at Claremore collected diapers, personal items, clothing, canned goods and bottled water that would be delivered to the World Faith Christian Center where more than 600 evacuees were housed and cared for, according to Craig Stanley, owner of Stanley’s Rent To Own. Stanley’s took at least one of its 14-foot box trucks to Baton Rouge on September 25.

“The outpouring of support has been tremendous,” says Stanley. “Everyone has come together for a common goal, to help the individuals and the families that have lost so much.”

## RENT-TO-OWN FAMILIES HELPING FAMILIES OF RENT-TO-OWN

**B**uzz’s Rental-Purchase was just two weeks away from opening their sixth store in Mississippi when Hurricane Katrina blew in and damaged four of the company’s six stores beyond repair. Of the Buzz’s stores across Louisiana, Mississippi and Texas, three were in New Orleans proper. Not having been affected by a hurricane of Katrina’s caliber before, William “Buzz” McRae, president of Buzz’s Rental-Purchase, turned to APRO for help.

“I figured I could get the best information from people who were experiencing or had experienced an event like that,” says McRae. “I thought about who connected us all and then I called APRO.”

That phone call sparked a whirlwind of disaster relief efforts around



the rent-to-own industry. A hotline was established and daily conference calls were arranged for those who had the ability to call in. These calls helped answer questions for business owners whose stores and employees had been affected by the storm. APRO members who have experienced hurricanes or disaster relief before also contributed to information concerning banking, road closures, small business recovery and other disaster-related tips. These resources were posted on the APROvision Web site and are available for review.

“Through the phone calls I gathered enough information to determine what I needed to be working on,” says McRae. “I found them helpful from the informational and emotional standpoint. I wasn’t alone in dealing with this. I had shoulders to lean on.”

Moved by seeing the devastation fellow dealers were faced with, the APRO board of directors established the RTO Employee Disaster Relief Fund to provide temporary assistance to the employees of APRO members who suffered the loss of their income due to the hurricane and its aftermath. Shortly after the fund was announced, pledges and contributions began streaming in from RTO employees that were determined to help other RTO employees.

The employees of Florida-based Buddy’s Home Furnishings decided to donate funds earmarked for their annual Christmas party to employees who might be jobless. The vote was almost unanimous among employees. Some of Buddy’s employees also volunteered to take an additional payroll deduction.

Illinois’ Rent One and Imagery Marketing Consultants implemented a program of matching employees’ contributions with two dollars for every one dollar its employees earned for the next six pay periods. Larry Carrico, president of Rent One and an APRO board member, re-

## RTO DISASTER RELIEF FUND CONTRIBUTORS

[AS OF OCTOBER 12, 2005]

Damion and Jennifer Brophy, Lyn and Natalie Leach of Ace Furniture and TV Inc., Gene and Karyl Leach of Ace Rent-To-Own, Rodney Reddell of Advantage Rentals and Sales, Appliance and Furniture RentAll, Benefit Marketing Solutions, Buddy’s Home Furnishings employees, “Tiger” John Cleek of Cleek’s RTO, Mike Tissot and Countryside Rentals employees, Florida Rental Dealers Association, Full-O-Pep employees, Henry Baird of Great Western Inc., Imagery Marketing Solutions, Michelle Dunning of Kelley Commercial Trucks, Michael Kent of Kent Enterprises—dba Rent-n-Roll, Kevin and Angela Quinn of KLQ/Quality Rentals, Mike Strong of Mike’s TV-Furniture and Appliance, Missouri Rental Dealers Association, Jay Roberts of National TV Sales and Rental, Mark and Kathy Windsor and National TV Sales and Rental employees, Ohio Rental Dealers Association, Geron Vail of Pearson Vail Inc., Mike Neighbors of Philips Consumer Electronics, Gary Weatherman of Rent A Wheel, Dan and Susan Matthews of Rent Plus/Benefit Marketing Solutions, Larry Sutton of Rent-n-Roll, Lisa Farris of Rent-Way #486, RentWay store #1384 employees, Sandberg Furniture, Gary Ferriman and Showplace Inc. employees, Larry Carrico and SKC/Rent One employees, Dick and Miriam Eichlin and STAR Rentals employees, Mike Talley of Talley Rents, Texas Association of Rental Agencies, TRIB Group, Ernie Lewallen and UHR Rents employees, Bill White of White Properties and Williams/Berndt Advertising



ported that 20 percent of the company's employees pledged more than \$9,400.

In the wake of the tragedy, rental dealers found innovative ways to encourage participation among customers and employees alike. Countryside Rentals in Ohio donated two dollars for every delivery made through September. Mike Tissot, vice president of Countryside Rentals, personally matched all contributions made by his employees. In addition to implementing an optional payroll deduction, National TV Sales and Rental, based in Missouri, added the donation effort to its ongoing football advertising promotion. The stores sold paper footballs for one dollar. The footballs were then signed and displayed in the store. The stores placed water jugs at the counter to collect loose change for hurricane victims.

Many dealers opted to donate a certain amount per store. Rent-n-Roll's president, Larry Sutton, made a \$2,000-per-store contribution for each of his four Florida-based stores, plus \$2,000 for a new store. Dick Eichlin of Virginia-based STAR Rentals and Geron Vail of Arkansas' Pearson Vail also contributed \$100 per store. Indiana's Full-O-Pep Appliances donated \$100 per store and the company pledged one dollar for every delivery it makes from September through November. The company also



solicited contributions from customers in each of its stores.

State rental dealer associations across the nation rallied to the cause and sent contributions on behalf of their membership. The Florida Rental Dealers Association and the Ohio Rental Dealers Association each made \$10,000 donations to the RTO Employee Disaster Relief Fund. The Missouri Rental Dealers Association and the

Texas Association of Rental Agencies contributed \$5,000 each.

At press time, the APRO RTO Employee Disaster Relief Fund had received \$106,204 in donations with another \$61,070 pledged by members of the RTO industry. Ten percent of the fund was donated to the American Red Cross. The first wave of support was sent out to 89 affected employees on September 8—within only 33 hours of the initial call for support.

Some of those recipients included employees of Buzz's Rental-Purchase. Twenty of the store's employees were affected and 17 of those employees received assistance from the APRO fund. "Most of our hourly employees had very limited resources in the aftermath," says McRae. "[The APRO RTO fund] provided them the seed money they needed to get their basic necessities taken care of and get back on their feet."

## KATRINA HELP SPANS THE RTO INDUSTRY

**M**oved by the devastation wrought by Hurricane Katrina, the rent-to-own industry joined the effort to provide relief to the thousands of people left homeless. Below are just a few of the contributions made by those in the rent-to-own industry.



- Aaron Rents donated \$200,000 from the Aaron's Community Outreach Program to aid employees and their families in affected areas. Aaron's franchises across the nation pledged to put displaced RTO employees to work. Employees of the RTO industry were able to find work at any Aaron's in the United States, regardless of whether they were employees of the company prior to the storm. Other Aarons franchises established a payroll deduction program for employees to donate to the relief effort.
- General Electric provided cash, equipment and services to help address immediate needs and begin the recovery from Hurricane Katrina. GE employees gave more than \$1.5 million to the American Red Cross, which the GE Foundation matched. GE provided another \$6 million in cash to the Red Cross and at least \$10 million in equipment for recovery efforts.
- Sealy made a commitment of \$1 million and product donations to the American Red Cross to support the disaster relief efforts.
- Therapedic International partnered with RentWay to ship three truckloads of bedding into RentWay storage facilities for distribution at a severely discounted price. In addition, Softex donated 1,000 pillows.
- According to Tony Craig, RentWay communications supervisor, RentWay has had a fund to assist employees in times of need for several years. In the wake of the hurricane, contributions to bolster the fund came in from all areas of the company. RentWay also established a 24-hour hotline to assist dislocated employees. "Our first priority was to locate every employee, and then make sure each has money and a place to stay," says Craig.
- Michelle Sutton, wife of APRO board member and Louisiana RTO dealer Wayne Sutton, testified before the Senate Small Business and



Entrepreneurship Committee on September 22, urging Congress to cut the red tape and supply assistance to businesses affected by Hurricane Katrina more efficiently. Sutton is a longtime community activist in Louisiana where she has served as president of the state's Economic Development Board. The Suttons have also been involved in lobbying Congress for RTO legislation for many years.

Signs of recovery from Hurricane Katrina have slowly spread through the Gulf Coast. Some rent-to-own stores have reopened or are in the process of reopening while others are still waiting to see what will happen next. In the midst of the uncertainty and the devastation, the rent-to-own industry has proven its willingness to help in times of a crisis. "It's great to be a part of an industry that has the foresight and the compassion to assist its neighbors in times like these," says Shannon Strunk, APRO's president. Whether by cooking a meal or clearing off a yard, organizing a supply drive or sending a few extra dollars, rental dealers were quick to act when they heard the call for help. ■

*Shellie Faught is APRO's director of communications. Photographs courtesy of Shannon Strunk, Larry Goad and NOAA.*



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AT THE 2005 APRO CONVENTION AND BUYING SHOW, A SEMINAR ENTITLED “WHY 94 PERCENT OF YOUR MARKET IS NOT RENTING” SPARKED A TREMENDOUS AMOUNT OF DISCUSSION AND AN EXCHANGE OF IDEAS. IN THE PREVIOUS ISSUE OF PROGRESSIVE RENTALS, WE ADDRESSED ONE REASON WHY SOME DON’T RENT: PRICING AND RATES. IN THIS ISSUE, WE DELVE DEEPER INTO WHY PEOPLE DON’T RENT AND OFFER STRATEGIES THAT MIGHT HELP BRING IN THOSE ELUSIVE “NON-CUSTOMERS.”

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WHY PEOPLE DON’T RENT, PART II:

# Perceptions.




# *S* *and fears*

The information for these articles was culled from a seminar conducted by APRO board member and Michigan rental dealer Sydney Burton. He, in turn, got much of his information from reviewing tapes of focus groups that were a part of the Trenholm Research's *2004 Image Research for the Rent-to-Own Industry: Telephone Survey and Focus Groups*. The unedited DVDs of the focus groups are available to APRO members upon request. Last issue's article dealt primarily with pricing policies in rental stores as a reason for people choosing not to rent. This article will look at the other factors mentioned by participants in the focus groups. Rental dealers may want to kill the messenger because the things that non-RTO customers

say about the business are not flattering. Their perceptions of the rent-to-own industry will cut to the heart of the life's work of some rental dealers. The information in this article will hurt some feelings.

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BY ED WINN III



herefore, before pondering these disparaging perceptions, it may be useful to remember that politicians endure a fair amount of criticism, and they suffer it very publicly, on the front pages of newspapers and on the six o'clock news—some of them nearly every day. Politicians are winning when only 49 percent of the people hate them and what they stand for, because that means that a majority of the people agrees with them. If RTO dealers could reach those levels of percentages, the business would be eight times bigger than it is. If that kind of progress is unlikely, rental dealers can take some solace from the fact that the negative impressions that many people have about RTO are, for the most part, only rarely shared on the six o'clock news. The damage done by the misperceptions of non-RTO customers rarely affects more than rental dealers' profits, which ought to be reason enough to read on, however painful the process.

The primary reason that people don't rent is that they are afraid to. They are afraid of RTO at every turn. RTO advertising frightens them. It is too aggressive. It tries too hard. Anyone who pushes that hard must be hiding something. RTO advertising shouts weekly rates. No other business in the world advertises weekly rates (maybe a few flea bag hotels/motels advertise weekly rates on their marquees). RTO customers may be used to weekly-rate advertising, but to non-RTO customers, the practice seems sneaky.

Advertising and word of mouth are the only two ways that non-RTO customers learn about RTO. RTO advertising is scaring people away from RTO stores. That's a bad start.

**N**on-RTO customers are afraid of the product. To most non-customers, RTO means "used." That makes people wonder, "Who has had it before?" "How used is it?" The industry could address this fear by disclosing more information about used product. Dealers could disclose the history and condition of used product better. The industry could do a better job of explaining the difference between new and used. RTO store displays could ensure that the used items are clearly, boldly and honestly marked so that it does not look like the dealer is trying to pass off the used product as new.

Rental dealers know that there are some tremendous bargains in used merchandise. The used furniture market is thriving and consumers regularly shop consignment stores and other retailers of used merchandise looking for bargains. The RTO industry has what a lot of these people are looking for and the industry could broaden its customer base by focusing more on those bargain-conscious retail shoppers. The RTO industry probably has more used merchandise than any other retail segment, but all RTO seems to know how to do is to trumpet its low weekly rates from the rooftops. That kind of advertising is not going to attract these bargain shoppers, who, if they knew, could come into RTO stores, pick off the used bargains and allow RTO dealers to rent more new product to their rental customers.

Non-RTO customers have another furniture fear. They think that RTO stores only carry low-end merchandise, even the new stuff. They think that RTO stores have nothing but promotional items and that they cannot get the same merchandise in an RTO store as in a Best Buy or Circuit City, or even Wal-Mart or Target.

Rent-to-own stores are carrying better merchandise than they once did, but non-RTO customers don't know this, and they are staying away from RTO stores because of a mistaken, persistent and widespread impression about the quality of RTO merchandise. The responsibility for correcting the impression falls on rental dealers. Better advertising that focuses on the quality of the merchandise rather than the low weekly rates might help.

Non-RTO customers are afraid of the rent-to-own transaction. Incredibly, too many people, maybe even most people, still do not understand how RTO works. The non-customers in the focus groups did not understand "no obligation." They thought it meant that a customer could return a product within the first couple of weeks, but after that, they were obligated to keep and pay it off. That is because an RTO deal is not an intuitive transaction to those who have never made one. It is unique in the marketplace and the industry still has a ways to go before achieving a level of understanding by the American public that will overcome the mistaken preconceptions that exist.

Dealers cannot stand on street corners explaining RTO to passers-by. Rent-to-own dealers can, first of all, make sure that every employee understands the business that he or she is in, and then dealers can make sure that every shopper in the store who will listen has the RTO transaction explained as slowly and as patiently and for as many times as it takes so that every single person who enters an RTO doorstep understands the fundamental features of RTO.

The non-RTO customers in the focus groups simply did not believe the moderator when she told them that in an RTO store a customer could return the merchandise at any time without any penalty. They were persuaded that it would cost money to return a rented item—that there were hidden charges that the store was not telling them about.

If non-RTO customers do not understand the no-obligation feature of RTO, it is no surprise that they do not understand the value of an RTO transaction and therefore think that RTO prices are way too high.

**N**on-RTO customers are afraid of RTO employees. They think that they are paid on commission and will act accordingly. They think that the RTO staff will push used merchandise on them at high prices and then will not stand behind the merchandise when it breaks down. And it

will break down, they are sure, because it was used and shoddy to begin with. Then the RTO staff will lie in wait and repossess the merchandise at the first chance they get, ruin customers' credit, then rent the product out again and repeat the villainous cycle.

**F**inally, because of the fears, because of the advertising, because of the lack of understanding of the transaction, because of the perception of RTO merchandise, there remains a social stigma attached to RTO. The RTO demographic makes up somewhere between 33 percent and 40 percent of the United States population—people whose financial circumstances make them candidates for RTO. These millions of people will find themselves “credit constrained” at some point in their lives—not for all of their lives and maybe not for long, but for some period of months or years. During this time, they may avail themselves of any number of sub-prime financial services: a small loan, a payday advance, a pawn transaction, a used car

having to purchase products through RTO. For many non-RTO customers, their necessitous financial circumstances were an embarrassment to them and they did not want the information publicized. For them, RTO is something that is done only by people who are down on their luck.

The truth is that RTO could be a useful service for a lot of people who are temporarily in that situation. That message can be delivered persuasively only by RTO stores that establish deep roots in their communities and make it known and believed that the store wants to help people, not just take advantage by renting shoddy televisions to poor people at high prices.

**I**t is not a pretty picture, the image non-RTO customers have of RTO. Some dealers will conclude that the problem is systemic and that RTO cannot be other than what it is, that it must shout weekly rates and it must offer inexpensive merchandise to keep those weekly rates low enough to shout about. And that the industry finally must content



**RENTAL DEALERS CAN TAKE SOME SOLACE FROM THE FACT THAT THE NEGATIVE IMPRESSIONS THAT MANY PEOPLE HAVE ABOUT RTO ARE, FOR THE MOST PART, ONLY RARELY SHARED ON THE SIX O'CLOCK NEWS. THE DAMAGE DONE BY THE MISPERCEPTIONS OF NON-RTO CUSTOMERS RARELY AFFECTS MORE THAN RENTAL DEALERS' PROFITS, WHICH OUGHT TO BE REASON ENOUGH TO READ ON, HOWEVER PAINFUL THE PROCESS.**

from a tote-the-note lot. But customers can keep all of these transactions confidential if they want to. In every case, the business is conducted at the merchant's store. RTO is the only industry in the sub-prime sector that will drive a big truck to the customer's house proclaiming to the neighborhood that the customer is making an RTO transaction.

Some of the non-RTO customers in the focus groups said that they would not do business with RTO because they did not want an RTO truck parked in front of their house. That made some dealers in the seminar wonder about having one unmarked truck in the fleet.

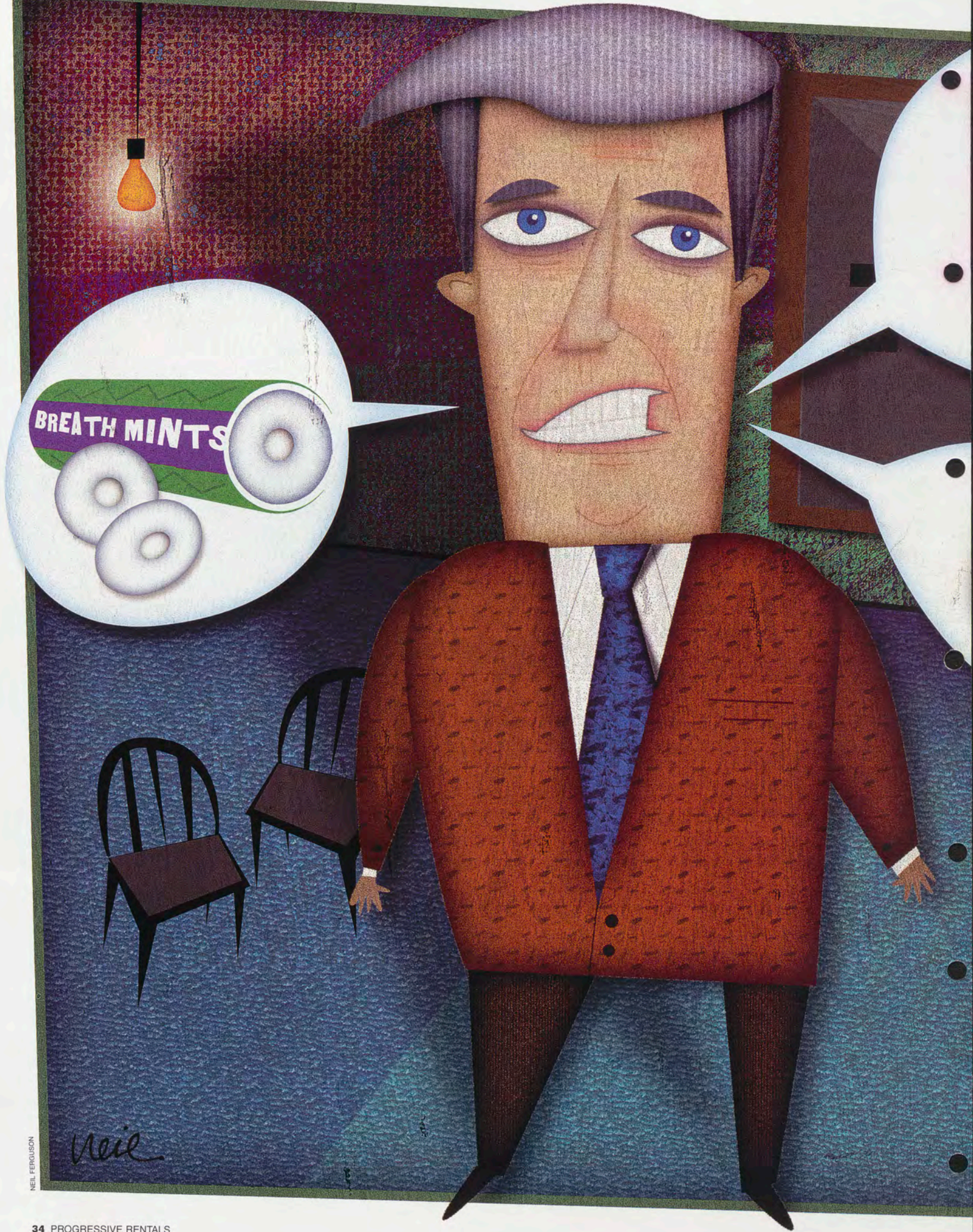
But the stigma goes beyond RTO trucks parked out front. Non-RTO customers said that they would not want to give out personal references on a rental application and have those family members, friends and neighbors know that they were

itself with the customers it has and that non-customers are just that—non-customers, now and forever.

Others will resist such complacency. They will listen creatively to what non-customers are saying, even though the words wound. They will tweak this business practice or that one and innovate to see if they can cast a broader RTO net. Some companies are already doing this with some success.

Overall improvement will not require the efforts of every rental dealer. Some dealers can stay where they are. The bold, inventive dealers will grab a bigger market share and move forward. Even a few dealers moving forward will increase the business and make RTO look better to everyone. ■

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



NEIL FERGUSON



# tough talk

Successful managers are great handlers of stress. Even the best of breed, though, run into the occasional workplace challenge that creates more than the usual level of heartburn. How good are you at handling things when the going gets tough? To find out, imagine how you would respond to the three workplace challenges described in this article. Then see what workplace psychologists say about each.

**HOW TO HANDLE STRESSFUL WORKPLACE PROBLEMS BY PHILLIP M. PERRY**

.....  
**CHALLENGE:**

**JOE, ONE OF YOUR SALES PEOPLE, IS DRIVING AWAY CUSTOMERS BECAUSE OF HIS BAD BREATH.**

.....  
**SOLUTION:** Talk about awkward situations! Few are as difficult as the need to discuss personal hygiene. For the moment, picture yourself in Joe's shoes. Wouldn't you take offense if your supervisor brought up this topic?

Awkward or not, this situation is one you'll need to deal with at some point in your career. Letting things slide won't do. An employee's bad breath can impact sales and cost your business real money.

So how can you approach Joe without creating undue anger? For an answer, we turned to Leil Lowndes, a New York-based communications expert and speaker.

"It's always difficult to bring up a topic that can cause embarrassment to your employee," says Lowndes. "But you absolutely have to take action quickly. After all, anyone who deals with the public must have immaculate personal hygiene."

For starters, Lowndes suggests selecting your venue carefully. The office setting typically employed for personnel discussions provides the requisite privacy, but may be too formal. "You may want to discuss this matter in a more casual setting such as a business lunch," suggests Lowndes. "Discussing other matters over good food can help break the ice." A lunch-time conversation that revolves around how the employee can further improve his or her performance can naturally be extended to a matter that affects how the employee interacts with customers.

Approach the luncheon with the right attitude. "Stifle your own embarrassment by reminding yourself that you need to have this conversation for the good of your employee and your organization," offers Lowndes. Stay in control of yourself and think of the conversation as a tool for increasing communication skills.

Now, just how to bring up the topic? Lowndes suggests waiting until lunch is over, then casually breaking out a roll of mints you've secured for the occasion. Take one for yourself, then show the roll to your companion and offer to share: "I always take one of these to keep my breath fresh. Would you like one?"

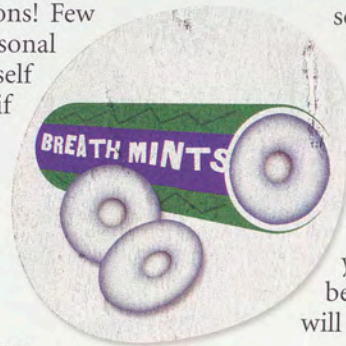
The opening line avoids a direct confrontation while allowing your companion to pick up your subtle hint. In the best of situations, Joe will respond in the affirmative and ask if you had noticed his breath. This would provide your opening for a more direct discussion of how such a condition can affect his interaction with customers, and thus his career.

Come prepared, however, for an unpleasant alternative. Joe may refuse your offer and even take offense, responding with words such as these: "Really! Are you suggesting that I have a problem with my breath or something?"

Lowndes cautions against making any sign of embar-

.....  
rassment or regret. Rather, immediately make your communication a little more direct. "We all need to watch out for ourselves," says Lowndes. "Even more so in our situation where we work in such close quarters and meet so many customers. We really need to make a good impression on them all."

By this time, Joe will have gotten the point, although he may be so embarrassed and angry that he expressed himself in a confrontational way. Allow him to let off steam. For your part, avoid responding in kind to any harsh words. Continue to emphasize that you are discussing the topic for Joe's own good, because a continued personal hygiene problem will affect his career.



.....  
**CHALLENGE:**

**SHARON, A CUSTOMER, IS ON THE PHONE COMPLAINING ABOUT RUDE BEHAVIOR ON THE PART OF ANDY, ONE OF YOUR EMPLOYEES.**

.....  
**SOLUTION:** Rudeness in an employee is inexcusable and we can all understand why Sharon is upset. Empathizing with Sharon, though, is not the same thing as dealing with her anger in a productive manner. In fact, expressing sympathy with a bromide such as, "I understand how you feel," may increase her anger level. The reason for this is that Sharon really wants evidence that you value her as a customer in the form of constructive action on her behalf.

Judith C. Tingley, a psychologist and president of Performance Improvement Pros in Phoenix, suggests moving right away to resolve any transaction that has been left hanging. "Go immediately to the subject of whether Sharon's initial problem was taken care of," she suggests. "You might say this: 'I will be happy to talk with you about Andy, but my main concern to you right now is the problem that you had asked Andy's help with. Was it solved?'"

"If the problem has been left hanging, try to solve it right there on the phone," suggests Tingley. Can't do that? Then say something like this, "Let me get this problem taken care of first and then I will call you back and let you know what happened. Then we can talk further."

At this point Sharon is already starting to feel better because you are taking physical steps in her behalf. When you call back to report what you have, chances are, Sharon will be far less angry and may well be flattered that you are going out of your way to serve her. At this point, Tingley suggests following up with a statement such as this: "Is there something else that you would like me to do relative to Andy's conversation with you?"

Sharon may say, "No, as long as the problem is taken care of, I am okay, but it still seems to me that such conduct by your employee is bad for your reputation."



**Get a grip on emotions that will help you be more sympathetic and professional. That, in turn, can help to obviate any hard feelings that may cause your employee to get back at your company through sabotage, lawsuit or just plain bad-mouthing.**

You want to respond in a way that avoids accentuating the conflict with Andy while assuring Sharon you will take action to improve your staff's performance. So avoid saying that you will "talk with Andy about this." Instead, agree that your customer's interpretation is valid: "Such conduct is not the image we want to present to our customers. I cannot assure you something similar will never happen again, but we will try to work harder at our training."

Finally, conclude by making sure there are no issues left hanging that might cause Sharon to harbor bad feelings about your business. Express this concern in words such as these: "Is there anything more that you'd like me to do?" If Sharon still feels angry she may say, "Yeah, I would like you to talk with Andy about what happened." Then, by all means, respond in the affirmative: "I certainly will do so. I want to make sure all of our customers are treated well." Here you have communicated the fact that you will reinforce your business policies with Andy without making any statement that escalates the argument.

**CHALLENGE:**

**SANDRA, ONE OF YOUR SALES PEOPLE, HAS HAD THREE POOR PERFORMANCE REVIEWS AND YOU MUST TERMINATE HER.**

**SOLUTION:** Letting someone go is stressful for both parties involved. For advice on how to conduct a termination we turned to Jeffery P. Kahn, M.D., a Manhattan psychiatrist and chief executive officer of WorkPsych Associates, a consulting firm specializing in organizational behavior and employee productivity.

"The key to handling this situation is to be aware of what Sandra might be feeling and also what you might be feeling," says Kahn. Get a grip on emotions that will help you be more sympathetic and professional. That, in turn, can help to obviate any hard feelings in Sandra that may cause her to get back at your company through sabotage, lawsuit or just plain bad-mouthing.

Easier said than done? Maybe. Here's some help. Kahn suggests starting out by spending some time answering this question: "If I were Sandra and I were let go, how would I feel?" The idea here is not to read Sandra's mind—indeed, Sandra's emotions may be far different from what you expect. Rather, the goal is to better understand your own feelings, for they may reflect what you anticipate from Sandra. In turn, getting a firm handle on your own emotions will help you avoid saying the wrong thing in the forth-

coming meeting.

Here's an example: if you'd feel angry about termination, then you may go into the meeting expecting to meet an angry Sandra as well. You may therefore conduct yourself in a confrontational way that benefits neither your employees nor your company.

"You don't want to end up saying in some words or other that Sandra is a bad person," says Kahn. "She almost certainly is not; she is just someone who did not perform to policy standards."

On the other hand, suppose you'd be afraid in such a meeting. You may well expect the same fear from Sandra and therefore express yourself in a hesitant manner. That's not good either.

Once you've understood your emotions, you will be better able to control your reactions to them and stay on point during the meeting. What's a good way to break the ice once the meeting starts? "Odds are Sandra knows something might be up even before she reaches your office," says Kahn. "So in many cases the easiest way to conduct the meeting is to ask a question rather than make an announcement."

You might start by asking her if she has thought about why you are meeting. Sandra is likely to respond in this way: "Well, I am afraid you are going to let me go." Then you can sympathetically agree with her: "Yes, unfortunately that is what this meeting is about." Of course, Sandra either may not suspect a termination is planned or may not acknowledge it. In that case move on: "We are here to talk about your future with the company." That eases into the subject while

avoiding a sudden announcement that may be too much of a shock. At this point, you can cite the results of Sandra's last three performance reviews as evidence for the unavoidable conclusion that it is time for her to leave the company. Don't forget to remind her of any severance benefits, and to offer whatever help or support you can.

Getting in touch with your feelings, as we have seen, will help you conduct your meeting in a professional manner.

"Some people have said that emotional abilities are better predictors of business success than intellectual abilities," says Kahn. "A termination meeting is an especially good example of when that can be true." ■

*Phillip M. Perry is a freelance business writer based in New York, New York.*



# T

# Jones

*Keeping up with*

**High Touch  
president Lyle Jones  
speaks out on  
his career, his  
company and his  
future in a camper**

**An APROfile by  
Kristen Card**

Lyle Jones has been thinking a lot about his professional legacy lately. With retirement beckoning from just around the corner, 62-year-old Jones—president of rent-to-own software leader High Touch ([www.hightouchinc.com](http://www.hightouchinc.com)) for the past 15 years—is quite realistic about the transition he’s about to undertake, from over-scheduled executive to too-much-time-on-his-hands retiree. | But this Kansas native is all about dealing with what’s real. His down-to-earth upbringing shows through with every observation, even as he muses about something as tenuous as his enduring influence on his industry, his company and his colleagues.



# G

oogle “Dighton, Kansas,” and the most interesting information the search engine will produce are early 20th-century photographs of threshing and harvesting crews and equipment, prominently displayed grain elevators and a cookshack wagon next to a wheat field. Dighton, a western Kansas town of only about 1,300 and the Lane County seat, is also Lyle Jones’ hometown.

Jones’ father was Dighton’s city manager, not a farmer or a shop owner with a family business to hand down. Early on, Lyle realized in order to make a living for himself, he had to get out of Dighton. So he went to college at Kansas State University.

“I left Dighton thinking I was going to be an electrical engineer,” remembers Jones. But like most students at college, Jones began to rethink his major once he started classes. He didn’t really like electrical engineering, but genuinely enjoyed math. Knowing one of the ways into the then-fledgling computer industry was with a mathematics degree, Jones pursued such a degree and graduated with it in 1965.

Jones’ first job was with Boeing, Wichita’s largest manufacturer. There, he worked on several projects, including a missile-testing program in New Mexico, about which Jones jokes that he’d have to kill you if he told you more. After five years, Jones left Boeing to serve as the dean of students and director of public affairs at Kansas Technical Institute (today’s Kansas State at Salina), a two-year engineering and science technology school in the north central part of the state. But the lure of Boeing proved too strong, and just three years later, he returned to the company as a software development manager on an immense flight simulator project. At the same time, Jones began working toward his MBA, which he received in 1978, and with newly improved credentials, he decided to leave Boeing a second time and go into private business.

“I began looking for a job, and I went to a small company developing software for motels, hotels and condominiums,” Jones recalls. “They did everything from reservations to check-in and check-out procedures. I spent almost 10 years there; I went in as a general manager, and came out as the chief operating offi-

cer. Business wasn’t good, sales were struggling and we needed one less VP on a day when I was sort of on the wrong side of the president. And I got fired; I was terminated.”

No doubt suffering from pink-slip shock and seeking familiarity, Jones



returned once again to Boeing. Around the same time, a mutual friend introduced Jones to Ted Cary, the founding president of High Touch Inc. A year later, when Cary decided to move on from High Touch, he picked up the phone to tap his potential successor.

“I got a call from Ted, saying he was leaving High Touch and if I was interested in his job, then I’d better get a résumé out there,” recounts Jones. “I did—and I got the job.”

**W**hen Lyle Jones accepted leadership of High Touch in the spring of 1990, the company was six years old and had 10 employees. Just a few more than 350 rent-to-own stores used its software. High Touch hadn’t had a salesperson for about four years, so hir-

ing the right one became Jones’ first order of business—and go-getter Sherry Workman filled the bill perfectly.

“She went out, she sold the market and we grew quite rapidly,” Jones says. “By fall of ’92, we’d grown our customer base to 500 stores. Then when we got the Rent-A-Center account in 1998, it caused huge growth for us. Today, we’ve got 90 people in the Wichita offices, we bought our largest competitor about three years ago and about 4,200 rent-to-own stores are using our products, which is about 50 percent of the market.”

The former competitor, RSSS, is now a High Touch di-

vision based out of Corpus Christi, Texas, specializing in rent-to-rent and retail software. RSSS also offers Maestro Music Business Software for retail and rental music businesses, a growth market for the division.

But having gobbled up the next biggest fish doesn’t mean High Touch lacks competition. Jones says Ideal Software Systems, Rental Information Systems and RTO Plus still hold about 1,700 stores not affiliated with Aaron’s or Rent-Way—and they are the company’s targets for growth.

“We see the possibility of growing our services and products probably two percent to five percent over the next five years,” forecasts Jones. “We’ve got Rent-A-Center, and they’re a wonderful client; as they grow, they’ve stretched

our product, stretched our business and made us better. But we're also trying to diversify into the payday loans/check cashing industry, so we don't have all our eggs in one basket."

Nevertheless, High Touch's key seller remains PRO/Store, a comprehensive software system designed especially for the rental-purchase industry. PRO/Store is a point-of-sale system that simplifies and tracks the receipt and rental of

ware helps store locations easily perform all of their accounting functions—paying payroll and bills, compiling and calculating financial and profit/loss statements, etc.—according to home-office mandates. The company also offers FUND\$, software designed for payday loans/check cashing businesses, as well as Web site development services.

Yet, while Jones thinks High Touch's software offerings are exceptional, he

feels the company's competitive advantage isn't all about the product.

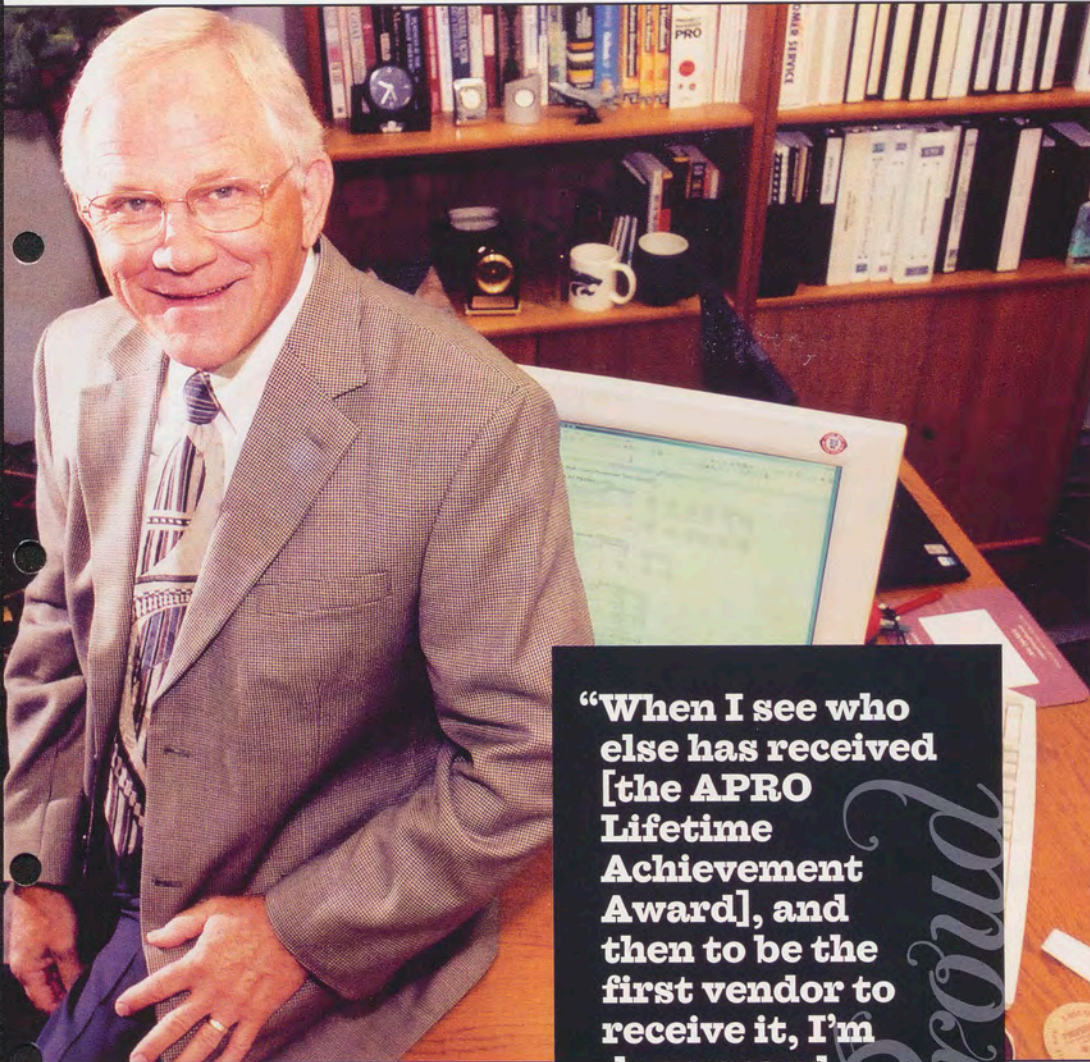
"I coined a phrase once I'd been here about a year, and I firmly believe it," Jones states unequivocally. "We're first and foremost a service company and we also have software products to sell. What it means is, if it comes down to it, we maintain our customers rather than spending time and energy on development [of new features or products]. We

feel our resources should be dedicated to our existing client base and our service and support are second to none. We have less than a three-minute hold time for our calls. If the client leaves a message, then 90 percent of the time we return his/her call in less than an hour and most of those problems are solved within 15 minutes. We don't go home with people not fixed."

**T**he hitch in pledging that your company will provide extraordinary service is that you need people working for you who are as committed as you are to providing it. This is where Jones' pragmatic approach proves particularly beneficial. Plain and simple, High Touch is too big for one man to oversee all operations, so Jones puts the responsibility and his faith squarely upon the shoulders of his management team—and they deliver.

"I'm not an innovator; I'm more of a facilitator," says Jones. "I'm an extremely team-oriented manager. I'm surrounded by a management team that learned a long time ago that I don't want 'yes men;' I want open dialogue. And if I have to make decisions, I do, but I'd rather have all of us involved in the big decisions. I'm a fairly hands-off manager. I just believe in the value of our management team to get the job done."

High Touch managers aren't the only ones toting the responsibility to succeed. The company is employee-owned—through its Employee Stock



**"When I see who else has received [the APRO Lifetime Achievement Award], and then to be the first vendor to receive it, I'm darn proud... This is not a one-man company and even though my name happens to be on the trophy, it's really recognition of our company as a whole."**

inventory, payment transactions, rental agreements, customer information and collections. The system compiles all data, produces relevant statistics and enables the store to write a daily report. PRO/Store also includes completely integrated home-office capabilities, connecting home offices and stores, so that information must be entered into the system just once.

Compatible PRO/Accounting soft-

Ownership Plan (ESOP), High Touch is 49.5 percent owned by employees; Jones owns about another 24 percent and one of the company's founders owns the remaining 26 percent.

"Everybody understands what they do affects the bottom line," Jones says. "And the bottom line affects whether there's a year-end bonus, a 401K match or money put into the ESOP. We believe in the value of the employee."

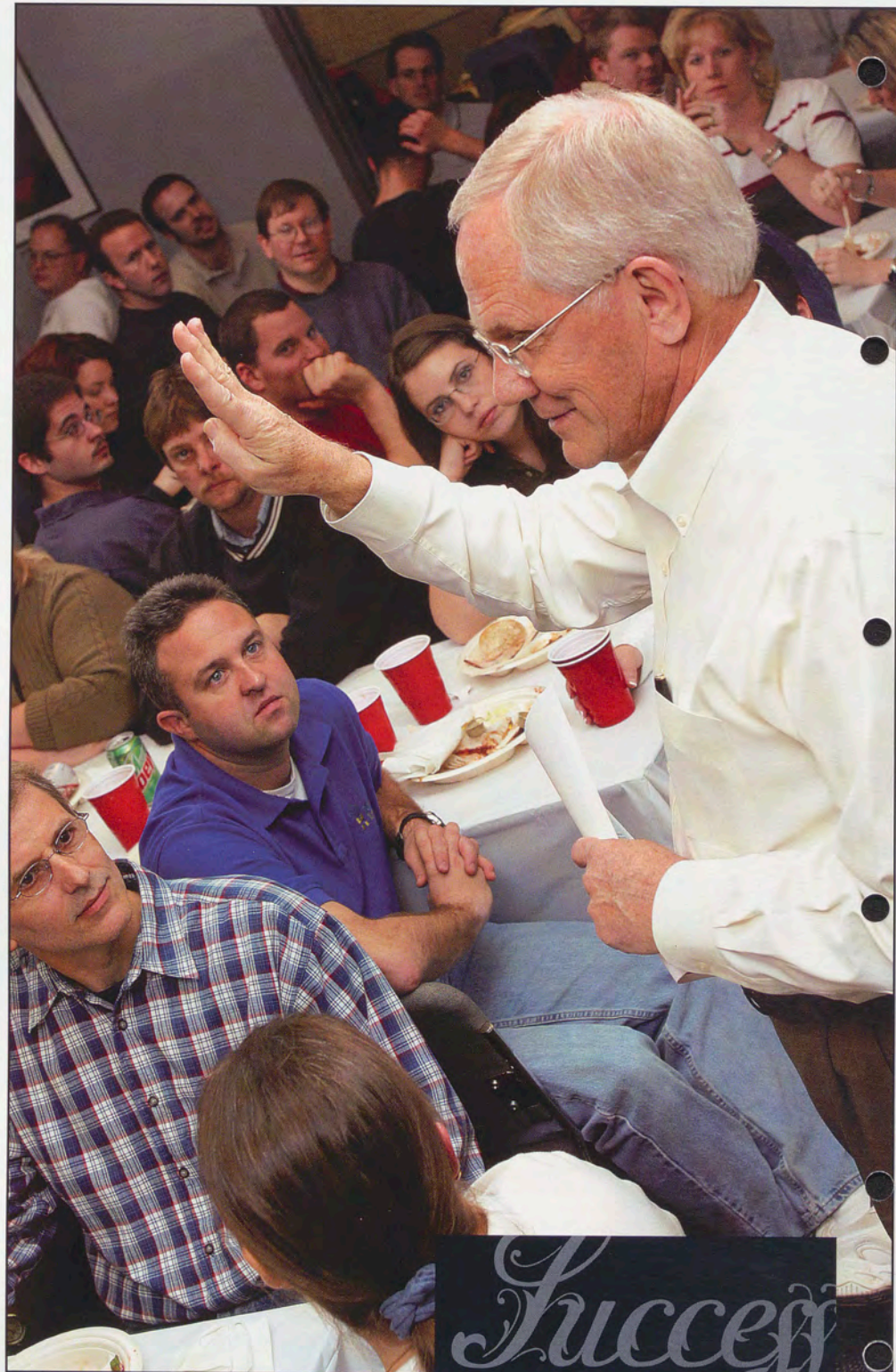
"People are truly our best resource," says Jones. "Hiring is the critical element. And you do need good systems, both software and management systems, ways to manage the company and the people and the products. You can't be sloppy. Without good people, sound operating procedures and systems—and without belonging to the trade association—I don't see how you can succeed."

**T**he trade association Jones refers to—and his conversation is heavily peppered with such references—is the Association of Progressive Rental Organizations. Jones recently was honored by the organization with the Ernie Talley Lifetime Achievement Award—the first ever presented to a rent-to-own vendor.

"It was my proudest professional moment," Jones says. "When I see who else has received this award, and then to be the first vendor to receive it, I'm darn proud. I'm proud personally and proud our company has been able to do—and allow me to do and allow all of us together to do—what we've done. This is not a one-man company and even though my name happens to be on the trophy, it's really recognition of our company as a whole."

High Touch has also been recognized this year as among Wichita's fastest growing companies and one of the city's top 10 best places to work. But the APRO award holds special significance for Jones, chiefly because of his deeply held belief in the value of the association.

"We, as a company, plug APRO," says Jones. "We offer an APRO discount to clients who belong. I have a philosophy. I came into this industry believing a strong industry association means a strong industry. As of today, High Touch is extremely reliant on the rent-to-own



industry, so if the industry suffers, then we're going to suffer, too."

Jones involvement in APRO has included serving as a committee member, traveling to Washington, D.C., to talk with congressional delegations about industry issues and using his company's resources to help put together supporting statistics for the industry in lawsuits and legislative tussles. His

*Success*

**"Without good people, sound operating procedures and systems—and without belonging to the trade association—I don't see how you can succeed."**

favorite part of being involved in APRO, however, is the association events.

"From a vendor standpoint, [an APRO] trade show is about half user-group meeting and half product presentation," Jones says, "and we always come home smarter than when we went. Anytime APRO people get together, problems come up and problems get solved, because people quit being competitors and turn into partners. We learn what's going to happen next in the industry and where some of the prob-

lem are, and we come home and examine ways we can help solve them, either with our software or with something else we can commit to the organization that might help. To make the industry strong, I believe APRO and its events must be strong, so we'll continue to commit whatever we can afford to do."



**The High Touch board—**  
**Standing: Matt Hampton,**  
**Terry Newlin and Jeff Lucas**  
**Seated: John Rogers,**  
**Dave Glover, Mark Lenz**  
**and Lyle Jones**

LEFT PHOTO: JIM GERTLE; RIGHT PHOTO: TRACY LUCAS

lems are, and we come home and examine ways we can help solve them, either with our software or with something else we can commit to the organization that might help. To make the industry strong, I believe APRO and its events must be strong, so we'll continue to commit whatever we can afford to do."

Of course, once Jones officially retires at the close of the year, the big decisions at High Touch will belong to someone else—sort of. Fellow Kansan and an APRO past-president Wayne Chambers (currently with Advance America Cash Advance Centers) has already been tapped to step into Jones' presidential shoes in the new year, but Jones will continue to weigh in on company concerns for the next several years as a member of its board of directors.

Jones also currently serves as board

chairman for not only Wichita's Westlink Christian Church, but also Manhattan Christian College. In between board meetings, Jones says he plans to see more of his son, daughter and six grandchildren, expand his already voracious appetite for books and spend more time in his capacity as a licensed ham radio operator (callsign N0HYL).

But the key post-retirement activity Jones plans to undertake, he won't be doing alone. "I decided to retire while [my and my wife's] health is still good,

and we can travel and have a little fun together," says Jones. "We've been married 42 years and, as I often say, I've had 42 happy years of marriage, she's had about 38." He chuckles. "The business just dominates sometimes. I've been all over the country for 40 years on business and I've seen mostly hotels and airports. We bought a new truck and a camper and we're going to see what's between here and all those hotels and airports."

Once again, Jones' unsentimental, pull-no-punches perspective drives his point home, succinctly and effectively. "The time is right and I'm excited to transition," he deadpans. "I've had a great run in business and with my career and I couldn't be happier with where we are as a company. But I'm ready for the next phase." ■

*Kristen Card is an independent business writer in Austin, Texas.*

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Alliance Laundry Service/ Speed Queen .....	17
CES 2006 .....	29
ColorTyme .....	IFC-1
GE Appliances .....	IBC
High Touch .....	19
Premier Rental-Purchase .....	44
Rental Information Systems .....	15
RentDirect Nationwide .....	22-23
RES Accessories .....	10
RSSS .....	9
RTO Pro Software .....	11
Sandberg Furniture .....	2
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TRIB Group .....	11
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[www.bdilaguna.com/rto](http://www.bdilaguna.com/rto)

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#### Twinhead Corp. \* ^ +

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#### Vance Baldwin Inc. \*

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[www.vancebaldwin.com](http://www.vancebaldwin.com)

### SOFTWARE

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[www.hightouchinc.com](http://www.hightouchinc.com)

#### Ideal Software Systems Inc. \* ^ +

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[www.ideals.com](http://www.ideals.com)

#### Rental Information Systems Inc. \* ^ +

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#### RSSS LP \* ^ +

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#### RTO PRO Software \* +

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