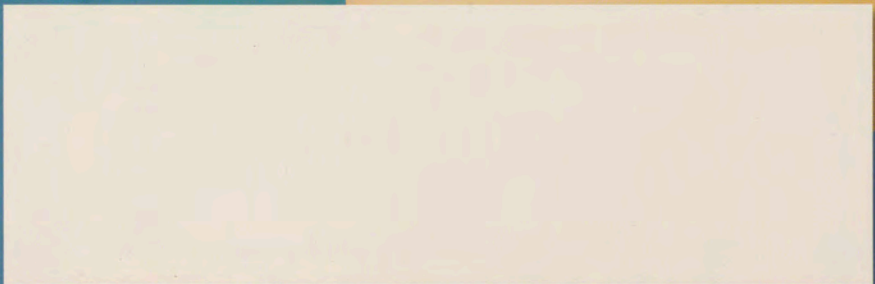


RTOHQ

The Magazine



The New Entrepreneurs





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Taking the leap to ownership

Rejuvenation is a critical process in the health and longevity of an industry. Without it, industries—like organisms—stagnate and eventually die. Rent-to-own is fortunate to have enlightened companies encouraging their co-workers to strive for ownership and franchisors who nurture new talent and help them set up proven business plans. Also, we see talented individuals striving to establish companies based on their personal knowledge. The result is constant renewal and rebirth in rent-to-own.

In this issue of *RTOHQ: The Magazine*, we profile three of the many individuals who have taken the leap and recently established their own businesses in rent-to-own. All three have extensive backgrounds in the industry as effective employees. Herein, independent owner Ronnie Springer, ColorTyme franchisee Shawn DiLeo and Premier Rental Purchase franchisee Matthew Baker reveal their dreams, goals and experience in moving from employee to owner. All exemplify a relentless desire to improve what's central to the heart and soul of rent-to-own.

Our vendor spotlight in this issue is on Imagery Marketing Group. Located in the Midwest and born from within the rent-to-own industry, Imagery has been led by one of the quiet, but industrious, women of RTO. The heritage, goals and dreams of Imagery, led since its inception by Sharon Carrico, is yet another example of birth and growth from within.

Speaking of growth, rent-to-own professionals are always on the search for that new product or service that will enhance the rent-to-own experience. Could rent-to-own cars be the next big thing? Ed

Winn III examines this possibility with his trademark thought-provoking insight and scholarly perspective.

The year just past was one in which news coverage of our industry intensified, with more positive and frequent coverage of rent-to-own than ever before. APRO's Public Affairs Director Richard May analyzes that coverage in an effort to unearth what piques the media's interest in our industry.

To wrap up this issue, we turn to Bud Holladay, one of the founders of APRO and a respected pundit, who offers timely advice on back-to-basics business survival tips during this economic downturn.

We hope *RTOHQ: The Magazine* enlightens and entertains. As we begin a new year with new opportunities, let's all reflect on lessons we learned this past year and renew our commitment to the future of rent-to-own.



Bill Keese

APRO's executive director
bkeese@rtohq.org



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Owning one's own business is, to some, part and parcel of the American Dream. It's a challenge met by our three entrepreneurs profiled in this issue—men who have taken the leap from rent-to-own employees to proud business owners.

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Back to Basics

by Bud Holladay

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34 : Imagery Marketing Group

by Neil Ferguson

St. Louis-based Imagery Marketing Group, profiled in this issue's "Vendor Spotlight," has the inside track on polishing the industry's image. It is, after all, the marketing and advertising company forged by rent-to-own for rent-to-own.

Cover illustration by Larry Goode

Larry Goode is a freelance illustrator based in Austin, Texas (www.larrygoode.com).

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The Magazine

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Editor/Art Director

Neil Ferguson

Executive Editor

Ed Winn III

Director of Marketing (Advertising)

Cindy Ferguson, CEM

Executive Director

Bill Keese

Contributors

Kristen Card, Tulisha Carson, Murlin Evans,
Cindy Ferguson, Laurie Hill, Bud Holladay,
Jeannie Hutchison, Bill Keese, Shelley Martinek,
Richard May, Celeste Simmons
and Ed Winn III

Director of Circulation

Laurie Hill

Editorial and Advertising Offices

1504 Robin Hood Trail
Austin, Texas 78703
512.794.0095; fax 512.794.0097
nferguson@rtohq.org
www.rtohq.org

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RTO Matters

Rent-to-own and the media: Good news, for a change

The media's treatment of the rent-to-own industry historically has not been kind. Headlines in the 1980s and 1990s screamed about "\$5,000 VCRs" and "RTO=Ripping Them Off." Negative press drowned out anything good that was reported about the industry. The barrage of bad press and the industry's lack of a potent response crippled the public image of RTO and contributed to congressional and state legislative attacks. Over time, however, the association has recognized the need to respond to industry critics in the press. The efforts of APRO and its members on behalf of the industry are beginning to pay dividends.

In the early days of RTO, dealers preferred, as best they were able, to avoid all public scrutiny. As the industry grew, such a strategy became increasingly impractical. The "duck and cover" attitude is largely gone, replaced with a sophisticated and practiced story revealing the economic truth of the rent-to-own industry and a continuing effort to generate a more

accurate picture than has been seen to date.

As a result, 2008 saw the benefits of those efforts with increased numbers of positive news stories about rent-to-own. APRO's evolving media strategy, the power of the Internet and the current credit crises have all contributed to a new, more favorable view of the industry that has been appearing in the press.

Make no mistake, negative stories still crop up, but they are generally not as vicious and have not been occurring as regularly as they were during the 1990s. Even so, they have the potential to do damage to the industry. Recent negative press reports in New York have resulted in Senator

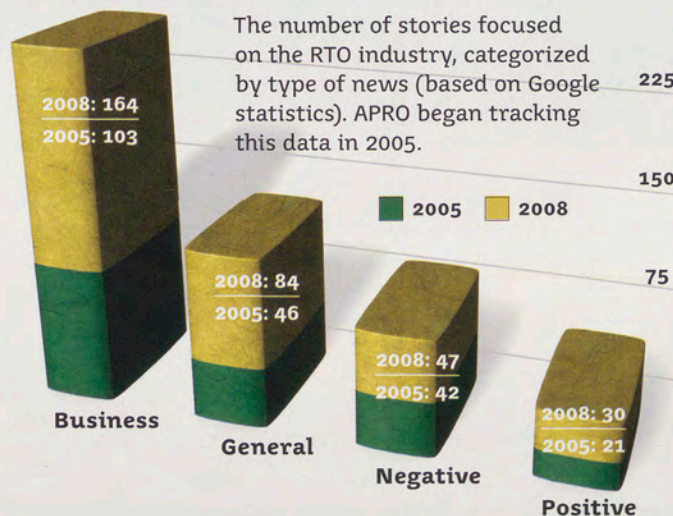
Charles Schumer introducing anti-RTO legislation in the Congress, New York state legislative initiatives to strengthen the state RTO statute and public boycotts of rental stores in New York City. These attacks and the media coverage that they receive serve as stark reminders that the rent-to-own industry has an ongoing public relations battle to wage. The industry must nurture its image and messaging skills along with its legal and political strategies.

For years, rent-to-own analysts have noted that the industry's political problems were spawned in

large measure by the negative public image of RTO in the press. This image was created by a media on the attack and an industry that did not do enough early on to counter the sensationalism that was used to sell newspapers.

While research indicates that negative media coverage has not affected customers' and potential customers' attitudes toward RTO as much as it has politicians, consumer advocates and lawyers, the impact of these three groups has been significant, resulting in legal and political troubles for the industry in any number of states. Recent media attention directed at the industry from the *Buffalo News*, U.S. Department of Defense, Wisconsin legislature, New Jersey court system and a Brookings Institute study on the "High Cost of Being Poor" have spurred Schumer, the New York state legislature and dozens of consumer protection groups to threaten RTO's legislative extinction.

Rent-to-own news: 2005 and 2008



From evasion to defense to proactive response

From its early days in the late 1970s and continuing through the late 1990s, an evasive attitude led to inquiries and attacks at all levels; PIRG, NBC News, 20/20, CBS, *The Wall Street Journal* and hundreds of local affiliates all took shots at rent-to-own in the name of investigative reporting. The pressure

from the media pushed the industry's "no comment" approach to one of defending the transaction. This defensive strategy, over time, helped turn the perception of RTO from a predatory industry to one that offers consumers choice, flexibility and value. Media coverage reported the industry response and coverage became more balanced.

Since 2000, however, that defensive strategy has evolved into a more proactive one. APRO and its members now are encouraged to answer every media call, invite members of the press into their stores, participate in interviews and answer—and correct—criticisms that are still being leveled against the industry. As a result, APRO estimates that

the potentially negative media attention that the industry has received over the past year has been reduced by more than 90 percent. When the rent-to-own story is patiently and accurately explained, reporters initially looking for the consumer rip-off angle realize that there is no such story. Typically, the news that has been published or broadcast recently presents the industry's side of the story in a much more informative and balanced way—a far cry from the clipboard-in-front-of-the-face days.

The Web, the economy and rent-to-own

With the increased attention that the Web has garnered as a source for news, APRO has finessed its media strategy to be more proactive, developing an enhanced presence on the Web. APRO offers the media a wealth of information attractively presented at www.rtohq.org.

Another factor that is helping the industry's image is the current economic meltdown. The collapse of the banking industry has opened the door for rent-to-own to tout its virtues as a non-debt transaction that can offer consumers goods and services without the specter of what the Department of Defense called an unending cycle of debt. APRO has taken good advantage of this opportunity.

In April 2008, the association initiated an aggressive press-release program designed to provide national news wires with an ongoing series of

Veteran RTO industry vendor Norm Smith

APRO's first Vendor of the Year and former head of rental-market sales for Zenith Norm Smith died November 18 in Glenview, Illinois, due to complications arising from his recent open-heart surgery. He was 81.

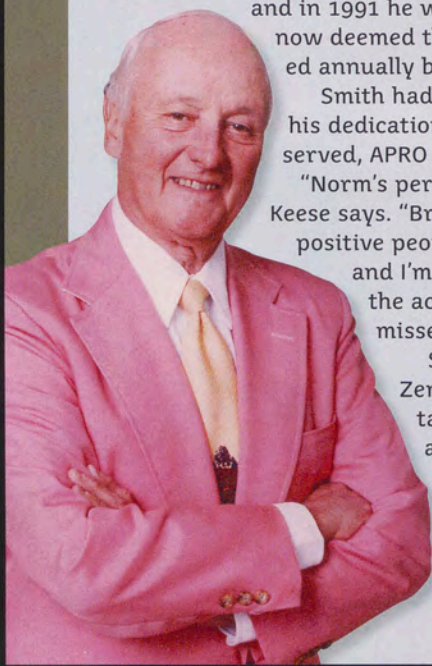
To say Smith had a significant impact on the rent-to-own industry would be an understatement. Without him, Zenith may never have saddled up to the burgeoning rent-to-own industry. In any case, the company could not have found a more informed, inspired or dedicated torch-bearer to build its rental division when it tapped Smith for the job in 1982.

Smith, one of the rent-to-own industry's best known consumer electronics experts, realized early on the growth potential for durable manufacturers in the rental industry. His commitment to staying in direct contact with rental dealers in order to understand and accommodate their needs endeared him to the industry and in 1991 he was named APRO's first Vendor of the Year. The award—now deemed the "Norm Smith Vendor of the Year Award"—is presented annually by the association to honor the industry's finest vendors.

Smith had an energetic and buoyant spirit, a spirit he exuded in his dedication to APRO, the rent-to-own industry and the dealers he served, APRO Executive Director Bill Keese says.

"Norm's personality was reflected in the sport coats he wore," Keese says. "Bright pinks, greens and yellows. He was one of the most positive people I've ever known. Anything was possible with Norm and I'm very happy that in his lifetime he was able to see the accolades that were justifiably sent his way. He will be missed sorely."

Smith stepped down as head of rental-market sales with Zenith Electronics in 1997, but continued on as a consultant for the company. "I have so many beautiful thoughts and memories of the fun times I've had working with so many of you," Smith said in a 1997 *Progressive Rentals* magazine profile. "And if I were to add them all up and multiply it by a million, the grand total would still be inadequate to represent the sincerity behind my simple expression to the rental industry: Thank you."



In Memoriam

Employee Q&A: What's in store?

In each issue of *RTOHQ: The Magazine*, we're asking a rent-to-own employee to give us a taste of the in-the-store, on-the-floor experience. Lee Anderson is a store manager for New Avenues Rentals.

How long have you worked in rent-to-own?

I've been in rent-to-own for the past seven years. I've seen it from every angle: as a driver, sales person, collections and as manager. I've been a store manager at New Avenues for the past two years.

How has the RTO business changed since you first became involved?

Changing technology definitely affects the business. Having knowledgeable staff and an alert purchasing department, we are able to stay on top of things. Independent research plays a huge role in keeping our staff up to date.

What do you like best about your job?

Unlike any other business, we get to interact positively with our customers—as people instead of dollar signs. We help people get their foot in the door that has been shut by traditional retail stores bound by a set of rules that reduce people to a credit score. People make mistakes. I'm just glad to be a part of a company that truly makes a difference.

With the economy in a downturn, have you noticed an effect on your store?

If anything, it's driving more people to rent-to-own. Homes need to be furnished, people need a place to sleep, regardless of whether or not the economy is great. Now they are looking at rent-to-own as a preferred option instead of a last resort.

With the shift from analog to digital television signal, are you getting a lot of HDTV customers? What do you play on the TVs in the stores to really show off the picture and sound?

Customers are coming in with more questions, but a skilled salesman can really help with any questions that arise. We have a variety of televisions in the showroom, but LCDs are the better seller. Our TVs are showing cartoons or animated flicks, which best show off color and definition while keeping it appropriate for all shoppers.

What items are most popular in your store? Has that changed over time or remained fairly consistent?

The changing seasons are really the only thing affecting popularity of the merchandise. In the fall, when kids are going back to school, computers are the hot ticket. In the spring, more of the bigger furniture items move because of tax refunds and more disposable income.



Lee Anderson

New Avenues Rentals, Norcross, Georgia

What questions do your customers ask most often about the products you offer?

Mostly, my customers seem to be worried about warranties and any service issues that might arise. However, they are quickly reassured that they are offered the same warranty as any retailer would; plus, they have the option of buying insurance through New Avenues for non-manufacturer-covered issues.

What is it about your store that brings customers in?

We concern ourselves with the individual customer rather than reaching a certain number or goal. We're more interested in helping them than in taking them for all we can get.

What interests do you have outside of rent-to-own?

I will admit a healthy obsession with computers, electronics and anything I can get my hands dirty fixing. I also enjoy spending time with my family and keeping up with my sports teams. Go Steelers!

Where do you see yourself in 10 years?

I hope to see New Avenues continue to grow and would love to be a multi-unit manager or even a regional director.

What is your motto in life?

"Until you spread your wings, you'll have no idea how far you can fly."

—Neil Ferguson

reports promoting the positive aspects of rent-to-own. Each news release issued by the association has been picked up and published on the business news wires—Yahoo, MarketWatch and Google, among others. The press releases have, for the most part, been relegated to “lower-tier” news, but the articles have been published often, nonetheless. The result has been an impressive increase in positive news disseminated

about rent-to-own, which in turn is proving useful when lawmakers and their staffs do background research on the industry. Four of the APRO-initiated wire stories posted during the past year have generated additional coverage from higher-tiered news outlets, including the Associated Press, MSNBC, Reuters, Bloomberg and Dow Jones. Publication of these stories by these outlets marks the first time that RTO has been spotlight-

ed positively at the national level by news outlets.

In December 2008, *The Wall Street Journal*, which had once pilloried the industry with its front page “Couch Payments” story in 1994, published a business article on how RTO thrives in tough economic times. That article generated 26 local news stories and one additional national story. All but one of those presented the industry in a positive light and most presented

rent-to-own as a viable alternative business model given the current economic downturn and consumer reluctance to pile on debt.

Go proactive

Many APRO members welcome the association’s proactive approach, but there are a few who remain skeptical of press inquiries of any kind and prefer that the industry not respond at all to media attention. These hold-outs are clearly

Support RTO! Attend APRO’s 2009 Legislative Conference

A new session of the U.S. Congress with strengthened Democratic majorities is getting down to business—literally—with the overriding goal of quickly passing an economic stimulus package aimed at jump-starting the worst economy since the Great Depression. As the White House and Congress continue to grapple with the recession, the rent-to-own industry is proposing legislation that would meet lawmaker’s two highest priorities: economic stimulus and financial regulation. That focus, analysts are convinced, will put the RTO-industry-supported *Consumer Rental Purchase Agreement Act*—soon to be reintroduced in the House and Senate by sponsors Representative William Lacy Clay (Missouri) and Senator Mary Landrieu (Louisiana) respectively—squarely in the center of discussion.

This bill is the perfect combination of consumer protection and market stimulus. “It will give investors the added security they need to back this industry and dealers the ability to expand, buy product and hire new employees,” says Richard May, APRO’s public affairs director. “Consumers receive increased protection from it and everyone wins.”

In addressing economic stimulus and regulatory concerns, Congress will focus on key committees including the Senate Banking and House Financial Services Committees, which are key to addressing the current economic meltdown. Sharpened Democratic control in the Senate means more power for Senator Charles Schumer of New York, an outspoken critic of rent-to-own who, for the past two sessions, has introduced legislation to effectively abolish the industry across all 50 states. Chances are, Schumer will again file his *Rent to Own Reform Act* bill this session.

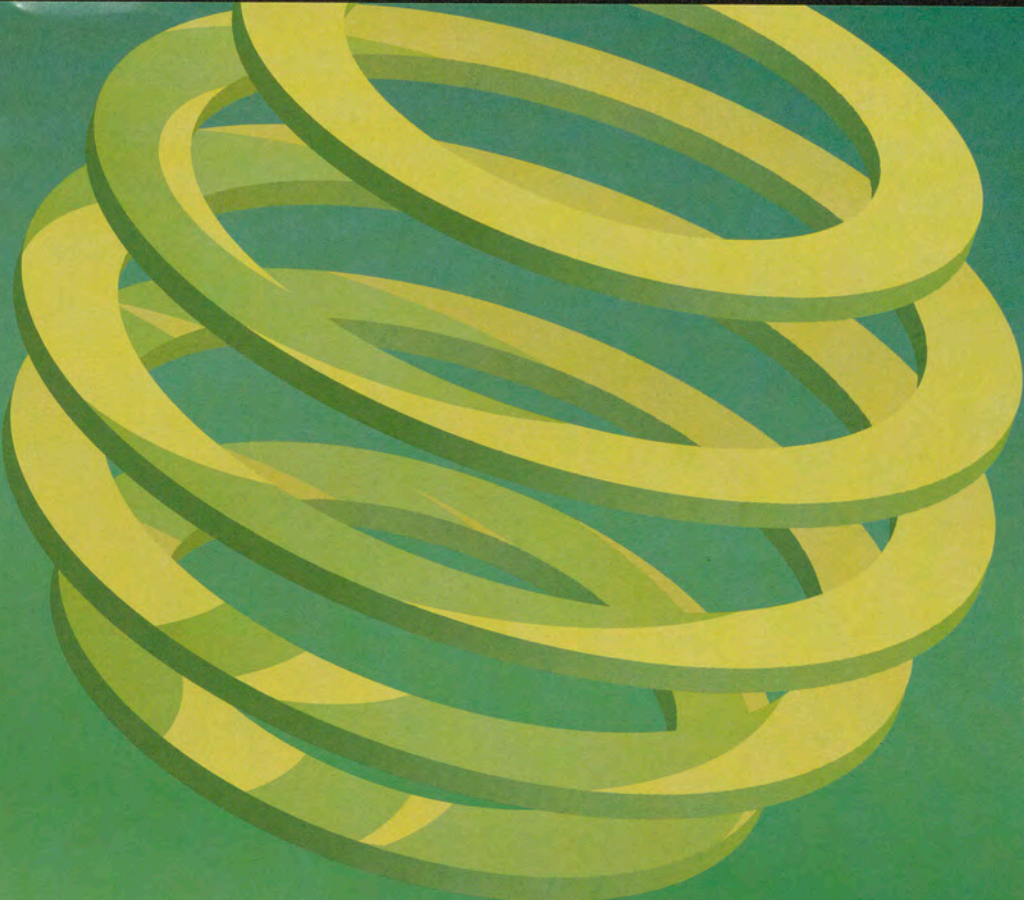
All the more reason rent-to-own dealers need to remain vigilant and show their support in Washington D.C. at APRO’s Dave Egan Legislative Conference, April 21–23. “It’s a double edged sword,” May says. “Schumer is just as germane as us in the legislative area of these two issues. The difference is that our bill will offer the economic stimulus President Obama and Congress are seeking; Schumer’s will not. This is a golden opportunity to tell our story.”

Last session the House version of the *Consumer Rental Purchase Agreement Act* racked up an industry-record 100 sponsors and the Senate version gained 22 sponsors. In the 100-member Senate, where it takes 60 votes to thwart a filibuster, the Democrats could end up with as many as 59 seats, depending on the resolutions of two controversies that might be distractions in the session’s early days—the seating of replacements for Obama’s Illinois seat and new Secretary of State Hillary Clinton’s New York seat.

“This session will be critical,” May says. “Everyone in the rent-to-own industry should urge his or her Congress members to sign on as co-sponsors of the RTO-favored legislation. That way, once our bill is filed, it will show Congress the gains we’ve made as an industry in communicating who we are and what we do for the American consumer.”

For more information on APRO’s upcoming Legislative Conference, visit www.rtohq.org, or contact Jeannie Hutchison at 800/204-2776, ext. 108, jhutchison@rtohq.org.



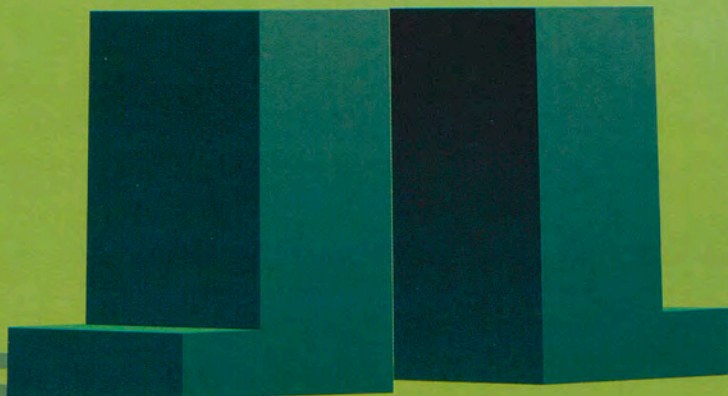


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wrong, however, as the proactive strategy is working. APRO continues to fine-tune its more assertive media strategy to improve RTO's image. The industry has learned, painfully, that it is far more damaging to do and say nothing than to put the benefits of the transaction out there for all to see.

Currently, rental dealers are enjoying publicity that the best advertising money cannot buy—positive reporting about rent-to-own and how its businesses are combating consumer debt while providing quality goods and services for consumers.

For more information on media strategies, download APRO's *Advertising, Public Relations and Media Relations Handbook for the RTO Industry* via the E-Communities at www.rtohq.org, or call 800/204-2776, ext. 104.

—Richard May

Smash-and-grabs on the rise

On January 7, two men crashed a Jeep Cherokee into the front windows of a National Rent-to-Own store in St. Louis, Missouri, loaded up the back of the vehicle with six flat-screen televisions and took off prior to the store opening for business. "Smash-and-grab" robberies are on the rise. During a business' closed hours, thieves drive vehicles through storefront windows, or break them with rocks or bricks, and hastily acquire whatever merchandise is readily at hand. Thieves target flat-screen televisions because

they are popular, expensive and lightweight.

National Rent-to-Own owner Dan Cole has suffered nine such crimes in the past year, which, he says, "is more theft than I've had in the previous 25 years combined in the rent-to-own business." In addition to the loss of merchandise, smash-and-grabs are causing significant damage to buildings. One of Cole's 33 stores suffered \$12,000 in structural damage, while seven flat-screen TVs were taken from within.

Another increasingly popular type of smash-and-grab involves vehicles in shopping center parking lots, where personal iPods, laptops and purses are easily accessed by thieves. Often it's a simple "grab"—no "smash" required—because many leave their cars unlocked and unattended while shopping.

Rent-to-own stores are urged to shore up security, giving special consideration to the location of the televisions within the showroom and their vulnerability in being easily removed.

"We're adding layers of security," Cole says, "but those layers cost money and, it seems, the thieves keep upping the ante. We had bars on the windows, but cars crash right through those, so we put up steel posts in front of the stores. The next step is securing our TVs behind locked gates within the stores; thieves will not only have to drive through the windows, but also penetrate the locked gates within."

RTOCalendar

February 4

Arizona-Nevada-Utah Rental Dealers Association Reorganization Meeting, Boulder Station Hotel-Casino, Las Vegas, Nevada. For more information, contact Jeannie Hutchison at 512/794-0095, ext. 108, jhutchison@rtohq.org.

February 9-13

Las Vegas Furniture Market, Las Vegas, Nevada. APRO Hospitality Suite, sponsored by Ashley Furniture, 5-6:30 p.m., February 10, in the Ashley suite, World Market Center, Building B, 15th floor. For more information on the market, call 888/416-8600; or visit www.lasvegasmarket.com.

February 18

Missouri Rental Dealers Association Annual Membership Meeting, Courtyard by Marriott, Columbia, Missouri. For more information, contact Ken Steiner, 573/442-2963, steineraa@aol.com; or visit www.missourirentaldealers.org.

February 24-25

Kentucky Rental Dealers Association General Membership Meeting, Louisville, Kentucky. For more information, contact Chris Bolin, 931/906-2066, BolinRTO@bellsouth.net.

February 24-26

Rent One's Annual Meeting, Drury Lodge, Cape Girardeau, Missouri. For more information, contact Kris Lowe at klowe@shoprentone.com.

March 22-25

TRIB Group/AVB/BrandSource 2009 Summit, Hilton Anatole, Dallas, Texas. For more information, contact Wendy Johnson at wendy@tvplnrs.com; or visit www.brandsource.com.

March 23-29

High Point Furniture Market Spring 2009, High Point, North Carolina. For more information, call 336/869-1000; or visit www.ihfc.com.

April 13-15

Aaron's Sales & Lease Ownership Manager's Meeting, Gaylord National Resort & Convention Center, Washington, D.C. For more information, contact Kim Hegerberg at Kim.Hegerberg@aaronrents.com.

April 21-23

APRO's 2009 Dave Egan Legislative Conference, L'Enfant Plaza Hotel, Washington, D.C. For information, contact Jeannie Hutchison at 800/204-2776, ext. 108, jhutchison@rtohq.org; or visit www.rtohq.org.

New England launches rental dealer association

In December, RTO professionals launched the tri-state New England Rental Dealers Association to focus on communication and protecting industry interests. APRO's State Association Coordinating Committee Chairman Dave Edwards led participants in a roundtable meeting in Uncasville, Connecticut. Recent protests at New York Rent-A-Center locations and court challenges to the Massachusetts' rent-to-own statute reinforce the need for continued vigilance by the industry in this part of the country.

1. NERDA President Mark Anderson addresses attendees.
2. Michael Weygand and Dave Edwards
3. Anderson with NERDA secretary/treasurer Mark Key
4. Patrick Flynn and William Prendergast
5. APRO Public Affairs Director Richard May discusses legislative strategy.
6. SEI/Aaron's employees Tennison Cox and Kate Gorton



RimTyme opening includes salute to the military

RimTyme marked the grand opening of its newest location in November with a meet-and-greet at the company's Plano, Texas, headquarters. In conjunction with the opening of RimTyme's 19th location, which is also in Plano, the company donated a full set of chrome wheels and Nitto tires to U.S. Marine and Iraq War veteran Adam Earls, who is pictured at left (center) with RimTyme Plano store manager Cain Maxwell and RimTyme vice president of operations Tim Hogan. RimTyme is the custom-wheel-and-tire brand of ColorTyme and both companies are independent subsidiaries of Rent-A-Center.

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National TV Sales and Rental celebrates holiday season with support

In December, employees of National TV Sales and Rental in Lebanon, Missouri, selected Homes for Our Troops as the recipient of their holiday fundraiser. Homes for Our Troops provides housing for U.S. troops injured overseas. National's employees donated \$840 to this year's cause. The Mid-Missouri Credit Union has teamed up with Homes for Our Troops to build the next home in Branson, Missouri. In other company news, nearly 1,000 gathered in Lebanon in November for National TV Sales and Rental's Salute to American Heroes. The idea for the event originated with Jeremy Powell, an account manager at National TV who has served in the armed forces. Among those in attendance were members of the Missouri National Guard, the U.S. Army, sheriffs, police and fire departments, EMTs and state representative Darrell Pollock.

1. National TV's Martha Smith, Dan Kopsas, Bob Fisher, Michelle Jackson, Aaron Windsor, Kathy Windsor and Mark Windsor present their donation to Tracy McCord of the Mid-Missouri Credit Union (center).
2. National TV employees, State Representative Darrell Pollock (center) and members of the military help honor those who serve at the Salute to American Heroes.

Aaron's laptop computers awarded to Congressional Black Caucus essay contest winners

In January, three essay contest winners received laptop computers as part of prize packages awarded at the Congressional Black Caucus Spouses "Essay Contest and Issues Forum" in Washington, D.C. The laptops were donated by Aaron Rents, who, along with APRO, sponsored the event in which qualifying high school students were asked to write on the topic of leadership and civic engagement.

Maurice Hunt (pictured second from left) was named first-place winner. This year marks rent-to-own's second to sponsor the CBC event and comes on the heels of a record-breaking silent auction sponsorship in which the industry raised more than \$50,000 for the Congressional Black Caucus Foundation Scholarship Fund last June.



Reporting by Murlin Evans (mevans@rtohq.org).

For expanded news coverage and additional photographs of rent-to-own events, visit www.rtohq.org.

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See page 287 in 2009 Catalog



See page 172 in 2009 Catalog



See page 77 in 2009 Catalog




See page 360 in 2009 Catalog

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AJ GARCES



The question, "Who ought to be boss?" is like asking "Who ought to be the tenor in the quartet?" Obviously, the man who can sing tenor.

Henry Ford

New Entrepreneurs

Owning a business is, to some, part and parcel of the American Dream. But in an increasingly corporate climate, taking that entrepreneurial leap can be a daunting challenge. It seems a heck of a lot easier to work for someone else. And how can the "little guy" compete in a "big box" world? Still, some do it—and do it well.

Take independent businessman Ronnie Springer, who, after a few years with RadioShack, put up his own shingle, Rent Plus, in Oklahoma in 2007. Now he has three stores, 17 employees and a thriving operation. Springer just turned 30 and his American Dream is to have 100 locations before it's all said and done. The entrepreneurial spirit is in his blood.

Kentucky's Shawn DiLeo has made the successful transition from employee to owner because he is adept at dealing with the one thing that's consistent in American business: change. After 20 years of working for someone else, recently he decided that the time—and ColorTyme—was right for making a change.

Matthew Baker spent a number of years opening stores for other companies before he concluded that he should open one for himself. Last year, he abandoned what he describes as the comfort zone of the corporate world and took the self-employed route with a Premier Rental Purchase in his home state of Georgia.

Springer, DiLeo and Baker will all tell you that the employee-to-owner shift is not the easiest to maneuver, but it's the path that suits them—and who can deny them the opportunity to fulfill their dreams? —Neil Ferguson





Ronnie Springer

RTO OK/RENT PLUS, BLANCHARD, OKLAHOMA

Oklahoma's
Ronnie Springer
has a vision for
continuing his
family's legacy of
entrepreneurship—
Sooner rather
than later

By Kristen Card

Ronnie Springer is as close to a born entrepreneur as you're likely to come across. Growing up in Meeker, Oklahoma (population less than 1,000), Springer's mother worked as a hairdresser, his stepfather owned a masonry company and his dad owned "a few little oil wells."

"My parents were self-employed and I enjoyed the flexibility they had to come to my ball games and school functions—to participate in whatever I had happening," Springer remembers. "I had various jobs over the years, but everything I did, I was always looking to see whether I could do it on my own—what the competition was like, whether I could duplicate it, whether I could get the cash to do it, those sorts of things."

Having worked for his father in the oil fields, for his stepfather laying bricks, as well as in retail and desk jobs, Springer knew that none of those jobs were the right fit for him. But in 2001, when he got hired at Rent-A-Center in Norman while attending the University of Oklahoma, Springer realized he'd found where he belonged.

"Rent-to-own was the perfect spot for me," he effuses. "I love the freedom of it and getting to know the customers. I just fell in love with the business and decided not to return to school. All I ever wanted to do was open up my own business and I didn't see that I needed a degree to do that."

Indeed, for the next couple of years, Springer's education came under the tutelage of Rent-A-Center store manager Clyde Davis.

"He was a really great mentor," Springer says. "I paid attention to every detail of the business and gained a good understanding of

the mathematical equations that determine the business outcomes. Clyde was just an open book and taught me enough to run a store and to open up my own store."

Springer persuaded his girlfriend's father, a RadioShack franchisee, to let him rent computers from his store. When they ran through the \$40,000 they had put aside for inventory within just three weeks, the store owner was panicky.

"But we just went really, really slowly," Springer recalls. "Basically, we had no access to capital or loans, so we collected those rental payments and reinvested them into merchandise. I actually paid myself minimum wage for the first three years and just put everything into the business. Within a few years, we were doing \$20,000 a month in revenue and were able to go to the bank and get enough to open up a full-fledged store."

Today, Springer's company, RTO OK, dba Rent Plus, is three stores and 17 staffers strong—and it's thriving. Springer oversees operations while partner Tommy Wood manages the business' books and Springer's former girlfriend/now wife, Heather, is the company's market manager. It all seems to be running quite smoothly, but the road to becoming a rent-to-own independent was definitely a rocky one.

"One of the biggest challenges was not having a corporate office to depend on for anything," Springer says. "You have to make it all up as you go along; we had a heck of a time figuring out how to create company policies, training manuals, business plans, financial projections. Good Lord, it was never-ending. I'm sure we lost \$150,000 to \$200,000

CONTINUED ON PAGE 40





Shawn DiLeo

COLORTYME FRANCHISEE, LEXINGTON, KENTUCKY

**Having worked
for rent-to-own's
two titans,
Shawn DiLeo
realizes that his
own ColorTyme's
time has come**

By Kristen Card

“**O**ne of the consistent things about corporate America is change. I got used to change; I welcomed it, because it brought new ideas and opportunities with it.” One of Shawn DiLeo’s favorite things about rent-to-own—the industry he’s been working in for the past 20 years—is the constant challenges it presents, day in and day out. From the day in 1988 that he responded to a newspaper ad for a Rent-A-Vision delivery driver in upstate New York to the day this past September when he opened up his own ColorTyme Rent-To-Own store in Lexington, Kentucky, DiLeo has followed a professional path intended to keep it fresh.

DiLeo rose through the Rent-A-Vision ranks quickly, then was recruited by Rent-A-Center, where he stayed for 17 years. Which is not to imply he stayed still—as a regional director of operations, DiLeo spent time working and living in Arkansas, Colorado and Washington state, eventually overseeing more than 60 stores. He finally left Rent-A-Center to become the chief operations officer for a struggling four-store franchise of Rent-A-Center’s rival Goliath, Aaron Rents. DiLeo successfully turned the Aaron’s franchise around, gaining some new administrative expertise along the way, but then felt the familiar urge for change.

“I actually almost became bored,” DiLeo says. “There’s a point at which no one is going to be able to teach you anything really new about the business. They can show you different ways to look at it, but they’re not going to teach you anything really different. And I realized there are two types of people in this life: leaders and followers. You can always

play it safe and be a follower, or you can be a leader and get out there and do something on your own.”

Searching for something different led DiLeo back to something familiar; he opted to launch his new business under Rent-A-Center’s franchise arm, ColorTyme [www.colortyme.com].

“The market conditions were right on, I was maxed out and I just needed to do this for myself and my family,” DiLeo explains. “ColorTyme has a great program, they’re extremely supportive and they really do care about their franchisees. [President and CEO] Bob Bloom and [Director of Franchise Development] Jim Deering have done everything to make me feel comfortable with my decision and if I need advice or resources, they’re there for me.”

Despite only a few months of entrepreneurial experience, DiLeo has what he calls a “company creed”—three key elements upon which his small staff concentrates: “Organization of the store, motivation for us and for customers and communication all-around,” DiLeo says. “Communicating is about what you can build relationship-wise with customers; I hire people who either have great attitudes or are excellent communicators.”

Communication is also why DiLeo has been exceptionally active in industry trade groups. He’s led the recent reorganizations of both the Oregon and West Virginia state rental dealers associations and during his career, has served as a state association president five times. At the national level, DiLeo’s also a big believer in APRO.

“APRO has been a really good connecting point for us,” he says. “We’ve developed some

CONTINUED ON PAGE 40





Matthew Baker

PREMIER RENTAL PURCHASE FRANCHISEE, COVINGTON, GEORGIA

**Suffering
from buyout
burn-out, Matt
Baker opens his
premier Premier
to prove that
persistence
overcomes
resistance**

By Kristen Card

Over 15 years, Matt Baker opened 17 rent-to-own stores for three different companies—only to see them sold off to bigger businesses as consolidation took hold in this industry. From American Home Furnishings to Rent-Rite to Southern Home Rentals, Baker rose from a part-time delivery driver to a district manager with a reputation for getting stores up and running in the right direction—which, more than once, turned out to be toward Rent-A-Center. Finally, Baker left the industry for the retail realm, working as the director of operations for a national warehouse furniture chain.

“I think I got sold and bought one too many times,” Baker says. “But it was during the two years I spent in retail that I really began to dream of opening up my own store. I felt that if I’m going to open and build up five or 10 stores for someone else, then why can’t they just be mine? So I started talking with [President and CEO] Trooper Earle at Premier Rental Purchase [www.premierrents.com] about turning that idea into a reality.”

But Baker found that the journey from corporate go-to guy to self-employed success was rife with roadblocks—and the first hurdle came from within.

“The biggest challenge was giving up the comfort you get with a corporate life, getting over the fear of making the leap and getting up the nerve to just do it,” Baker says. “But my family supported me and all of the district managers and vice presidents I had worked for pushed me. They said, ‘Don’t go work for another corporation; you’ve got everything you need to do it yourself.’”

Everything, Baker notes, except for one detail: money. “Not many banks want to loan you five- or six-hundred-thousand dollars,” he

says. “And when they ask, ‘Where’s the inventory?’ and you tell them it’s in Mrs. Jones’ house, well, they don’t know what to do with that. So that’s where working with Trooper and visiting other Premier dealers helped me see how I might have an opportunity through Premier’s SBA [Small Business Administration guaranteed loan] program to finance my store.”

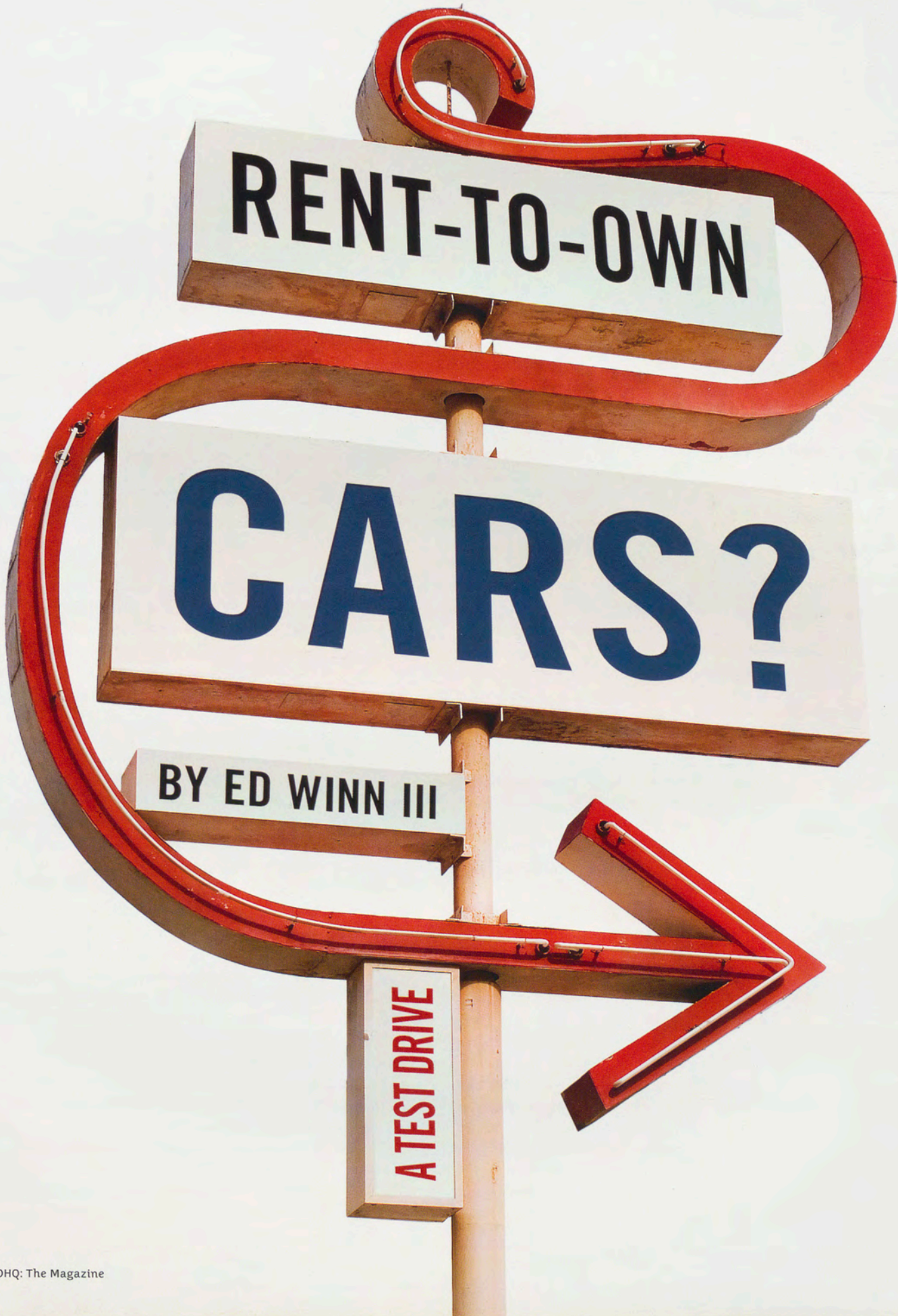
Baker also credits APRO and the relationships the organization facilitates among industry insiders with helping him get out on his own. “APRO has been a huge help,” Baker says. “I speak with friends in other industries and they talk about how competitive it is—and secretly or even hatefully [competitive]. I’m always impressed by the camaraderie in rent-to-own; I’ve never ever met anyone in RTO who hasn’t been just as friendly as can be in helping me. And I give APRO credit for that—they spend a lot of time and energy building that sense of community through their meetings and trade shows. It pays off; our industry stands out with its positive relationships among dealers.”

Baker’s payoff came in September 2007 with the opening of his 18th rent-to-own store—this one all his own, the first Premier store within his home state of Georgia. Today, with a staff of four—including his wife of 13 years, Nicole—and a longer-term goal of five to 10 stores, business at Baker’s premier Premier store is good and he is loving life after the leap.

“I love the customer interaction,” he says. “From sales to collections, every day is a different day and I get a real sense of satisfaction going home at night knowing I’ve helped a family get something they need or want.”

“I love the flexibility,” Baker continues. “Premier lets me be my own boss. I’ve got to conform

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RENT-TO-OWN

CARS?

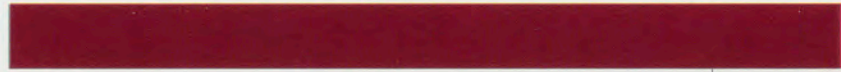
BY ED WINN III

A TEST DRIVE

A photograph of a red car at night. The car is the central focus, with its headlights and front grille visible. The background features a utility pole with power lines and several strings of colorful balloons (red, yellow, and blue) hanging across the sky. The scene is illuminated by streetlights, creating a vibrant, festive atmosphere.

A look under
the hood of a
burgeoning market
that could steer
your business to
higher profits or
into a financial
cul-de-sac

The current worldwide financial crisis has rental dealers fretting about their futures, and rightly so. There is concern over whether the industry's lenders—mostly banks these days—will continue to exist and whether they will continue to lend to the industry. Then, there is concern over whether consumers will continue to rent. A business that buys a piece of inventory for \$750 and then rents it out for \$25 a week needs a steady supply of credit in order to keep buying inventory. Some dealers are salivating over what they are sure will be an influx of new customers whose suddenly perilous financial circumstances will require them to take a hard look at rent-to-own for the first time. Other dealers' mouths are dry from the fear that times will get so tough that American consumers will become too poor even to rent. No one—alas, not even the Harvard MBAs and economic advisors and their political bosses who drove the country into this mess—can predict the future with any accuracy.



This is not, however, the first economic crisis that the rent-to-own industry has faced, although it threatens to be the most severe and longest lasting. A quick look back at some previous hard times may provide insights into what widespread economic calamity does to rent-to-own—and that we covered in the previous issue of RTOHQ: *The Magazine* (“RTO and the Financial Crisis,” October–November 2008). Instead of looking back any further, let's look to potential opportunities ahead.

Some rental dealers have long eyed the used-car market as possible fertile new ground for rent-to-own product. RTO professionals have long extolled the value of their industry and how it makes available the necessities of 21st century living to millions of Americans who might otherwise have to suffer by doing with lesser, shoddy stuff—or do without altogether. What could be more of a necessity to modern life than reliable transportation? It has been an enticing prospect for as yet a small number of rental dealers. The used-car business is huge, approaching \$350 billion in sales in 2007. The buy-here/pay-here (BHPH) or “tote-the-note” segment of the industry, to which RTO is most akin, did nearly \$100 billion that year.

However, renting cars is not for everyone. The concept of rent-to-own cars has the most natural appeal for “car guys” and “car gals.” If you have never read an issue of *Car and*

Driver magazine, you are probably not a car guy. As this article will explain, cars are very different products than televisions in any number of ways and the rent-to-own car business is different from television and appliance rental in even more ways. More than one rental dealer has ventured into the world of used cars only to withdraw gracefully after a quick, unpleasant and unprofitable taste of that business.

Even so, it is an intriguing notion and, with internal store growth flat in some parts of the country, rental dealers might consider taking a closer look at cars as a possible new product offering for their customer base.

The notion of rent-to-own cars is not really new. A handful of rental dealers experimented with the concept in the mid-1980s without much success. The common wisdom at the time was that RTO customers could only afford car rental payments of around \$50 per week—this at a time when the average monthly payment to a rent-to-own store was \$40 to \$60 per month. With projected gross income on a deal for 36 months, which was the typical term for a car note at the time, rental dealers went to

car auctions and bought \$2,000 cars at wholesale, figuring on another \$500 in make-ready expenses and anticipating three turns over 36 months. These dealers learned quickly that they had to assume the repair burden on their cars. Otherwise, when the cars broke down, as \$2,000 cars do often enough, customers quit paying rent and left the cars on the side of the road.

This repair responsibility proved overwhelming. Repairs began running 30 percent of revenues and, at the end of the day, there was no bottom line with this business model. The rent-to-own car concept drove into a ditch. There were other issues—the legality of the transaction as a rental instead of a sale, liability (since the dealer held the title to the car), down-payment, customer qualification, among others—but there was never enough growth in the business segment for these issues to be fully explored.

There was little interest in rent-to-own cars in the 1990s, but the interest has been renewed in the 21st century. For one thing, the economics of RTO cars has changed. Dealers are now persuaded that they can get customers to pay \$80 to \$100 per week to drive a car. That nearly doubles the projected revenue stream per customer, which allows the rental dealer to buy a better car

One of the biggest challenges to traditional television and appliance rental dealers contemplating rent-to-own cars is the nature of the product itself. Buying good used cars is an art form. They do not come new in a box delivered to the back door. Dealers have to go out and find the inventory and every dealer will learn some painful and expensive lessons in this art before mastering it.

at auction. So, the new model is roughly double the 1980s model, with a projected revenue stream of \$300 to \$400 per month, per customer.

One might well ask where this additional payment ability is coming from. Income across the board is higher than it was 25 years ago. Traditional rent-to-own stores, for example, have seen revenues-per-agreement rise to \$80 to \$100 per month and the \$300 to \$400 amount is what car buyers pay when financing the purchase of a used car. Of course, cars are more expensive than they were 25 years ago and a car purchased for \$4,000 at auction is seven to 10 years old and has 100,000 miles or more on it. The repair issue remains a live one and rental dealers are experimenting with different solutions.

Some dealers adhere to the traditional view that they have to keep the cars running if they hope to keep their customers paying rent to drive them. They report that car repairs as a percentage of revenues can still run 20 percent to 30 percent of revenues, but with a higher revenue stream over a longer period of time (some RTO car deals go out 48 months because car notes can go out five or six years these days), dealers can't turn a profit.

Others are agreeing to take care of ordinary maintenance, oil changes, tire rotations, balancing and the like. This way they get to see their car regularly. But, they are shifting the burden of *substantial* repairs onto the customer. If the car breaks down and the deal then breaks down, so be it. It is the rent-to-own business, after all; a certain percentage of deals are going to go bad anyway and the car is going to come back.

Some dealers are agreeing to keeping their cars running and are shortening the rent-to-own term. They are getting higher monthly payments to drive the car and transferring ownership more quickly with less than a three-times-cost return on the vehicle. Some dealers are requiring the cus-

tomers to keep the car in good condition, but then are dealing with the repair issues customer by customer. The dealer will fix cars for customers with good payment histories and, otherwise, take them back.

One of the largest and most successful BHPH chains, JD Byrider, with more than 130 company and franchised locations across the country, only sells cars with substantial warranties and every car lot has service bays dedicated to keeping the Byrider fleet running. Rent-to-own dealers thinking



about cars may want to take a look at the Byrider program (www.jdbyrider.com); several RTO dealers are also Byrider franchisees.

One way to minimize the repair issue is to buy better cars. Among the hundreds to thousands of seven-to-10-year-old cars with 100,000 miles on them that go through the wholesale auction chains such as Manheim, some are obviously better and more reliable than others. This is one of the biggest

out of 10 people who come into the store to rent something. On a car lot, there may be 150 people a month who come onto the lot, every one of whom is willing and eager to acquire a car. The mid-size-car lot may do 50 deals a month and there is a lot of “sifting sand” on a car lot—figuring out which customers are most likely to be able to make payments on a car. It is a much larger transaction in the first place—\$10,000 to \$15,000—and it takes a lot longer to pay out than the 12-to-

Attorneys general around the country vigorously monitor the used-car market because there has been so much fraud and abuse in that industry over the years. A customer may lose his television and be upset about it, but a customer who loses his car is going to be really, really angry and, according to court dockets around the country, far more likely to seek redress than the TV-deprived customer.

challenges to traditional television and appliance rental dealers contemplating rent-to-own cars—the nature of the product itself. Buying good used cars is an art form. They do not come new in a box delivered to the back door. Dealers have to go out and find the inventory and every dealer will learn some painful and expensive lessons in this art before mastering it. Car buyers at the auctions are professionals with years of experience. They have learned the tricks of the used-car-buying trade the hard way and there are many tricks to be learned. Dealers will have to learn why some buyers take along magnets and stethoscopes to the auctions, for example. Most rent-to-own car dealers who are serious about the business have a professional car buyer on the payroll and even the best of them buy a real lemon every now and then.

Rental dealers who elect to repair their cars will have to make substantial investments in the tools of the car-repair trade and will have to find and hire reliable garage mechanics whom they will then have to learn how to supervise. It is a new category of employee about which most rental dealers know little.

Once a rent-to-own car dealer has accumulated his inventory, he is going to have to get it out on rent. Really good car-sales personnel work on commission and can make a six-figure income. If buying cars is an art form, so is selling them. The “keep rate” in the BHPH industry is not so very different from the “keep rate” in traditional rent-to-own stores. The difference is that in an RTO store, a dealer will write agreements for at least nine

24-month term in most rent-to-own stores. Expertise is needed here, too, and the risk is much greater than letting go of a \$1,000 television for a one-week payment.

Then there is the collection side. Most BHPH lots hire professional repossessioners to pick up their vehicles when a deal goes bad. The cost for repossession is around \$300 to \$400 per vehicle in most markets. Add that number times the number of retrieved cars in a month to the budget.

One technological advance that has aided the growth of the rent-to-own car business is the advent of automatic shut-off devices and GPS systems that can be attached to cars. These may be separate items or combined into one unit. The automatic shut-off device is wired into the car’s ignition and a keypad is attached to the dashboard. Each time the customer makes a timely rental renewal payment, he is given a PIN to enter on the keypad that allows unfettered operation of the car for the next rental period. Miss a payment and the shut-off device will interrupt the car’s electronics and prevent it from starting. Grace periods can be programmed into the unit and the design these days is merely to prevent the car from restarting once it has been turned off. There is no danger that the car will shut off suddenly while the customer is driving it. These units sell for around \$200 per car and the units can be moved from one vehicle to another.

GPS systems are devices attached to the car in some unobtrusive place that allows the dealer—via satellite and the Internet—to locate a car, literally, anywhere in the world. Use of these devices has obvious benefits when a customer won’t pay and is attempting to hide the car from the repos-

session team. Some rental dealers are using GPS devices on company trucks to monitor delivery personnel efficiency.

There is, of course, a legal world of difference between selling cars and renting them. Not all actual and would-be rent-to-own car dealers understand the difference. Nineteen states have RTO statutes that govern the consumer rental-purchase transaction involving personal property, including motor vehicles. That means that in 31 states, there is no legal safe harbor for rent-to-own cars. The RTO statutes in those states specifically exclude motor vehicles from coverage and the protection that those statutes generally afford from arguments that the transaction is really a disguised credit sale. Dealers who do not take this important fact into consideration run a serious legal risk because of the nature of the product. Attorneys general around the country vigorously monitor the used-car market because there has been so much fraud and abuse in that industry over the years. A customer may lose his television and be upset about it, but a customer who loses his car is going to be really, really angry and, according to court dockets around the country, far more likely to seek redress than the TV-deprived customer.

This means that the transaction offered by the rent-to-own car dealer needs to be bulletproof. As this aspect of the industry develops, new legal issues will arise, but here are a few that have arisen already. In the car-selling world, the common wisdom is to get as large a down payment from the customer as possible—ideally, the down payment will equal what the dealer has in the car (i.e., his wholesale cost)—and then finance the balance over whatever period of time will make the payments affordable for the customer. Large down payments, however, are anathema to rent-to-own transactions and rather are indicia of a sales transaction. If a customer made a \$2,000 down payment, say, then started renting the car for \$400 per month and then had to give the car back after the first month's use, the customer would have paid an extremely high—possibly unconscionably high—rental rate: \$2,400 for one month's rent.

Even without a down payment, a rent-to-own car deal can look like a credit sale if it does not have the protection against such a characterization in the state rental-purchase statute. An RTO car deal may not begin as a credit sale, but may become a credit sale over time if the "economic compulsion" argument prevails and a court concludes that the customer had no meaningful alternative in the deal except to continue making payments on the car.

A rent-to-own car deal will not be recharacterized as a sale, if, before the end of the RTO transaction, the customer has to exercise a purchase option at a price equal to the fair-

market value of the car before obtaining ownership. That is how, until recently, vehicle leases for new cars were structured. This means that the customer will first rent the car month to month with no ongoing obligation for some period of time—say, for 24 or 36 months—but before the customer can own the car, he must actually purchase it from the dealer in a separate sales transaction. The purchase price must be close to the car's fair-market value at the time of the exercise of this option. Too low and it is a bargain purchase, which means that some of the rental payments must have been going toward the purchase; those facts will allow a court to collapse the two transactions into one—same merchant, same customer, same product—and call it a disguised credit sale. Too high and there will be market resistance to a "bad deal" and ultimately the danger of price unconscionability if the price is really too high.

The dealer can, of course, finance the purchase for the customer and, in effect, become a BHPH dealer for this part of the transaction. There are tax implications to this arrangement, which is why most BHPH dealers have two companies—one a car-sales company and one a finance company. In any case, the customer, when the purchase option is exercised, will sign a retail installment sales contract and make an unconditional promise to pay the full amount of the note, plus allowable interest, over time. Having a bifurcated transaction like this may be difficult to explain, but it is the only safe way to structure a rent-to-own car deal in those 31 states that do not protect RTO car deals from being called credit sales.

Because the rent-to-own dealer retains title to the car during the rental period and because cars can do a lot of damage, there are liability issues at play with RTO cars. The liability issue may appear daunting, but the car rental agencies have resolved those issues satisfactorily over the years with their own insurance. Rent-to-own dealers can do the same.

One company, the South East Auto Dealers Rental Association (www.seadraonline.com), has a lot of experience in the RTO car business and particularly this liability aspect of the business. It has developed a network of dealers that is using its program. Rent-to-own dealers who want to know more about the RTO car business may want to contact SEADRA.

"Car guys" and "car gals" who are in the rent-to-own business are always going to wonder if RTO cars can work. Some will be content always to wonder; some are already giving it a test drive. ✧

Ed Winn III is APRO's general counsel and has been involved with the association since its inception in 1980. His e-mail address is edwinn@mwvmlaw.com.



HENRY
DER
SON

IN OUR PREVIOUS ISSUE, ED WINN III
LOOKED BACK ON HOW RENT-TO-OWN FARED
IN PAST ECONOMIC DOWNTURNS. IN THIS
ISSUE, **BUD HOLLADAY** PONDERES HOW TO
SURVIVE THE CURRENT FINANCIAL MESS.

.....
SURVIVING A BAD ECONOMY 101:

BacktoBasics

I

n a year when 22 national retailers filed for bankruptcy and another 52 chains saw their credit ratings downgraded to some level between “Skip/Stolen” and “Disputed Account,” some rent-to-own dealers may be tempted to reinvent the business. All the constant yammering about toxic debt, subprime shenanigans and corporate greed can create misplaced urgency the first time our own numbers head south. So this is a good time to revisit the basics that underpin a sound operation. Start by ignoring events and voices outside our four walls and focus on what is going on inside rent-to-own. What’s happening here will largely determine who is still open this time next year. For most companies, it’s a nuts-’n-bolts thing; not a mathematical or financial equation. If you doubt this, check the 22 percent dive in stock prices following the first round of bank bailouts. Apparently the smart money believes—rightly—that a badly managed business with a lot of cash won’t perform any better than the same business with no cash. Didn’t TransAmerica and Chrysler figure this out decades back?

From day one, we have believed that rent-to-own is a recession-proof industry. Certainly, any economy that leaves most consumers still employed but fearful of things to come, with fewer places to buy and even fewer ways to finance big-ticket purchases, is an incubator for rent-to-own growth. Households still have clothes to launder, food to chill and bodies that need rest, sleep and recreation. Those things don't go away. But unhappy or under-served customers *do* go away. More than nifty marketing or clever merchandising, your ability to properly execute the basics on a day-in/day-out basis will determine whether your operation will thrive or dive in coming months. What follows is an abbreviated accounting of the things every store manager should know and every district manager should inspect and measure regularly to stay alive in a dead economy. Take care of these and most everything else falls into place.

CustomerService. Everyone on the payroll must buy into the proposition that the customer we are working with right now is the reason we have a job—he is the person who feeds our family, pays our bills and secures our collective futures. More than just posters and motivational talks are required to accomplish such agreement. If employees fear bending a rule more than they fear losing a customer; if a local manager can't make on-the-spot decisions that will positively impact revenues for months to come; if district managers are fact-checkers instead of coaches, nobody will be willing to take a calculated risk just to keep a customer happy. This doesn't mean that you must give away the store. Smart operators routinely review and adjust advertising and pricing to stay competitive in changing markets. Even smarter ones apply the same process to policies and procedures to ensure they support initiatives that can make our customers feel good—about walking through our doors, about referring friends and relatives, about paying as agreed. Such is the stuff of creating Customers for Life. When the economy enters turn-around, as it certainly will, and your customer's prospects improve, he will still be yours. Every dollar, every minute spent keeping a customer or reinforcing his loyalty to you is an investment in your own future. Only the unhappy customer is an expense; all others are assets. It is often necessary to invest in an asset far in advance of any expected return.

Cash. Radical suggestion: stop talking about profit and start talking about cash. Instilling in employees an effective understanding of profit requires skills that not every store manager or DM brings to the job. And tough times

call for sure things, not murky explanations or misstatements. Cash-in, cash-out is not a difficult concept for even the dimmest rookie. Determine the rock-bottom cost of keeping the doors open in terms of labor, supplies, materials and services. Don't add advertising, occupancy costs or interest unless each manager is a co-owner. Mrs. Manager, when you've spent that amount, no more cash will be forthcoming. Period. Do without or bring it from home. Tighten up, be more resourceful. Managers often overspend because they have too much time with which to shop for the things they imagine they need to do work they never get around to doing. Instead of checking the totals on all those hardware and office supply receipts, check the time stamps. What else could they have been doing at that time on that day?

Inventory. See if this sounds like your company: A new driver puts a small dent in the bumper of the fully insured truck and has to fill out three forms, take a drug test and face a chewing out; but anyone can take the corner off a table or leave a ding in a new refrigerator and it's just "Oh well..." Building future rental revenue requires that every available piece of goods produces the needed return. The value of future rent is the value of the business and inventory is the only fuel that can drive that growth. It begins in the back. Put one person in charge of seeing that every item in the back room is either staged for delivery, in process of repair (with no outdated "waiting for..." tags) or tagged for evaluation and potential charge off by the district manager. There should be no other reason for goods to be in the back room.

Many careers have been cut short by assuming that all is well. Tough times demand zero tolerance for any loss that is not the result of adding new business. Audit one inventory category daily. This takes only a few minutes and greatly reduces the time required to conduct full monthly audits. Make sure that at least one member of management signs off on every piece of goods entering or leaving the store every day. Next morning, balance that list against actual deliveries, returns and cash sales. Remember that computers compile, sort and calculate; humans control.

AccountManagement. The first step to getting all the money is having accurate and complete information on the people who are required to come up with it—the customers. Talk to managers and employees to determine what kind of information is most valuable in managing accounts and which is rarely if ever helpful. It's likely you will get different answers across regions or districts and this will require creating different rental order forms, each tailored to a specific market. Compared to the cost of writing off 62-inch televisions or leather sofas, paper is cheap. Heavily penalize people who fail to complete the rental order form as

required, even if the account in question is paying as agreed. Just because that particular horse didn't fall down coming out of the gate doesn't mean others will not. Double-digit percentages of uncollected rent at the end of the month result from a combination of mishap and misdirection. Those can be corrected, but only with good information.

Monitoring is critical to solving. Unless managers closely monitor the aging of accounts and take specific actions at appropriate intervals, too much time (read: payroll dollars) will be misdirected chasing people who now have no ability to pay the amount they owe. When asked how he consistently managed to carry so few bad accounts on his books, one good rental store manager replied, "It's hard to hit 15 without going past seven." You can reduce collection problems dramatically with three simple rules: (1) know everything about the customer who is getting your goods; (2) know what your employee did with every past-due account he touched yesterday; and (3) follow up on phoned-in commitments hourly until fulfilled.

Advertising and Marketing. As the old cowboys say, "Dance with them who brung you." Draw on experience and records to determine what has worked and what has not. A recession is not the time to experiment. Spend your money in the one place it works best and hit it relentlessly. If you aren't sure what that medium is, copy your most successful competitor. Ask for advertising dollars from suppliers and cut your unit cost by finding ways to partner with nearby businesses that may share your customer base. Of course, the best way to reduce the cost of getting new customers is to lose fewer existing customers. Managers high up on the ladder often talk to customers who missed payments. Who talks to the customers who missed payouts?

Expect the bottom third of credit buyers to land on your radar screen with the bottom third of your own customers dropping out of it entirely. Those least stable and least credit-worthy will be the least employed and, therefore, neither of you will be able to afford the other. This turnover will re-

quire some adjustment on your part. Employees must have more and better answers, greater patience and an absolute dedication to cleanliness and order. The rent-to-own store that looks like a second-hand furniture outlet gone bad, with policies and procedures made up on the fly, will be unable to compete for the business of a couple who would never have thought about renting in a different economy. Facto-

ries will be eager to unload goods previously earmarked for big-box retailers. Resist the temptation to bring in a bunch of "neat stuff" that may create costly new training and other processes. Count the number of nameplates offered by near-bankrupt General Motors and consider that thriving Toyota has only a few. Case closed.

People and Training.

Be ruthless, but fair. Employees who apply more attitude than aptitude must be replaced with the willing workers laid off by other retailers and service businesses. They are used to even later hours than yours and would be thrilled at the prospect of having Sundays off. Training is critical, but don't waste money training people who do not share your values, regardless of experience or "Wow!" factor. They will never share your enthusiasm or concern for company goals, but their skills will ensure they stay on way past the point they should. Draw the shortest, straightest line between performance and reward. Consider paying incentives twice a month

instead of monthly or quarterly to lessen the sting of new demands. If the bookkeeper doesn't like it, get a new bookkeeper. He is overhead. The stores are revenue.

Finally, don't forget that rent-to-own was invented in a bad economy, by people who knew far less about what they were doing than you do today. And yet, here we are, hemispheric in scope and dealing in billions instead of millions or thousands. Bad economy? Credit crisis? Bring 'em on! ✧

Bud Holladay lives and writes in Corpus Christi, Texas, on the Gulf of Mexico. Contrary to some reports, he is not yet 100 years old. His e-mail address is budholladaysells@yahoo.com.



FROM DAY ONE, WE HAVE BELIEVED THAT RENT-TO-OWN IS A RECESSION-PROOF INDUSTRY. HOUSEHOLDS STILL HAVE CLOTHES TO LAUNDRY, FOOD TO CHILL AND BODIES THAT NEED REST, SLEEP AND RECREATION. THOSE THINGS DON'T GO AWAY. BUT UNHAPPY OR UNDER-SERVED CUSTOMERS DO GO AWAY.
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By Neil Ferguson

Image and rent-to-own have had a love/hate relationship from the get-go. When the industry's image is bad, it doesn't just affect BOR—it threatens to bring RTO to the brink of collapse. When rent-to-own's image improves, it has a positive effect on all aspects of the business and brings the industry that much closer to due recognition on Capitol Hill.

Imagery Marketing Group is all about image enhancement. And who better to polish rent-to-own's image than a company birthed in RTO's early years in the back office of a Rent One store?

"We have been an advocate of enhancing the RTO image from early on. It's one of my personal passions," says Sharon Carrico, one of Imagery's principals, along with Rick Linton, Marty Smith and Phil Brown.

In 1985, when her husband, Larry Carrico, opened his first Rent One stores in northern Alabama, Sharon began keeping books and working the floor. Even though she was not familiar with terms such as "brand management," "corporate culture" or "company image," Sharon instinctively was drawn to setting up floor displays and consumed with the products and their placement.

In 1987, when Larry and Sharon returned to Illinois to take over six stores from Borg-Warner, she continued the bookkeeping, but also kept a watchful eye on the stores to assure customers experienced the best possible impression of their growing enterprise. To help develop a first-class business, Rent One sought professionals to produce high-quality television commercials. Local video and advertising pro Rick Linton was the man for that job and, for several years, that was the extent of Rent One's marketing strategy.

But as Rent One grew, so did its advertising demands. Soon, in addition to video productions, there were flyers and other print materials to be created and that's when the Carricos and Linton decided to hatch a full-fledged marketing and advertising firm—a separate company developed by rent-to-own for rent-to-own.

Imagery's client list was humble when the company was launched in 1996—primarily servicing Rent One and a few local businesses—but its aspirations weren't so modest and it wasn't long before the company expanded to the point where it now can boast of clients nationwide, a wide array of services and a staff of 25.

In the image-making business, Imagery offers "the works," and it's an in-house operation. In addition to the more traditional advertising and marketing services, the company also offers a burgeoning selection of 21st-century strategies: RTOtoGO, an online rent-to-own shopping resource with the option to complete transactions on the Web; RTO-TV, in-store, custom-produced video programming for dealers' HDTV displays; RTO Payments/Pay This Now!, an online payment system for the rent-to-own industry; D551, an easy-to-use RTO Web development tool; and Imagery's latest program, CompanyCake, an online employee training resource that RTO clients can customize to fit the specific needs of their companies.

From small acorns, mighty oaks grow and so it's been with the former four-person Rent One marketing department. As new clients came on board during the 1990s—coinciding with Larry Carrico's expan-



sion in the rent-to-own market—that growth necessitated a quest for more rent-to-own expertise at Imagery. Rent One’s marketing and sales director, Marty Smith, fit the bill.

Smith began his Rent One marketing career in 1992

“Even if it’s just a graphic job, everybody gets involved. We’re very critical of each other’s work. An account executive or project manager might have the best creative idea to solve a problem and they’re always encouraged to share their ideas. We don’t put people in cubicles—we’re all on the same team.”

“on one condition: that Larry allow me to manage one of his stores for a year so that I could experience his company at the grassroots level,” Smith recalls. “That gave me incredible insight into the rent-to-own industry, its employees and customers. It was just what I needed.” With RTO expertise in tow, Smith transitioned to Imagery in 1999 as the company sought to expand and develop strategies for independent rent-to-own dealers across the country.

In 2008, Imagery added printing-industry veteran Phil Brown as a principal with the aim of creating even more new services. “When we were looking for someone to lead Imagery into its next phase of growth, the stars aligned,” Sharon says. “We were very lucky that Phil was looking for a career change at the same time. He brings great energy, many resources and new perspective to Imagery.”

The Carricos, along with Smith, Linton and Brown, pride themselves on Imagery’s vast rent-to-own prowess. “Being a full-service agency, we have the ability and expertise to deliver production and placement of print and electronic media, graphic design, Web services—and all of it à la carte if the client so chooses,” Smith says.

While the scope of services is broad, the way they are delivered comes down to a few common attributes: quality and creativity. The company has long had a cutting-edge creative bent, which Sharon attributes to the graphic team led by David Ballowe, Imagery’s creative guru since the late-1990s. Smith cites the maxim “You never get a second chance to make a first impression” as one of the company’s key philosophies.

Imagery’s creative process includes brainstorming sessions that involve everyone within the company. “Even if it’s just a graphic job, everybody gets involved,” Sharon says. “We’re very critical of each other’s work. An account executive or project manager might have the best creative idea to solve a problem and they’re always encouraged to share their ideas. We don’t put people in cubicles—we’re all on the same team.

“Creativity is tricky,” she continues. “We don’t have a set formula for inspiring it. We just try to allow enough time and resources to generate ideas and we use every technique we can. A lot of our rent-to-own ideas come from RTO clients and the people who deal with them regularly [e.g., Larry Carrico]. Our design team has

a way of refining a not-so-hot sales idea into an amazing TV spot or insert theme. The ‘Great Coupon Event,’ ‘Six-Months-Same-as-Cash’ or ‘Dare to Compare’ don’t sound so awesome, but if you look at the end products, you can see the importance of great graphics.

The daily grind aside, it’s not an all-work/no-play business. “Our culture is probably best defined as ‘professional-fun,’” Sharon says. “There are considerable production demands every day, but we try to find time to enjoy each other and the opportunity we have to be creative in our work. We celebrate a lot: birthdays, holidays, chili cook-offs, Pirate Day, barbecues—whatever is on the calendar or comes to mind.”

As a company with an inside track on rent-to-own, Sharon urges clients to make sure that the quality in the marketing and advertising is met with quality at the store level. “When it comes to quality, I have pushed Larry personally and professionally over the years,” she says. “[In Rent One’s formative years], it was one of my missions to visit each of his rent-to-own stores. When I’d visit the stores, the managers would [jokingly] say, ‘Oh no, here comes Sharon!’ It’s not just about advertising or marketing. If people get to your store and it’s dirty, then all the advertising in the world is not going to help.”

It’s image enhancement up and down the line. “Let’s get this right—you don’t have to scream into the TV or on the printed page,” Sharon concludes. “Rent-to-own customers don’t need clutter. Customer service is one of the cornerstones of the industry and RTO customers are treated with respect. They deserve that same respect in their marketing and advertising, as well.” ✱

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New crime trends in rent-to-own stores

EDITOR'S NOTE: "Vendor Tipsheet" offers APRO's vendors the opportunity to highlight the features of their rent-to-own products and services. In this issue, we've asked Celeste Simmons with Stealth Security Services to give us tips on preventing crime in RTO stores.

Economic trends always have an effect on our retail sales and profits, but with massive layoffs and employer cutbacks, how can the rent-to-own dealer make a profit and reduce internal and external theft?

"With all the financial strain people are faced with, they are finding new ways to steal," says Ray Simmons of Stealth Security Services, a video surveillance com-

A group of people might come into the store to distract employees while one member of the group makes away with merchandise. Even a large television was stolen this way—in the middle of the day. Be aware of groups that come in. Instruct your staff to be alert and make eye contact. Also, do not cut back employee hours so much that you do not have enough people to watch over your store effectively.

Customers will place cash on the counter and then put the money back in their pocket when the clerk turns around or is distracted. Then they'll claim that they've paid already. Review your cameras for this type of theft. Be sure to install cameras at the cash registers that can scan the entire counter.

Employees may go to a private area, or behind a closed door, to attempt stealing an item they had picked up earlier—tucking it into their jacket before they leave for the day or take it to their vehicle on a break. Make sure that you have cameras at all doorways and that they are reviewed regularly.

Customers make false claims about payments deposited in the after-hours drop box. To remedy this, make sure your front-door camera can catch the faces of those dropping off payments as well as those entering your store.

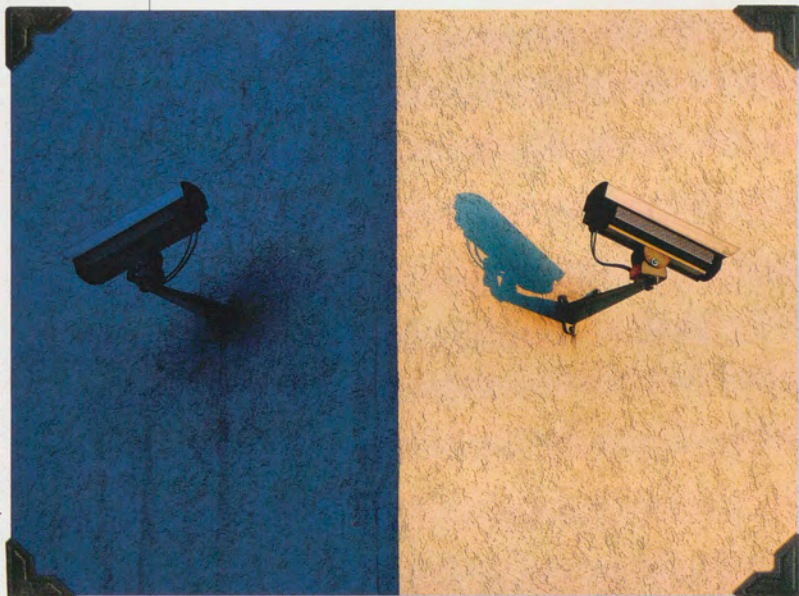
Employees can place merchandise in an empty box and then later take it to the dumpster. Make sure that the manager is present for dumpster runs or that he takes out the garbage himself; also, put him in charge of breaking down all boxes. Only use clear trash bags so that you can see what's in the garbage before it's gone.

Employee theft and shoplifting are on the rise, according to the annual National Retail Security Survey. In tough economic times, people who otherwise would not be tempted are willing to take risks. We are seeing more first-time offenders. So take secure measures to protect your store, your employees and your profits. ✦

pany that specializes in servicing the rent-to-own industry. "We have seen some particularly shocking crimes and methods of 'getting away with it' in the past few months."

Here are some of the latest and/or most common "tricks of the trade":

Laptops are a high-theft item. We have seen a trend of customers bringing in their baby strollers and sneaking a laptop under the baby! They can take two or three laptops at a time, all placed under the child. Move the laptop area away from the front door.



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Celeste Simmons has worked for Stealth Security Services for more than five years, helping businesses cut losses and maximize profits through video and business security. For more information, contact Simmons at 770/591-1441, or visit www.stealthsecurityservices.com.

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Springer FROM PAGE 19

in direct expenses and sales learning lessons that could have been taught by a franchisor. I guarantee it would have made the experience a lot easier. But it wouldn't have been nearly as much fun and I'm sure I'm better off for it all, since I get to keep all my revenue."

A little of Springer's hard-earned revenue goes toward his membership in APRO, a resource he says he tapped into as soon as he had the financial ability to join. "If you're not going to be in a franchise relationship, then you've got to join APRO," Springer asserts. "It's an incredible source of information; APRO is always just a phone call away to answer whatever question you have. You can depend on someone else's decades of experience whenever you don't have the know-how to get through something. Membership in APRO, your state [rental dealers] association and a top buying group are essential for independents."

Springer's journey to professional independence has permitted him more personal independence, too. He's

quit working Saturdays, has begun following OU Sooner football again and is currently immersed in parenthood as the father of two under two. But don't be fooled—Springer's in-born ambition is as hearty as ever and, having just turned 30, he has plenty of opportunity to keep on driving.

"I want to reach 100 stores and I very much want to take my company public before it's all said and done," Springer affirms. "[People] tell me to set my goals more realistically, but I promise you, when I was 25 and had a net worth of negative \$20,000, owning three successful stores by 30 seemed like a pipe dream, too; but I've done it. The best part is seeing how far we can take it. Our continuing

success is a testament to the sense of community we've created as a company and the lessons that we've learned the hard way.

"The independent route is for the strong of heart," he advises. "If you can shift your focus from things dragging you down to things bringing you up, then you're going to make it. Start small, start however you can. The important thing is to start." ✧

Kristen Card is a freelance business writer based in Austin, Texas.



Ronnie and Heather Springer, with their two children, Carter and newborn Reagan.

DiLeo FROM PAGE 21

extremely mutually beneficial relationships there. Being a member of APRO keeps you in the loop, keeps you informed. It's a communicating place."

All that communicating seems to be working; DiLeo is set to open up his second store in Somerset, Kentucky, early in 2009. As for future growth, DiLeo says he's content to keep the pace non-committally comfortable—"I'd rather do a quality than a quantity of work," he quips.

Meanwhile, DiLeo is enjoying the flexibility of being his own boss, spending more personal time with his three children and wife, Dawn, and with a few of his favorite pastimes: boating, bow-hunting and University of Kentucky basketball. And the flexibility he's enjoying at work isn't bad, either.

"I can do things I wasn't able to do before—make decisions and better empower myself and my people to do what's right for the business, the employees and the customers," DiLeo says. "When you're working for corporate America, the boundaries run tighter; you can't go beyond the perimeter, even if it makes sense [to do so]. Now, if I want to help somebody out, I can. We don't have a 500-page operations manual; we go by 'If it's right for the customer, then do it.'" ✧



Baker FROM PAGE 23

to Premier standards, but at the end of the day, I've got flexibility with how I deal with my customers and I'm accountable to me and my bank. I love that.

"But the best difference in being an owner is family time," he says. "I'm no stranger to hard work—I've always worked 60 or 70 hours a week, regardless of my position. Having the ability to take time off for the important things in my life is key for me. Like, I'm a garage monkey, very much into late-model custom cars. It's been a passion of mine since high school and now I've got a little free time to spend with it. But most important, we've got a 4-year-old daughter, Breanna, and I now get to go to bed at night and wake up in the morning with my family, which was not at all the case with my life before. I'm so thankful—especially to Premier—for helping me change all that." ✧



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Who's Who in Rent-to-Own Appliances

These appliance vendors and distributors are APRO associate members (*), APRO advertisers (+) and/or APRO Buying Show exhibitors (^).

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orlando.moya@marcone.com
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O'Rourke Sales Co. * ^

Contact: Joe O'Rourke
1875 Waters Ridge Dr.,
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Contact: Scott Cameron
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mgjr@resacc.com
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Profiled in this Issue

Listed below is the contact information for the rental dealers and vendor profiled in this issue.

Rent Plus

Ronnie Springer,
RTO OK, dba Rent Plus
758 S. Morgan Ave.
Blanchard, Oklahoma 73010
405/485-3264
ronnie@myrentplus.com

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Shawn DiLeo, NuWave LLC, dba ColorTyme

1301 Winchester Rd., Ste. 111
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304/210-8169
shawndileo@yahoo.com
www.colortyme.com

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Matthew Baker, MNB Enterprises, dba Premier Rental Purchase

7199 Turner Lake Rd. NW
Covington, Georgia 30014
770/786-1700
mattbaker@premierrents.com
www.premierrents.net

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Sharon Carrico,
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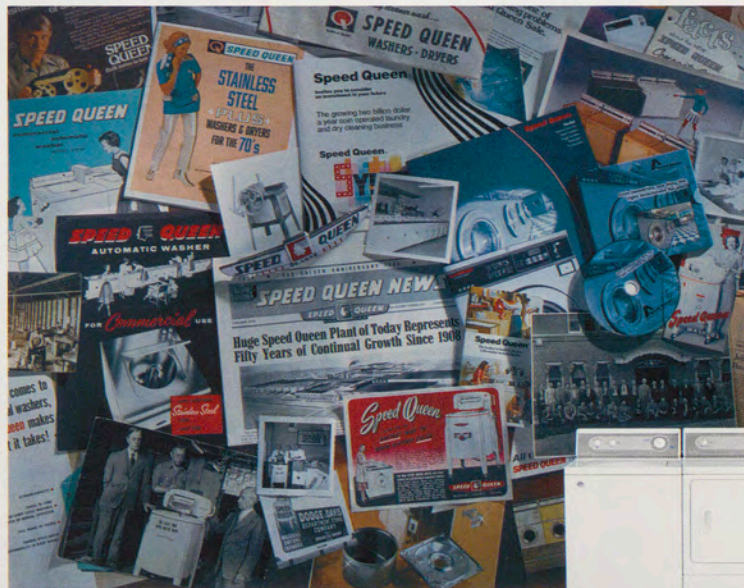
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Cunningham Distributing
915-533-6993 or 505-247-8838
Doolittle Distributing
913-888-7820 or 800-829-7820

E.A. Holsten, Inc.
804-359-3511
Kimball Electronics, Inc.
801-466-0569 or 303-893-1423
Northern Plains Distributing
701-293-6868
O'Rourke Bros., Inc.
210-333-1311; 972-245-0006;
407-522-5600; 800-226-0272;
404-346-9863 or 800-282-5282

Persinger Supply Company
304-706-2223
Potter Distributing, Inc.
616-531-6860 or 800-748-0568
R&B Wholesale Distributors, Inc.
510-782-7200; 909-230-5420 or
602-272-1200
S&S Distribution, Inc.
615-848-2830

Tri-State Distributors
509-455-8300; 503-283-3297;
253-872-2900 or 800-473-0002
Universal Supply Group, Inc.
973-427-3320
Woodson & Bozeman, Inc.
901-362-1500

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Share your brain power



The success of APRO's seminar program rests largely on the talents of volunteer speakers from the rent-to-own industry. Seminar evaluations submitted by attendees indicate that "industry insider" seminars are often the most valuable, thought-provoking and educational of the nearly dozen sessions held each year at the convention. APRO is seeking RTO professionals to participate as speakers at the association's 2009 seminar program during APRO's Rent-to-Own Convention and Buying Show, August 30-September 2 in Las Vegas. If you don't like the solo spotlight, consider participating on one of the panels held as part of the seminar program. You don't have to commit fully at this time, but if you're interested in volunteering—or you have a topic that you think others would like to learn about—contact Shelley Martinek at 800/204-2776, ext. 109, smartinek@rtohq.org. You will be contacted well in advance of the 2009 Convention to discuss how you can help others in the rent-to-own industry by sharing your brain power.



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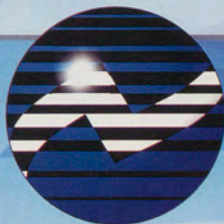
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BE THERE.



Be right or be rich



“**N**obody watches my TVs for free!” That was the mantra of Chuck Sims, rent-to-own legend, founder of Remco and co-founder of APRO, during his early days in the business—before he found enlightenment. Sims rented televisions when there were no rules and the industry was well under the radar

of consumer advocates. Sims wrestled with his rent-to-own angel, not on the road to Damascus, but in the projects of South Chicago. It was there that he decided to be rich instead of right. From that point, he built the largest RTO chain at the time and said that he never lost another television—although he also says, smiling, that he *did* give away 20,000 of them.

There are dealers today who will follow a skip/stolen to the very gates of hell just to keep a customer from beating the system. If they have to go broke proving that they are right and that the customer is wrong, so be it. And, indeed, it is the very nature of the rent-to-own business that it attracts a fair number of entrepreneurial spirits who love the game of “cops and robbers” that can be played at the back end of the business at least as much—and maybe a little more—than the sometimes tedious business of renting and collecting.

It can be an exciting game, to be sure. There is an adrenalin rush when closing in on long-sought-after prey. That the search-and-recovery mission may have cost scores of man hours, truck miles, computer time and real money spent pales beside the sense of victory when a television is recovered and a rental thief, if not brought to justice, is at least abased—and if in front of smirking neighbors, all the better. The dealer has won. He is right; the customer is wrong and balance has been restored, however briefly, to the universe.

It may be fun; it may be exciting—but rarely is it a profitable use of the time, talent and treasure and it is not the way to get rich in rent-to-own. There are a lot of former rental dealers who have gotten rich and will attest to this verity. They earned their fortunes by focusing on renting televisions and collecting the money, rather than on the tiny percentage of their customers who were willing to game the system and make off with a TV or two.

That is not to say that these dealers, whose goal it was to get rich, ignored collections and even challenging collections. They put policies in place to collect all of the money that they could—their goal was to get rich, after all—and they enforced those policies in their stores. But when a customer made off with a television, alarms did not go off in the showroom. Employees did not start sliding down fire station poles. There were no lawyers or private investigators called in. The loss was noted, perhaps even mourned, briefly. Systems were reviewed to close up holes and then the life of renting and collecting, the RTO life, went on.

Some dealers who have amassed eight-figure fortunes, by the way, have never—that is *never*—sued a customer for anything. One of the first lessons taught in law school is to sue the rich people, because that is where the money is. There are plenty of lawyers who will take a dealer’s money and sue customers all day long, but the economic return is rarely worth it. There is usually only the emotional, sensory thrill of being right.

Dealers face the choice of being right or being rich every day. Dealers who insist on being right are, metaphorically at least, crouched in the bushes, peering through binoculars, looking for their lost television. Dealers who have decided to be rich have hung their binoculars on a peg and are generally too busy filling out deposit slips to slink around in the bushes. Which dealer are you? ✧

Ed Winn III is APRO’s general counsel and has been involved with the association since its inception in 1980. His e-mail address is edwinn@mwvmlaw.com.

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