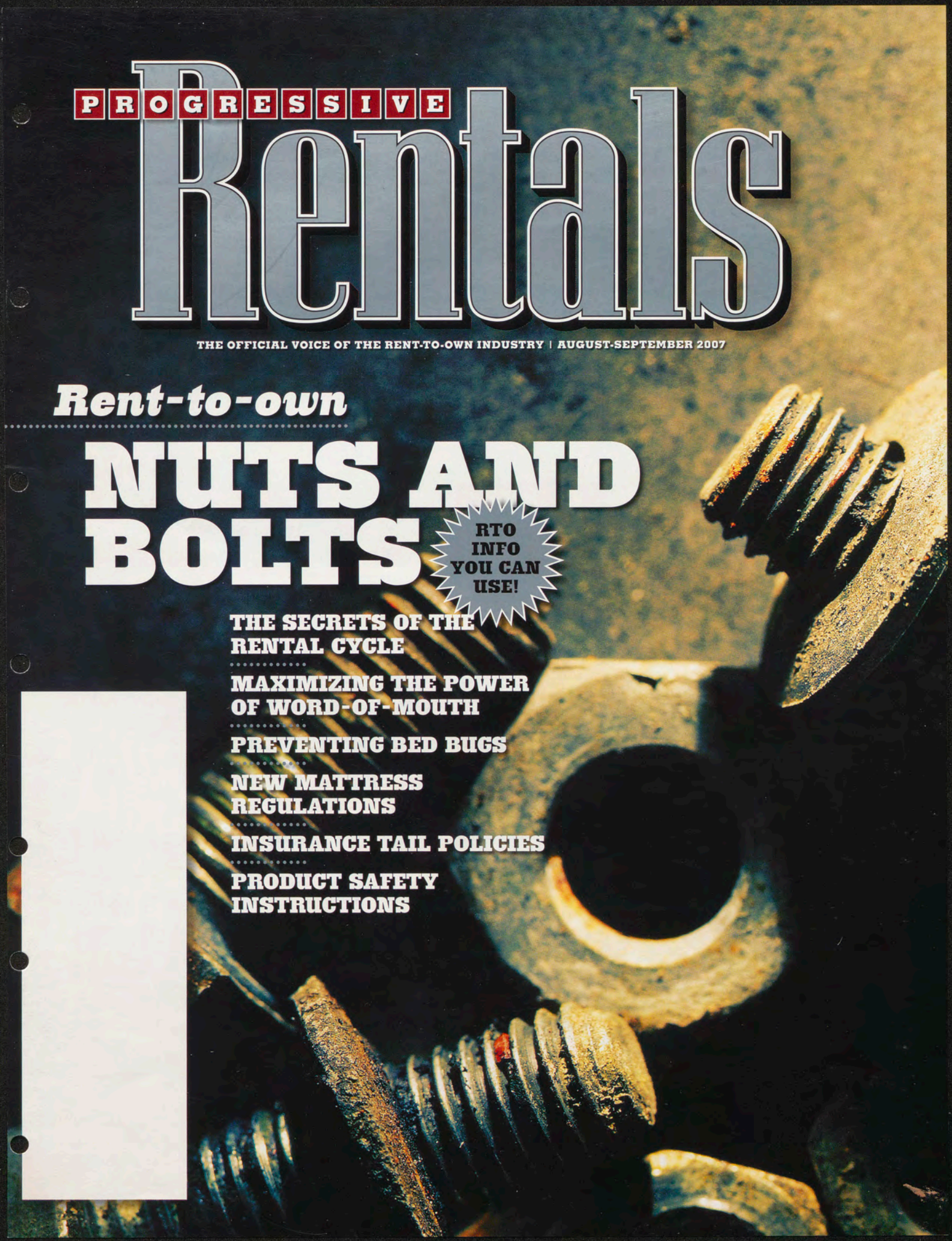
PROGRESSIVE
Rentals
THE OFFICIAL VOICE OF THE RENT-TO-OWN INDUSTRY | AUGUST-SEPTEMBER 2007



Rent-to-own
NUTS AND BOLTS

RTO INFO YOU CAN USE!

THE SECRETS OF THE RENTAL CYCLE

MAXIMIZING THE POWER OF WORD-OF-MOUTH

PREVENTING BED BUGS

NEW MATTRESS REGULATIONS

INSURANCE TAIL POLICIES

PRODUCT SAFETY INSTRUCTIONS

Need Money To

You may have a wonderful independent RTO store that you have invested an enormous amount of sweat equity into to make it what it is today...but you continually come up short with the necessary time and money to build revenue and grow your business. That's where ColorTyme excels. We empower the independent operator looking to grow, an experienced multi-unit manager ready to put that knowledge to work for themselves, or an investor looking for a great return on investment.

Not only is ColorTyme the 3rd largest rent-to-own chain in the country, but 100% of our focus is on our franchise community to share best business practices, and provide the right systems, marketing and training models to help them succeed. That's why our motto is "People Helping People".

ColorTyme has a network of more than 80 franchise owners. Since 2005, we have converted 10 rent to own stores to a ColorTyme franchise.

I've been in the RTO industry since 1982 and have owned several independent stores and worked with other RTO franchise companies. Over the years, I've always worked hard to treat the customer right by providing high-quality products and services. But like many independent RTO stores, my buying power was limited and I needed a solution in order do the right thing for my customers.

A friend who worked with ColorTyme told me about all the financing options for inventory and capital and how they would help me expand my business. So I converted Beck's Hometown Rental to a ColorTyme franchisee in August 2006 and it's made all the difference.

Today, I do larger store volume and provide deeper selection. But more importantly, I learned during the conversion to ColorTyme that the company cares about people as much as numbers. ColorTyme is about investing in people and building relationships - something that will benefit my customers for generations to come.

- Bruce Beck, Franchisee

Here are just some of the ways we can help you:

- √ **Top name brand product purchasing power.**
- √ **100% inventory financing**
- √ **Dedicated sales associate to centralize all product purchasing and questions**
- √ **Payday Loan program and capital financing**
- √ **The RTO industry's best national product service program**
- √ **State-of-the-art training programs for owners, store managers and support staff**
- √ **Fully integrated advertising promotions and marketing materials to support all aspects of your business**
- √ **Access to a large RTO skip database.**

Grow... ...And Still Keep Your Independence?

My professional road to redemption actually began with a career in rent-to-own. Fresh out of the army, I had no professional plans. My first job in RTO in 1988 provided me the focus and motivation I needed. By 1995, I had opened my first RTO store. However, as an independent dealer, the limited inventory and lack of capital was a big challenge and made it difficult to think about growth.

When I converted my store to ColorTyme in 1999, I had the immediate injection of larger name brand inventory and available funding. After I converted to ColorTyme, my store exploded. My revenue increased by 100 percent and I became part of a polished, professional team with incredible brand recognition. I've since opened six more stores with another one in the works. I can honestly say I credit ColorTyme for my success as a thriving entrepreneur.

- Pat Hunt, Franchisee

It was only natural that I would follow in my father's footsteps after he enjoyed a long career with Rent-A-Center. I too spent 20 years at Rent-A-Center.

From there, it made sense to leverage my experience in RTO management and invest in a ColorTyme franchise. I was so impressed with ColorTyme's commitment to their franchisees that while preparing my first store for opening, in August of 2006, I purchased another ColorTyme store.

Both Rent-A-Center and ColorTyme gave me the tools and systems to prepare me to be a successful small business owner. At ColorTyme I work with smart and dedicated people who provide incredible expertise. I take pride in being my own boss and will enjoy reaping the rewards for myself and my family for many years to come."

- Rick Reinberg, Franchisee

Partners Steve Dami and Zach Routh, former Rent-A-Center (RAC) district managers, bring more than 26 years combined experience in rent-to-own to their franchise. The partners signed a deal with ColorTyme because of their familiarity with ColorTyme's business model and the low start-up costs associated with ColorTyme stores.

"ColorTyme offers a phenomenal deal for franchisees," Dami said. "We have the freedom now to get the products our customers request, whether it's a lawn mower or a flat screen TV. It's such a reward to see a customer pay for a piece of merchandise they couldn't otherwise afford. That responsibility and success rolls over into other areas of their lives and I'm thrilled to provide that kind of opportunity for our customers."

- Steve Dami & Zach Routh

For more information or testimonials, please visit franchise.colortyme.com or call Pat Sumner today at (800) 608-8963.

(All calls are confidential.)

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PROGRESSIVERENTALS

AUGUST-SEPTEMBER 2007

COVER PHOTOGRAPH BY GREMLIN; TABLE OF CONTENTS PHOTOGRAPH BY STILLFX/ DREAMSTIME

DEPARTMENTS

Association of Progressive Rental Organizations'

RTO EMPLOYEE DISASTER RELIEF FUND

Rent-to-own families helping families of rent-to-own

In 2005, members of the Association of Progressive Rental Organizations contributed more than $190,000 to help rent-to-own employees get back on their feet after the devastation caused by hurricanes Katrina and Rita. The rent-to-own community helped 159 employees recover from these natural disasters. Unfortunately, natural disasters have become all too common. The rent-to-own industry must be ready to help whenever a natural disaster occurs that affects our family of employees.

To address such needs, APRO has established a permanent disaster relief fund: RTO [Relief To Our] Employees Disaster Relief Fund. Every dollar raised will go directly to rent-to-own employees in need. RTO Employees Disaster Relief Fund organizers are asking every rent-to-own company owner to implement a voluntary payroll-deduction plan within his/her company—suggesting a small donation per month from each employee. We ask that each company match its employees' monthly contributions. APRO can provide you with a template for paycheck stuffers to encourage your employees to participate.

Rent-to-own has always been a family of generosity. Please contribute to the RTO Employees Disaster Relief Fund and encourage your employees to do the same. A small contribution will make a big difference.

For more information, contact Bill Keese at bkeese@aprovision.org or by calling 800/204-2776, ext. 101.

PROGRESSIVE Rentals

VOLUME 26, NO. 4

PUBLISHED BY THE ASSOCIATION OF PROGRESSIVE RENTAL ORGANIZATIONS—THE OFFICIAL VOICE OF THE RENT-TO-OWN INDUSTRY

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PROGRESSIVE RENTALS is published bimonthly—in February, April, June, August, October and December—by the Association of Progressive Rental Organizations (APRO) at 1504 Robin Hood Trail, Austin, Texas 78703; 512/794-0095.

APRO

note WORTHY

COMPILED BY JULIE SHERRIER, BILL KEESE AND RICHARD MAY

Registration open for APRO's 2007 Convention and Buying Show

The Silver Legacy Resort and Casino in Reno, Nevada, is offering first-class accommodations for attendees of APRO's 2007 Rent-To-Own Convention and Buying Show. The show dates are September 24–27.

APRO'S 2007
RENT-TO-OWN
CONVENTION &
BUYING SHOW
SEPTEMBER 24–27 | RENO

APRO members who book their room in the APRO room block at the Silver Legacy Resort in Reno will receive a substantially discounted full registration to the entire APRO Convention, including educational seminars, social events, meal functions and the buying show for the unbelievably low price of only $295 for the first registrant from each company. The second through fifth person from each company will get a discounted rate of $249 per person and the sixth or more registrants from each company can register for only $199 per person. Spouse registration is $199. The non-APRO member "book-in-the-block" rate is $495 for a full registration. To receive these special prices, registrants must book in the APRO room block at the Silver Legacy Resort. The hotel deadline is August 24. Call the Silver Legacy Resort and Casino at 800/687-8733 to check availability.

Important! You must book your room in the APRO block at the Silver Legacy in order to get the discounted convention registration rates—so please book your accommodations before registering for the convention as you'll need your Silver Legacy confirmation number for the convention discounts.

To register for the convention online, visit the APRO Web site at www.rtohq.org and click on "APRO events." From there, you will find links to download the 2007 Invitation to Attend and can access the full details on the convention and buying show schedule—including descriptions of special events and seminars.

RTO donates $40,000 for Congressional Black Caucus Foundation event

At the special request of APRO President Larry Carrico, former

APRO President Larry Carrico and former APRO President Gary McDougal met with Representative Yvette D. Clarke, center, during the CBC Foundation fundraiser in Washington, D.C.

APRO President Gary McDougal was coaxed out of retirement to help rekindle APRO's support and affiliation with the Congressional Black Caucus Foundation for the group's annual golf and tennis classic, held June 24 and 25, in Lansdowne, Virginia.

Rent-to-own state associations, vendors, rental dealers and APRO joined to support the Congressional Black Caucus Spouses Education Scholarship Fund with cash and in-kind contributions totaling more than $40,000. Product contributions from participating vendors went to the highest bidder in a silent auction. Proceeds from the auction as well as cash donations will help fund talented, highly motivated students to pursue undergraduate, graduate and doctoral degrees.

"With the help of industry advocate Tonya Speed, who served as chairman of the silent auction, and Gary McDougal and his wife, Mary, who have built strong relationships with many of the congressmen and women attending the event, we were able to rekindle the industry's support of the CBC," says Carrico. Carrico and his wife, Sharon, met with House Majority Whip Jim Clyburn (D-South Carolina), Representatives Gregory Meeks (D-New York) and Ed Towns (D-New York), among many others.

"Our industry is once again proud to support this great cause," says Carrico. "I want to thank all who have donated to this industry effort."

The Missouri Rental Dealers Association, Illinois Rental Dealers Association, Florida Rental Dealers Association, Texas Association of Rental Agencies, Indiana Rental Purchase Dealers Association and the Association of Progressive Rental Organizations generously donated cash to the scholarship fund.

Easyhome donated a sizable cash donation to the CBC Spouses Education Scholarship Fund as well and Rent-A-Center donated a substantial amount of product for the silent auction.

In-kind donations for the silent auction were received from TRIB Group/AVB, RentDirect Nationwide, Whirlpool, Rent-n-Roll, RSSS, BDI Laguna, O'Rourke Sales Co., Florida State Games and Progressive Furniture. "We greatly appreciate these vendors' generosity for such a worthwhile cause," says Carrico. "I would also like to thank Gary and

Music retailer magazine urges involvement in federal rent-to-own regulation effort

An article entitled, "Proposed Rent-To-Own Legislation Could Affect MI [Musical Instrument] Stores," published in the June 2007 issue of *Musical Merchandise Review*, warns music rental dealers that the same legislation proposed by Senator Charles Schumer (D-New York) targeting the rent-to-own industry would negatively impact music rental businesses as well.

Several former Rent-A-Center and RentWay employees who currently are or have been involved in the music rental business were interviewed for the story, including Bill Vance of Hume Music and Brad Denison. Denison, a former general counsel for Rent-A-Center, owned several music stores in the past and says he always felt that the music industry should get more involved in the legislative process.

"At this point, the rent-to-own business has been carrying our flag, so to speak," says Vance. "We have to be able to stand up for ourselves in Washington." To read the entire story, you can download it in PDF format at www.rtohq.org/PDFs/misc/Musical_Merchandise_Review062007.pdf.pdf.

Mary McDougal for taking time out of their busy schedules to help the industry re-establish our presence with the CBC."

Registration open for 2007 Midwest RTO Training Expo

Ohio Rental Dealers Association President Mike Tissot of Countryside Rentals has opened registration for both attendees and vendors for the ever-popular Midwest RTO Training Expo. The event will be held September 11 and 12 at the Concourse Hotel & Conference Center in Columbus, Ohio.

"Remember, this is a training show," says Tissot. "Last year, vendor training at our show equipped managers and store personnel from seven states representing 20 companies with new and innovative techniques to rent more goods and services. We are capitalizing on past successes and 'near successes' to create the best Midwest Training Expo ever," he says.

To register as an attendee (there is a $25 charge), visit http://login.rtohq.org. To find out how to exhibit, contact Mike Tissot via e-mail at mtissot@r2o.com or by calling 740/634-2666.

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Missouri podcasts on RTOHQ

The Missouri Rental Dealers Association held its annual Heartland of America Trade Show and Seminar June 18–20 at Lake Ozark, Missouri. APRO Public Relations Director Richard May was on hand to record interviews with some of MRDA's leaders, including "Tiger" John Cleek, "Tiger" John Cleek Jr., Dan Cole, Gary Romine and Ken Steiner. Click on the APROcast icon on APRO's homepage at www.rtohq.org to hear podcasts of their perspectives and reflections as that state rental dealers association celebrates its 20th anniversary this year.

Easyhome kicks off first U.S. rent-to-own store in New York

Canadian-based rent-to-own company easyhome celebrated in grand style the opening of its first store in the United States on June 16 in South Glens Falls, New York. Easyhome's executive team, along with Chairman of the Board Don Johnson, President and CEO David Ingram and Vice President of U.S. Operations John Natale, were on hand to meet and greet Glens Falls dignitaries, residents and, of course, new customers.

Easyhome opened its doors not only to a town party, but to a whole new country. The Glens Falls store was easyhome's 198th store opening, but this time the expansion is south of the Canadian border. Natale says that the company's second U.S. store was scheduled to open later in the month in Amsterdam, New York.

The two New York easyhome stores will be company-owned; however, Natale revealed to APRO that the original agreement to keep new

CALENDAR OF EVENTS 2007

AUGUST

18–19
RentDirect Nationwide M2M Summit, Venetian Hotel, Las Vegas, Nevada.For more information, contact James MacAlpine, 336/714-8802; jamesm@nationwidegroup.org; www.gorentdirect.com.

19–22
RentDirect Nationwide PrimeTime! Vendor Show, Venetian Hotel, Las Vegas, Nevada. For more information, contact James MacAlpine, 336/714-8802; jamesm@nationwidegroup.org; www.gorentdirect.com.

22–26
Tupelo Furniture Mart Summer Market, Tupelo, Mississippi. For more information, call 662/844-1473; www.tupelomarket.com

29–30
AVB/Brandsource Annual Convention. For more information, contact Jennifer Maloney, 714/502-9620; www.brandsource.com.

SEPTEMBER

10
Florida Rental Dealers Association Fifth Annual Norm "Slats" Slatton Golf Memorial and Vendor Appreciation Dinner, Temple Terrace Golf and Country Club, Temple Terrace, Florida. For more information, contact Sharon Tomaszewski, 813/241-0607; www.frda-rto.com.

11–12
Ohio Rental Dealers Association 2007 Midwest RTO Training Expo, Concourse Hotel and Conference Center, Columbus, Ohio. For more information, contact Mike Tissot, 740/634-2666; www.ordaontheweb.com.

11
Florida Rental Dealers Association Annual Vendor Mingle and Member Meeting and Seminars, Crowne Plaza at Sabal Park, Tampa, Florida. For more information, contact Sharon Tomaszewski, 813/241-0607; www.frda-rto.com.

For a complete list of all rent-to-own industry events, visit RTOHQ's calendar at www.rtohq.org.

Easyhome goes stateside. Top: Don Johnson, chairman of the board; John Natale, vice president of U.S. holdings; and David Ingram, president and CEO. Above: opening day in the first U.S. easyhome

easyhome stores located along the 14 states that border Canada company-owned will now be open to corporate franchise opportunities. Natale will oversee all easyhome corporate stores and franchise stores in the border states and Bud Gates of Gates Enterprises will oversee all other easyhome franchising.

Natale, meanwhile, couldn't be more excited to open the company's first store in his home state of New York. "We had the mayor, the local women's auxiliary and a four-rig fire truck come to our opening," he says. "New York will be my hub for new easyhome stores. We'll be expanding into Queensbury as well. We'll be covering a broad demographic base with these locations and since easyhome's model is a bit different from your traditional RTO model with our retail options, lower price points and layout, there's plenty of opportunity for us to compete," says Natale.

The New York easyhome stores will feature the company's "Store of the Future" layout, which Natale hopes will further differentiate his stores. "The colors are different and we make great use of linear space. For example, an entire wall in the store will feature flat-panel televisions and other electronics and we've installed all the necessary wiring to bring a more clean, high-end feel to the product selection," he says.

And according to Gates, once the New York store infrastructure is in place, he will begin franchising out territories in the lower states. He reports that the easyhome franchise buzz has him very busy. "I have three pages of people who have called about easyhome franchising opportunities. My territory can easily hold 1,000 stores, but the company and I are focusing on doing it right—not doing it too fast. We're probably not going to finalize franchising agreements until this fall."

Rent One holds annual vendor appreciation and charity golf tournament

Rent One, based in Mt. Vernon, Illinois, held its annual Vendor Appreciation Golf Tournament on June 21 and raised $10,000 for the Ronald McDonald House, $500 for South Town Youth Program Center and $450 for Heroes at Home.

"I want to thank all our vendors, employees and neighbors for the tremendous turnout for this event," says Larry Carrico, president of Rent One and APRO. "We had 30 teams playing in the tournament, which is the largest turnout we have ever had," he says.

The day began with an inspirational seminar conducted by John Scherer, president of the Scherer Leadership Center of Seattle, Washington. Scherer is a former military leader who has led leadership classes for corporations and nonprofits across the country.

After lunch, Carrico presented a check for $10,000 to Dan Harbaugh, executive director of the Ronald McDonald House in St. Louis, Missouri. Then, surrounded by children from the South Town Youth Center, Carrico presented a $500 check to Reverend James Gordon to help with the ongoing programs at South Town.

"Mr. Carrico has always been very helpful to all of us and is a big supporter of our programs," says Gordon. Additionally, $450 was raised from

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the sale of beverages at the tournament and will be given to Heroes at Home, a charity that helps military families.

Clown celebrity Ronald McDonald showed up with cookies for all the kids. Later, the two mascots from the Mt. Vernon Miners baseball team, Lucky the Canary and Grounder the Mole, came not only to entertain the children, but also joined Ronald McDonald in golf carts to entertain the golfers on the course.

When the golfers returned to the clubhouse, Rent One hosted a steak dinner for everyone followed by a fun auction of donated products and door prizes. Winners of the golf tournament included: A Flight Team: Tom Jacquin, Marty Smith and Bob Thomason; B Flight Team: Neill Farrington, Angela Hunter, Jim Randall and Daniel Spurling; C Flight Team: Mike Becker, Bennie Fryar, Sheila Fuwell and Rick Yarbrough. Closest to the pin went to Stan Herman; longest drive (men) went to Kirk Weber; longest drive (women) went to Denise Knight; and longest putt went to Terry McLean.

Ronald McDonald, APRO President and Rent One owner Larry Carrico, his daughter Kelly, Cara Gerhardt (Imagery Marketing Consultants), Murray Beck (Rent One) and Trent Agin (Rent One)

Companies that sponsored holes and/or donated directly at the annual tournament were: Almo Distributing, Anheuser-Busch, Ashley Furniture, Autco Distributing, B-Line Signs, BDI Laguna, Benefit Marketing Solutions, Berkline/Benchcraft, Curt Wilson Construction, Custom Alternatives, D. Brown Construction, Doolittle Distributing, FELD

Chevrolet, Fifth Third Bank/Investment Advisors, Florida State Games, Fraenkel Furniture, Hamilton County Communications, Krehbiel & Associates, Imagery Marketing by Rick & Barb Linton, Integra Bank, Integrated Insurance & Risk Management, Lawrence Fabric Structures, LG Electronics, Lipps Construction, Montgomery Rentals, NAI Desco, Peoples National Bank, PFC Pioneer, RES Accessories, Ronald McDonald House, RSSS, SKC Enterprises, Southern Illinois Miners, Southwest Bank, Timothy E. Hayes & Associates, TRIB Group, Trustmark Insurance, UBS Financial Services, US Bank, Wagganer Construction, Welton USA and Whirlpool.

Rent-n-Roll donates $15,000 to local House of Hope foundation

After hearing about the creation of the Tampa, Florida, chapter of The House of Hope (www.nationalhouseofhope.org), Rent-n-Roll Custom Wheels and Tires President Larry Sutton was moved by the stories of how the charity transformed the lives of young people.

"I was absolutely touched by the young

Rent-n-Roll owner Larry Sutton; Linda Petko, Rent-n-Roll's vice president of finance; Verna Bartlett, executive director for The House of Hope; and Vince Ficarotta, Rent-n-Roll's vice president of franchising

people whose lives had been changed by this foundation," says Sutton. "They are giving young people a chance to succeed who would have surely been lost to their circumstances had they not been exposed to The House of Hope."

Sutton and Rent-n-Roll donated $15,000 to the Tampa chapter and urges all rent-to-own organizations and wheel-and-tire companies that are looking for ways to make a difference to consider The House of Hope.

"I plan to adopt this organization as our national charity and hope to be able to continue to support them in their efforts to change the direction of these kids' lives," says Sutton.

RentDirect Nationwide expects record turnout for its M2M and PrimeTime Buying Show

RentDirect Nationwide's M2M and PrimeTime Buying Show kicks off August 18–22 and Executive Director James MacAlpine is excited about the numbers. "We currently have more than 200 rental dealers registered, representing more than 80 companies—the largest number of attendees since RentDirect's inception and people still have time to register," he says.

MacAlpine attributes several factors to the show's growth. First, the location: the Venetian Hotel in Las Vegas. Second, the company's decision to incorporate the popular Member 2 Member meeting into the PrimeTime Buying Show. "This will give members an opportunity to hear rent-to-own-specific content while continuing to learn what's working in retail. Several members have told me that the new format has made much better use of their already limited time," he says.

Attendees who purchase product at the show will be getting the best prices through the company's "Cash Back Now" program—an opportunity to receive cash incentives during the buying show on already marked-down products. Last year, more than $6 million was given away at the show.

To register for the 2007 Member 2 Member Summit and PrimeTime Buying Show, visit www.nationwideprimetime.com or contact James MacAlpine at RentDirect Nationwide via e-mail at jamesm@nationwidegroup.org or by calling 336/722-4681.

New York rental dealers reorganize, elect new board and debut Web site

Following years of inactivity, nearly 40 rent-to-own professionals from across the state of New York met in Verona on June 5 to reorganize, elect a new board and officers, and plot out an aggressive agenda to establish a state association worthy of the Empire State. Dave Edwards of SEI/Aaron's was instrumental in organizing the meeting.

The new board members are Cathy Skula, John George, John Natale, Joe Romano and Robert Barnes. James MacAlpine was selected to chair NYSRDA's vendor advisory committee. The new officers include Dave Edwards, president; Rich Vadnais, vice president; and Greg Heck, secretary/treasurer.

APRO board member and State Association Coordinating Committee Chairman "Tiger" John Cleek addressed the group on the importance of organizing and building a strong state association. He talked about the particular needs in New York and urged the group to "put a real face on rent-to-own" in the state.

APRO Executive Director Bill Keese presented a legislative update on the rent-to-own industry's efforts in Washington, D.C. and presented the wide range of benefits APRO provides to state associations.

Also addressing the group was Nick Barrella, managing partner of the Capitol Group of Albany, New York, and Earl Wells, president of E3 Communications in Buffalo and Albany. Barrella and Wells discussed the current political situation in the New York Assembly and the recent press coverage of Senator Charles Schumer. Wells has developed and will maintain a Web site for NYSRDA at www.nyrentaldealers.org. He is working closely with members in proactive media relations as well. The new Web site is very attractive, informative and deserves a look. Check it out!

The meeting and buffet lunch were sponsored by RentDirect Nationwide's James MacAlpine.

Tennessee rental dealers meeting a success

Tennessee Rental Dealers Association President Larry Goad and the TRDA board raised the formerly dormant association from the ashes several years ago and can now boast of running one of the most well-organized and active state groups in the country. The annual meeting of TRDA was held June 14 and 15 at the Opryland Hotel and Resort where 65 dealers, employees and vendors gathered for fun and education.


TRDA President Larry Goad

After a dinner banquet and 17 vendor tabletop exhibits on June 14, dealers were treated to a full day of seminars, featuring APRO General Counsel Ed Winn III, APRO President Larry Carrico, Kansas rental dealer Gloria Homeier-Schwien and attorney David Collins.

The crowd was especially interested in the federal legislative update—particularly in light of the introduction of Senator Charles Schumer's (D-New York) negative rent-to-own bill. Winn also alerted the attendees of recent lawsuits brought by the Texas attorney general against several companies for improper record destruction.

The meeting was sponsored by Benefit Marketing Solutions, Bushline Furniture, High Touch and TRIB Group.

Buddy's brands its rent-to-own company safely in the community

On June 9 in Tampa, Florida-based Buddy's Home Furnishings sponsored the Hillsborough County Safety Day, featuring safety and medical demonstrations and education for more

than 130 children. The event featured a mock drunk driving accident, a bike rodeo stressing safety rules for children and fingerprinting the children as a safety measure if a child is missing or abducted. Buddy's employee Jody Katz is now a board member for the Safety Day event and Buddy's plans on being the official host every six months.

Buddy's also sponsored a Tampa, Florida, Police Athletic League opening-day picnic to more than 500 children on May 31. During the summer, the Tampa Police Department hosts a summer day camp for local children. Buddy's helped kick off the summer camp by inviting other law enforcement agencies to attend in their rescue tanks, police horses and even convinced Shrek and SpongeBob to join the festivities.

"Buddy's has become so entrenched in the local law enforcement agencies that many ask for our help in bringing these agencies together for coordinated safety events," says Katz.

For several years, Buddy's has been sponsoring and participating in various events helping local police and fire departments while continuing their support of missing and abducted children on behalf of Child Protection Education of America. The company's continual sponsorship creates a unique branding for the independent rent-to-own company by raising its image and marketing efforts as a community-based business.

Longtime RTO provider RES Accessories announces creation of RTO-Solutions

A new strategic alliance between RES Accessories and Lonesource will provide rent-to-own dealers with a unique opportunity to streamline the management of new and existing stores. RTO-Solutions is a management tool that will allow rental dealers a Web-based platform to purchase virtually any piece of office equipment or any volume of office supplies and manage spending across all operational areas, increase profitability and dramatically simplify procure-to-pay processes.

The benefits of RTO-Solutions include budget management and real-time accountability; increased purchasing controls; fewer suppliers, processes and resources; a single, consolidated monthly invoice; better end-user support and total cost reductions.

"We are able to combine our 15 years of RTO experience with the most progressive company of its kind in the country, Lonesource, to offer a contemporary solution that consolidates so many of the internal operational expenses into a single platform and process," says Mike Gerwe Jr., vice president of RES Accessories. "We are also excited to see that this concept is already recognized and implemented within the industry and look forward to providing additional services in the future through RTO-Solutions."

Brian Rosen was appointed national director of RTO-Solutions by RES Marketing. "RTO-Solutions allows RTO dealers to improve their operational processes and to order all soft supplies as well as RES accessory products quickly and easily. Customized sites can be created that will assist in the budgeting for each location," says Rosen.

Former RentWay execs launch new company

Longtime rent-to-own veterans Tony and Tammy Craig have launched a new consulting company called Measuring Up. The company offers a survey service to benchmark and track customer satisfaction with a unique evaluation process.

The initial concept for the company was suggested to the Craigs by Gary Ferriman of Showplace Rent To Own. Both Ferriman and Mike Tissot of Countryside Rentals have signed on as Measuring Up's first clients. The Craigs would like to express their gratitude to Ferriman and Tissot for their help in getting their company off the ground.

Measuring Up's customer satisfaction component offers three elements: the question, the follow-up question and the analysis. Clients can choose one, two or all three elements to gain insight into whether their rent-to-own customers are truly satisfied.

For more information and questions, call 814/806-3171 or visit www.measuringup123.com.

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What? You've read all the way to here? Well then, you're entitled to a little treat. Here's a fun quote from champion race driver and Byrider believer, Tony Stewart:

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Tony Stewart,
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and J.D. Byrider Team Owner/Driver

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WE FINANCE!

Not just another show

By LARRY CARRICO
APRO's president

Many of us attend three, four, five, six or more shows a year. How many is too many? Does your business get better by hanging around the same people at work or do you need that extra enlightenment from a dealer who has been in the industry for decades? Maybe it's the new dealer who has a fresh vision that turns the light on for you. All of us know that in order to be successful, we need to continue the learning and growing process.

Over the past year, I have written about the many benefits of APRO, but today I want to pose the following question: What have you done for yourself and your business lately? Have you listened to a motivational tape, shook a kid's hand when he entered your store, delivered a positive comment to a co-worker? Have you attended a convention or buying show where you had the opportunity to learn the many benefits of our business from others? I'm sure most of us do all of the above, but is there room for improvement?

It takes balance in one's life to feel better and to achieve more. So, where do we get that balance? At home or at the Joe Eason/Tom Kitchens Golf Tournament? At work or at the Rock-n-Reno 1950s Bowling Party? With your family or with industry peers at the All-Industry Roundtable in Reno? At church or by listening to Gloria Homeier-Schwien's seminar on "Stacking the Deck in Your Favor"? If you realize that balance is achieved by all of these activities, then you're on the right path.

Balance is the product of conscious and deliberate choice. When we choose to belong to APRO, for example, we choose to be part of an organization whose main goal is to educate and help its members make better business choices. As Mikki Williams, a Vistage speaker, said, "It's the choices we make, not the chances we take, that determine the balance we have in our lives."

At the 2007 APRO Convention and Buying Show, you have a choice. Will this be just another show or will your presence influence others and make a difference not only to your business, but also in the success of the show?

As my Momma always said, "Larry you get what you give." I have always believed this to be true and I hope to see you in Reno.

"You have a choice. Will this be just another show or will your presence influence others and make a difference not only to your business, but also in the success of the show?"

I also want to take this opportunity to recognize those individuals whose presence has influenced others over the past year. "Tiger" John Cleek has been chair of our State Association Committee since its inception. This year, Iowa, Pennsylvania, West Virginia, Louisiana and the New York state rental dealer associations were reorganized. Also, rental dealers in Washington, Oregon and Idaho reorganized and decided to form one regional association—the Northwest Rental Dealers Association. State associations have been the nucleus of our state and federal legislative efforts. John Raines has skillfully led our legislative efforts as chair of our Government Relations Committee. We had our most successful Legislative Conference ever this past year with more than 200 in attendance. Terry Beville and his Budget Committee, as always, provided us with the tools we need to provide member benefits in a financially sound manner. Mark Windsor has worked hard and wisely with his Communications Committee to provide better communications with our membership and the rest of the world. Larry Goad's Education Committee has lined up the best seminar program for our convention ever. David P. David's Membership Committee has worked hard to increase APRO membership over the past year. And Sidney Burton and his Public Relations Committee has promoted the rent-to-own industry and improved our collective image.

I want to encourage all APRO members to not only attend this year's convention, but also to get involved. If any of these committees seem enticing to you, get to know the chairs and ask how you can participate.

So whether you're a first-time attendee or a seasoned veteran, please remember to smile, shake a hand, give a hug to friends in the industry and make a difference for yourself, because you deserve it! See you in Reno. ■

Larry Carrico is president of SKC Enterprises in Mt. Vernon, Illinois.

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Our collective history

This is an anniversary issue of sorts for me. It is the 108th issue of *Progressive Rentals* where I have had a page all to myself to convey some comments or thoughts about the rent-to-own industry and APRO. (For anyone interested, this works out to be six columns a year for 18 years!) Many changes have occurred in our industry and our association in the past 18 years.

Back in 1989, few home offices and even fewer stores were computerized. Today, we depend on our computers to manage our stores and run our businesses. We even rent computers to RTO customers. We had no standard definitions for the terms we used to describe the process of rent-to-own, which made communicating with each other cryptic at best. There are still some variances in terminologies in rent-to-own but for the most part, we understand our own lingo. Most APRO members were financed by Transamerica, McDonald Douglas or Chrysler First. How different the RTO financial world is today!

Dick Grauel was president and APRO's fifth to serve in that position. I was hired in July 1989 to be APRO's fifth executive director. At the 1989 convention in Washington, D.C., we started our first major effort to raise money to try to get a federal bill passed. We are still working on this one, but we have more rental dealers and professionals involved than ever before.

By BILL KEESE
APRO's executive director

One of the "hot" new items offered at the APRO trade show in 1989 was the soft-sided portable hot tub and every attendee wore either a coat and tie or a dress and heels to every event! Hot tubs are out and open-collar knit shirts are standard attire.

In 1989, few in our industry perceived we might have a tax issue with the Internal Revenue Service and no one knew how to deal with it. Today, most people in our industry don't even know we battled the IRS over the keep rate and depreciation and prevailed.

As I have traveled the country far and wide this year, I am finding a renewed interest in our collective history. I'm realizing that there are quite a few professionals in our industry who either weren't involved in rent-to-own back in the 1980s and '90s or were at a position in their careers where they weren't necessarily aware of industry issues. Most of us who were exposed to history in school found it to be dry and boring and it certainly can be. I personally believe in the importance of studying history because I believe one can't know where he is going unless he knows where he has been. You should know that the history of rent-to-own is colorful and intriguing.

"I believe one can't know where he is going unless he knows where he has been. You should know that the history of rent-to-own is colorful and intriguing."

Take some time to familiarize yourself with our collective history. Visit our Web site, www.rtohq.org and click on "What is APRO?" Take a look at APRO's Rent-to-Own Timeline and you will have a quick overview of the major developments in the industry over the past couple of decades. New rental dealers are being brought into the RTO family by ColorTyme, Aaron's, Premier and others through their franchising programs. Easyhome will also provide new people for our industry as it grows and develops. As I travel the country and talk to various groups of rental dealers, I am finding many of them are eager to learn about all the events that have occurred that have made our industry what it is.

Rent-to-own and APRO are both works in progress. Innovation and change have been constants in our industry and our association, providing both with the dynamic energy needed to meet the challenges of today and the future. This year's convention—my 19th—will once again provide an opportunity for renewal and recommitment. I hope to see all of you there. ■

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

RTO everywhere

Rent-to-own as a marketing moniker seems to be everywhere. Microsoft just announced that it was entering into a $200 million rent-to-own deal for data storage centers, which, if purchased, would cost $600 million each. Today, almost anything that can be bought and sold or leased can also be rented to own. The phrase is ubiquitous in the marketplace.

A cursory troll of the Internet for "rent to own" allows one to get GPS systems, pop-up campers, water-treatment systems, storage sheds, PDAs, trade show exhibit displays, closed circuit TV systems, trailers, hot tubs and spas, scuba diving equipment, all kinds of medical equipment, fuel cells, forklifts, ATVs, lasers, electromagnets and, of course, cars and houses and condos. I have not seen any advertising for rent-to-own food, yet—but can such a notion be far behind?

There does not appear to be any uniformity among the many different rent-to-own plans that are available. They all generally seem to allow the lessee/buyer to pay money for the use of the thing and then after a while acquire ownership. Sometimes all of the rent paid applies toward ownership; sometimes only a small percentage of the rent applies to ownership. Sometimes the rent-to-own price is exactly the same as the original cash selling price; sometimes the rent-to-own price is several times the cash price. All of the information about rent-to-own plans stresses the convenience and flexibility of the plans.

By ED WINN III
APRO's general counsel

It is fair to say that in this country, at least, it was TV retailers who invented the concept and the customer base originally consisted of credit turn-downs in retail stores. That customer base still exists and has grown into a multi-billion-dollar industry of which most readers are now a proud part. The concept expanded into appliances in the 1980s and then into furniture and more recently into automotive accessories, tires and wheels.

But what was once the name of this industry has been co-opted by merchants and brokers of all types and persuasions. Rent-to-own has been particularly lively in the housing market. There are ads for rent-to-own houses and condos intended to attract would-be homeowners who are either too new to the market to have established sufficient credit to qualify for a mortgage or have blemished credit and therefore either actually do not qualify or think that they do not qualify. Rent-to-own housing gets a would-be buyer into a dwelling by an agreement to pay rent for some specified period of time, usually at least one year. Banks and mortgage brokers have indicated that if would-be buyers can establish a record of current rent and utility payments for at least 12 months and sometimes longer, then they can get them qualified for a mortgage, matching the house price to the buyer's income level. I do not know how many rent-to-own housing deals get turned into mortgages, but I have no reason to suppose that those tenant/buyers, especially the ones who have histories of not paying bills on time suddenly become financially responsible and start paying their rent on time, habits being what they are.

> **"I have not seen any advertising for rent-to-own food, yet—but can such a notion be far behind?"**

There also seems to be a surge in advertising for rent-to-own cars lately. Vehicle leasing has been accepted and widespread for years, both for new and used vehicles. Consumers agree to make lease payments for a specified period of time, anywhere from 24 to 72 months, and then they can return the car to the dealer to purchase the car for its then *Blue Book* value. Car lease customers, however, need to have credit to get into the transaction because they are going into debt. Likewise, buying a used car requires credit, although the buy-here-pay-here lots will sell cars to customers who are credit-challenged by using various other criteria to help them determine who is likely to pay. The appeal of rent-to-own cars for merchants is probably the same as for traditional rent-to-own dealers—fewer limits on pricing and fees than with credit sales and easier recovery of merchandise upon default. There do loom important insurance issues for the rent-to-own car industry that have to be addressed. Car rental dealers have to make sure that their cars are and remain insured while on the road and probably will have

to have their own insurance to back up what the customer is supposed to get. But, regardless of the issues, it seems to be a business that is attracting interest.

What does the sudden popularity of rent-to-own portend for traditional rental dealers? For one thing, it may give them some cover. If the term rent-to-own becomes truly widespread and engenders an appeal across economic strata, it will make it more difficult for opponents to single out TV and appliance rental dealers for oppressive treatment. And, there is nothing like publicity. With an ever-increasing number of merchants of all stripes touting the rent-to-own concept, dealers with the name in their windows can only benefit from the coverage. If people are seeing rent-to-own and thinking rent-to-own, then more of them will visit rent-to-own stores and perhaps give it a try. ■

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

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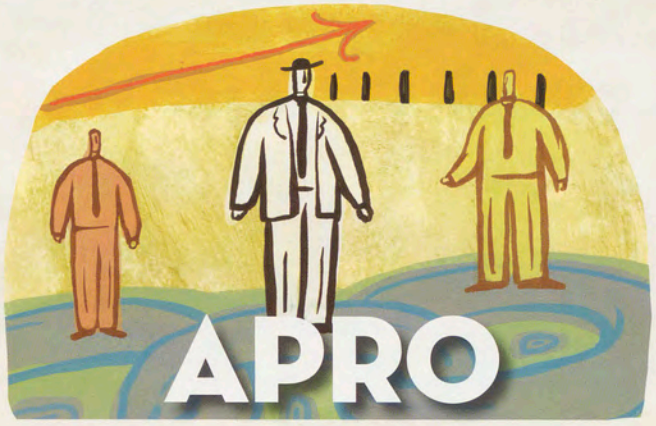

EXCLUSIVE MEMBER SERVICES

APRO GENERAL COUNSEL: Ed Winn III, APRO's general counsel, provides limited free legal advice to APRO members. *Contact him at 512/476-0750, edwinn@mwvmlaw.com.*

RENT-TO-OWN CONVENTION AND BUYING SHOW: APRO's annual event brings more than 100 companies catering to the rent-to-own industry together with rental dealers from all over the country. There are educational sessions presented by respected experts in addition to networking opportunities and social events.

PUBLIC RELATIONS: Studio-produced television and radio advertising are available free to members. APRO also represents member companies when media crises arise. The public relations campaign includes image-building advertising materials and coordination of the industry's commitment to charitable causes. *Contact Richard May at 800/204-2776, ext. 104, rmay@aprovision.org.*

GOVERNMENT RELATIONS: APRO has spearheaded the national safe-harbor legislative effort and implemented passage of state safe-harbor laws in 47 states. It maintains a grassroots network of members supporting federal and state legislative efforts and provides direct financial support to candidates who are advocates of our industry. *Contact Richard May at 800/207-2776, ext. 104, rmay@aprovision.org.*

RENTAL TRAINING ONLINE: Rental Training Online is an online education program designed specifically for the rent-to-own industry. *Contact Shelley Martinek at 512/225-1041, smartinek@aprovision.org.*

WAGE-AND-HOUR CONSULTATION: The law offices of Brian T. Farrington provide limited free wage-and-hour consultation to APRO members. *Contact Brian Farrington, 817/429-8011.*

GROUP HEALTH INSURANCE: Trustmark Affinity Markets and Integrated Insurance provide an exclusive health insurance program for APRO members, featuring discounted rates, group buying power, more than 40 networks and a claims-stabilization fund. *Contact Robert Scott, RTO Insurance, 309/686-3737, or George Michelic, Trustmark Affinity Markets, 847/283-2041.*

COMMERCIAL INSURANCE: APRO-endorsed commercial insurance offers property, liability, auto and workers' compensation programs customized to fit RTO's needs. *Contact Barry L. Gambini or Jeanette Beardsley, RTO Systems/Walter Clark & Associates, 559/592-5777 or 559/781-3466, jeanetteb@wlcins.com.*

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INDUSTRY RESEARCH: APRO offers a wide range of exclusive statistics and survey results for RTO dealers and those on Wall Street wishing to invest in our industry. *Contact Laurie Hill at 512/225-1045, lhill@aprovision.org.*

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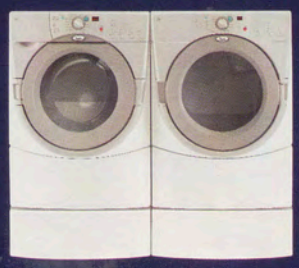

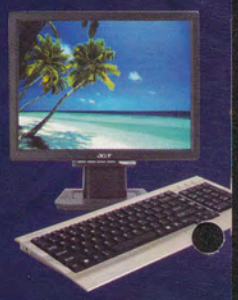

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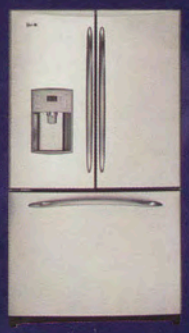

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Working accounts

By JAY ROBERTS
APRO member

It's 5 p.m. on a Saturday and you are unloading all the pick-ups from the box-truck for the second time that day. And even with all these pick-ups, you still have to hit card close. Sweat is dripping into your eyes and you can't wait until closing time. Your manager comes outside to remind you that you still have two deliveries that have to be done before closing. The manager also reminds you that your route is down 7 percent for the month. You wonder how you can get your numbers up when there are so many other demands on your time.

As you can tell from this scenario, this account manager is in trouble. His tasks and numbers are spiraling out of control and he doesn't have a clue how to stop the madness. How did he get there and, more important, how does he get out? The first step he must take is to identify that the following problems exist:

- He is chasing card close on a Saturday evening instead of being in the store meeting all of the customers on his route.
- He has had four times the number of pick-ups as deliveries instead of the other way around.
- He has not met the collection objectives for the week instead of being at 4 percent with two cards to run.
- His agreement/customer count is down and the manager is riding him about it when his count should be up.

Now that this particular account manager's problems are clearly identified, let's examine what missteps he took to get into this fix and what steps he needs to take to get out of it. Here are some basic rules that every rent-to-own account manager should live by:

Don't: Chase card close at 5 p.m. on Saturday.

Do: Get on your accounts early in the week. Persistence and hot follow up are the keys to clearing past due accounts. Clear every account so your percentages aren't through the roof on Saturday morning. Enforce the agreement.

Don't: Have four times the number of pick-ups than deliveries.

Do: Be in the store on Saturday and greet your customers with the objective of growing your customer count and agreements. This cannot be done if your collection numbers are high and you are out in the truck.

"An account manager's reason, purpose and cause should be to help the customer and the company be successful."

Don't: Allow your customer count or agreements to drop month by month.

Do: Focus on the important objectives that get the highest return. Growth is one of the most important aspects of an account manager's job. If he allows the "busy work" to overtake growing his customer count, then he has lost sight of one of his biggest responsibilities.

In essence, what this particular account manager has failed to do is to follow up diligently on his accounts earlier in the week and set clear expectations with his customers that their accounts being current are his top priority.

It is also clear that as this account manager spends more time chasing his tail, so to speak, and his level of enjoyment and satisfaction on the job continues to decline.

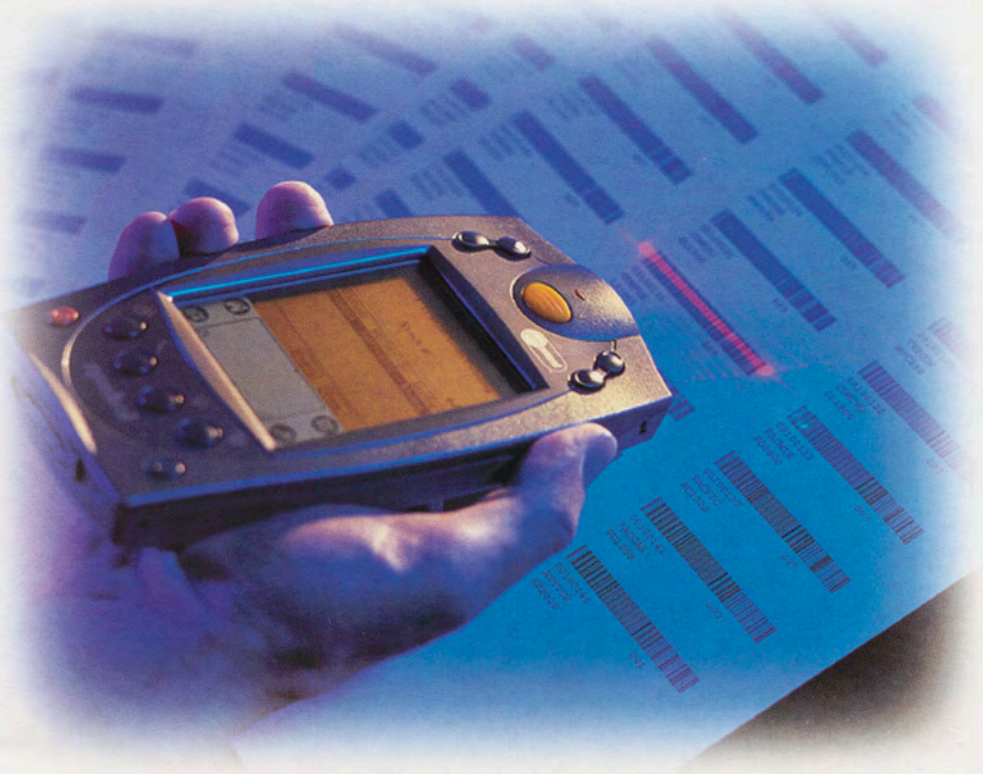
An account manager's reason, purpose and cause should be to help the customer and the company be successful, because only then will the account manager achieve success as well. When a store grows, so do its people.

Finally, account managers should be able to answer the following question clearly and succinctly: "Why am I on the payroll?"

If the answer is solely to collect a paycheck, then there is a problem. If the answer involves satisfying the wants and needs of the customers that pay his wage, then he is on the right path.

One last kernel of advice for account managers everywhere: work your accounts hard on Monday and Tuesday and get the money when the customer has the money. Focus on establishing and maintaining a positive and professional relationship with your customers. Enforce the rental agreement. Pick product up on Monday and redeliver on Friday. Be on a mission to be the best account manager in the company. Follow up on everything and grow your route. The choice is yours: the vicious cycle or the victor's circle. ■

Jay Roberts is vice president of operations for National TV Sales and Rental in Missouri. He has been in the rent-to-own industry since 1981.



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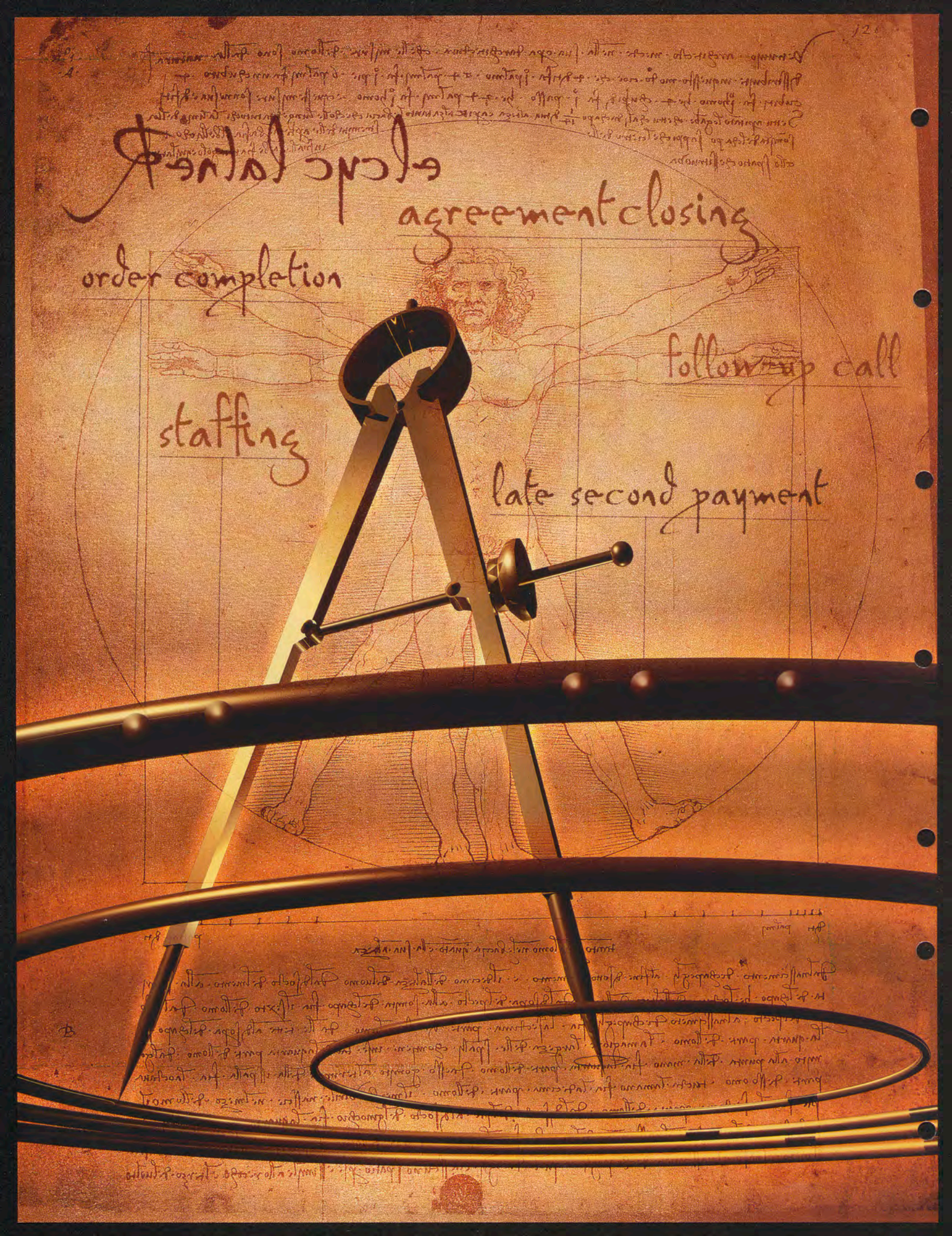

agreement closing
order completion
follow up call
staffing
late second payment

GROWING CUSTOMERS ORGANICALLY BY FOLLOWING

the Rental Cycle

By Bud Holladay

here is no easy way to increase the customer count of a store or a company without first considering all the ways that it can shrink. Until those holes are plugged, no amount of advertising, selling, marketing, cajoling or incenting will raise the customer count for more than a few weeks and maybe not that long. Organic growth comes from understanding the full cycle of the rental or leasing transaction and examining all the areas where opposite forces intersect. For example, it takes less time to write an incomplete or risky order than a good one. (A good order can generally be defined as containing enough verified information to adequately assess risk and reduce the likelihood of future loss. Is there any other reason we use order forms?) But time is in short supply when the store is full of shoppers or three phone lines are buzzing. Conversely, it takes more time to turn around late payers than to accept partial payments or weak commitments. Time is really a valuable commodity when past-dues are piling up and deliveries are not.

You probably won't hear much about "organic growth" or "intersecting forces" on Monday's conference call or at the next management meeting because most of us prefer to talk about things we think we know: "gain," "sell," "reduce" and "grow!" Problem is, most of us have been talking about those things for years and still the largest privately owned company in the industry operates fewer than 75 stores. Where 15 stores used to be a good start, that number now defines a mid-sized chain. Just try finding stores in your market that have more than 400 customers. Revenue per store is up, but it *should* be with all the higher-end goods now being shipped. Smart operators are planning now for the day when prices on those products drop, as they surely will. Remember the $1,000 VCR and the $100 pager? On the other hand, if you have a couple of nice little stores and you are happy, your creditors are happy and the homestead is paid for, you should skip the rest of this and plan your next fishing trip. Don't mess up a good thing. If you have been struggling with growth and can't figure out how those big operators do it, read on.

As we learned in high school, there is a reaction to every action. Banging out more sales and bending the rules for problem payers are not growth strategies. They are simply postponement tactics. The resultant reactions have to be taken into account: poorly structured deals become problem payers and problem payers take time away from good selling and closing techniques. Over time, things get worse, not better. Don't blame the advertising. Don't even blame the local manager. In most cases, he or she is merely doing what he or she has learned creates greater job security. That is, give the boss whatever he wants. Pavlov and 1,000 dogs can't be wrong.

If the boss never draws the big circle representing the Rental Cycle on the white board—with red "X's" marking the critical points—and never discusses ways to minimize conflict at each intersection, the people charged with running things never realize what must be managed. They get numbers instead of understanding. No store will grow organically or internally until every person on the payroll understands how to manage each step of the process that will convert shoppers into renters and renters into owners—if indeed that is what the owner wants and sometimes it is not. Absent such understanding, everyone continues doing what has not worked in the past, but with renewed vigor and enthusiasm after each conference call or with each new contest. Motivation is a wonderful thing.

Someone once described swimming as being similar to drowning, except the outcome is better and you want to do it again. The same might be said for growing smart by identifying and addressing the critical intersections in the Rental Cycle. Most of the big operators have already done this by implementing procedures and processes that mitigate any negative impact on growth. This is not to say that all managers execute flawlessly or even regularly. But mega chains also have in place the means to analyze activity, measure outcomes and determine which manager is headed for the ditch. They don't wait until the store is *in* the ditch and the water is rising. That is called drowning. Don't confuse it with swimming. Let's take a look at some of the more critical intersections where selling and operating can collide. This could be where the Big Bang Theory originated.

STAFFING: Creative staffing puts not just the right number of people together, but also the right *mix* of people in the store at critical periods. EEOC and OSHA and FLSA aside, no law requires everybody to arrive at the same time each day and leave at the same time. The hospitality industry mastered flexible scheduling using full- and part-timers long ago. If it works for 10,000 bars and restaurants, it just might work for us. Short or wrong staffing makes it impossible to get all the details right today that could cost us later if not recorded. The problem is exacerbated when staff is burdened with other, more immediately measurable activities that do not further the selling or servicing process. But if those other activities are what the boss looks at and calls about on a regular basis, which do you think will get more attention?

ORDER COMPLETION: Most order forms are used only twice—initially to send a new delivery and a second time to recover that same merchandise. The first instance is a no-brainer if the boss wants more deliveries. The second opportunity becomes problematical, but the loss can always be blamed on the guy before the guy who is there now (this is the guy who will be replaced by the next guy, who always looks like "The Guy"). Here's a hint: why ask for six references if nobody in the store is going to contact even one of them? Why ask for four lines of information that nobody is going to complete if only two are critical to our needs?

Efficiency is defined as identifying what we need and not diminishing the process by asking for anything else. Set the new hire down to go through a year's worth of write-offs (maybe two years) and a year's worth of paid-in-fulls and create a matrix of the information on each. Then talk with the managers and develop a new system for approving orders. One company I will not identify has prospered for years without requiring more than an authentic photo I.D. on all signers, verified proof of in-

come on each and residence verification and one parent (the parent must have mailing address, street address, e-mail address and cell phone number). That policy is stringently and ruthlessly enforced—and it works because of that and also because it is need-based.

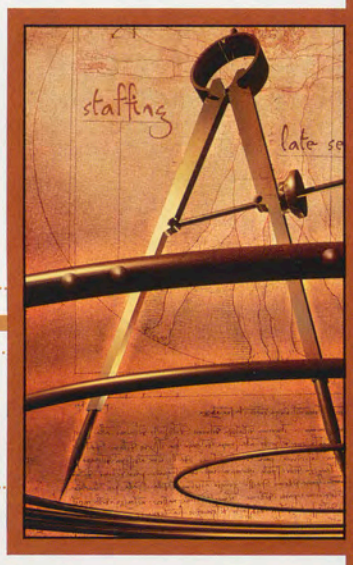
AGREEMENT CLOSING: Anyone who has ever bought a house, signed an apartment lease or purchased a car can, even years later, probably recite in detail each step of the closing process. A person of authority who takes the rental customer aside and goes through a similar process will likely create just as memorable an experience for that customer. The agreement close is the beginning of the rental experience and not the end of it, as many store associates mistakenly believe. Their belief is founded on the disproportionate attention their boss gives to the detail of payments, inventory, past dues and other issues of the moment. The act of creating future good accounts pales in comparison. Nobody will call in the future and ask where the report is. They will call today.

FOLLOW-UP CALL: If the store manager calls each new delivery a few days later and shows real concern for the customer's satisfaction, enjoyment and understanding, future problems and misunderstandings are reduced. This is such an easy, yet oft-ignored task that it boggles the mind. We spend thousands on advertising, but nothing on follow-up. Just ask this question: How many troublesome issues have arisen lately because of something *other* than (1) telling a customer the wrong thing; or (2) not telling the customer anything? Case closed.

LATE SECOND PAYMENT: Remember that the *first* payment was the amount the customer paid in the store on the day of the rental. So he already has one on-time, in-store payment on record. Build on that. Don't berate, don't belittle and don't patronize. Common sense tells you that if you treat a customer like a renter instead of like an owner, he will react accordingly. Call the day before, the day of and the day after the *second* payment was due and you reinforce resistance, not lower it. Call me three times and I stop listening. Talk with me once about maintaining my already good record and I will listen. Understand that I have other priorities somewhat more important than your assistant manager's close-out bonus and I might even smile and pay the extra amount to move my due date. Leave six messages on my voice mail and I will find out where you live and…

SERVICE ISSUE: If service or repair on a timely and satisfactory basis is still an issue for any operator in today's marketplace, nothing printed in this magazine will help. You might be interested in Henry Ford's take on customer service at a time when warranties did not exist, no parts were free and there was more profit to be made in repair than in selling. In his brief autobiographical essay, *What I Learned In Business*, Ford wrote, "The only foundation of real business is service." Readers of history may recall that Ford was an ardent, adamant and vicious anti-unionite. But he was also the first American industrialist to structure wages and pricing so that his workers could afford to buy the very products they built.

These are not the only intersections that affect the customer's book life. But I believe they are the crucial ones. I can say this with confidence because I operated my own stores with these things in mind and I liked the results. I see advanced forms of the same process in use today in highly successful mega chains. By the way, don't be too critical of a chain that "bought growth." The money to buy those stores had to come from somewhere. Certainly that includes the sale of shares to willing investors. But as a veteran of the investor road show and IPO circuit, I can state that no money managers are interested in companies that have not shown the ability to create customers and profit on a consistent basis. Understanding the Rental Cycle only cranks the engine you call your company. After reaching cruising speed you can fuel your growth any way you choose. ■



If the boss never draws the big circle representing the Rental Cycle on the white board—with red "X's" marking the critical points—and never discusses ways to minimize conflict at each intersection, the people charged with running things never realize what must be managed. They get numbers instead of understanding.

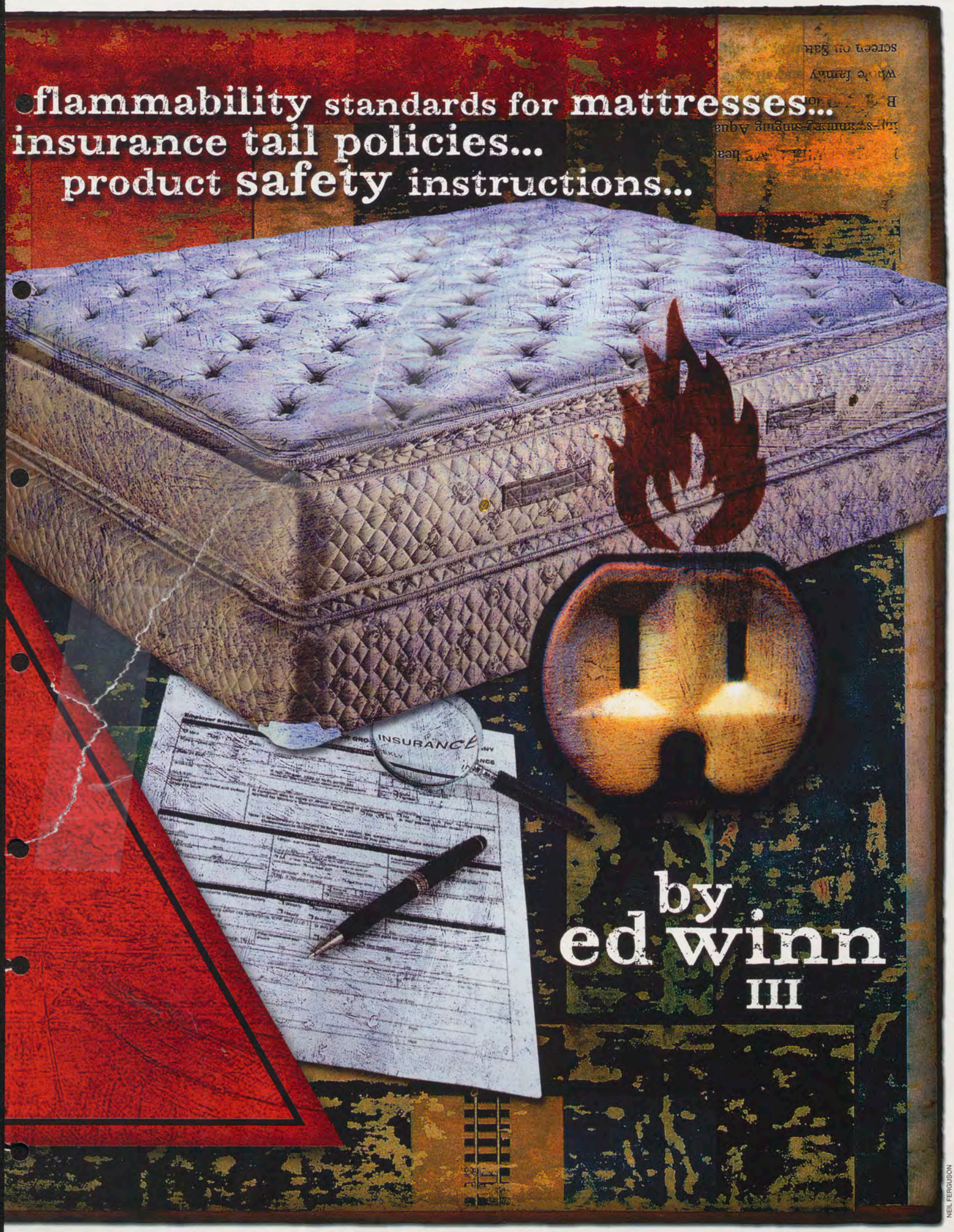
Bud Holladay is a founding member of APRO, was APRO's first president and now is director of business development for Bryce Co. headquartered in Cullman, Alabama. Holladay lives in Frisco, Texas.

updates on:

rto legal miscellany

a handful of legal issues affecting rent-to-own business practices has arisen lately that should be of interest to rental dealers. Here they are in no particular order…

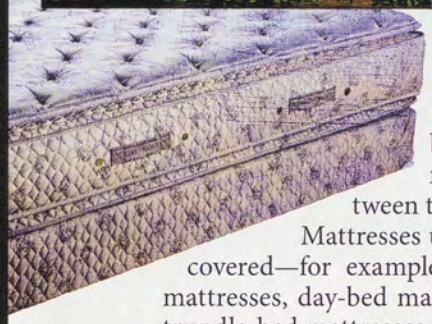
flammability standards for mattresses... insurance tail policies... product safety instructions...



by ed winn III

NEIL FERGUSON

new flammability standards for mattresses



Effective July 1, 2007, all new mattresses entering the chain of distribution must pass new flame-retardant tests and must have new labels verifying that they have passed. The new rule does not apply to mattresses already in rental dealers' inventories or out on rent on July 1. The details of the Consumer Product Safety Commission's (CPSC) new Mattress Open-Flame Standard are of more interest to manufacturers because they must develop products that will meet the new standards, but for rental dealers who want to know those details, they can be found in the Code of Federal Regulations at 16 CFR Part 1633 or on the Web at www.cpsc.gov/businfo/frnotices/fr06/mattsets.pdf.

The new rule applies to mattresses and mattress and foundation sets. The rule covers adult, youth, crib (including portable crib) and bunk-bed mattresses, futons, flip chairs without a permanent back or arms, sleeper chairs and water beds or air mattresses if they contain upholstery material between the ticking and mattress core.

Mattresses used in or as part of upholstered furniture are also covered—for example, convertible sofa bed mattresses, corner-group mattresses, day-bed mattresses, roll-away bed mattresses, high risers and trundle-bed mattresses. Excluded from the rule are mattress pads, pillows and other items used on top of a mattress, upholstered furniture that does not contain a mattress and juvenile and other product pads. Renovated mattresses are covered. A renovated mattress is one with the ticking or batting replaced and would not ordinarily include a rental mattress that is returned to the store, cleaned and fumigated by the dealers and then re-rented.

Mattresses manufactured after July 1 will have to have one of three new tags, including information about the manufacturer and one of the following sentences:

- "This mattress is intended to be used without a foundation."
- "This mattress is intended to be used with a foundation."
- "This mattress is intended to be used with or without a foundation."

The choice of tag depends upon how the mattress was burn-tested—with or without a box spring. Rental dealers will have to rent mattresses in compliance with the new tags. If a mattress is intended for use with a foundation, the set will have to be kept together and neither piece can be rented without the other. Nor can dealers mix and match mattresses and box springs any longer. The sets will have to be kept together.

rental dealers will not be able to mix and match mattresses and box springs any longer. the sets will have to be kept together.

The initial focus of the CPSC, one might suppose, will be on the manufacturers and the testing facilities. That is where the burden lies under this new regulation. Eventually, the CPSC may investigate retailers and/or rental dealers to ensure that mattresses are being sold or rented in accordance with the regulation.

Even without an investigation by the CPSC, if a dealer was to rent a mattress by itself that is intended to be used with a foundation and the mattress was involved in a house fire, both the CPSC and the FTC would have the authority to levy fines against the dealer and such conduct would likely be deemed negligent under the laws of most states.

The message here is to pay attention to what kinds of mattresses you are buying and then be sure to rent or sell them the way they came from the manufacturer or distributor and in accordance with the new tags.

insurance tail policies

Here are some facts that rental dealers will find painful when they read them. In 1999, an unlucky rental dealer rented a washer/dryer pair to a customer, installed the units in the customer's mobile home without incident and started collecting rent. In 2001, the customer finished paying on the units and obtained ownership. In 2003, the rental dealer sold all of the assets of his company to a competitor. In 2005, a fire burned down the mobile home, killing an inhabitant. In 2007, literally days before the state's two-year statute of limitations on tort claims ran out, the customer filed suit against the manufacturer and the rental dealer claiming that the fire was caused by the dryer and that it was defective when it was rented way back in 1999—a product liability case. The rental dealer has no records anymore and is not so worried about being held ultimately liable for the fire and the death, but he is worried about his costs of defending this lawsuit, which have been estimated at $40,000 to $50,000 in attorney's fees and other defense costs.

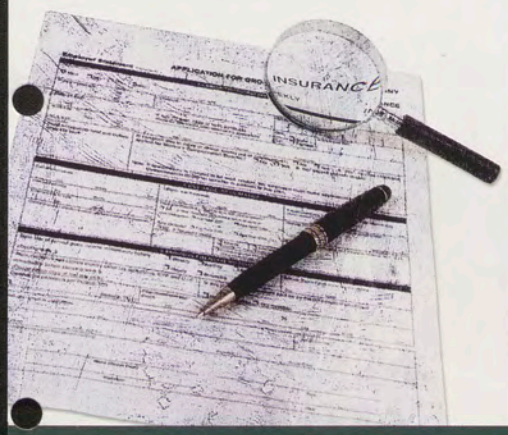
It is a fact of the business that many of the products that dealers rent can last for a long time. Those products do not often cause damage, but they occasionally cause some damage and occasionally that damage is extensive, especially with electronic products. Most dealers have insurance to cover product liability claims. And just because a product exists in a home where damage occurs does not automatically mean that the rental dealer is liable. The plaintiff must prove that the product was somehow defective when it was rented, although the law has expanded the definition of defective considerably over the years. In some jurisdictions, a product that does not satisfy the reasonable expectations of a consumer is defective.

In addition to proving that the product was defective, the plaintiff must also prove that the defective product was the proximate cause of the damage or injury. Both of these elements are going to be difficult for the plaintiff to prove in the dryer case because of the huge gap in time between the rental and the fire. But the dealer is still left with defending himself because there are plaintiff's lawyers out there who will take these kinds of cases.

One thing that the dealer in question might have done is to have purchased a "tail" policy for his product liability coverage when he sold his business. These kinds of policies carry over coverage at a greatly reduced cost when a business is sold and the risk is thereby lessened. Lawyers and doctors buy tail policies for their malpractice insurance when they retire. Rental dealers may want to consider similar kinds of coverage when they sell.

Purchasing a "tail" policy for product liability coverage can carry over coverage at a greatly reduced cost when a business is sold—and the risk is thereby lessened.

As it stands, the dealer is stuck with his own costs of defense no matter what. He can only hope that the plaintiff's case is so shaky that it will be dismissed early in the proceedings and the dealer will be spared an enormous cost.



product safety instructions

Brand new products, for the most part, get rented with all of the product information, operating instructions, warranty information and safety warnings attached in a sealed plastic bag. With a really good installation process, the delivery people will open that bag and go through all of the documentation with the customer before leaving so that the customer is knowledgeable about the rental product and can use it successfully without calling the store every day with another question.

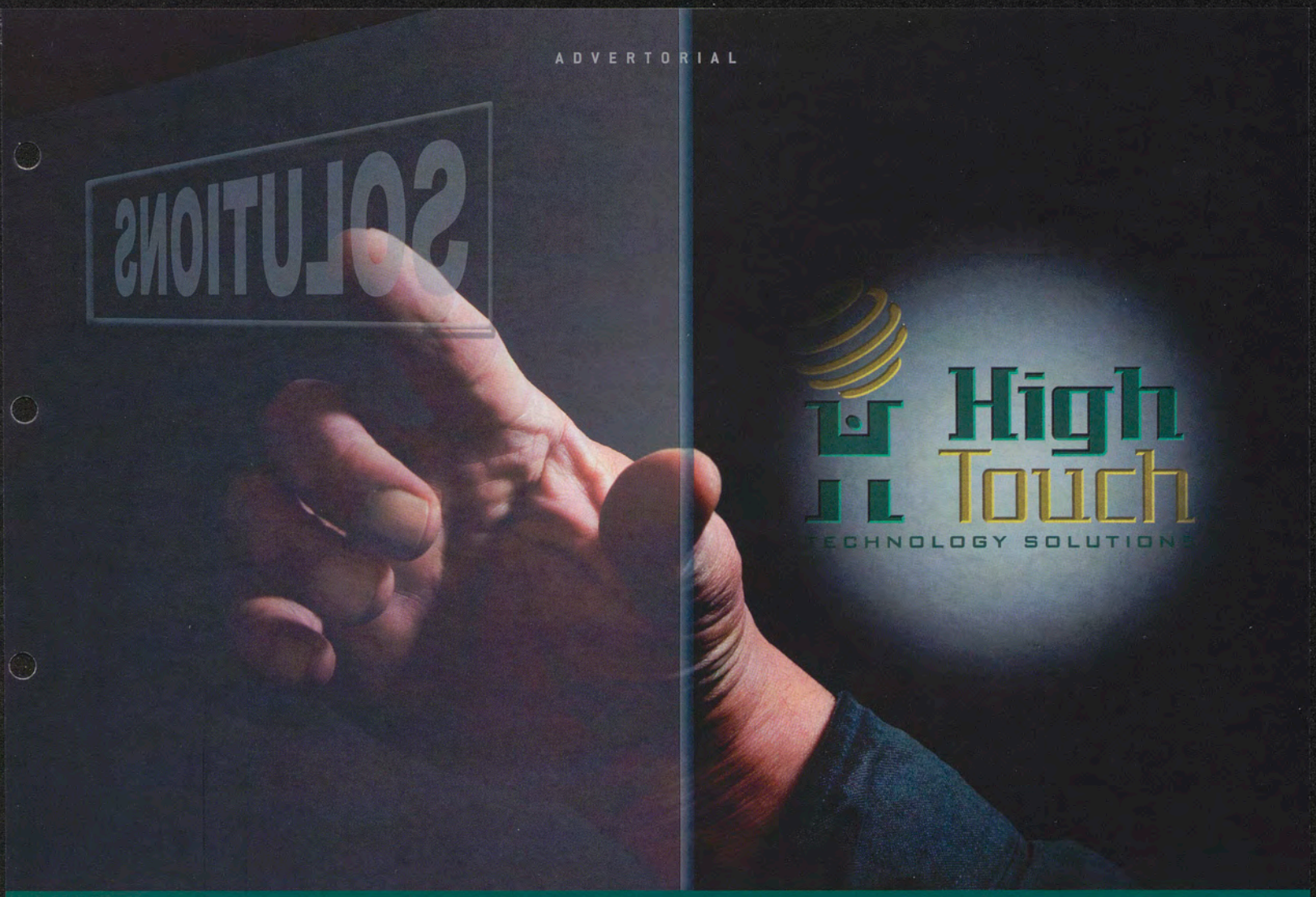
When dealers pick up merchandise, they may or may not get all of the original written documentation that accompanied the original rental. Most of these operating manuals and other written materials can be downloaded today from manufacturers' Web sites. Dealers who send out used products without proper documentation are adding to their risk. If they send out a home entertainment center with a five-channel receiver and no instructions, the dealer may get the unit back quickly because the customer cannot get the product to function as intended. Merely telling the customer that the manual can be downloaded does not really help if the customer does not have an Internet connection.

More dangerous still is the practice of sending out used product without the written safety instructions. Dell Computers, for example, has four pages of safety instructions in its multi-language *Product Information Guide*. Several of the safety items are highlighted with boldface type and the universal warning symbol (a triangle with an exclamation point in the middle similar to the illustration at right). A dealer who sends out a unit without the safety warnings to a customer who later is injured by the product could face ruinous liability for the arguably negligent omission—failing to warn the customer of the dangers of the unit.

a dealer who sends out a unit without the safety warnings to a customer who later is injured by the product could face ruinous liability for the arguably negligent omission—failing to warn the customer of the dangers of the unit.

It would be a good practice, at the very least, to make multiple copies of the safety warnings on the new products as they come into the store—four or five copies should be enough—and then make sure operationally that these safety warnings go out with the product every time it is re-rented. Most safety warnings are only a page or two long, which makes them easy to copy and perhaps equally easy to overlook on the delivery. It would be tragic, indeed, if it were to take a serious injury and a judgment against a rental dealer for hundreds of thousands of dollars or more to drive this point home. ■

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



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DON'T LET THE BED BUGS ...BITE YOUR BUSINESS

A corporate executive and his family arriving from overseas were placed in a fully furnished home rented by a relocation firm. Within days of moving into the home, the family began noticing welts on their arms and legs. They couldn't figure out what was causing the itchy welts and not being familiar with bed bugs, the thought that it could have been bed bugs never crossed their mind. The covert lifestyle of bed bugs allowed the infestation to spread for almost two months before the family finally observed the bugs feeding upon their infant one night. Immediately, the furniture rental company was accused of introducing the problem and was held responsible for the infestation. This is a story line that over the past five to six years has become more and more common. As recently as six years ago, bed bugs were unheard of; today it is a common occurrence. Bed bugs were virtually eradicated from the United States shortly after World War II with the heavy usage of pesticides such as the now-banned DDT; however, in recent years they have made a dramatic comeback and have spread to all 50 states very quickly. Some experts blame international travel on the rampant reappearance of bed bugs as travelers unknowingly bring the insects home with them in their luggage. In any case, one business that is being significantly impacted by bed bugs is the furniture rental industry.

BY RICHARD COOPER (WITH CONTRIBUTIONS BY JEFF WHITE)

Bed bugs are back and on the attack. Make sure your rental furniture is protected.

The impact on the furniture rental industry is twofold: either rental furniture can be the source of a bed bug infestation or furniture that was previously uninfested can become infested while at a client's location. In either case, the end result is lost revenue, reduced profits and increased liability. If we revisit the case study presented at the beginning of the article, the first thought is, how do we know the furniture company was responsible for the bed bug infestation? Clearly there are a number of different ways the bed bugs could have been introduced other than through the rental furniture. However, in this particular case, the evidence stacked up against the furniture rental company and it was held responsible for the infestation. The end result of was tens of thousands of dollars in hotel bills, pest control bills, loss of property and thousands more to have all of the family's personal belongings (including their car) fumigated with Vikane gas prior to relocating them to a another fully furnished home.

Setting up policies and procedures

With the growing liability associated with bed bugs, the burden of proof will fall on the furniture rental company to prove that it has done everything possible to prevent the rental of furniture that was infested prior to receipt by the client. The development of policies and procedures for dealing with bed bugs is essential for any company that rents furniture. These policies and procedures should document the steps taken to ensure, to the best of one's ability, that furniture is free of bugs when leaving the warehouse and that the vehicles used to deliver furniture are not infested as well. Procedures also need to be in place for dealing with furniture pick-ups at clients' locations where bed bugs may be present.

The first step to take is to educate your staff about bed bugs. There are a number of common misconceptions that, if not cleared up, can result in a false sense of security and can ultimately result in a bed bug problem that could have been prevented. For example, it is often believed that bed bugs are restricted to beds only and that throwing an infested bed away is the solution. The truth, however, is that bed bugs and their eggs can be found in any piece of furniture or personal item.

Another common misconception is that a visual inspection of furniture is an adequate method to determine if bed bugs are, or are not, present. Just because bed bugs are not observed doesn't mean they are not there. Due to the cryptic nature and small size of these bugs (bed bug eggs and the freshly hatched immature bugs are 1 millimeter in length), they often go undetected during a visual inspection. Therefore, you cannot rely on visual inspections to give an accurate summary of the presence or absence of bed bugs. However, adult-sized bed bugs are visible to the naked eye. They are reddish-brown and grow to about one-quarter inch or five-eighths of an inch long. Small rust-colored spots on pillow cases and sheets and/or bed bug droppings can be visual cues that there may be an infestation. Bed bugs are bloodsuckers and the rust-colored spots are evidence of a crushed insect. They are not yet known to spread disease, but some people can have severe allergic reactions to the bites. So, since bed bugs come out and feed at night and hide in cracks and crevices during the day, looking for evidence of their existence can provide good clues. A good magnifying glass can help, too.

The misconception that periodic treatment of a structure or delivery vehicle with pesticides will eliminate a bed bug problem is especially dangerous. Often rental furniture companies that find a dwelling to be infested will require the home to be treated prior to picking up the furniture for return. The belief is that once the home has been treated, it will be "safe" to pick up the furniture because all of the bugs will be dead. This is simply not the case for a number of reasons. First, some bugs are very tolerant or resistant to the chemicals used. Eggs are not affected by the pesticides and will continue to hatch in the days following the treatment and bugs that were between blood meals are unlikely to be affected by the chemicals at the time of the application.

In addition to educating staff, it will be important to create and document the steps and procedures for all employees to follow when dealing with bed bug-related issues. For example, procedures might include the following steps:

1. Ensure that furniture is free of bugs prior to being placed into a delivery vehicle;
2. Ensure that the delivery vehicle is free of bugs; and,
3. Ensure that furniture being returned into inventory is free of bugs.

Step 1: Ensure that furniture is free of bugs prior to being placed into a delivery vehicle

Heat chambers are one method currently being used by the furniture rental industry to eliminate the potential for bed bugs. Direct exposure to temperatures in excess of 115 degrees F for 15 minutes is enough to kill all stages of bed bugs, including the eggs. However, in order to heat an item correctly, it must be exposed to high temperatures for the core of the furniture to reach lethal temperatures. Typically, temperatures need to be elevated to 160 degrees F or higher and held for several hours in order to reach a lethal temperature throughout the furniture. Otherwise, the bugs can find "cool zones" to hide in until the heat treatment is completed. When done correctly, the use of heat can be a very effective method of eliminating bed bugs from furniture and is one of the few ways to ensure that furniture that is being delivered or returned into inventory is free of bugs. The greatest limitation of this method is that some items or finishes can be damaged and thus cannot be subjected to heat treatments.

Some furniture rental companies that can afford to outfit a heat chamber using a truck box or trailer, for example, are doing so to combat infestation. Finding companies to outsource thermal treatments, however, are few and far between.

Gas fumigation—not be confused with fogging/bombing or total release aerosols—is another very effective method that will destroy all life stages, including the eggs. The advantage of this method over heat

is that items that cannot be subjected to extreme temperatures can be fumigated. The disadvantage is that fumigations cannot be conducted by "in-house" staff unless a member of the staff possesses a license to conduct fumigations. The gas used for fumigations is a lethal gas (typically Vikane) and so only those who have undergone extensive training and possess a license to conduct fumigations can conduct them. Rental dealers may take it upon themselves to either hire out fumigations to a local pest control company or offer training to an in-house staff person for fumigation licensing.

Step 2: Ensure that the delivery vehicle is free of bugs

Using different vehicles to deliver furniture from those being used to pick up furniture may help reduce the likelihood that delivery vehicles will become infested. However, because this may not economically feasible, other measures may need to be considered. For example:

- Routine inspection and monitoring and treatment of delivery vehicles;
- Wrapping of all furniture in plastic prior to being placed into the vehicle;
- Returning inventory that is coming from a dwelling with bed bugs is never placed in a vehicle that contains outgoing inventory;
- Gas fumigation of any vehicle and its contents in the event bed bugs are identified or infested furniture is brought back in the vehicle.

Mattress and box spring encasements are another very effective tool that can be used by rental furniture companies. Encasement of mattresses and box springs can be used as a precautionary step before renting out any bedding. The encasements will greatly aid in identifying bed bug infestations at the time of furniture return and should never be removed by a customer during the rental period. Fully encased beds restrict the ability of bed bugs to infest the interior of the mattress and box spring where they will go undetected; instead, any bed bugs will be readily visible on the exterior of the encasement. In addition, if any beds are found to be infested during a pickup, they can be encased prior to being placed in the delivery vehicle, thus preventing the dispersal of bugs from the infested mattress and box spring. It is important, however, to be sure that the encasements used have been designed specifically for bed bugs and have been proven to be effective. One such encasement has been designed by Protect-A-Bed out of Chicago, Illinois. Not only are these encasements fully bed bug proof, but they also provide anti-allergen protection as well and can be a value-added service.

With the growing liability associated with bed bugs, the burden of proof will fall on the furniture rental company to prove that it has done everything possible to prevent the rental of furniture that was infested prior to receipt by the client.

Step 3: Ensure that furniture returned into inventory is free of bugs

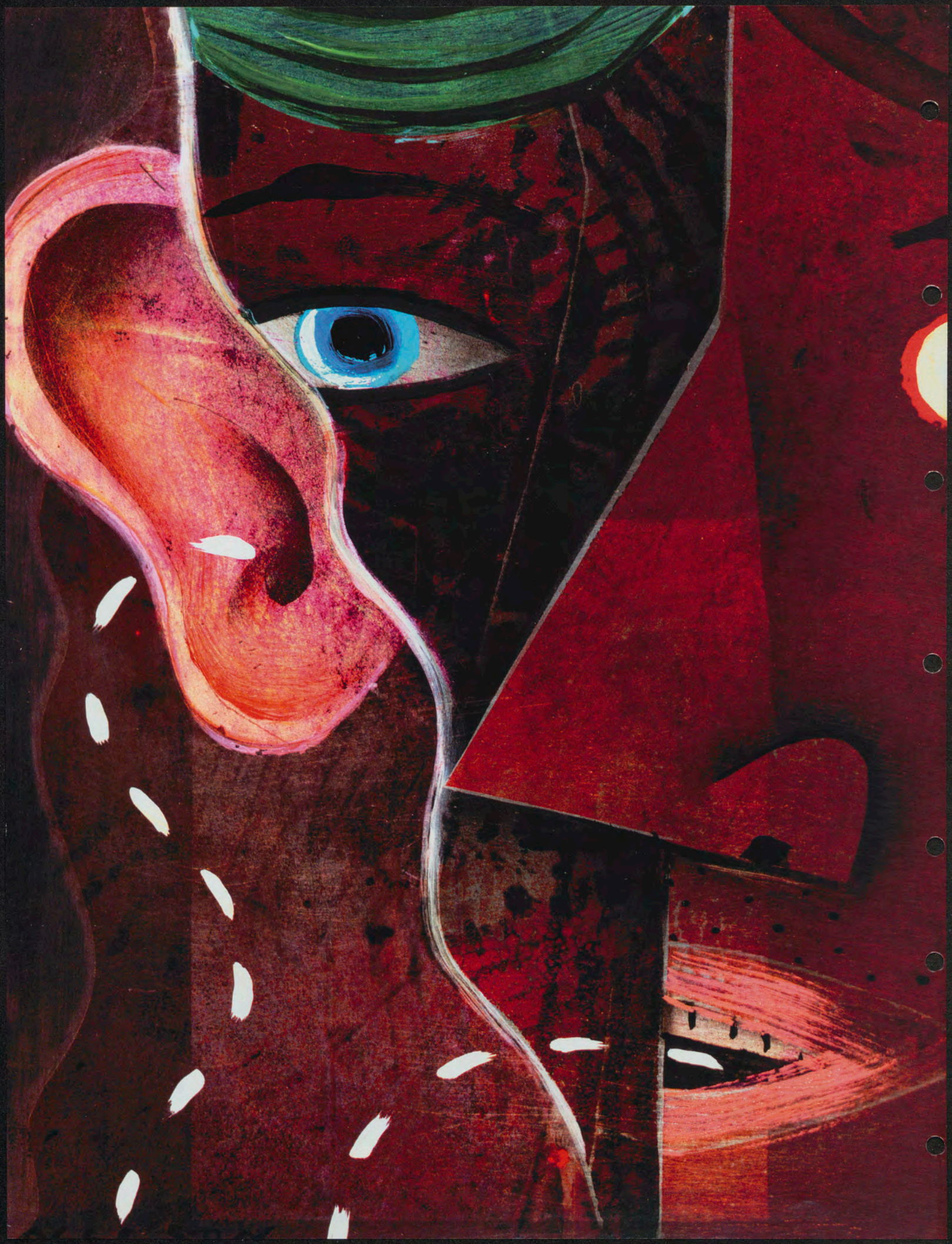
Changes in contract language to address the client's financial responsibility for items that become infested while in their possession may become more common. In order for this to be possible, it will be necessary to be able to establish that a customer received furniture that was "bug free" (*see the previous two steps*).

Regardless of whether or not such contract language exists, crews that pick up furniture must be trained in spotting visual evidence of bed bugs so that infestations that are visibly present are identified prior to removing the furniture from the dwelling. Any furniture that is removed should be handled carefully as it is removed—wrapping it tightly in plastic is a good idea—to prevent the inadvertent dispersal of bugs and eggs that may fall off the furniture. Mattresses and box springs can be encased, as mentioned above, to trap any bugs that may be associated with bedding. Again, infested furniture should not be placed in a vehicle containing items that have yet to be delivered.

Treatment of returning inventory with common pesticides is not an effective method for ensuring the elimination of the bugs and their eggs. Instead, upon return, all items should either be discarded, heat-treated or fumigated. Fumigation of the delivery vehicle will also ensure elimination of bugs that may be associated with it. Limiting eradication efforts only to items that are visibly infested can be a costly mistake as any item coming from an infested dwelling is subject to bed bugs.

Clearly there are several different pro-active steps that can be considered and while there is no sure-fire way to be 100 percent certain that no bugs are present, procedures that are sound and well documented will provide the grounds for a strong defense in the event of litigation. Dealing with bed bugs correctly will surely result in added expenses and will change the terrain from a competitive point of view. Ultimately, one must weigh the costs and determine the level of risk that they are willing to take when it comes to this challenging new pest problem. ■

Richard Cooper is the staff entomologist and technical director for Cooper Pest Solutions in Lawrenceville, New Jersey, 800/949-2667. Jeff White is a research entomologist at Cooper Pest Solutions. You can e-mail Cooper at rick.cooper@cooperpest.com and White at jeff.white@cooperpest.com. Cooper will be giving a presentation, "Don't Let the Bed Bugs Bite!" at APRO's 2007 Rent-to-Own Convention & Buying Show in Reno, Nevada.



LEVERAGING THE POWER OF CUSTOMER BUZZ

The typical rent-to-own customer is so saturated with commercial messages that it is increasingly difficult and expensive to market your store effectively through advertising alone. Customers have developed many techniques to escape from advertising. They flip through the pages of newspapers and magazines without even noticing advertisements or inserts. They change radio stations during commercial breaks. They switch stations or hit the mute button when advertisements interrupt their television programs. Or, they watch premium cable TV stations or use digital video recorders to skip marketing messages entirely. Fortunately, buzz marketing can provide a less expensive and more effective method to expand your business. There are some successful, non-advertising methods to get people into your store. For example, we all know that recommendations from friends usually carry more weight than advertising since they are seen as less biased. According to McKinsey & Co., a leading management consulting firm, positive word of mouth plays an important role in 67 percent of all consumer buying decisions.

BY PATRICK GALVIN

For people to recommend your store to their families and friends, you must first ensure that your merchandise and service are outstanding. The best marketing in the world is worthless when a customer is treated rudely or ignored in a showroom. Likewise, shoddy storefronts, displays and products will long be remembered after your jingle or commercial is but a distant memory.

Service after the sale is also essential. Follow-up phone calls after deliveries, timely service to fix damaged merchandise and ongoing communication with birthday cards, phone check-ins and newsletters can help turn satisfied customers into excellent referral sources.

Yet, excellent service and quality products are not enough to guarantee success in today's competitive marketplace. You must find new and different ways to distinguish your store from competitors—ways that customers will appreciate.

LET CUSTOMERS KNOW THAT YOUR BUSINESS RELIES UPON WORD OF MOUTH TO SUCCEED. STORE OWNERS HAVE DISCOVERED THAT SATISFIED CUSTOMERS WILL ONLY REFER THEIR FRIENDS WHEN THEY ARE ASKED.

For example, one rent-to-own store I visited had a DVD playing on a continuous loop at its showroom entrance explaining how the furniture on display was made in American factories to rigorous quality standards. The footage of the furniture manufacturing process and interviews with factory employees was so interesting that I didn't mind waiting 10 minutes for a salesperson to finish a rental agreement before engaging me in conversation. In contrast, I left two other RTO showrooms where all the sales people were busy and I didn't have anything to do while biding my time.

Some of your vendors may produce videos for their Web sites or trade show booths, so consider asking them for copies that you can play in your showroom. Or, with permission from manufacturers, consider uploading these videos to your Web site to create some buzz. Online video is increasingly popular with more than 40 million Americans watching videos on YouTube (www.youtube.com) in May 2007 alone.

Community involvement can also make a huge difference in creating word-of-mouth patronage for your business. For instance, I'm a loyal customer of a small neighborhood grocery store in large part because its employees volunteer at a local elementary school on a regular basis. In addition, a couple of times a year, the store owner donates 10 percent of her total sales to the same school. The store owner has kept journalists informed about these charitable activities, which has resulted in feature coverage in various community newspapers.

Since many people don't have time to read newspapers, it's important to leverage favorable media attention. Many Starbucks stores do an excellent job prominently displaying local press clippings that highlight the volunteer involvement of their employees in local causes such as youth mentoring programs and Habitat for Humanity. I've seen customers reading these articles and making favorable comments about Starbucks' commitment to the community while waiting in line for their morning lattes.

Positive press will acquire even more value when you post it to your Web site. After creating an online pressroom for my family's retail furniture store, I noticed customers coming into the showroom with copies of articles printed from our site. I heard customers say things like, "When I read about your store in the newspaper, I knew I had to visit because it seemed different from every place else."

Publicity can also raise your profile with suppliers. Journalists for trade newspapers will often cover businesses that are featured in the general press. When I started getting coverage in local newspapers, I sent clips to furniture trade journalists, which got them to write about my store. These stories in the trade press enhanced my store's standing and leverage with manufacturers and led to an invitation to join a prominent board of advisors for a retail furniture association.

Of course, great publicity alone is not enough to generate customer referrals. To maximize referrals, it's important to institute a systematic referral program. For instance, have your salespeople and delivery drivers let customers know that your business relies upon word of mouth to succeed. Put this information on your customer receipts and Web site. Many store owners have discovered that satisfied customers will only refer their friends when they are asked.

Finally, consider rewarding customers who refer their friends. Some successful rent-to-own stores have coupons spread throughout their showrooms that offer $10 off a customer's next payment when he or she refers a friend. Furthermore, the friend who is referred receives $10 off his or her first month's payment as well.

As it becomes increasingly difficult to reach consumers through traditional advertising alone, rent-to-own stores that succeed in building buzz through attractive storefronts, great products, sparkling displays, outstanding customer service, community service, media coverage and referral programs will be the ones that thrive. ■

Patrick Galvin is the founder and president of Galvin Communications (www.galvincomm.com), a public relations and word-of-mouth marketing firm in Portland, Oregon. He will be giving a presentation, "Boost Your RTO Store Sales with Buzz Marketing," at the APRO 2007 Rent-to-Own Convention & Buying Show in Reno, Nevada.

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ADVERTISER INDEX

WHO'S WHO IN

Jewelry

The following is a list of jewelry suppliers that cater to the rent-to-own industry. All are either APRO associate members (*), advertisers in APRO publications (+), APRO Buying Show exhibitors (^) or APRO-endorsed member benefit program providers (~).

ABS Artistic Jewelry Inc. *^
Contact: Susan McKinnon
2936 N. Druid Hills Rd., N.E., Ste. B
Atlanta, GA 30329-3920
404/636-6143
Fax 404/320-1490
absartistic@bellsouth.net

Bryce Co. *^+
Contact: Bryan Collins
1612 Second Ave. S.W., #232
Cullman, AL 35055-5313
800/880-9434
Fax 800/881-0194
bryan@brycejewelry.com
www.brycejewelry.com

M&B Jewelry *^
Contact: Tony Harmon
6040 Century Oaks Dr.
Chattanooga, TN 37416-3657
423/894-4480
Fax 423/894-5122
tharmon@mbjlry.com
www.mandbjewelry.com

RES Accessories *^
Contact: Michael E. Gerwe Jr.
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For more information please contact Don Julson at 847.941.8734

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