

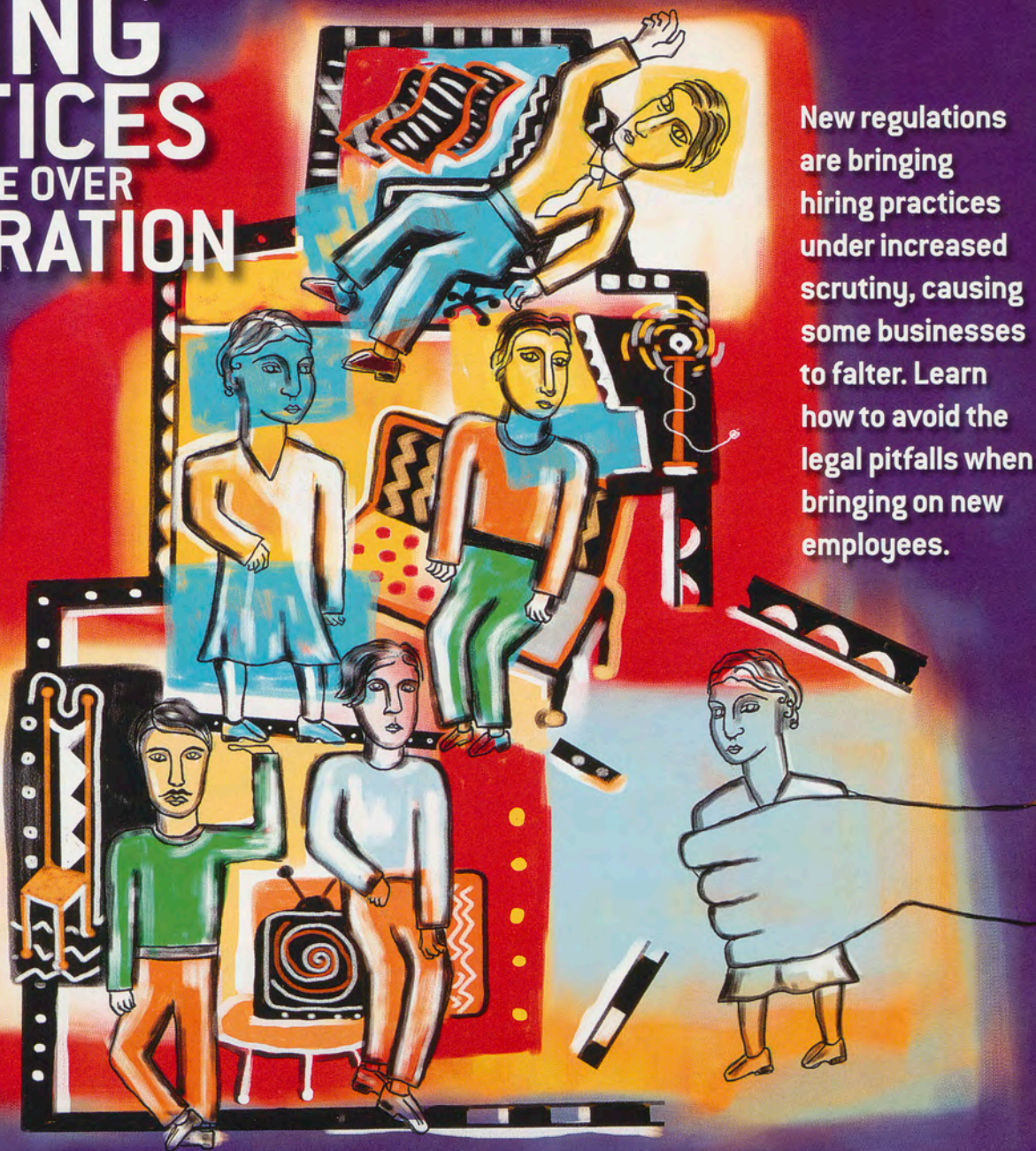
The value of loyalty + Rent-to-own inspires a new trend + APROfile: Aaron's Mike Martin

PROGRESSIVE Rentals

THE OFFICIAL VOICE OF THE RENT-TO-OWN INDUSTRY | FEBRUARY-MARCH 2008

HIRING PRACTICES AND THE DEBATE OVER IMMIGRATION

New regulations are bringing hiring practices under increased scrutiny, causing some businesses to falter. Learn how to avoid the legal pitfalls when bringing on new employees.



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

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

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



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

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

The partners both achieved top performer status with RAC before leaving the company, and plan to use their same motto for success in their ColorTyme franchise: "Customer service is everything. If we say we're going to do it, we're going to get it done no matter what it takes," Routh says.

"We want our customers to know how much we care for and respect them," he explains. "We look forward to building relationships with our customers, rather than having a quick 30-second visit with a hello and goodbye. When we see them once a week for their payments, we want to know when their son wins a ball game, and when their daughter has a ballet recital."

Zach Routh & Steve Dami, Franchisees

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- ✓ **State-of-the-art training programs for owners, store managers and support staff**
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- ✓ **Access to a large RTO skip database**

Grow... And Still Keep Your Independence?



"After working in the RTO industry for more than 20 years, I knew I wanted to be in business for myself. Partnering with successful ColorTyme franchisee Mike Houseworth was a great experience which opened a door for me to go solo. However, I wasn't completely sure if rent-to-own was the type of business

wanted. So, I took a break to explore other opportunities. This is how I learned that when rent-to-own is in your blood, it stays in your blood. After my wife, Lisa, and I carefully investigated other RTO franchise opportunities, we came to the conclusion that ColorTyme is head and shoulders above the rest. The ColorTyme system gives you an opportunity to become a partner and paves the way for you to go out on your own. With Pat Sumner and Bob Bloom, there are no hoops to jump through, no red tape. Pat is never far away. Even during my break, he checked in with me regularly to address any questions or concerns I may have had. ColorTyme provided the vehicle necessary for me to get going. In July, my wife came with me to the ColorTyme National Convention, she loved the fact that we were welcomed like family and that the ColorTyme family is supportive of each of the franchisees. That was the icing on the cake."

- Mike Gavida, Franchisee



"When I started in rent-to-own in October of 1986, I had no prior experience, but my family has always been in retail furniture. I'm a fourth generation furniture retailer so moving into rent-to-own was a natural fit. Because I wanted to grow the business and include more stores, I converted

my original rent-to-own business to ColorTyme knowing that the national recognition that the ColorTyme name held would help me be able to do just that. Not many rent-to-own companies offer franchising options and of the ones that do, I knew ColorTyme was the best deal. They have the best program for franchising. We're very conscious of customer service here, and ColorTyme is a great name. If our customers need something, we'll find a way to do it."

- Don Hinton, Franchisee



"I was a store manager for Rent-A-Center, but I really wanted to work for myself. With ColorTyme's franchising opportunities, you don't have to be a millionaire to be a franchisee. The support and the interest from ColorTyme was phenomenal and they've done everything they said they

were going to do in a timely manner. They've supported me every step of the way. I even went and talked with a ColorTyme franchisee in a nearby town and he listed the mistakes he made when he first opened - that has helped me a lot. With my first store opening, I'm looking forward to being able to help our customers by providing quality products and great service. I can hold my head up high about that. Each time someone walks in the door, the owner - me - will be there to say hi."

- James Stephens, Franchisee

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

(All calls are confidential.)



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PROGRESSIVERENTALS

FEBRUARY-MARCH 2008



20 | **HIRING PRACTICES AND THE IMMIGRATION DEBATE**

Faced with a dwindling supply of available workers, you may be among the many employers looking to fill your ranks with foreign nationals. But government rules are changing and hiring practices are becoming a bit trickier to navigate.

BY PHILLIP M. PERRY

30 | **LOOKING FOR LOYALTY IN ALL THE RIGHT PLACES**

A book written a dozen years ago titled *The Loyalty Effect: The Hidden Force Behind Growth and Profit* still offers valuable insights about employee loyalty, customer retention and the pursuit of profit. If your company is suffering the effects of high employee turnover and a rapidly churning customer base, this tome might be worth a read.

BY BUD HOLLADAY

34 | **FRACTIONAL OWNERSHIP**

There is a new trend among the affluent and upper middle class societies called fractional ownership and it's taking its lead from rent-to-own. Be it cars, yachts, jets or even handbags, the well-to-do are finding that the rental plan is the way to go.

BY GEOFF WILLIAMS

38 | **MIKE MARTIN AND THE NEXT GENERATION**

With a little push from his father, Mike Martin went into the rent-to-own business on New Year's Eve in 2002 with an Aaron's Sales and Lease Ownership franchise. For this former record-label-exec-turned-IT-consultant, it was the most memorable way to celebrate a new year.

BY KRISTEN CARD

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COVER ILLUSTRATION
BY LARRY GOODE

Association of Progressive
Rental Organizations'

RTO EMPLOYEE DISASTER

RELIEF FUND

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

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

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

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

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



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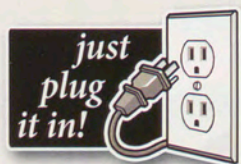
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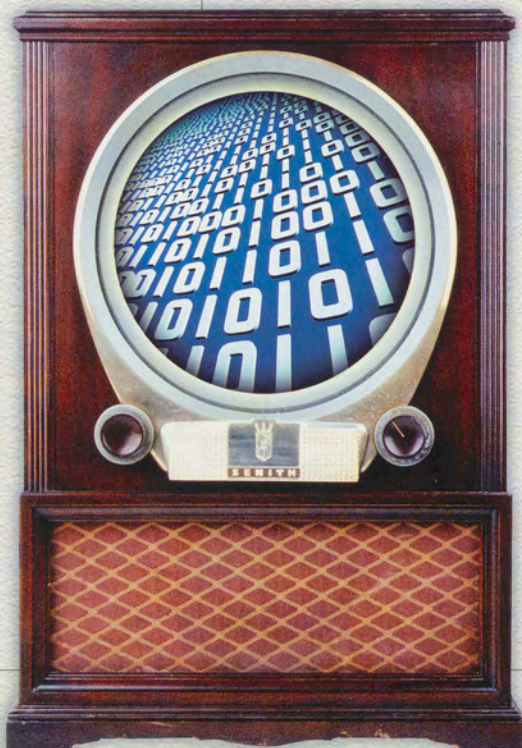
note

WORTHY

COMPILED BY
MURLIN EVANS,
RICHARD MAY AND
JULIE SHERRIER

Rent-to-own dealers encouraged to participate in TV converter box coupon program

Rent-to-own dealers who still have analog television sets in their inventory or out on rent may want to consider registering with the National Telecommunications and Information Agency as certified retailers of the new converter boxes. Rent-to-own dealers who register with the NTIA will then be able to take advantage of the much-touted \$40 coupon program.



As has been widely reported, the cut-off date of all analog broadcasts will be effective February 17, 2009. It is estimated that 14.3 million households rely on over-the-air broadcasts (using antennas and analog sets) and do not have cable or satellite service, which will automatically convert analog to digital service. Those 14.3 households will need converter boxes by the 2009 deadline.

NTIA began its converter box coupon program January 1, 2007.

The converter boxes will cost between \$40 and \$70. Converter box manufacturers have to be approved and certified by the government before they can sell the boxes. So far, 19 converter box models are eligible for purchase with the coupon, reports the U.S. Department of Commerce.

The deadline to register as a certified converter box retailer is March 31, 2008. Consumer electronics retailers interested in participating in the program can call 866/296-1107 or visit the NTIA Web site at www.ntiadtv.gov. A total of 33.5 million coupons are available. NTIA Acting Deputy Assistant Secretary Meredith Baker reported that in the first week of the coupon program, more than 1 million households requested 2 million coupons.

RentDirect Nationwide Executive Director James MacAlpine is considering the possibility of adding a kiosk during the RentDirect Nationwide show in Dallas, March 2-5, where RTO dealers can sign up electronically to be certified converter box retailers. "Having these converter boxes available for your customers who still have analog televisions would be a great customer service," says MacAlpine. Currently, eight of the largest consumer electronics retailers, including Best Buy, Circuit City, Kmart, RadioShack,

Sam's Club, Sears, Target and Wal-Mart, are among 250 certified retailers approved to participate in the coupon program.

"While RTO dealers may not be besieged with customers wanting converter boxes, it would be great to have the ability to offer the boxes to those who do need them at virtually no cost," says MacAlpine.

To learn more about the TV converter box coupon program, visit www.dtv2009.com or call 888/DTV-2009.

RTO industry friend and mentor Moon dies at 62

Craig Moon, 62, a sales representative who had worked for Sears, Whirlpool and Bosch-Siemens, died on January 7. "Craig's name was synonymous with RTO," says APRO President Larry Carrico. "He will be missed by all rental dealers." Moon was diagnosed with esophageal cancer just a few months ago.



"Craig was a big supporter of APRO and the rent-to-

own industry," says APRO Executive Director Bill Keese. "His exuberance for life was always present in his winning smile and wonderful personality. He will be missed, but his memory will live on in the minds of all his many friends. I will always remember Craig for his genuine demeanor, his integrity

and his friendship."

Moon was very active in APRO and the industry, having served on the APRO Vendor Advisory Committee for several years as well as serving as a member of TRIB Group's Appliance Committee.

Brian Rosen, former national director of RTO Solutions, says, "Craig Moon was one of the first friends that I made in this industry. He was a kind, intelligent and caring person who I looked up to. Craig once told me that if I work hard enough, I could be like him. I took this as a compliment. He will be missed."

Calling Craig a true friend and mentor to many, John Blair of CM Jewelry had this to say about Moon: "Craig was always friendly and just made you feel you were always his friend. I had the honor to play a few rounds of golf, enjoy a few dinners and lunches during the years I served with Craig on the APRO Vendor Advisory Committee. He just made everyone feel comfortable when around him. We will all miss him and pray for his family."

Al Benson of Central File also found Moon to be a great friend. "You could sit and talk to Craig for hours," says Benson. "He could tell great stories, make you laugh or offer advice if you sought it. He truly enjoyed life and was just

Texas' 2008 tax plan may cause small RTO dealers financial hardship

The Texas Legislature broadened its scope of what type of businesses would be subject to its new "margin tax" (formerly known as the franchise tax) in 2008, which may cause smaller rent-to-own dealers financial hardship, says Aaron's owner Robert Briley of Abilene, Texas.



In early 2007, the Texas Legislature increased the state's "franchise" tax in order to procure lower property taxes for homeowners. In addition to broadening the scope of the businesses that are to be taxed next year, the legislature also changed its calculations on how it would tax these businesses, says Briley. "We're predicting that our taxes

are going to go from \$2,000 to \$40,000," he says. "The tax used to be based on your retained earnings, but now it is calculated on your revenues."

"One thing that it could do is cause smaller dealers who are not highly profitable to sell out by making it a little less profitable to stay in business," Briley says. Briley and the Texas Association of Rental Agencies have been working with Texas legislators on a depreciation exception to the tax.

Read more about the tax and how it is calculated at www.dallasnews.com/sharedcontent/dws/bus/stories/121307dnbusfranchise.2ae529c.html.

fun to be around.” Mike Bertolani of SED International also considered Craig a good friend, saying, “Craig’s smile, humor and laughter will truly be missed by all who knew him.”

Moon was known to challenge people as well. Eli Kosanovich of Whirlpool says: “Craig was the most challenging and confrontational employee you’d love to manage! He was feisty and contrarian, but usually right. Craig was always a great teacher for all of our newer hires. I was fortunate to get a second chance to work with Craig when he worked for Sears and enjoyed the renewed partnership all the more. He will be missed for sure by all of his coworkers at Whirlpool and especially by me.”

Moon also had an uncanny ability to put together outstanding events and was very generous with his time and resources, says Dave Bradlaw of Sears Commercial. “I will never forget an opportunity I had to spend some time with Craig,” says Bradlaw. “During one of our many conversations, I mentioned to him that as a baseball fan, I had seen many teams play in many stadiums across the country. However, I had never been to Wrigley Field to see the Cubs play. On my next visit to Chicago, Craig arranged for us to go to a Cubs game. As was his style, we met

before the game where he gave me a tour of the Wrigley neighborhood, as well as arranging outstanding box seats a few rows behind home plate. Craig relished his ability to bring memorable experiences to others. I don’t remember a time that I enjoyed a game as much as that one. The memories he created for others will

live on as his gift.”

Craig is survived by his wife, Lynne, his brother, Cecil, nephew Martin Moon, niece Jennifer Koch, 17 grand nieces and nephews and three great grand nieces and nephews. Cards and acknowledgments may be sent to Mrs. Lynne Moon, 6618 Pinehurst Court, Lisle, Illinois 60532.



LANE ERICSON/DREAMSTIME.COM

RTO dealers take note: 37 state legislatures convened in January

Forty-five state legislatures will convene in 2008 with consumer protection legislation being one of the most popular legislative bills to be introduced. Thirty-seven of these convening legislatures began in January 2008. Already, more than 300 consumer protection bills have been prefiled throughout America, even though most state legislative sessions did not begin until mid-January.

APRO monitors all state and federal rent-to-own legislation, but encourages dealers to continue to develop relationships with their local and federal elected officials to educate them on the rent-to-own business and the success of 46 state rent-to-own laws. The periodic introduction of state statutes to amend these rent-to-own laws serves as a reminder to APRO leaders the importance of educating the public, media and legislative officials on the success of the rent-to-own business and its respective state laws.

CALENDAR OF EVENTS

FEBRUARY 2008

20-24

Tupelo Furniture Mart’s Winter Furniture Market, Tupelo, Mississippi. For more information, call 662/844-1473 or visit www.tupelomarket.com.

MARCH 2008

2-5

RentDirect Nationwide Member2Member Summit and PrimeTime! Vendor Show, Wyndham Anatole, Dallas, Texas. For more information, contact James MacAlpine, 336/714-8802, www.gorentdirect.com

12-13

Florida Rental Dealers Association Legislative Conference, Tallahassee, Florida. For more information, contact Sharon Tomaszewski, 813/241-0607, www.frda-rto.com.

15-19

TRIB Group/AVB Brandsource Convention and Buying Show, The Summit, Dallas, Texas. For more information, contact Jennifer Maloney, 714/502-9620, www.tribgroup.com.

25-27

Aaron’s Sales & Lease Ownership Manager’s Meeting, Gaylord Palms Hotel, Orlando, Florida. For more information, contact Kim Hegerberg by e-mail at Kim.Hegerberg@aaronrents.com.

March 30–April 2

North American Retail Dealers Association 2008 Service and Retail Convention, Las Vegas, Nevada. For more information, contact Natalie Napolitano, 847/375-4831, www.narda.com.

APRIL 2008

7-13

High Point Furniture Market Spring 2008, High Point, North Carolina. For more information, call 336/869-1000 or visit www.ihfc.com.

MAY 2008

7-9

High Touch Users’ Conference, Wichita, Kansas. For more information, contact Brenda Flax, 800/326-6059, www.hightouchinc.com.

JUNE 2008

16-18

Missouri Rental Dealers Association Heartland of America Trade Show and Seminar, Lodge of Four Seasons, Lake Ozark, Missouri. For more information, contact Ken Steiner, 573/442-2963, www.missourirentaldealers.org.

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

CNBC features Rent-A-Center and Aaron's as stocks to pick

CNBC published "Five Fresh Investment Ideas to Make You Money in 2008" (www.cnbc.com/id/22452809) on December 31, where rent-to-own public companies Rent-A-Center and Aaron's were two of the top five featured recommendations. The article's premise is that while the subprime mortgage crisis is hurting the markets, it is also creating new mar-

ket opportunities as well. As a consequence, rent-to-own was prominently featured by analyst Greg Estes of Intrepid Capital Funds where he stated that "Rent-A-Center and Aaron Rents are currently trading at seven-to-eight-times free cash flow."

Kentucky RTO dealers reestablish state association

On January 16, 25 rent-to-own dealers with stores in Kentucky



Newly elected KYRDA board members Mike Martin (vice president), Bill Esenbock, Bill Howard, Bob Knabel, Chris Bolin (president), Todd Wilkins and Bill Milby (secretary/treasurer).

ERNIE LEWALLEN

met for an outstanding reorganization meeting, according to Kentucky Rental Dealers Association President Chris Bolin of Bolin Rental Purchase.

"The attendance and participation was way beyond my expectations,"

says Bolin. "I was hoping that we would be able to elect five officers and board members, but due to everyone's enthusiasm, we were able to nominate and elect seven board members."

The new officers of KYRDA are President

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The only reason we exist is to serve our members. We keep looking for ways to do that every day. Our recent alliance with Brand Source has opened the door to a lot of new options for our members: additional brands of electronics and appliances, floor plan and inventory financing, and affordable health care coverage for example. Things that can help your business grow, and help you hang onto your best employees.

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Chris Bolin of Bolin Rental Purchase; Vice President Mike Martin of Tame Inc., dba Aaron's; and Secretary/Treasurer Bill Milby of Home Express.

Board members at large are Bill Esenbock of Raintree Group, dba Colorama; Bob Knabel of Home Express; Bill Howard of Full-O-Pep; and Todd Wilkins of Fairway Leasing, dba Aaron's.

APRO Legal Counsel Ed Winn III provided an industry update to the group and GE Consumer & Industrial and TRIB Group generously

sponsored the KYRDA meeting.

Bolin reports that KYRDA will be have solid representation at APRO's 2008 Dave Egan Legislative Conference in February, with eight companies attending. "We will definitely make an impact with our representatives in D.C. this year," says Bolin.

KYRDA will also be joining forces with the Ohio Rental Dealers Association's Midwest RTO Expo in September. A future education/networking meeting date for KYRDA members

is slated for Louisville in May. "We want to contact those dealers who may have wanted to attend this meeting—but couldn't—and make sure they know we've reorganized," says Bolin. "The participation was as good as I've seen at any state rental dealer association. We certainly had members step up and offer to serve their fellow rental dealers in Kentucky."

For more information about joining KYRDA, contact Chris Bolin by e-mail at bolinrto@bellsouth.net or by phone at 931/647-1136.

Aaron's franchise replaces Santa Claus in Connecticut

Aaron's franchisee Charles Smithgall embraced the holiday spirit by donating a house full of home furnishings to the company's most deserving customer among its 61 SEI/Aaron's franchise stores. Aracelis Liciaga and her family of five were the lucky recipients after Aaron's poured through the many nominations for the charitable gift. Two other families

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Annual RTO survey shows steady growth in revenue, store fronts and customer count

APRO's 2007 Statistical Survey on the Rent-to-Own Industry showed an increase in revenue, customers and store count over the previous year. The industry topped \$6.8 billion in revenue for 2006. APRO attributes this growth to the evolution of products and store design, competition in the marketplace and public understanding and appreciation of the industry's flexible payment choices and no-debt transaction.

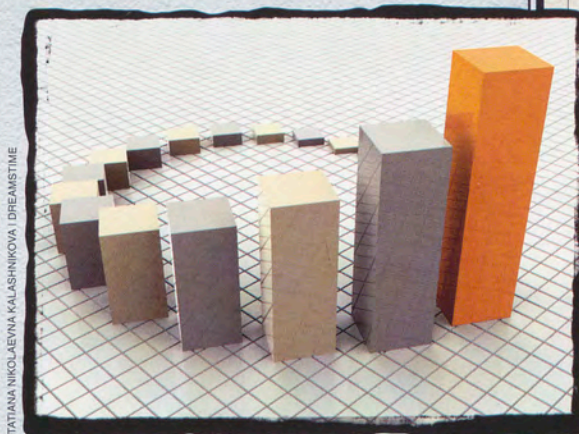
The survey was conducted from data received from both independent and franchisee rent-to-own businesses, but the final numbers also included the combined published data from the two publicly traded companies, Aaron's and Rent-A-Center. The rent-to-own industry served 3 million customers in 8,500 stores nationwide. This represents an increase of 200,000 new customers and an increase of 200 stores from the previous year. The combined revenue figures from annual reports published by Aaron's and Rent-A-Center, along with the figures from APRO's 17th annual statistical survey, show an industry growth in revenue of \$100 million from 2005.

Monthly gross revenue showed almost a \$7,000 increase in 2006 over the same store revenue in 2005. The survey of independents and franchisees also showed more than a 4 percent growth in same store customers.

"APRO's survey also shows substantial growth in electronic products, including flat-screen LCD and plasma televisions and computers," says APRO President and Rent One Owner Larry Carrico from St. Louis, Missouri. An additional major factor cited by Carrico for store and industry growth is the trend of independent rental stores moving toward more upscale stores and better company branding across different communities. This has also proven to be successful with the two publicly traded companies.

"An increase in customers shows we are succeeding with our efforts in educating the public on the true value of the rental transaction," says APRO Executive Director Bill Keese. "The proof is in the pudding—growth in customers and store fronts shows that more Americans are realizing that rent-to-own can be a better option than traditional credit."

To view details of the statistical survey, visit APRO's Web site at www.rtohq.org.



TATIANA NIKOLAEVA KALASHNIKOVA | DREAMSTIME

were also recipients of Aaron's holiday spirit—one received a free computer and the other a sofa and love seat. But it was the Liciaga family of Hartford, Connecticut, who received the grand donation of a house full of furnishings.

"It was the right thing to do," says SEI Operations Director Dave Edwards. "We wanted to help one of our customers who not only deserved it, but needed it."

Smoke damage from an electrical fire destroyed all of the Liciaga's family home furnishings. Until Christmas Eve, they had an empty house with a few articles of clothing and kitchen items donated by friends. But the empty house quickly filled when Aaron's delivered a holiday miracle that the Liciagas had no idea was coming. The story caught the attention of the Hartford Fox News affiliate, which featured the story on Christmas Eve, showing the family's excitement and gratitude for such a charitable gift. Edwards and Aaron's were featured prominently in the lengthy television news story.

While Smithgall and Edwards plan on donating annually because "it's the right thing to do," they and many other RTO dealers like them may not know that such donations are also significant in improving the rent-to-

own image. Studies show that 42 percent of potential rent-to-own customers are more likely to consider rent-to-own if they know the company is involved in a local charity or donates to a charitable cause.

Representative Holden signs on as H.R. 1767 co-sponsor

Representative Tim Holden of Pennsylvania signed on as the 62nd co-sponsor to the rent-to-own industry's House bill, H.R.



1767, the *Consumer Rental Purchase Agreement Act*, on

December 6. A "Blue Dog conservative Democrat," Holden serves Pennsylvania's 17th congressional district and has served his constituents for eight terms.

Holden has been a member of the Agriculture Committee since 1993 and was recently appointed vice chairman of the House Agriculture Committee in the 110th Congress. He was

also selected to serve as the chairman of the Agriculture Committee's subcommittee on Conservation, Credit, Energy and Research, and continues to serve on the Livestock, Dairy and Poultry subcommittee.

In the 105th Congress, Holden was appointed to the Transportation and Infrastructure Committee. Holden also serves on the Transportation subcommittees on Highways and Transit and Aviation.

A complete list of co-sponsors is available on APRO's Web site at www.rtohq.org

Rent-A-Center to close approximately 280 stores

On December 3, Rent-A-Center announced plans to close approximately 280 stores across the United States.

"We continually analyze every aspect of our business in an effort to improve operating and financial performance," says Mark E. Speese, chairman and CEO of Rent-A-Center. "Accordingly, we evaluated every market in which we

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operate based on operating results, competitive positioning, and growth potential. As a result, we identified approximately 280 stores that we intend to close and merge with existing Rent-A-Center stores within the next 90 days," Speese says.

The company expects to incur pre-tax restructuring charges related to the store consolidation plan and other restructuring items in the range of \$36 million to \$43 million, substantially all of which will be recorded in the fourth quarter of its fiscal year ending December

31, 2007. The estimated cost with respect to this restructuring relates primarily to lease terminations, fixed asset disposals and other miscellaneous items. The company expects the cash outlay associated with this restructuring will be in the range of \$26 million to \$30.5 million over the next 12 to 18 months.

The 280 stores identified generated revenues of approximately \$140 million year-to-date through October 31, 2007. These stores will transfer their customer rental purchase agreements to existing

Rent-A-Center stores and the company expects to retain the majority of these rental purchase agreements. At the conclusion of the restructuring, the company expects a pre-tax monthly operating income benefit in the range of \$2 million to \$2.5 million.

American Tire Rentals to become part of RimTyme

American Tire Rentals, based in Temple, Texas,

and run by Scott Savell, became part of RimTyme, the custom wheel division of rent-to-own chain ColorTyme Inc., according to *Modern Tire Dealer*.

Savell, a veteran of the tire-and-wheel rental business who recently joined RimTyme, is in charge of RimTyme's growth strategy, "including development of corporate-owned stores as well as franchise development," according to ColorTyme officials.

Savell says he sees the opportunity "to take the wheel and tire rental



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industry to new levels.”

Headquartered in Plano, Texas, ColorTyme has seven wheel and tire stores, plus more than 200 traditional rent-to-own stores.

TRIB Group appoints Bestway's Kraemer to board

David Kraemer of Bestway Inc. has been added to TRIB Group's board of directors. Bestway is based in Dallas, Texas. Kraemer will fill



the position created with the recent resignation of Bob Bloom of ColorTyme. Kraemer will serve the remainder of Bloom's term.

Both the board of directors and staff of TRIB Group were excited to welcome Kraemer aboard.

Rent'N Go opens in Nashville

Rent'N Go custom wheels and tires announced the opening of its



Franchisees Greg Spring (left) and Jay Howe (right) and their team are all smiles about the opening of their Rent'N Go custom wheels store in Nashville.

newest store in Nashville, Tennessee, under the leadership of franchisees Jay Howe and Greg Spring.

The company continues to pursue its expansion strategy through franchising in selected U.S. markets. “We are pleased to have Jay, Greg

and their team in the RNG family,” says Florida-based RNG President Bob Catino. “We look forward to developing the Nashville market in concert with managing partner Greg Spring, who is a member of Nashville's firefighters.



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RSSS promotes Hersh to support specialist

Carri Hersh has been promoted to application support specialist for RSSS. For the past six years, Hersh has been the client support coordinator, managing client support calls from the company's Corpus



Christi Miller, RSSS director of client services, says, "Carri has done an outstanding job as client support coordinator. She was ready for a promotion and a new challenge. Due to the growth of RSSS over

the past few years, we were able to do that for her. We believe she is the perfect person for the job because she has learned the application but, more importantly, has developed relationships with our clients over the past six years. She will be able to leverage those relationships in her new position."

Premier franchisees open stores in Delaware and Florida

Ten-year RTO veteran and current U.S. Army Reservist Steve Newman opened a Premier Rental-Purchase store in Milford, Delaware, in November. Although Newman will not be able to manage the store personally until he completes his military assignment in the Reserves, he is fulfilling his long-standing dream of business ownership in an industry he says he loves.

Called up for active duty in 2002, it was the second time in 10 years that Newman's career got sidelined. After he returned, he became an account manager for RentWay, working his way up to manage one of the best stores in the region at that time and receiving the company's Director Award.

Although Newman still has one more year in his current military assignment, which is close by at Dover Air Force Base, he has structured his RTO operation to include a manager who will run things for him.

In other Premier news, after a lengthy career working as a rent-to-own employee, Dennis Lingerfelt and his wife, Donna, opened their own store in Jacksonville,

Congress passes one-year stay on AMT; tax returns most likely postponed

Rent-to-own customers may have to wait for their tax refund this spring due to the last-minute passage of an Alternative Minimum Tax "patch." Congress passed the AMT legislation in a 352-64 vote on December 19 and President George W. Bush approved the legislation. "This is a critical issue for millions of people who depend on their refunds and could have a massive impact on rent-to-own customers," says APRO Executive Director Bill Keese.

After weeks of wrangling over AMT legislation, one of Congress' last acts of 2007 was to pass a bill that would put a one-year stay on the AMT before it reached further down into the middle class. Congress has typically frozen the number of AMT taxpayers at 4 million by "patching" the AMT, which prevents more middle-class taxpayers from having to face the tax. However, the "patch" deprives \$50 billion that the Treasury would otherwise raise.

With such a late fix, however, the IRS says it needs up to seven weeks from the date the legislation was signed in order to complete changes to electronic and paper tax forms. Therefore, the tax filing season that normally began on January 14 was pushed to January 28. Some sources are even stating that the tax season may start as late as February 18.

If that is the case, both paper and electronic filers who depend on their returns to assist their cash flow may have to wait a few weeks longer than usual. "Our customers are often strapped for cash after Christmas and depend completely on their IRS refunds to remedy the problem," says Shannon Strunk of Baber's Leasing. "I suspect that it will come as bad news when they realize that this late fix may cost them as much as 30 days in time before they can fix any problems they were expecting to fix promptly."

With the delay in filing, the backlog at the IRS will be substantial. Last year, the IRS received 38 million tax returns by February 16, 32 million of which involved refunds.

Florida, earlier this year.

Lingerfelt's RTO experience began 15 years ago when he was recruited by Rental King then endured a series of buy-outs as an employee of RentWay and RentRite before deciding it was time to go into business for himself.

"I was excited about what they [Premier] had to offer. It's a good establishment. They want you to be a success and go out of their way to make you that way. It's really a great program."

Industry vendor Shannon ends 23 years with RCA

After 23 years of service with Thomson's RCA



audio/video division, Timothy B. Shannon stepped down as

national manager special markets on December 31.

Thomson sold its RCA audio/video activities to Audiovox Corp. "Currently, our RCA audio/video business sells a wide range of AV products, including DVD and MP3 players, home theater audio systems, clock radio products and digital information recorders," says Shannon. "As part of this transaction, Thomson will assign to Audiovox rights to the RCA brand within the field of use for audio/

video products."

Earlier this year, Audiovox purchased Thomson's accessories business, including rights in that category to the RCA brand. It is Shannon's goal to stay in the electronics industry doing special markets—which includes rent-to-own—as he has too much energy to retire and will miss the many friends he has made in rent-to-own.

"I started with RCA in March 1985, as the very first national rental manager that RCA had ever had. My first assignment as the new RCA rental manager was to attend the ColorTyme Convention in Maui that month—how could you not love a job like that!" says Shannon. His early customers included industry legends Tom Devlin of Rent-A-Center, Chuck Sims of Remco, Willy Talley, Dick Genotte, Jim Thompson and Steve Kruse. "I knew I had found a home," says Shannon. "The rental people were fantastic to work with and extremely loyal."

Shannon has also been involved with APRO, having served 15 years on the APRO Vendor Advisory Committee and was part of the team of industry vendors who organized the committee. "Being associated with the rent-to-own industry is one of the best things that has ever happened to me and my wife, Pattie," says Shannon.

Aaron Rents promotes Trainor

John T. Trainor has been promoted to vice president, information technology, of Aaron's Sales and Lease Ownership Division. He previously served as IT director of application development.

Trainor has more than 16 years experience in information technology and has been with Aaron's since 1999. He has provided leadership in development of software for Aaron's stores and the design and management of enterprise systems for the company.

Trainor holds a bachelor's of electrical engineering degree with specialization in computer systems from the Georgia Institute of Technology and lives in Roswell, Georgia, with his wife and three sons.

ColorTyme hires Deering as director of franchise development

ColorTyme has hired James Deering to lead its franchise development efforts. Deering most recently served as president of PCJ Franchising Co. in Wilmington, North Carolina, and brings 15 years of



retail and service industry franchise experience to ColorTyme. This position will be his first rent-to-own venture; however, according to ColorTyme CEO Bob Bloom, his extensive franchising knowledge and expertise will help the company refine and expand its growing franchise system.

"This position requires broad knowledge of franchising laws and best practices," says Bloom. "James' depth and breadth of experience makes him an ideal choice to head ColorTyme's franchising efforts, especially as we begin to roll out plans to expand RimTyme."

Last month, ColorTyme announced significant expansion to its RimTyme custom wheel rental division that will include broad franchise development. In addition to overseeing ColorTyme's traditional RTO franchise needs and expansion opportunities, Deering will also lead the franchising efforts for RimTyme.

"I'm excited about the opportunity to learn a whole new industry within franchising," says Deering. "RTO is a strong business model. For the industry to continue to expand and get better operators, they have to with non-traditional routes. I hope to bring great franchise and business organizational efficiencies as well as help refine the proven systems that ColorTyme has in place now."

When talking to rental dealers, which I do every day, I make it a habit to ask them how their business is doing. I am ever on the watch for trends in rent-to-own that I can attach to larger economic trends so that we can learn, once and for all, the exact parts of the economic engine that drive the business. Once I possess this information and have shared it with APRO members, then we can all know when to open stores, how much to borrow, how much to buy—and thus help business grow at a record-setting pace.

I am particularly mindful to ask this question every January about December and the fourth

talked to the same identifiable subset of rental dealers on a regular basis and sometimes everybody I talk to comes from the South or California or New York or wherever dealers are felling legal heat. In any case, I cannot report on any regional trends of late, alas.

What my non-scientific surveys *do* consistently indicate—and this will not surprise many of you—is that results depend on internal company performance more than anything else. A new advertising campaign worked or it didn't and the ads dictated how the stores performed. Or the company

lost two good store managers last month and performance plummeted. Or the dealer bought too late or badly or a supplier overcommitted and the dealer did not get the stuff that he ordered until late in the month. Every time results are outside the bell curve, when I drill down a little, the dealers usually have an explanation tied to planning, good or bad, or execution, good or bad, as the reason for the blip, up or down.

We are all wondering, of course, whether the fallout from the subprime debacle is going to put the country into a recession and drive millions of new, credit-constrained customers through our rent-to-own doors. Dealers want to know; stock analysts want to know; thoughtful and ambitious employees want to know.

There are going to be lots of consumers who overbought houses and who will lose those houses and damage their credit. They may come to visit rent-to-own stores, unless, of course, they are now suddenly crammed into a too-small apartment and have no immediate need for any more "stuff," rented or otherwise. We do not know if the credit card companies are feeling chastened at all, yet. As long as they can keep adding fees and raising rates, they may be happy to continue pitching cards and credit to one and all, housing slump be damned.

The common wisdom is that RTO is recession-proof. Recessions do a lot of things, however, and some of those things can hurt our industry.

.....
"Whatever happens next to the economy overall, the efficient, optimistic, well-run shops will prosper; those with issues will suffer."

Gauging the economic tide

quarter. It used to be that the fourth quarter was really big for rent-to-own stores and it still can be. Dealers can deliver a lot of product during the holiday season. Cash, though, more often comes in during the first quarter. The deliveries start paying, income tax refunds get spent and the hope is that the December deliveries do not all get picked up in January. For the 27th year in a row, I have sought the keys to the RTO economic kingdom. For the 27th year in a row, those keys have failed to unlock any magical doors to economic insight.

The reason for this elusive insight is that I have never gotten consistent answers to my questions posed to rental dealers. At any given moment, it seems that some rental dealers have just had a stellar season/month, some are hanging on by their fingernails as BOR dropped precipitously and without warning last season/month and any number of dealers are treading water—renting and collecting with nothing to complain about, but nothing to write home about either. It has been that way for 27 years.

Dealers have suggested that I explore regional differences in my surveys. It is probably a good idea and had I been more scientific with those I surveyed, I might have learned something useful about regional trends. But my surveys have depended upon who calls in with a legal issue or some industry gossip. I have never



By **ED WINN III**
 APRO's general counsel

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When credit gets tight, it gets tight up and down the spectrum. If consumers feel the credit pinch, so will business. It gets harder to borrow; harder to grow.

The lack of customer growth in raw numbers in the rent-to-own industry over the past few years can be attributed to easy consumer credit, but also consumer attitudes toward the business. External economic factors are not going to change consumer attitudes about RTO. Only we can do that. So, once again, it is a matter of how stores and companies are being run that dictates success or failure. Whatever happens next to the economy overall, the efficient, optimistic, well-run shops will prosper; those with issues will suffer. That is all I have learned from surveying rental dealers. I wish that I could offer more insight.

I do intend to keep surveying, looking for the secret to it all. ■

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

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HIRING PRACTICES

AND THE IMMIGRATION DEBATE

*Navigating
a changing
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Faced with a dwindling supply of available workers, you may be among the many employers looking to fill your ranks with foreign nationals. Hiring immigrants, after all, has long been a valued technique for getting the job done in America. Today, though, employers need to tread more carefully over what has become rougher legal terrain. As the nation's headlines attest, employers can be hit with stiff penalties when errors are made hiring workers from other nations who are in the United States temporarily or permanently.

By Phillip M. Perry

Federal regulations are tightening up in ways that target employers of undocumented workers. Worse, state governments around the country are creating a confusing patchwork of laws that penalize employers who hire undocumented foreign nationals, following the failure of Congress to pass comprehensive immigration reform last summer. Last year, state lawmakers considered more than 1,560 bills related to immigration and enacted 244 of them in 46 states, according to the National Conference of State Legislatures. That pace was triple the previous year and the NCSL expects more such activity in 2008. (The organization's complete report is available at www.ncsl.org.) • "The states are having to pick up where the federal government did not come through," says David Kotick, managing partner of Apsan Law Group, an immigration law firm in New York.

LEADING THE WAY

Businesses nationwide are assessing the impact of Arizona's new immigration law, believed to be the strictest in the nation. The law does the following:

- ▶ Encourages people to contact their county governments when businesses are suspected of employing illegal immigrants;
- ▶ Allows the county to revoke the business license of an employer who knowingly hires an illegal immigrant;
- ▶ Requires all Arizona businesses to use E-Verify, a federal online database, to confirm that new hires have valid Social Security numbers and are eligible for employment.

The law is being challenged in court by the Arizona Chamber of Commerce and Industry. "It's crystal clear that the employer sanctions law will harm the state economy," says Chamber President Glenn Hamer. "It's simply a question of degree."

Another high profile state is Virginia, where more than 50 pieces of immigration-related legislation are expected to be considered in 2008. One law would revoke the business license of any employer found to hire undocumented workers; another would require employers themselves to pay any workers' compensation claims for undocumented employees. A coalition of businesses and trade groups called Virginia Employers for Sensible Immigration Policy has been created to fight the laws.

Even municipalities are getting into the act. "Many local communities are fighting illegal immigration by targeting businesses," says Kotick. "Employers who hire undocumented aliens face steep fines and the loss of their business licenses. Some laws even mandate jail time for repeat offenders."

VERIFYING ELIGIBILITY

Whatever your state, you are subject to federal regulations that require you to verify the employment eligibility of anyone you hire. "Every individual, once hired,

must be asked for documents that prove their identity and their work authorization," says Carlina Tapia-Ruano, a partner at Chicago-based Tapia-Ruano & Gunn, an immigration law firm (www.trgpc.com). The employer must have each hired individual fill out an I-9 form, titled "Employment Eligibility Verification," issued by the U.S. Citizen and Immigration Services, a division of the Department of Homeland Security. (To avoid any appearance of discrimination, the law requires that you have individuals complete this form only after being hired, not during the recruitment process.)

You can download a copy of an I-9 form from www.uscis.gov. Click on "Immigration Forms" and then "Employment Eligibility Verification" or I-9, toward the bottom of the list.

On part 1 of the I-9 form, the employee enters basic information such as name, address, Social Security number and date of birth. Just as important is the section on the employment status of the individual. There are only three choices

"Many communities are fighting illegal immigration by targeting businesses. Employers who hire undocumented aliens face steep fines and the loss of their business licenses. Some laws even mandate jail time for repeat offenders."

here: The individual is either: 1) a U.S. citizen; 2) a legal permanent resident, or 3) an alien authorized to work until a given date. The employee must sign and date the form.

In part 2 of the form, you must certify that you have made sure the documents provided by the employee establish the individual's identity and employment authorization. What documents are acceptable? There is an extensive list on the back of the I-9 form. Any one document from a list of 10 is acceptable as proof of both identity and employment eligibility. (A passport and a permanent resident card are two examples.) Additionally, there are nearly two dozen additional documents that have been certified as proof of one of the two criteria.

Part 3 provides space for updating the form's information after a worker's previous work authorization has expired.

"The law requires that the signatures and the information be completed within three days of the employee's hire date,"

says Tapia-Ruano. "Many attorneys recommend that employers attach photocopies of the reviewed documents to each I-9, to help protect the business in the event of an audit."

AVOIDING ERRORS

Gathering documents is one thing. Making sure they are authentic and that all of the blanks are filled in correctly is another. Failure to do so can be costly. Penalties for errors can range from \$1,000 to \$10,000 per violation. "The penalties can accumulate very quickly even with a single I-9 form if there are numerous violations," says Tapia-Ruano. "Some employers have been hit with hundreds and thousands of dollars in penalties and fines."

Even employers who make innocent mistakes can be fined, says Tapia-Ruano. "If a receptionist or whoever is assisting employees in completing the I-9 forms makes mistakes, then even if the workers are U.S. born citizens, the employer is subject to fines. The fact that this can happen repeatedly makes employers very uncomfortable."

Employers should make sure that everyone who helps employees fill out I-9s is trained to avoid as many errors as possible, suggests Tapia-Ruano. "And I would encourage an internal audit of I-9s on a periodic basis. Don't wait for an audit by the Department of Homeland Security."

While the I-9 form looks simple, attorneys caution employers from making these common errors:

- ▶ **ILLEGAL BIAS:** Avoid charges of discrimination by requiring every employee—not just the ones whom you believe are from another country because of their appearance or their speech—to fill out an I-9 form.
- ▶ **ENTRY ERRORS:** "Any mistakes can or will result in fines," says Tapia-Ruano. One of the more common errors is incorrect indication of the employee's immigration status. An employee with a work visa, for example, may have erroneously filled in "permanent resident." Such a mistake is significant even if done innocently. "It is the employer's duty to make sure the entries are accurate."
- ▶ **OVER-RESTRICTIVE DOCUMENTATION:** Avoid requiring documentation that is more restrictive than what the law mandates. An employer might be tempted to do this to simplify record keeping, but it is illegal and can lead to fines as well as charges of discrimination. "The I-9 provides a list of documents that are acceptable as proof," says Tapia-Ruano. "You must accept the employee's decision as to which of the listed documents to provide."
- ▶ **FAILURE TO ASSESS AUTHENTICITY:** The employer must not accept documents that a reasonable person would suspect were fraudulent either because they look doctored or look like duplicates.
- ▶ **PROCRASTINATION:** Another mistake is to put off the task of examining the employee's documents and getting the I-9 in order. "It's not uncommon for employers to wait more than three days," says Tapia-Ruano. "Again, that can result in fines."

SAFE HARBOR FOR EMPLOYERS

For decades, the U.S. Social Security Administration has sent "no match" letters to employers when workers' names and Social Security numbers did not correspond to the agency's records.

Employers have been unsure what to do after receiving the letters. There was no firm guidance from the government and in many cases employees remained on the payroll in a kind of limbo.

This situation has changed. In August 2007, the U.S. Immigrations and Customs Enforcement division of the Department of Homeland Security issued new regulations that defined the steps to be taken by employers receiving no match letters. Employers who follow the procedures were granted safe harbor from prosecution. At the same time, the regulations provided for increased civil or criminal penalties for employers who fail to comply.

Here is a brief synopsis of what employers would be required to do in the event of a no-match letter:

- 1) *Within 30 days, check records to ensure that the mismatch was not the result of a clerical error;*
- 2) *If this does not resolve the problem, ask the employee to confirm the accuracy of the employer's records;*
- 3) *Ask the employee to resolve the issue with SSA within 90 days from the date the employer received the no-match letter;*
- 4) *If the employee is able to successfully resolve the mismatch, ensure that the instructions in the SSA letter have been followed;*
- 5) *If the issue is still unresolved, initiate another verification round as if the employee were newly hired.*

Late in 2007, a federal court issued a preliminary injunction barring implementation of the safe harbor regulations, citing among other reasons a high incidence of errors in the government's Social Security database.

Even so, the government has not abandoned the basic concept outlined in the regulations and intends to issue revised rules in 2008. "Employers would be remiss to fall back on their due diligence and security if they think the injunction will cause the problem to be put on the back burner," says Angelo A. Paparelli, managing partner of Paparelli & Partners. "Employers should use this respite to adjust any employment-related immigration policies that need correcting."

To stay abreast of developments in this area visit the web site of the U.S. Immigration and Custom Enforcement at www.ice.gov.

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- ▶ **ALLOWING EXPIRATION DATES TO SLIP BY:** Many employees have permission to work for only a limited period. "You need a system to continue to verify the employment status of an individual throughout the period of employment," says Tapia-Ruano. Prior to the expiration date, ask the employee to present new verification documents.

It's important to retain these I-9 forms in a safe place. "At any time, the Department of Homeland Security or the U.S. Department of Labor may come around and perform what they call an 'employment audit' of I-9s," says Tapia-Ruano.

UNDERSTANDING EMPLOYMENT VISAS

Documents that certify that "foreign nationals"—people who are natives of other countries—are eligible to work in the United States are called "employment visas." Not all employment visas are alike. In fact, there are a host of different kinds. To peruse the full array of visas with explanations, navigate to the web page maintained by the U.S. Department of State at www.unitedstatesvisas.gov, and also <http://travel.state.gov/visa>.

Many employers hire unskilled workers with H-2B visas, valid for temporary employment for up to a year. "There is a tremendous need for people to fill such positions in this country," says David Kotick, managing partner of Apsan Law Group.

Arranging for H-2B visas can take up to four months to complete. The process begins when the employer obtains a labor verification from the U.S. Department of Labor. Then the employer files a petition with the Department of Homeland Security. When that petition is approved, the worker can apply for a visa and a passport from the U.S. consulate in his or her own country.

The United States limits such visas to 66,000 annually. "It's nowhere near enough," says Kotick. "They run out very quickly and there is a severe labor shortage for these workers that affect business profits and the economy as a whole."

"What's really needed is a program that provides for a year-round legal status for guest workers," says Kotick. "That was part of the Congressional immigration reform package that fell through."

SAFE-HARBOR RULES

The U.S. Social Security Administration has long been in the practice of sending "no-match" letters to employers when workers' names and Social Security numbers on W-2 Forms do not match the SSA records. In the past, employers had never been sure what to do after receiving these letters. Should a worker who cannot reconcile the discrepancy be fired?

"While the safe-harbor regulations were intended to reduce ambiguity, employers still face the costly task of checking and double-checking documents. And the safe-harbor regulations carry their own heightened risk of financial penalty."

"In many cases, employers have kept the employees on board, fearing that a termination decision based on a no-match letter might lead to charges of discrimination," says Angelo A. Paparelli, managing partner of Paparelli & Partners, an immigration law firm with offices in New York City and Irvine, California (www.entertheusa.com). "After all, there can be legitimate reasons why a no-match occurs. A female employee might have gotten married, for example, and changed her name to her husband's without notifying the Social Security Administration. Or the Social Security Administration could have misspelled the name."

Indeed, the Web site of the U.S. Immigration and Customs Enforcement division of the Department of Homeland Security states that, "an employer who takes action against an employee based on nothing more substantial than a mismatch letter may, in fact, violate the law."

Times, though, are changing. Today's employers face more severe fines for hiring illegal immigrants and there is a general national mood shift against undocumented foreign nationals. Many observers, therefore, are concerned that employers will opt to risk discrimination lawsuits over the federal government's civil and criminal penalties for employment of undocumented workers. "The fear is that many people will be terminated based on foreign appearance and name," says Paparelli.

As partial mitigation for this problem, in August 2007, the Department of Homeland Security issued new regulations intended to clarify matters while providing a "safe harbor" for employers who hire foreign nationals. The regulations define what steps employers must take within what time periods to avoid legal liability for hiring undocumented workers.

While the safe-harbor regulations were intended to reduce ambiguity, employers still face the costly task of

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checking and double-checking documents. And the safe-harbor regulations carry their own heightened risk of financial penalty. "The procedures defined in the rules are not really voluntary," says Paparelli. "The employer who fails to carry out the defined steps risks being charged with 'constructive knowledge' of the employment of workers who lack the right to work. This would put the employer in violation of immigration laws."

An injunction by a federal court in late 2007 delayed implementation of the new regulations. However, the reprieve is expected to be short-lived. "We're currently seeing what we can do to address the concerns that the judge entered in order to see whether we can get the injunction lifted, and then go forward with this regulation," Homeland Security Secretary Michael Chertoff recently told Congress.

The government has stated that it intends to reissue the safe-harbor rules in revised form to satisfy the court's concerns. This delay provides employers with additional time to study the proposed rules as well any related regulations that are likely to flow from the federal pipeline. (For details, see the sidebar, "Safe Harbor for Employers.")

STAYING INFORMED

Many feel that recent changes in federal regulations represent an attempt to shift the border control effort from the government to the private sector. "Employers feel an unreasonable burden is being placed on their shoulders to control undocumented employees," says attorney Tapia-Ruano. If more is expected of the employer than ever before, though, it only highlights the need to maintain vigilance in hiring procedures. As the face of America's workforce changes, employers can be sure there will be additional changes in federal, state and local regulations. ■

Phillip Perry is a business writer based in New York City.

GETTING HELP

Employers requiring legal assistance on immigration law may turn to these resources:

- *The Academy of Business Immigration Lawyers, www.abil.com*
- *The American Immigration Lawyers Association, www.aila.org*
- *FindLaw—categorizes attorneys by legal issue, including immigration law, <http://lawyers.findlaw.com>*

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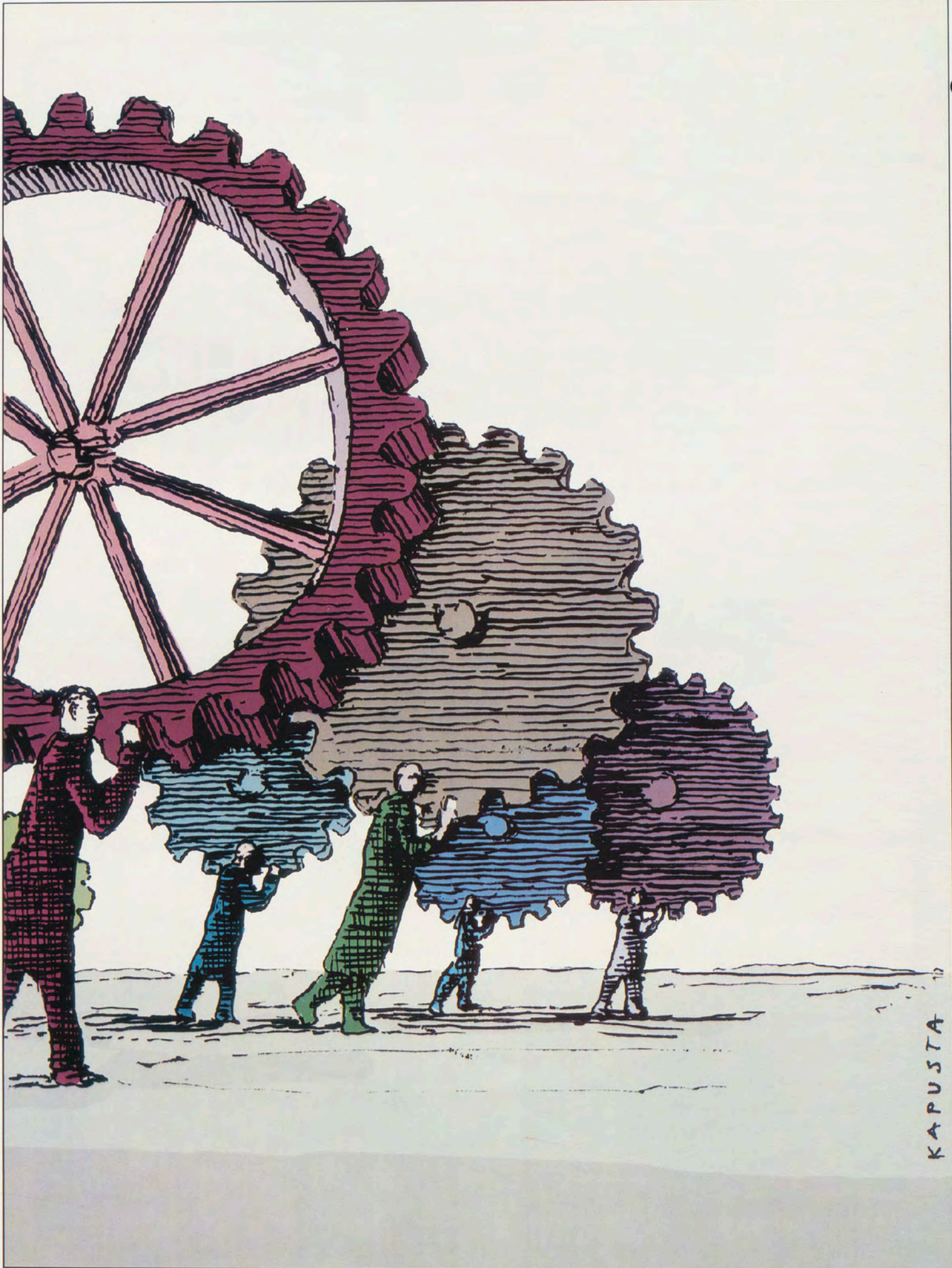
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Looking for loyalty in all the right places

A BOOK REVIEW THAT MAY BE 10 YEARS TOO LATE

By BUD HOLLADAY

Let any store lose a 60-inch flat-panel TV and somebody at corporate will let the dogs out; the world will stop spinning until the missing inventory is recovered, Homeland Security is notified and all systems are adjusted. Does the same thing happen when a two-year employee is lost? How about when a longtime customer just goes away? If you have been listening to many experts or any of your peers, you have probably heard that loyalty is dead. Arguably, in some companies it's merely on life support and family members have been notified. ✕ But there is hope from an unlikely source: a 12-year-old book from that pop-culture factory, the Harvard Business School Press. In 310 pages, the authors blow up just about everything most of us thought we knew about loyalty, customer retention and the pursuit of profit. Along with making the proposition that value creation should be the primary aim of business, it introduces something called loyalty based management. Plenty of evidence is offered up showing how such a shift in focus can easily generate up to a 50 percent improvement in performance over the next five years. The book is *The Loyalty Effect: The Hidden Force Behind Growth and Profit*, by Frederick F. Reichheld (and Thomas Teal). I found my copy in the storeroom of a company that is going broke. You may have to find yours online; if your company is also going broke you might want to pay extra for overnight shipping.

Reichheld asserts that loyalty is neither a substitute for profit nor a gimmick for making easy gains or advances. His findings are based on 10 years of research as a key player at Bain Co., the global equity capital firm founded by current presidential hopeful Mitt Romney. Reichheld's responsibilities there included evaluating companies that Bain had an interest in acquiring. Being a naturally curious fellow, he came to wonder why some companies that seemed to have every conceivable advantage in the marketplace failed to outperform competitors that they should have flattened long ago. What he discovered might be akin to the Holy Grail of Growth.

The most identifiable and effective financial advantage one company can hold over another is having a vastly higher rate of retention across its employees and customers. More than pricing, more than costs of production or distribution, more than marketing, the rate at which your company retains its customers and employees will determine its financial performance over the long term.

Reichheld puts it in terms we all understand: "Each time we found a performance record that was hard to square with the traditional economics taught in business schools, we also found a company with superior loyalty. Each time we found a company with outstanding loyalty, we also discovered a company that was delivering superior value to its customers and employees, and, at the same time, generating inexplicably strong cash flows to fund internal growth." Value, not price, Reichheld and others assert, is a measurable commodity if you know what to measure.

He illustrates his point with examples of companies that raised their customer retention rates by just 5 percent and improved the value of a customer by as much as 100 percent. Figure all the new products, replacement goods and add-ons that a top tier rent-to-own customer can account for over several years and it's easy to see the financial impact of holding on to your best customers. That means through business cycles, economic cycles, product cycles and sales cycles.

Reichheld focuses on two costly mistakes that companies make in adding customers. The first is a general failure to quantify or study customer defections so long as replacements keep coming along. Second, most companies measure the wrong things to reach inferior conclusions about customer retention. Defining the "right customer" and measuring the impact of his loyalty on the financial health of the business is simply too complicated for many to bother with. *The Loyalty Effect* demonstrates how to do it, in language that any business leader can understand. The right customer, according to Reichheld, is one with a long and unbroken history with the company, who keeps agreements, maintains a high level of loyalty

to the company and its values and regularly sends other blue-ribbon customers or offers suggestions on ways the company can improve its delivery of products and services ("build value"). Reichheld claims that financial performance supersedes demographics in identifying this type of customer.

"EACH TIME WE FOUND A COMPANY WITH OUTSTANDING LOYALTY, WE ALSO DISCOVERED A COMPANY THAT WAS DELIVERING SUPERIOR VALUE TO ITS CUSTOMERS AND EMPLOYEES, AND, AT THE SAME TIME, GENERATING INEXPLICABLY STRONG CASH FLOWS TO FUND INTERNAL GROWTH."

Such customers universally prove to generate higher returns with less risk and lower cost of handling. It's hard to argue that anything positive results when new employees service newly acquired customers and at the same time try to reshape the business relationships already in place with old customers. Yet that is where most of our sales and marketing campaigns are designed to take us. *The Loyalty Effect* explains how a company can break this costly and unrewarding cycle and reinvest in a cycle of loyalty, learning and value creation to hold onto its best customers and its best employees.

Nearly everybody knows about Maslow's "Hierarchy of Needs." Perhaps only a handful has ever heard of its counterpoint, the "Hierarchy of Loyalties," formulated by Harvard philosophy professor Josiah Royce. Maybe that's because his book, *The Philosophy of Loyalty*, was published a century ago and has never been featured on *Oprah*. Royce determined that loyalties arrange themselves in a hierarchy much like human needs are grouped. At the lowest level is loyalty to individuals. Then comes loyalty to groups. At the pinnacle is our practical devotion—"loyalty"—to a set of values and principles. It is our devotion to principles that tells us when and if the time has come to end our loyalty to an individual or group. Loyalty to principles overrides all other loyalties. Managers who never learn this are doomed to failure by the weight of masses of people churning through their otherwise excellent processes.

The overall theme running through *The Loyalty Effect* is that money spent on most employee initiatives and clever "loyalty" programs could be better spent studying the company's value system and devising training methods that would encourage managers and workers to exemplify, communicate and uphold company values in their dealings with each other, with customers and with shareholders. Old Josiah was prescient in stating that the successful business is the one that gains the most devotion to its principles, not its principals. What employee ever quit a job because he didn't like the price of a refrigerator or the service schedule on Wednesday?

About value creation. *The Loyalty Effect* describes two kinds of profit. Virtuous profit is the result of creating value, sharing it and building assets. Those assets include human capital of the customer and the employee type (a notion certain to give your CPA heartburn). Destructive profit comes from exploiting assets to generate the short-term earnings demanded by bankers, investors and most owners. That means giving up on the oldest, most valuable customers and employees because the company has simply run out of ideas on how to keep either and is unwilling to restructure itself so that tenured workers can find profitable ways to better serve longstanding and well understood customers. In other words, build value.

Firms that practice loyalty-based management integrate customer acquisition, benchmark hiring and compensation, productivity improvements, learning, motivation and the building of value. They do not celebrate short-term gains in counts or numbers that are easily manipulated and prone to wild swings. Based on his findings, Reichheld describes a loyalty based company thusly:

“Revenues and market share increase as the best customers come into the business, building repeat sales and safe, low-cost referral business. Because the company offers great value, it can be more selective in new customer acquisition. This stimulates sustainable, profitable growth from reduced outlays.”

Sustainable growth enables the company to attract and retain the best employees.

Consistent delivery of superior value to worthy customers increases employee loyalty by giving people pride and satisfaction in what they do. As the long-term employee gets to know his long-term customers better, he learns how to deliver still more value—further reinforcing both customer and employee loyalty.

Loyal long-term employees utilize OJT to reduce costs and improve quality on their own, further enriching the customer value proposition and creating high productivity. The company can then use this productivity surplus to fund superior compensation and better tools and training—further reinforcing employee productivity, compensation growth and loyalty.

Spiraling productivity coupled with the increased efficiency of dealing with loyal customers generates the kind of cost advantage that is difficult for competitors to match. Sustainable cost advantage coupled with steady growth in the number of loyal customers generates the kind of profits that are very appealing to investors, which makes it easier for the firm to attract and retain the right

**EMPLOYEES WHO
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ABOUT GOALS AND
OBJECTIVES THAT
INTEREST NO ONE
AND WILL NEVER
COME TO FRUITION.**

investors (or, in some cases, lenders or partners).

The list of companies that have been successful using this approach includes many household names across dozens of industries, including retail.

A third of the way through *The Loyalty Effect*, the author offers something called a “Generic Model of the Seven Economic Effects Associated with Employee Loyalty.” Although that comes dangerously close to Harvard-speak, the model is elegant in its plainness, addressing recruiting, training, efficiency, customer selection, customer retention, customer referral and employee referral. Get these right and your business grows exponentially. Get most of them wrong and, well...

Changing old practices takes equal amounts of courage, confidence and cash in the bank. Reichheld reminds us that people learn, organizations don't. The burden is on senior management to lead the charge. Loyalty does not percolate up from the bottom because of slogans, pretty stores or promises. The things that create loyalty—principles, values, ideals—must flow down from the top and be seen walking around the back room, the hallways, the front office, the company picnic. Reichheld and Royce, writing a century apart, agree that employees who do not share your values cannot share your beliefs; if people do not share your beliefs, you are communicating in a vacuum, talking about goals and objectives that interest no one and will never come to fruition.

A little chicken sandwich company from Georgia made huge inroads in the fast-food industry with two simple but bold statements: pay a store manager half of the profit earned by his unit and close every store on Sunday. It's no coincidence that manager turnover at Chick-Fil-A runs to about 5 percent annually. *Five percent!* Chick-Fil-A managers stay long enough and have a big enough stake in the P&L that they are tireless in discovering any wasted dollar, any overlooked source of new revenue. Contrast this with the manager at the pizza joint or rent-to-own store across the street who may be there a couple of years at most and spend those in constant search of the “home run.” A \$100 monthly cost-saving just doesn't mean much, unless you work for Chick-Fil-A and you know that half of that \$100 a month is yours, every month for an average of 14 years!

If your business is suffering the effects of high employee turnover and a rapidly churning customer base, or you are just not having as much fun as you once did, I recommend you spend a few hours alone one evening with *The Loyalty Effect*. You won't be lonely long. ■

Bud Holladay is a founding member of the Association of Progressive Rental Organizations, was APRO's first president and continues to write about and ponder the rent-to-own industry. His e-mail address is budholladaysells@yahoo.com. Holladay lives in Corpus Christi, Texas.

fractional . ownership

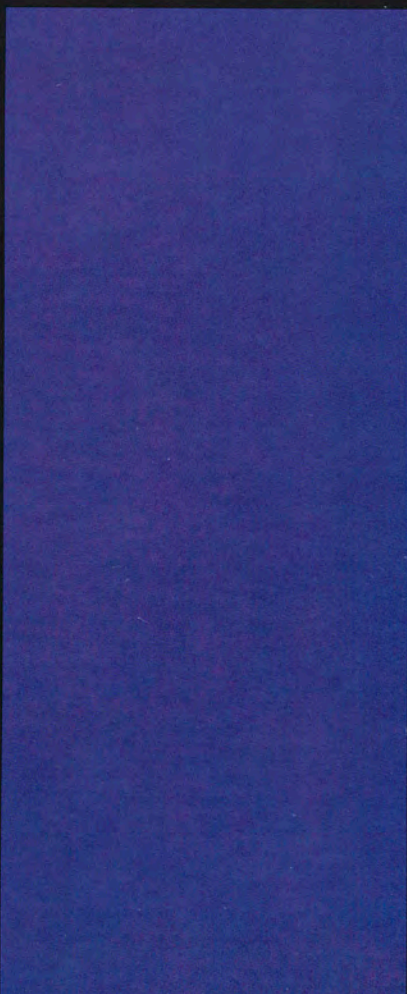
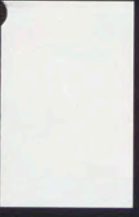
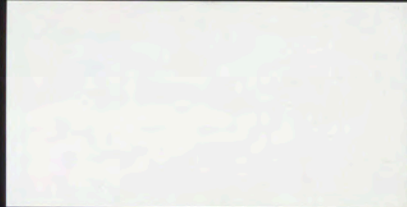
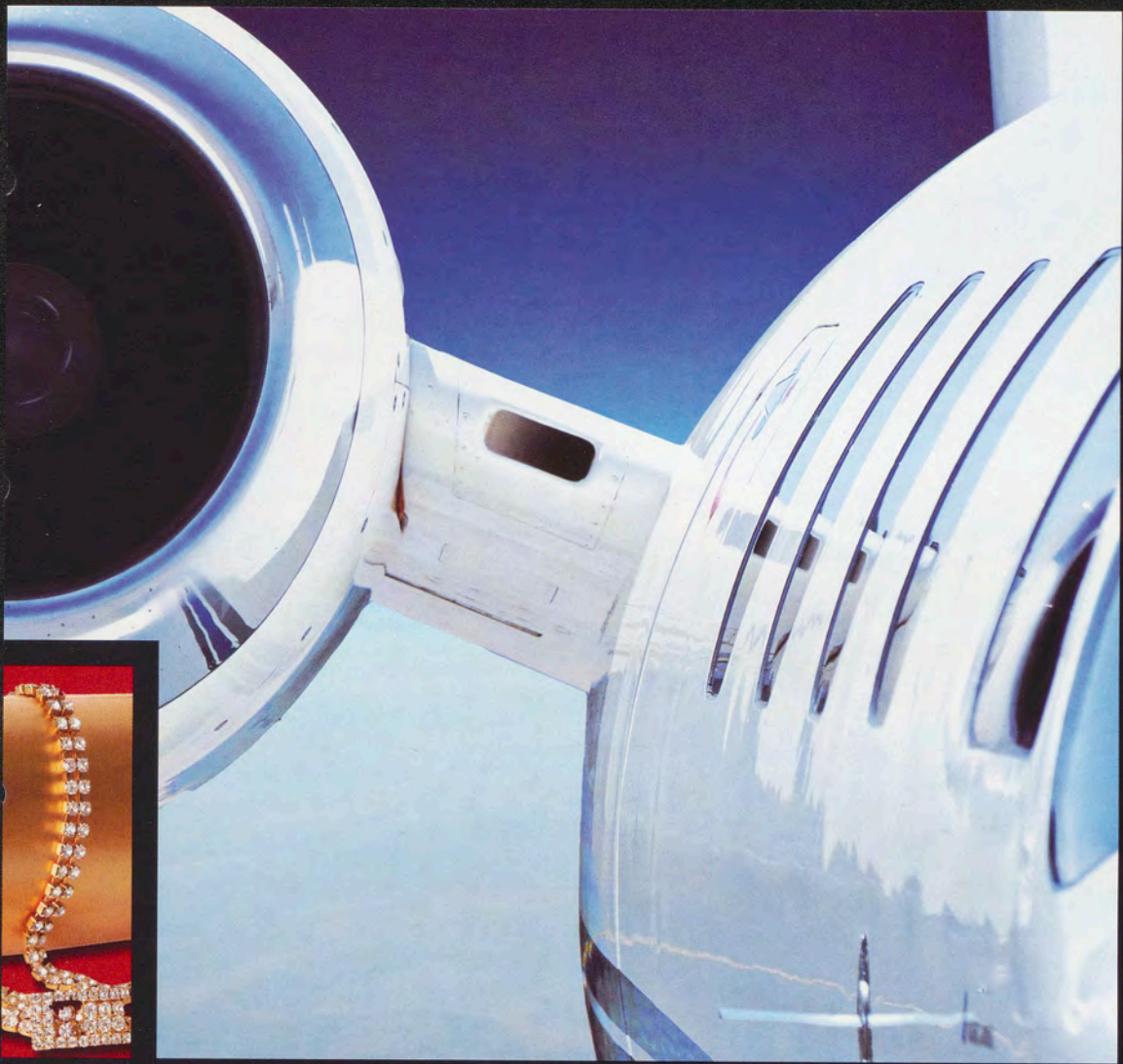
THE MARKET FOR LUXURY ITEMS IS TAKING A CUE FROM THE RENT-TO-OWN INDUSTRY

here was, we thought, a natural order to the universe. It's difficult to imagine that anyone in the industry liked it, but nobody questioned that here and there certain groups and individuals attached a negative stigma to the notion of renting to own. Voss Graham, business consultant and author of *The Three Games of Selling*, put the rent-to-own image problem bluntly: "It will take a media blitz to change the perceptions that people—including the middle class—have of the industry. That image is the product is cheap and quality is low."



by geoff williams





But there is a trend infiltrating the affluent and upper middle class societies. A trend that begs a couple of questions: Is the negative image of rent-to-own passé? In fact, are other consumer groups and companies actually starting to *follow* the path created by the rent-to-own industry?

This trend is called fractional ownership. The idea is pretty simple, really. Instead of buying a private jet, yacht or exotic car, wealthy people have instead been buying a *part* of their luxury item. So rather than owning an entire Mercedes-Benz CL 600 (with a retail price of about \$120,000), they might lay claim to one-fifth of it: the car being at their disposal 73 days out of every year and the rest of the time with someone else.

Which is perfectly reasonable, says author Robert Shemin, a multimillionaire and author of *How Come That Idiot's Rich and I'm Not?* (Crown, March 2008). "I tell people that ownership and renting are purely psychological," says Shemin. "People love to own things for piece of mind and there are certain assets that are a good investment." The good investment assets, however, are few and far between when it comes to keeping up with the Joneses.

Fractional ownership goes beyond the enormous—and typically enormously depreciable—assets such as cars, yachts, jets and helicopters or even race horses. For example, Bag Borrow or Steal is a Seattle-based company that allows its customers to rent ladies' luxury goods like Tiffany's jewelry or designer handbags. Wish you could afford a \$5,000 designer purse? No problem: pay a monthly fee, anywhere from \$20 to \$100 a month, and you can "own" handbags and jewelry until you're tired of them—and then mail the product back and/or replace it with something new. The company is a startup that investors believe will succeed. The company so far has raised more than \$12 million. And there's already competition from the online store, FromBagstoRiches.com, which tags itself as "the affordable alternative to buying designer handbags."

Whether it's fractional ownership, renting handbags or whatever you want to call it, something different is in the air. Even some financial experts are seeing the wisdom in sometimes paying for access instead of going for complete ownership. Shemin says that "absolutely," he can see how the concepts of fractional ownership and rent-to-own are becoming less distinguishable. "It's all similar and people are becoming more aware of rent-to-

own. It's still fairly new. I mean, 30 or 40 years ago, you couldn't rent to own."

Well, you probably could, but we know what he means. Rent-to-own stores could not be found in every neighborhood in the 1960s and 1970s as they are today and, if there were image problems during the 1980s and 1990s, the first decade of the 2000s is looking decidedly different as businesses creatively adapt to consumer needs and budgets and are borrowing concepts from each other.

Yes, it sounds off-kilter, but rent-to-own has been co-opted by the mainstream. If the wealthy don't want to "fractionally own" a car or a yacht and they don't want to blow a wad of dough on the whole thing, they can join a membership club and "rent" the exotic cars and yachts. Meanwhile, the rich, middle-class and poor all see the value in using Netflix, where you pay a monthly fee to "rent" whatever movies you want to watch. You keep the movies as long as you want—they're yours—but you keep paying that fee. Or you trade the movies for something else. Either way, you're continually paying a smaller monthly fee instead of spending the much higher purchase price right up front.

Greg Tanner, franchise development director for Aaron's Sales and Lease, certainly sees how his own industry and the fractional ownership industry seem to be approaching each other's territories.

"We used to be located in the back alleys," says Tanner, "but we've seen our business increase to middle America, because we've positioned our stores right next to the Best Buys and Circuit Cities. We're where people shop. Our philosophy is that lower-income people will shop up. They'll come to the mall, right? But middle America and above, they will not shop below or far below their income level. They'll come to a point and stop.

"We don't even use the words 'rent to own' in our slogans any more," says Tanner. "We're just Aaron's. You can pay cash, use Visa or MasterCard and do 90-days-same-as-cash. We use the term 'lease.' We've gone completely away from the term 'rent' because, you know, they can bring it back anytime they want."

And Tanner notes that just like the women who fractionally own or rent purses, "when you buy, say, a wide-screen TV from us and a few weeks later you think, 'Well, shoot, I wish I had that one,' you can send yours back to us and you can get a new one. It is," says Tanner, "a shared ownership."

Even some financial experts are seeing the wisdom in sometimes paying for access instead of going for complete ownership. Shemin says that "absolutely," he can see how the concepts of fractional ownership and rent-to-own are becoming less distinguishable.

But the general public will never see it the way Tanner does without educating the public, says Graham, who aside from writing about sales is also the CEO of the InnerActive Consulting Group in Cordova, Tennessee. Graham thinks the rent-to-own industry shouldn't worry about advertising so much as changing the public's perception. "If people actually read an ad, it's for some factual information or a validation of an existing program," says Graham. He feels that going after local newspapers, television and radio stations—something the RTO industry has often done when, for instance, becoming involved in community charities—is the way to change hearts and minds.

But how do you do that? If Graham were king of the rent-to-own industry for a day, he says that he would "focus on the small-business people first, the ones who work out of their homes, small offices, shared offices or executive suites. These people do not have the capital in most cases to invest in furniture and fixtures—yet can pay the monthly fee of a rental. Since some of these people will actually grow their business and have to hire more people and rent bigger spaces, they will require more furniture."

And how did Graham come to think this way? Because, just as the affluent and middle classes have been, his own perception changed. In 1991, he and his wife, Robin, moved their business from the home to a suite of offices. "As a business advisor," says Graham, "I had learned that furniture was a bad investment—since it would depreciate immediately after being purchased, like an automobile, and there would be little resale value. Using the rent-to-own process, we saved our cash, had some security knowing they would take everything back if our venture was not successful and still got nice, though not high-end, quality furniture that we are still using 16 years later."



As more Voss Grahams experience those type of results and as more people rent or fractionally own everything from purses to Porsches, the feel-good mood toward renting to own seems to be marching toward the industry. And even if it doesn't, maybe it doesn't matter. As Shemin says of the relatively young rent-to-own industry, "As people become more educated and consumers become more sophisticated, the businesses get better."

In other words, fractional ownership and renting high luxury items on a short-term basis won't hurt the rent-to-own industry. It may even—if just fractionally—help. ■

Geoff Williams is a freelance writer based in Ohio. His e-mail address is gwilliams1@cinci.rr.com.

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**With a little paternal push,
Mike Martin is helping
lead a new generation of
rent-to-own dealers**

AN APROFILE BY KRISTEN CARD

IT WAS DECEMBER 31, 2002, and Mike Martin was spending the final hours of the year with his dad, Tom, and their attorney, Dave Crockett. The Martins needed to mail the paperwork for their Aaron's Sales and Lease Ownership franchise by midnight; the company's franchising terms were set to change January 1, 2003.

"So we spent New Year's Eve, the three of us, hammering through the details of the deal," says Mike. "We wanted to get that 2002 postmark."

While he didn't spend the evening with Guy Lombardo and Dom Perignon, it was likely one of Mike's—and his dad's—most memorable New Year's. The trio got the deal done, that postmark secured. And the Martin men—one a semi-retired industrial tool supply mogul, the other a former record-label-exec-turned-IT-consultant—were en route to not only a new year, but also a new joint adventure in rent-to-own.

Mike Martin *and* next





the
generation

Mike Martin, born and brought up in Kansas, was a high-energy, high-maintenance kid. Gregarious, precocious and rambunctious, Mike recalls his growing-up years as full of “wanting to be an athlete, chasing girls and more calls from the principal’s office than anyone really wanted.” So it’s difficult to discern whether the almost puritanical work ethic Tom and Nancy Martin instilled in their elder son stemmed from their Midwestern roots or their desire for a productive diversion. Whichever, it took. By the time he was 10, Mike was spending his summers throwing and mowing—two paper routes and 18 yards every week.

“I was raised with an incredible work ethic,” says Mike. “You finish what you start and you believe in the American Dream, which is if you work hard, then you’ll have the opportunity for success. If you’re willing to combine your God-given gifts and natural talents with a superior work ethic, then from my perspective, it’s pretty tough not to succeed. I understand that not everybody starts out on an equal footing and opportunity isn’t the same for everybody. But there is opportunity for everyone in this country, and if you’re willing to work hard and do the right thing, it’s almost impossible not to find yourself successful at the end of the road.”

Mike’s road led him westward, to college at the University of Colorado at Boulder, where—true to his busy boyhood—he earned a dual bachelor’s degree in English and history while minoring in business and philosophy and working at a record store. It was at the record store where Mike unwittingly met his first business partner, a classically conservatory trained fellow music enthusiast and kindred entrepreneurial spirit named Martin Wachter. Together, the two Martins, along with a couple of willing local bands, decided to launch their own record label and in 1991, Schmo Records was born.

But unlike thousands of startup labels before and after, Schmo made it beyond infancy. Two years and a few dozen signed bands later, Mike and Wachter realized their success was triggering a recurring problem: several thousand dollars a month in legal fees. Mike’s so-called ‘simple’ solution? To become a lawyer himself (“I’ve always just thrown myself completely into whatever happens to be in front of me at the time,” he confesses).

So Mike began classes at the University of Colorado School of Law with the intention of eventually better managing his and Wachter’s business. But about two-thirds of the way through to Mike’s J.D., Wachter tossed a wrench into the works.

“Martin is of Hungarian descent,” says Mike. “So at one point, we went to Hungary to explore some family business opportunities and they worked out better for him than for me. They offered him more money than he could possibly consider turning down, so he moved back to Hungary.”

Left without a partner to run the business while he finished his law degree, Mike negotiated a deal with Epitaph Records, one of the world’s largest independent labels, to buy Schmo—which by 1995 boasted a stable of almost 100 bands. Mike finalized the sale and returned to his legal studies only to join Epitaph as an employee after receiving his degree, but not for long.

“During law school, I got involved in some Internet technology stuff and made some good contacts,” says Mike. After deciding that his long-term future was not in either the music business or in Los Angeles, he had an opportunity to help out a friend back in Denver with some legal and business advice who was launching a Web site design and hosting company, Brat Pack Ltd. In the course of helping several friends and acquaintances

“I understand that not everybody starts out equally and opportunity isn’t the same for everybody. But there is opportunity for everyone in this country—and if you’re willing to work hard and do the right thing, it’s almost impossible not to find yourself successful.”

with the launch of some *dot.com* ventures—always looking more for a piece of the pie [ownership and options] rather than a regular job or security—Mike became involved in a New York start up called Cyberaction that looked very promising as the company was well funded.

“At Cyberaction, I was involved in the negotiation of exclusive contracts with Major League Baseball, the PGA and Xena, Warrior Princess, at Universal to create digital Internet trading cards to be bought, sold and traded online. These were really formative experiences for me as it allowed me to see firsthand differing management styles, to deal directly with venture capital groups and solicit funding, as well as begin to find my creative vision,” says Mike. This was also an exciting time in business with all the capital running amok with anything that had a “.com” attached to the name.

After learning a bit more about technology and the disparate technical skills and creative ideas that were flourishing at this time, it became more apparent to him that it



The Paducah crew: Ashley Hardin, Kent Turner, Drew Hasty, Aaron Asbell and Mike Martin. Not pictured are Todd Blume, Brian Smith, John Meredith and Zach Lowe.

was a lack of operational skill and fundamental business knowledge that so many of these young companies were missing. This was then the inspiration for launching Helion Consulting Group with two partners in 1998. Mike brought the big picture vision and the intestinal fortitude to move things forward with legal and business experience, his partners brought the people skills, industry contacts and technical expertise.

This venture, though totally different from his prior business, was also successful, and helped Mike realize a common thread.

“There’s something about knowing you’re the person who’s providing jobs for people,” says Mike. “It’s the small business aspect of what makes America tick and what

makes America great and I love being a part of that. My mother raised us to give back: with time, money, energy, creative vision--wherever your natural talents might lay. There’s a reward and a sense of duty in being a small-business owner that this is something I can do and contribute to the community—provide opportunities for people to explore for themselves what is good about them.”

STYL

Meanwhile, Mike’s father, Tom Martin, had sold the industrial tool supply company he had spent almost 40 years building from scratch into a multi-million-dollar business and was hunting around for other investment opportunities.

“Dad came across the Aaron’s deal and kept telling me he wanted me to look at it,” says Mike. “I put some money behind the Aaron’s deal, but I was busy readying Helion for sale the next year [2003]. Dad kept pushing me to look at it. Finally, I went to my mother and said, essentially, ‘I’ve put my money behind this and I can’t really afford to do much else.’ And she said, ‘He’s not interested in your money, he doesn’t need money, Mike. He wants to be in business with you before he seriously retires.’ And a little light bulb went on above my head.”

The father and son formed Tame LLC in 2002 with the expectation of franchising with Aaron's. Once the franchising deal was done, the pair's territory covered southeastern Missouri, southern Illinois and western Kentucky. Helion Consulting sold as expected and, in 2003, the Martins got down to business in rent-to-own.

"We opened up our first store in February 2004 in Cape Girardeau, Missouri," Mike says. "We opened in Paducah, Kentucky, in 2005, and stores in Madisonville, Kentucky, and Sikeston, Missouri, both in 2006. We purposely didn't open a store last year, due to the slumping real estate market. But now, we're moving forward and are hoping to open three new stores this year: Hopkinsville and Mayfield, Kentucky, and Marion, Illinois."

Once all seven stores are up and running, the Martins' area development agreement with Aaron's will be maxed out. Mike's not sure where they'll go from there.

"There's not a great opportunity for geographically contiguous growth for us within the Aaron's system," he says. "We're pretty much hemmed in on all sides. If we do choose to continue to pursue something within this industry and with Aaron's, then it will need to be somewhere else in the country—which is a definite possibility. We might do another tier of Aaron's stores in another part of the country or we might try something new and different."

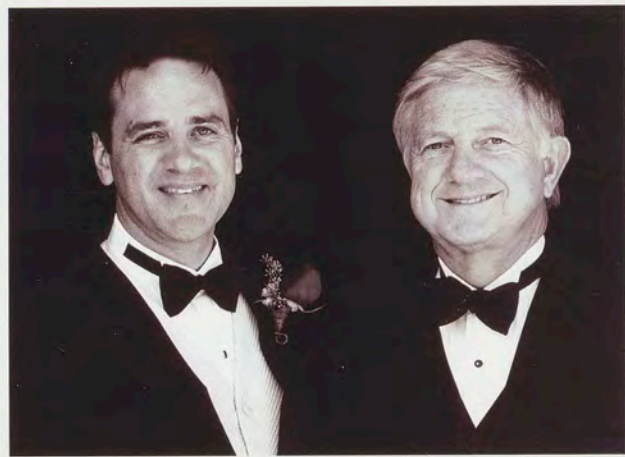
But Mike's not too worried about the long haul; he's having too much fun with the shorter-term challenges and rewards of growing a new business.

"For me, the fun is building it from the ground up and watching it mature," he says. "There is so much excitement in opening new stores and hiring new people. We currently have 37 employees, having started with five, and taking this bigger and better and approaching close to 100 employees is still the most exciting thing for me. And, of course, having the opportunity to do something business-wise with your father, when you're both mature and successful in your own right... How many folks get a chance to do something like that?"

Though rent-to-own was originally Tom's brainchild, it's Mike who oversees the business' day-to-day operations—a complementary relationship that has proven to be ideal.

"I have an innate business sense, but he's the people person," says Mike. "I'm more the operational, visionary, big-picture type; he's all about the networking, the sit-down-and-take-care-of-folks type. He's been the best resource in the world from the managing people perspective. When I watch the patience, kindness and consideration he takes with each and every person he works with throughout the day, that's probably the greatest lesson I could learn from him."

"Because at the end of the day, we can talk about being a retail experience, but we're really a people business," he



Top: Mike with his father, Tom. **Above:** Jessica and Mike hiking on vacation. **Left:** Mike and Jessica taking a suggestion from sculptured art in Santa Fe, New Mexico.

says. "We're in the business of making dreams come true for people at the middle to lower end of the socioeconomic spectrum. If they're willing to work hard and fulfill their end of the bargain, then they deserve the opportunity to have a nice sofa rather than a hand-me-down or a new computer for their son or daughter. I feel terrifically honored to be able to create these opportunities for people."

Mike claims there's no real secret to their franchise success—they keep their stores clean, they merchandise their showrooms well, they stay positive with their associates and treat customers with the utmost respect. And they like what they do, too.

"If you get into rent-to-own and you're not having fun, then find something else to do," he says. "Because you're never going to be successful at something you don't have a passion or desire for."

But the real ingredient for success, according to Mike, is as plain as the marquee out in front: it reads Aaron's.

"We really believe passionately in the Aaron's system," he says. "We pursue retail sales because the Aaron's model is: 'We can beat any price, retail or total cost of ownership, and you can own anything in 12 months.' We're constantly trying to market ourselves to the customers who are trying to attain ownership in the shortest possible

timeframe at the lowest possible cost. Which is not to say other rental-purchase dealers don't work under a fantastic business model—it's just not the Aaron's model. From my perspective, Aaron's simply creates more opportunity and value than any other organization."



Quick-witted and fast-talking, Mike Martin—native Kansan or not—doesn't come across as the deliberate, methodical Midwestern type. In fact, if he's any "type" at all, then he's the type to buck types as much as possible. So, he's not surprised that some industry insiders consider him a leading member of rent-to-own's "next generation."

"Rent-to-own has been the quintessential success story," says Mike. "Your stereotypical dealer is the guy who started as a delivery driver and has worked his way up to store owner. But franchising has created opportunities for people with outside business interests to bring our knowledge and talents—and our outsider's perspective—to this industry. Today, you have folks who have achieved some success elsewhere coming into this industry for further economic opportunity. I'm not particularly a maverick, but in terms of the next generation, I am in my forties, I've been successful in other walks of life and I like to think there's nothing I can't do. There are limitless opportunities for me out there, but I've chosen to put my time, effort and energy into this one."

True to form, Mike has immersed himself in the rent-to-own industry, including membership with and staunch support for the Association of Progressive Rental Organizations.

"We joined APRO right from the start, because we knew it

"Franchising has created opportunities for people with outside business interests to bring our knowledge and talents—and our outsider's perspective—into this industry."

was the right thing to do, especially with the political climate as it exists today," says Mike. "I think it's critical for each dealer out there to be an APRO member, to talk to local legislatures and see what they can do to help protect our industry and our interests. We're at a crossroads right now, and we can't afford to be lumped in with some of the sweeping legislation being proposed. You'd hope Congress wouldn't take away the ability of an entire industry to do business, but we've seen it happen time and time again. This is a fight we cannot afford to lose. And the legislative and political power that APRO wields is a crucial part of our success as an industry."

In January 2008, Mike enhanced his dedication to the industry by helping reestablish the Kentucky Rental Dealers Association and at their inaugural meeting he was elected vice president of KYRDA (see related story on page 10).

People will continue to be drawn to this industry again and again," says Mike, "because it is fun. It's one of those jobs that really is something different every day. That's the challenge that gets you up in the mornings, gets you to work and keeps you going." Still, Mike Martin insists he doesn't see his flourishing Aaron's Sales and Lease Ownership franchise as "the final or ultimate challenge" career-wise.

And yet, there are unmistakable signs that this dynamo may be settling down just a smidge. He wed just over a year ago to Jessica, who for the time being has also joined the family business as marketing coordinator ("in addition to helping me, guiding me and keeping me centered," says Mike). Together, they spend their downtime in the autumn traveling around to University of Colorado Buffaloes football games and their off-time in the spring watching St. Louis Cardinals—Jessica's hometown team—baseball games. Music still plays a big role for Mike, so in-between, they go hither and yon to catch concerts, which vary from opera to punk.

Travel, good food and fine wine are also continuing loves of Mike's. "We go overseas somewhere at least once a year to broaden our horizons," he says. "One of my favorite enduring inspirational or aspirational quotes is from Mark Twain: 'Travel is fatal to prejudice, bigotry and narrow-mindedness, all foes to true understanding. Likewise tolerance, or broad, wholesome charitable views of men and things cannot be acquired by vegetating in our little corner of the earth all one's lifetime.' And I choose to follow this advice."

But for a man whose favorite city is Vienna, Austria, and who once spent a month as a beach bum island-hopping around the South Pacific, it's a little unexpected that one of the accomplishments he's proudest of is having visited all 50 of the United States.

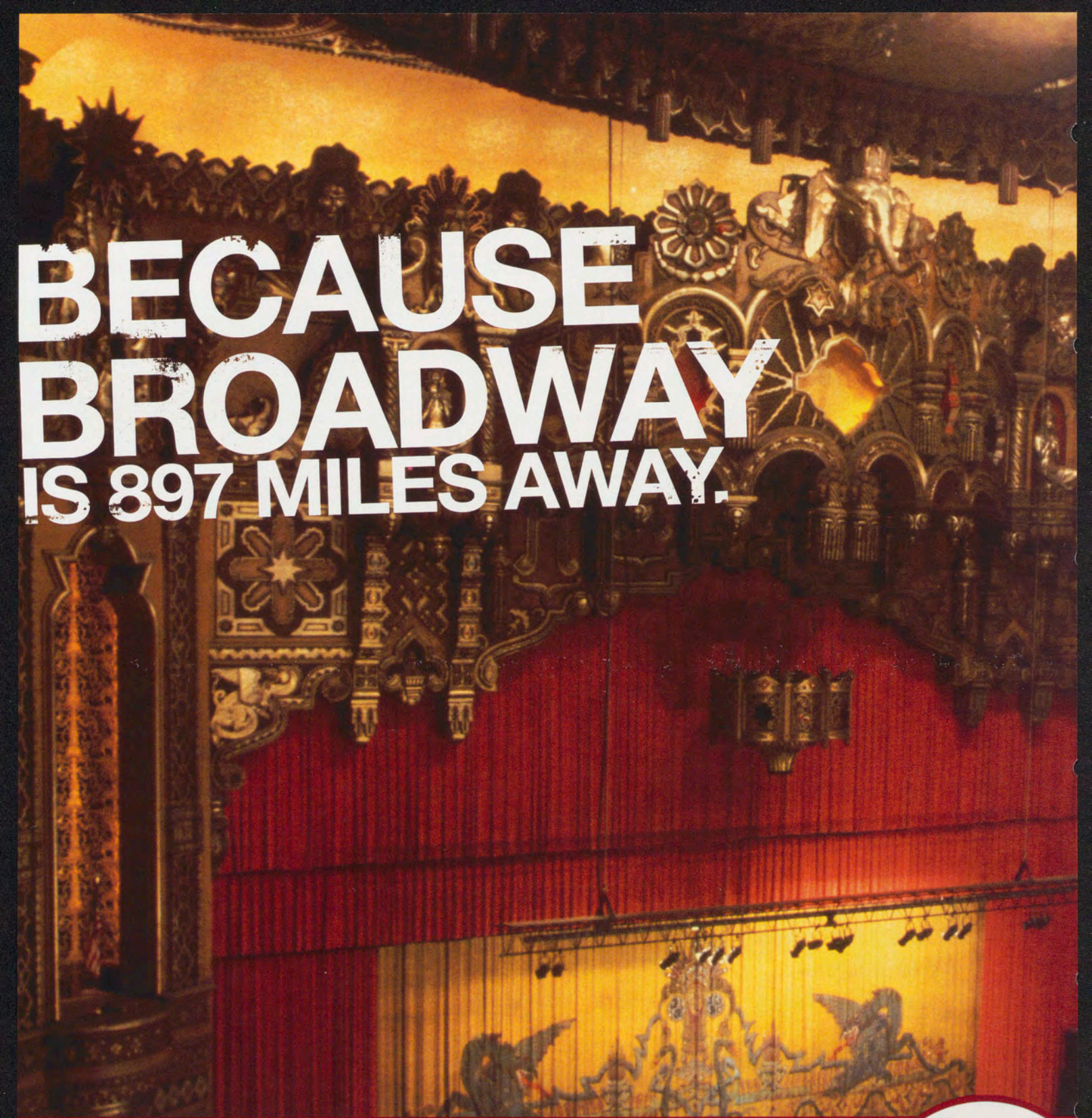
"I made it a goal of mine to see all there is to see in this country," says Mike. "I decided to go to all 50 states and I achieved it. I'm just such a fan of the American West—the geography, the terrain, the people and just the spirit, the unbridled enthusiasm of that part of our country. I really connect

with it somehow."

For now, this Rocky Mountain man remains somewhat displaced, but still dedicated to the Aaron's business he views as a once-in-a-lifetime opportunity.

"My favorite thing about this business is getting to work with my father," says Mike. "He has put his trust in me to grow and run this for him and my mother. Some days maybe it's a little bit of a heavy burden to bear, but other days—when things are going just right—gosh, you hope your folks are really proud of you and you're proud of yourself for doing the right thing." ■

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



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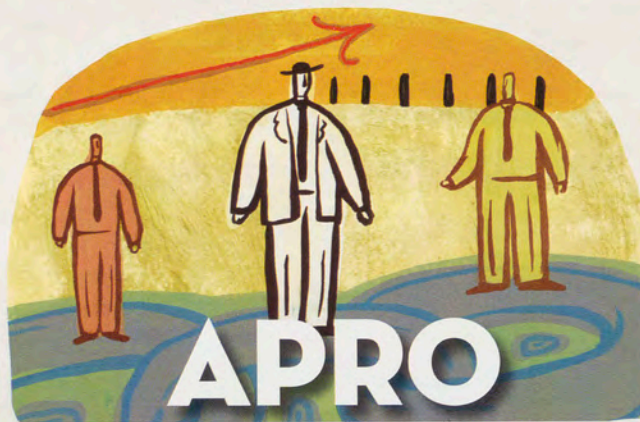
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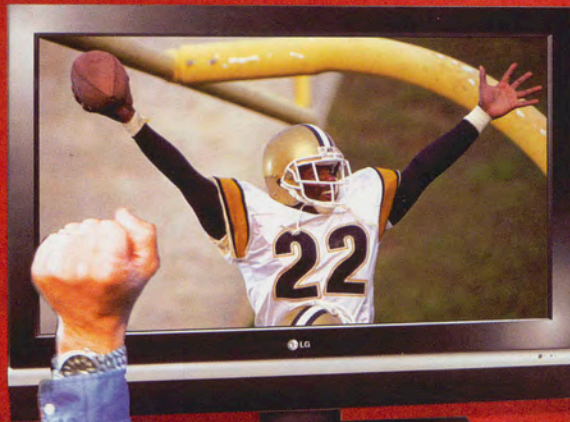
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