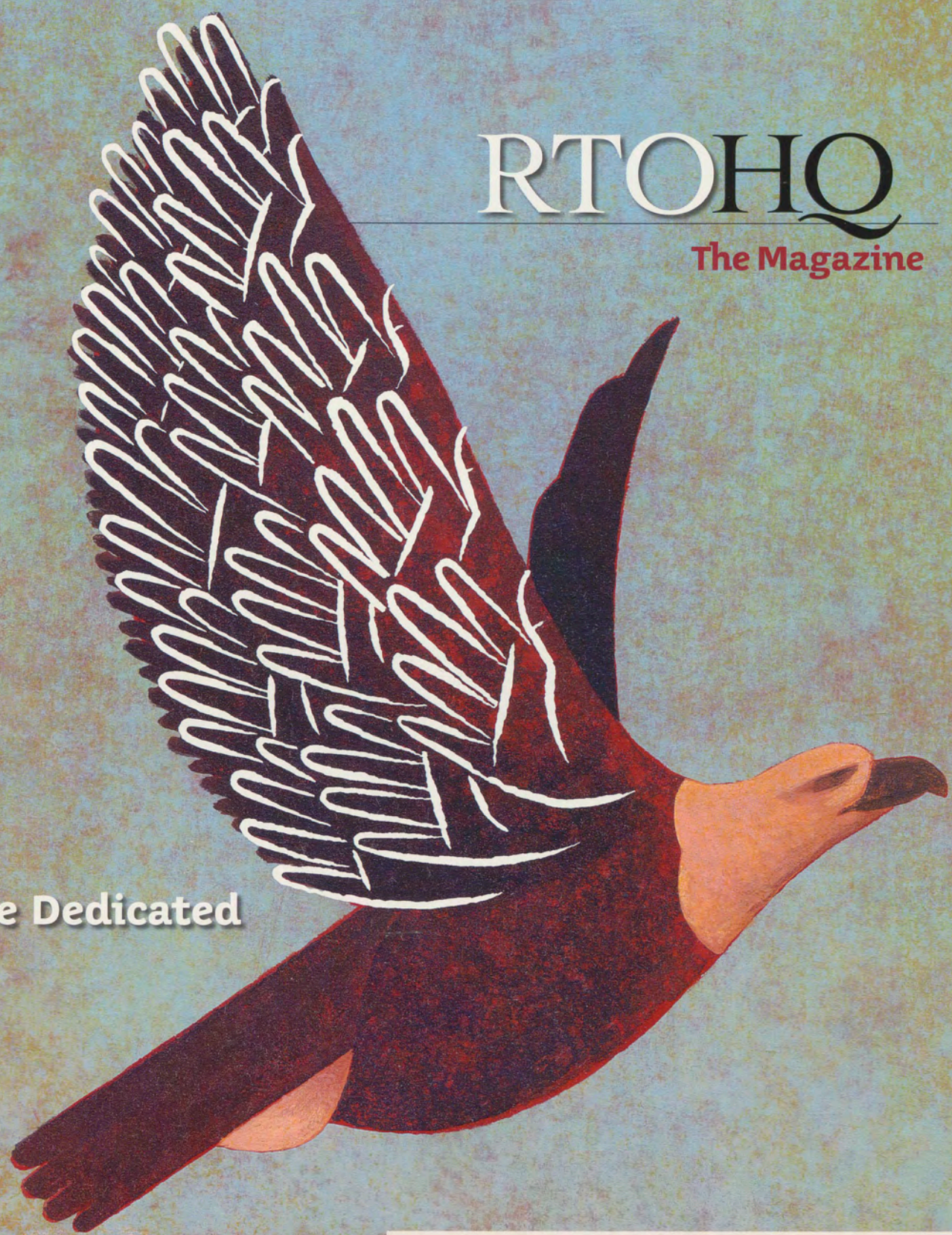


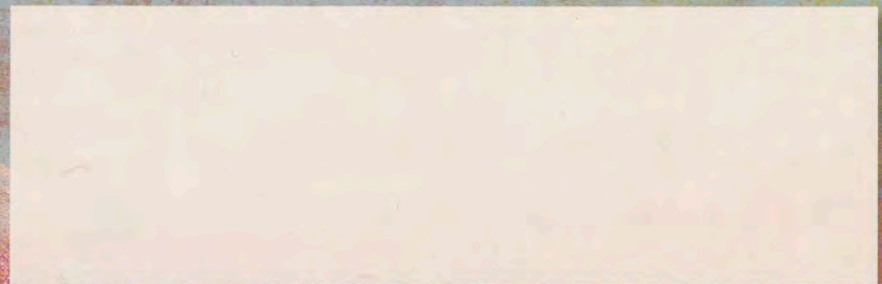
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RTOHQ

The Magazine



The Dedicated





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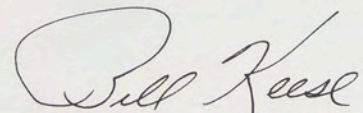
This issue of *RTOHQ: The Magazine* is dedicated to “The Dedicated.” There are countless professionals in our industry who have committed themselves to making a big difference in their own lives and in the lives of others. They exhibit the profound sense of self and giving to make everything around them better. We have selected three such individuals who represent the finest of qualities in rent-to-own. These dedicated employees have made a huge difference in their companies and, in so doing, have given inspiration to others. With a combined 74 years of dedication to rent-to-own, discover why Dennis Adams, Angelo Gughicello and Craig Shewmake exemplify the heart and soul of our profession and a “stick-with-it” devotion rarely seen in the modern working world.

In recent months, the nation’s economic health has been on everyone’s mind and has millions of Americans wondering what might come next. APRO’s General Counsel Ed Winn III—who has dedicated himself for the past 28 years to protecting, building and studying rent-to-own and has helped educate the rest of us in the process—brings his unique perspective on the American economy and its effect on the RTO industry. In this issue’s article on “RTO and the Financial Crisis,” Ed examines past economic downturns and how rent-to-own fared during those times. We should all take some comfort in his historical perspective and know that life—and business—go on.

Twelve years ago, a father-and-son team came to Austin to visit with me on how they could better serve our industry. For more than a decade, Mike Gerwe Jr., his father Mike Sr. and his mother Joyce have built RES Accessories into a company dedicated to serving rent-to-own. We profile this family business within these pages.

With dedication as our theme, I would be remiss if I didn’t write a word or two about the team you have working for you in Austin, Texas. Ten staffers have a combined 154 years experience dedicating themselves to APRO and its members. No other entity in our industry can even come close to the experience and insight that you have working for you at APRO headquarters. It has been a pleasure for all of us to see this industry grow and prosper. At APRO, we will *always* put the best interest of this industry ahead of anything else we do.

Enjoy this issue of *RTOHQ: The Magazine*. Then, look around your store and company and acknowledge the dedicated professionals who make a difference in your life and the health of this industry.



APRO’s executive director
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Cover illustration by Barry Fitzgerald

Barry Fitzgerald is an associate professor of illustration at the University of Kansas has been a professional illustrator since 1988. He has received more than 100 awards for his work. His clients include *The New York Times*, *Los Angeles Times* and *Consumer Reports* magazine.

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RTOHQ

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Editor/Art Director

Neil Ferguson

Executive Editor

Ed Winn III

Director of Marketing (Advertising)

Cindy Ferguson, CEM

Executive Director

Bill Keese

Contributors

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

Director of Circulation

Laurie Hill

Editorial and Advertising Offices

1504 Robin Hood Trail

Austin, Texas 78703

512.794.0095; fax 512.794.0097

nferguson@rtohq.org

www.rtohq.org

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John Raines

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John Darden, Dwight Dumler, Dave Edwards,
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RTO Matters

Congress 2009: New challenges and new opportunities

The outcome of the November 4 elections will usher in a large contingent of new faces and new initiatives on Capitol Hill beginning in January. The shift is decidedly Democrat and the rent-to-own industry must strive even harder to help new members of Congress—as well as those returning—to understand our transaction and the need for fair RTO legislation. The industry's lead sponsors in both houses of Congress are Democrats; but RTO's leading opponent on Capitol Hill is a Democrat, too.

It would be fair to say that we have our work cut out for us. That makes APRO's 2009 Dave Egan Legislative Conference, April 21-23 in Washington, D.C., a crucial gathering indeed. The association is urging all members to attend.

In the past few years, New York Senator Charles Schumer has introduced two bills in the Senate designed to put rent-to-own out of business and he's held national press conferences to publicize those bills. Now he has a Democratic president and

much stronger Democratic Congress to support his agenda. Schumer is the third most powerful U.S. senator and in January 2009 he will be even more powerful, with 57 Senate Democrats on the Hill.

Representative William Lacy Clay (Missouri) and Senator Mary Landrieu (Louisiana) need grassroots support for their balanced legislative approach for regulating the rent-to-own industry in order to counter the power and influence that Schumer and other liberal Democrats now wield.

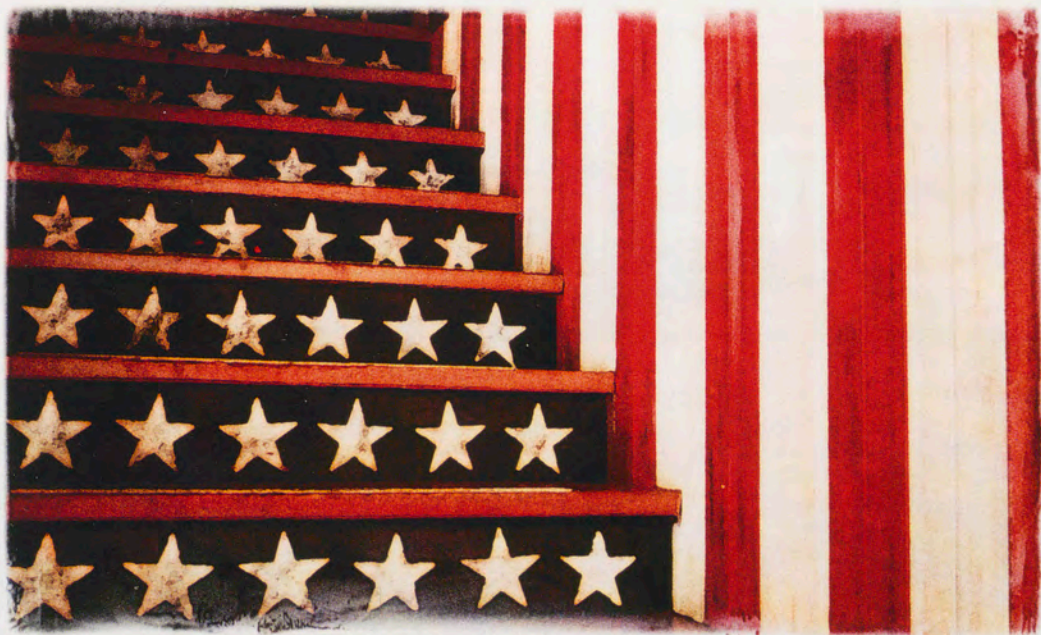
Clay has already indicated that he will have a hearing on his rent-to-own bill in the new session—a bill that the RTO industry

endorses—and it is paramount that rental dealers and vendors offer the support necessary to move his positive legislation through Congress.

In light of recent economic conditions, financial regulations will be the number-one priority in the upcoming Congress. Specifically, the House Financial Services Committee and the Senate Banking Committee are considering comprehensive financial omnibus bills directly addressing subprime financial transactions. In past sessions of Congress, one of the industry's challenging hurdles has been the fact that the RTO bills have not been germane to the legislation



moving. In 2009, that will not be the case. The rent-to-own transaction and its federal legislation affects the subprime customer—and subprime financing will be addressed in Congress. Legislators will have a choice of which rent-to-own regulations to send to President Obama—Schumer's version or that brought forth by Clay and Landrieu. Your grassroots participation will be crucial in dictating which prevails and that, in turn, will dictate the future of your business.



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Rent-to-own loses co-sponsors

Senate sponsor of rent-to-own legislation Mary Landrieu (D-Louisiana) will return to Capitol Hill next session, having defeated Republican John Kennedy 52 percent to 46 percent. Landrieu is the sponsor of the Senate version of the industry-backed *Consumer Rental Purchase Agreement Act*. Missouri Congressman



William Lacy Clay, sponsor of the House version of the bill, ran uncontested and will serve his fifth term beginning in January. Under Clay's sponsorship, H.R. 1767 gained 99 co-sponsors this session—the largest number of co-sponsors the bill has ever received in the House. However, only 86 of those 99 House RTO co-sponsors who sought re-election will be returning to Congress next year. Co-sponsors Tom Feeney (R-Florida), Nancy Boyda (D-Kansas), Robin Hayes (R-North Carolina), Phil English (R-Pennsylvania), Virgil Goode (R-Virginia) and Nick Lampson (D-Texas) were defeated in their re-election bids. With the shifts in power on Capitol Hill, it's imperative that rental professionals take the rent-to-own message to Washington, D.C., and there's no better way to do so than during APRO's 2009 Dave Egan Legislative Conference, April 21–23.



Both the Senate Banking Committee and the House Financial Services Committee are chaired by liberal Democrats who support Schumer's approach to rent-to-own regulations. In January, there will be more than 30 new congressional members who will need to be educated about rent-to-own and supportive RTO legislation.

During APRO's 2009 Legislative Conference, a well-organized and passionate group of rental professionals will meet with as many congressional offices as possible, educating legislators on the transaction and explaining the need for fair legislation. The grassroots support APRO members put forth as a unified voice for rent-to-own will help determine the industry's future. To register for, or

receive more information on, APRO's Legislative Conference, contact Jeannie Hutchison at 800/204-2776, ext. 108, jhutchison@rtohq.org. Register online in APRO's E-Communities section of www.rtohq.org.

—Richard May

Speak up!

The success of APRO's seminar program—held each year during the APRO Rent-to-Own Convention and Buying Show—rests largely on the talents of volunteer speakers from the rent-to-own industry. The seminar evaluations submitted by attendees each year indicate that these "industry insider" seminars are often the most valuable, thought-provoking and educational of the nearly

dozen sessions held at the convention. It makes sense really; who better to offer insights that can help your business grow than other rental dealers who have been there, done that?

With this in mind, APRO is seeking RTO professionals willing to participate as speakers for the association's 2009 seminar program to be held at APRO's Rent-to-Own Convention and Buying Show, August 30–September 2 in Las Vegas. Sharing your experience and ideas with others helps the industry as a whole.

At the 2008 Convention, rental dealers Dave Edwards and Brian Brereton, both with SEI/Aaron's, presented a provocative session titled "Growing Your RTO Business—One Customer at a Time." Of the 80

attendees who completed the post-seminar evaluation, 44 deemed the session's content "excellent." Other rental dealers who have contributed their expertise to APRO's seminars in the past few years include Mike Tissot, David Moore, Gloria Homeier, Sidney Burton, John Raines, Ernie Lewallen, David P. David, Terry Beville, Dan Cole, Fred Pearson, Larry Carrico and Jess Fisher, among others.

If you don't like the solo spotlight, consider participating on one of the panels held as part of the annual seminar program. At the 2008 Convention, for example, a bankers' panel comprised of three RTO financial experts conducted an informative presentation titled "Financing Tips for Your Rent-to-Own Business." Panelists Reed Allton, David Belt and Greg Heggemeier received rave reviews from attendee evaluations. "If you need money to finance your RTO business, this was the seminar to attend," remarked one attendee.

If you're committed to making the rent-to-own industry even better, consider this opportunity



Employee Q&A: What's in store?

In each issue of *RTOHQ: The Magazine*, we're asking a rent-to-own employee to give us a taste of the in-the-store, on-the-floor experience. Kathy Brewer is a store manager for Zion's Television Showrooms.

How long have you worked in rent-to-own and how did you get started in the business?

I started out in rent-to-own as an office clerk. I saw an ad in the local newspaper and applied. I worked two years as an office clerk and was promoted to manager and have been managing for three years now.

How has the rent-to-own business changed since you first became involved? Any emerging trends within the business?

When I first started in rent-to-own, I noticed our customer base was limited. A lot of people had mixed or negative feelings about RTO. Today, people are realizing that rent-to-own is a positive thing, offering no obligation to keep merchandise, good warranties and affordable prices.

What do you like best about your job?

I love dealing with people and knowing that I have helped someone get something that otherwise he or she would not have been able to afford.

With the economy in a downturn, have you noticed an effect on your store—i.e., has business changed with the economic shift and the higher price of gasoline?

I did notice when gas prices began to rise, people were renting the basic necessities such as appliances and furniture more than luxury items such as video game systems and stereos.

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

Computers and appliances are our most popular items. Computers have over time become more and more popular. Now, being in the digital age, customers are wanting high-definition TVs and players as well.

How do you keep up with the latest products—styles, technologies, etc?

We research all products and any new technologies that we receive. We read owners and instruction manuals and also, use the Internet for research.

Are there any products you think should be added to the RTO mix that currently aren't being offered?

I think that musical equipment, such as keyboards and guitars, would be a great idea. Recreational equipment—pool tables and foosball tables. Also, electric or gas fireplaces.



Kathy Brewer

Zion's Television Showrooms, Middlesboro, Kentucky

What is it about your store that brings customers in—i.e., why do they go with your company over the competition?

Zion's is a family-owned business; so, of course, we want to treat our customers like family. We want to learn about them and their lives. We also keep our store and merchandise very clean and organized; we want to make it a very inviting place for our customers.

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

What is high definition? People are still learning about it and are fascinated with the picture quality. We also get questions about warranties. Customers want to know what types of warranties we offer with our products.

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

I enjoy listening to music and watching movies. I also love to cook and spend time with my friends and family.

Where do you see yourself in 10 years? What will you be doing?

I hope to progress further in my career. I would like to be an operational manager.

What is your motto in life?

To live life each day and just enjoy every minute of it. And no matter what you do in life, put your best foot forward. —Neil Ferguson

to share your ideas with fellow rental professionals. You don't have to commit fully at this time, but if you're interested in the prospect of volunteering for APRO's seminar program, or you have a topic that you think others would like to learn about, contact Shelley Martinek, APRO's education director, at 800/204-2776, ext. 109, smartinek@rtohq.org. You will be contacted well in advance of the 2009 Convention to discuss how you can help others in the rent-to-own industry by sharing your experience.

—Shelley Martinek

Days of the Roundtable

Did you know that you can download the results of the 2008 All-Industry Roundtable, held August 12 in St. Louis during the association's Rent-to-Own Convention and Buying Show? Since its inception in 2006, the annual All-Industry Roundtable session has been wildly popular and informative. The format encourages attendees to participate in lively discussions about all things rent-to-own: changes in the industry, community



involvement, RTO legislative initiatives, employee issues, business mistakes, new technologies, RTO statistics and much more.

What makes the All-Industry Roundtable even more worthwhile is that

attendees are given immediate insight on the issues under discussion via an interactive keypad-response system that displays polled results on large monitors throughout the duration of the session. For example,

APRO backs computer donation program, vows to fight cyber crime

The APRO Board of Directors has unanimously backed an initiative to help put computers in the hands of students and bridge the digital divide in under-resourced schools across the country. The board approved the rent-to-own industry's "Computers for Kidz" program—an initiative the association has helped organize with partnering state associations in New York and most recently Missouri—during its fall meeting held November 3–5 in Austin, Texas.

In addition to providing much-needed computer equipment for elementary and secondary schools, the "Computers for Kidz" program helps rent-to-own dealers develop positive relationships with their local legislators. APRO and state rental dealer associations are coordinating with members of the U.S. Congress and their staff to identify schools with significant technological needs. Rent-to-own dealers then either contribute or purchase computers to be donated to those schools.

The program was initiated in 2007 when New York Congressman Edolphus Towns urged rental dealers to contribute to one of his favorite charities—a computer learning center for disadvantaged youths in Brooklyn. APRO's 2007–08 President Larry Carrico and New York State Rental Dealers Association President Dave Edwards coordinated the dona-

tion of 15 desktop and laptop computers through NYSRDA members and presented them to Congressman Towns in September 2007.

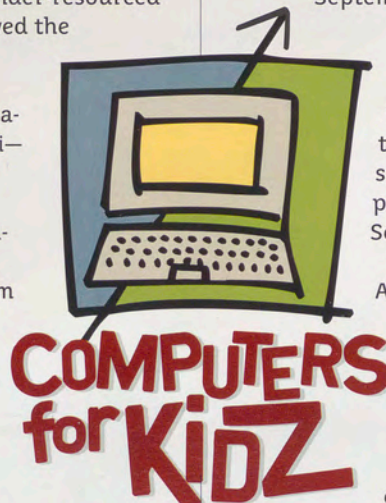
In March 2008, Missouri Congressman William Lacy Clay joined national, state and local rent-to-own industry representatives in bringing the "Computers for Kidz" program to St. Louis. On behalf of four area charter schools, Clay accepted 28 computers during a press conference at the Imagine Middle High School College Prep.

"It heartens me to be in partnership with APRO in a program like this that we know will have a positive effect on the young people in the St. Louis community," Clay says. "It shows me they care about the communities they serve and the plight of our young people and their future."

"This is a great opportunity to give kids in certain communities the opportunity to compete on a level playing field," APRO President

Tiger John Cleek says.

In a separate move, the board also approved a nationwide education campaign to deter cyber crimes against children. State rental dealer associations are encouraged to partner with local attorneys general to provide Internet safety tips to customers renting computers. —Murlin Evans



here's a question posed to rental dealers who attended the 2008 Roundtable: "What do you find is most effective in keeping your employees motivated?" Within seconds, the keypad poll results were on display: 4 percent responded "coaching"; 45 percent said "pay incentives"; 43 percent responded "recognition"; 4 percent said "training"; and 4 percent replied "prizes/vacations." Sixty-five questions were posed at the 2008 Roundtable by moderator Tom Krapu.

Results of the 2008 Roundtable—which included the participation of 200 rental professionals from companies both large and small—are available free to those interested. To download a copy of the data as a PDF, visit www.rtohq.org/pdfs/APRO_2008_Roundtable_report.pdf; or contact Shelley Martinek, APRO's education director, at 800/204-2776, ext. 109, smartinek@rtohq.org.

—Shelley Martinek

Dumler replaces DeMoss on APRO board

Robert DeMoss, executive vice president and general counsel of Rent-A-Center, resigned from the APRO Board of Directors during the board's fall meeting held November 3–5 in Austin, Texas. Rent-A-Center's Dwight Dumler was selected by the board to fill the position.



DeMoss said he "deeply regretted" his decision to step down, but that the position would be better served by someone who could dedicate more time to government affairs.

APRO First Vice President Robert Briley nominated Dumler, Rent-A-Center's senior vice president of government affairs, as DeMoss' replacement and the motion was unanimously approved by the board. The board has full discretion to elect a replacement to board vacancies, according to APRO Legal Counsel Ed Winn III.

DeMoss was first elected to the APRO board in 1996 and has served as both first and second vice president for the association. He was elected to the board this past August after replacing Rent-A-Center's Chris Korst in 2007.

"I think it extremely important that Rent-A-Center be represented on the APRO board," DeMoss says. "I think it equally important that that representative be the person directly responsible for the company's government affairs."

Dumler will serve out DeMoss' two year term ending August 2010. With more than 11 years of experience in the rent-to-own industry, Dumler is well acquainted with rent-to-own issues and has worked for both RentWay and Rent-A-Center.

—Murlin Evans

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The Premier Companies Annual Dealer Convention, Omni Royal Orleans, New Orleans, Louisiana. For more information, contact Tony Craig at 866/674-0831, tonycraig@premierrents.com; or visit www.premierrents.net

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

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

April 13–15, 2009

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

April 21–23, 2009

APRO's 2009 Dave Egan Legislative Conference, L'Enfant Plaza Hotel, Washington, D.C. For information, contact Jeannie Hutchison at 800/204-2776, ext. 108, jhutchison@rtohq.org; or visit www.rtohq.org; conference details are on page 5 of this magazine.

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eBuzz: RTOHQ's E-Communities

Two years ago, APRO launched E-Communities, an online forum for rental dealers and vendors to exchange ideas and opinions about all things rent-to-own. We urge you to visit the E-Communities at www.rtohq.org; you're bound to find some tips to help you run a better business.

While APRO's E-Communities is a wonderful forum for the exchange of information between rent-to-own professionals, it is also a worthy resource for downloading documents that help rental dealers run their businesses. Recently, APRO's Legal Counsel Ed Winn III offered some sample waivers that rental dealers should consider downloading and having in their stores. Here is Winn's explanation of those documents:

The rent-to-own industry prides itself on being a service-oriented business. RTO dealers go the extra mile for their customers and are providing much more than a mere television, appliance or piece of furniture. Rent-to-own service is evidenced in most dealers' agreements to keep the product in good working condition during the term of the agreement and to provide a loaner if the unit has to go into the shop for repairs. Part of RTO service includes careful and complete installation of the products when they are delivered. Customers do not have to load a big box in the back of the truck and take a product home from an RTO store. Rent-to-own stores typically deliver the product and make sure that it is correctly installed and working properly before the delivery people leave. That is all a part of the industry's service package.

Occasionally, however, a dealer will be unable or unwilling to complete a part of the installation process. This can occur with anti-tip devices for stoves or exhaust hoses for dryers. In such circumstances, dealers should get a waiver, if possible, from the customer explaining what the company is not going to do and the dangers of operating the product without having the applicable device properly installed.

In RTOHQ's E-Communities, APRO has posted examples of these waivers that are easily accessible and can be downloaded. To do so, visit www.rtohq.org and log in to the E-Communities section of the Web site. Members will need their log-in name and password. If you don't know that information, contact Laurie Hill at 800/204-2776, ext. 103, lhil@rtohq.org and she can help you with your account. Once you've logged into

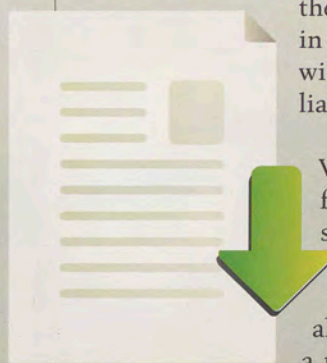
the E-Communities, click on "APRO Member Community," then on "View Complete Document Archive." The waiver examples are located inside of the folder titled "Releases, Waivers and Warnings."

Dealers should be aware that these waivers may not always work. In the case of serious bodily injury or loss, a court could rule that the waiver is void as against public policy, deciding that the rental dealer had a non-delegable duty to install the product properly with all of the safety devices attached. Nonetheless, if a dealer is not going to install anti-tip devices or dryer vent hoses, they should get the waiver, because in many jurisdictions, such a waiver will work to insulate the dealer from liability if something goes wrong.

In the same location on APRO's Web site, there is a general release for dealers to consider when they are settling a complaint with a customer. Anytime that a rental dealer pays a customer money for some alleged wrong, the dealer should get a release from the customer so that

the customer cannot later change his or her mind and decide that what the dealer paid was not sufficient.

These kinds of releases are fairly standard and will work most of the time to cut off future claims by the same customer over the same issue. For example, a dealer settling a claim of bed bugs by the customer will want to get a release signed by the customer to prevent future claims that the bed bugs came back and the customer wants still more money, free furniture, etc.



Florida Rental Dealers Association deals a winning hand at its annual meeting

Tampa, Florida, was the site of the Florida Rental Dealers Association's Norman "Slats" Slatton Golf Memorial, Vendor Mingle and Annual Meeting held September 15 and 16. There was also a table-top exhibit show featuring rent-to-own vendors and a Casino Night party.

1. Golfers Paul McKean, FRDA President Chris Kale, Paul Schaller, Ernie Alonso, Larry Pividal and Jeff O'Conner
2. FRDA's Casino Night
3. FRDA meeting participants
4. Chet Pensak, Inform Print & Promotions, at the table-top exhibit
5. Golfers Brian Duke, Rose Alvarez, Jan Arnett, Lynda Lethco, Mike Van Huesen and Eric Williams
6. Buddy's Jamie Slatton and Joe Gazzo proudly display the company's logo on the Tampa Bay Buccaneers' stadium score board.



Aaron's takes to the Hill

In October, Aaron Rents announced that it is dedicating a day of its April 2009 managers meeting to visits with members of the U.S. Congress regarding passage of the Consumer Rental Purchase Agreement Act. APRO will help coordinate the event. "This will be 10 times the number of constituents than we've been able to bring to Capitol Hill at any one time," APRO President Tiger John Cleek says. Aaron's anticipates more than 300 will visit Congress during the meeting, which will be held one week before APRO's Dave Egan Legislative Conference. Pictured at left: APRO Executive Director Bill Keese, Aaron's Beth Gibbs, Tiger John Cleek, Aaron's Bill Hickey and Tiger John Cleek Jr. at Aaron's headquarters in Atlanta, Georgia.

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Illinois talks legislation, elects new board

Rental dealers and vendors met in Springfield, Illinois, in October to convene a meeting of APRO's 2008 "Most-Improved State Association."

1. IRDA's new board: David Keen, Casey Pristou, Ken Hollis, Brent Tedrick, Vice President Kevin Milliron, Treasurer Larry Carrico, Secretary Henry Baird, Jason Chenault, President Steve Braning and James Richard
2. Ken Steiner and APRO President Tiger John Cleek
3. IRDA lobbyist Herman Bodewes
4. Steve Braning and Henry Baird

RSSS helps its users stay in ship shape

RSSS marked its 25th anniversary Users Conference October 6-8 in Corpus Christi, Texas, with golf, technology education, brainstorming and dinner aboard the USS Lexington.

1. RSSS User Conference participants Dan Companion and Angel Diaz, with moderator Jan Miller, standing.
2. Golfers Dan Gawel, Doug Funk, Patrick Spenser and Larry Carrico
3. RSSS Users Conference participants aboard the USS Lexington
4. RSSS General Manager Ellison Crider and High Touch CEO Wayne Chambers recognize Mike Silver (center) for 25 years of service to RSSS.
5. Crider with Jason Acosta and Kevin Schumpzler of SonicWall, sponsors of the Evening on the USS Lexington
6. Wayne Chambers and John Rogers



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See page 455 in 2009 Catalog



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Georgia re-energizes state association

More than two dozen attendees representing 200 stores in Georgia helped re-organize the long-dormant state association October 22 in Atlanta.

1. Bill Keese, TRIB Group Executive Director Dennis Shields, GRDA President Andrea Bozeman and APRO President Tiger John Cleek
2. Industry lobbyist Sam Choate and rental dealer Chris Bolan
3. Florida dealer Terry Beville
4. GRDA's board: Mark Kresch, Matt Baker, Jeremy McAllister, Secretary/Treasurer Beth Gibbs, Vice President Dan Kniesly, President Andrea Bozeman, Bill Kelly, David Deignan and Bruce Kemp; not pictured: Chastity Byrd



TRIB Group minds its business

The best and brightest attended TRIB Group's annual "Meeting of the Minds," held October 22 and 23 in Atlanta, Georgia. More than 100 attendees representing 48 companies shared insights on everything from successful product lines to employee management techniques. "This was definitely one of the best," according to Dennis Shields, who has served as the buying group's executive director for almost nine years. "There was spirited discussion about many topics and just the right amount of people to keep things moving."

1. Ohio rental dealer Paul Russell
2. TRIB Group's Vendor Mingle
3. TRIB Group President Ernie Lewallen addresses participants.
4. TRIB Group Vice President Lyn Leach
5. Ron Duncan and Ron Duncan Jr.
6. TRIB Group Executive Director Dennis Shields welcomes attendees.



Reporting and photographs by Murlin Evans

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Texas Association of Rental Agencies is off to the races

Southwest-based rental dealers convened October 12 and 13 in Irving, Texas, for the Texas Association of Rental Agencies' 25th annual Convention and Buying Show. More than 40 exhibitors and 160 attendees attended the show.

1. Paul and Pryor Cowan with Cathy and Ed Wisdom at TARA's "Evening at the Races" held at Lone Star Park
2. Golfers Paul Cowan, Mike Talley and Mike Wood
3. Dan and Susan Matthews, Bob and Kathy Bloom, Dwight and Caron Dumler at Lone Star Park
4. Texas State Representative Burt Solomons addresses the gathering; Dwight Dumler is pictured at right.
5. Magician Bo Gerard clowns with dealer Pat McGee of Your Way Rental.



APRO Board of Directors and Vendor Advisory Committee gather in Austin

APRO's Board of Directors met in Austin, Texas, November 3-5 to review the goals of the 11 committees that fall under its jurisdiction. The gathering coincided with a meeting of the APRO Vendor Advisory Committee, which provides input into matters affecting vendors and exhibitors.

APRO's 2008-09 BOD and VAC:

APRO's legal counsel Ed Winn III, Gloria Homeier, Larry Goad, Michael Gerwe Jr., Sidney Burton, Bill Kelly, Tiger John Cleek, Wayne Chambers, Larry Carrico, Scott Kinneer, Richard Rose, John Raines, David P. David, Dave Edwards, David Kraemer, APRO Executive Director Bill Keese, Ron DeMoss, Jamie Slatton and Dwight Dumler



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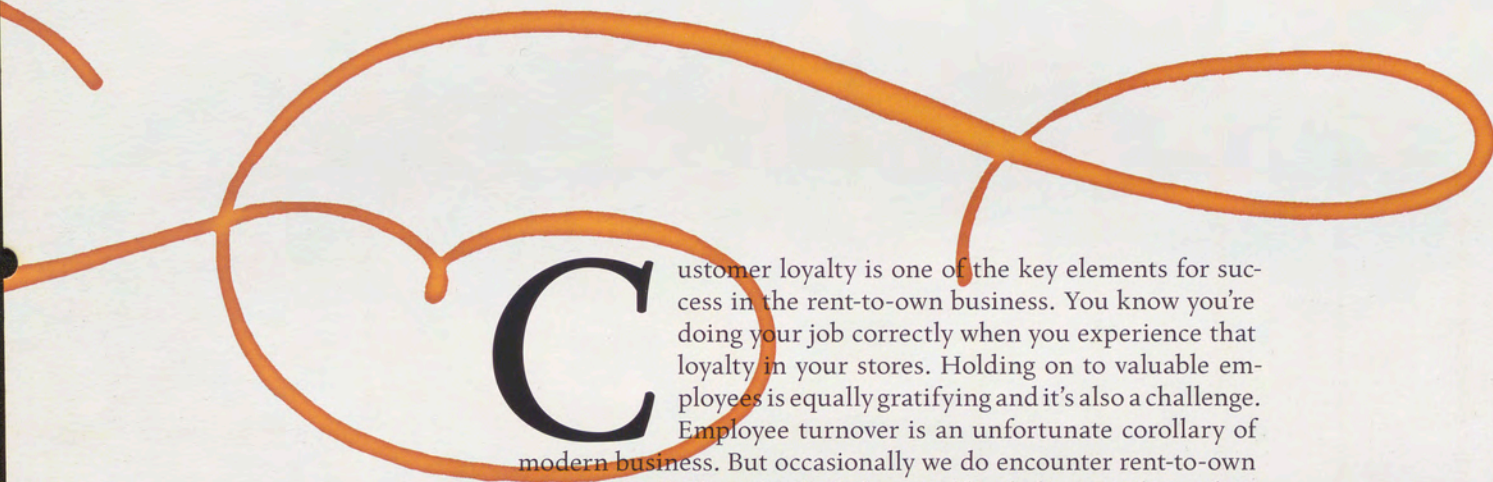
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**Leadership is a
two-way street,
loyalty up and
loyalty down.
Respect for one's
superiors; care for
one's crew.**

Grace Murray Hopper

The Dedicated



Customer loyalty is one of the key elements for success in the rent-to-own business. You know you're doing your job correctly when you experience that loyalty in your stores. Holding on to valuable employees is equally gratifying and it's also a challenge. Employee turnover is an unfortunate corollary of modern business. But occasionally we do encounter rent-to-own employees who have bucked the trend by dedicating themselves to our industry over the long haul.

Recently, APRO has profiled those who go the extra mile for rent-to-own on Capitol Hill ("The Connectors") and the heads of RTO's public companies, Aaron Rents and Rent-A-Center ("The Titans"). In this issue of *RTOHQ: The Magazine*, we salute "The Dedicated," longtime rent-to-own employees who have been in the trenches—on the floor, in the store—and maintain a zeal for working in our industry. They might not be running their own companies, but they're responsible for helping make their companies run.

Dennis Adams, Angelo Gughiocello and Craig Shewmake each exemplify the model employee, helping nurture the growth of the companies for whom they work—Full-O-Pep Appliances, Partners Sales and Leasing, and Briley Investments/Aaron's, respectively. Their longevity in rent-to-own is an inspiration in a business climate that typically sees employees come and go in rapid succession. If turnover is an accepted part of the business, then these guys are exceptions—and exceptional. —Neil Ferguson





Craig Shewmake

BRILEY INVESTMENTS/AARON'S, ABILENE, TEXAS

This CFO counts on striking a balance between the predictability of his numbers and his boss' flair for the unexpected

By Kristen Card

For someone who almost proudly purports to be “boring,” Craig Shewmake, vice president and controller for Abilene, Texas-based Briley Investments, dba Aaron's, has a perspective on his career in the rent-to-own industry that's really rather interesting: with 25 years of rent-to-own under his professional belt, Shewmake still doesn't consider himself an RTO guy.

“I'm the guy who deals with all the numbers, so what I'm doing isn't industry-specific,” Shewmake explains. “I think my favorite thing is working for Robert, and he happens to work in rent-to-own. If he were running Dairy Queens or something, then I'd probably still be working for him. Whatever Robert decides to do, I'm going to be there with him.”

“Robert” is company owner Robert Briley. The two have worked together for almost 30 years, having originally met at Western Marketing, a local petroleum distributor for Conoco products. Briley left that business to run his own Curtis Mathes franchise and, a couple of years later, hired Shewmake to handle the company's accounting. Among their commonalities, the pair share West Texas roots, a self-deprecating sense of humor and strong mutual esteem.

“Intellectually, I'm not that bright,” Briley laughs. “I'm a big-picture kind of guy. I was never interested in learning—I was interested in figuring out what the requirements were for me to make money. Craig's always interested in gaining knowledge and he retains everything.”

It's that love of learning that helps Shewmake stay satisfied professionally. A champion of innovation and creativity, he's ever-

seeking—and self-teaching—new technologies to help make his work more efficient; often he can be found lunching with the company's IT staff, talking over the latest firewall software or e-gadget. Briley's “big-picture” ideas keep Shewmake on his toes, too.

“Robert keeps it fresh for me to some extent,” Shewmake says. “He's always changing and growing, so we're not stagnant. There's always something new—we're buying or selling stores, he's exploring a new opportunity or new areas of business to get into. Whenever he returns from a meeting, he'll have 15 or 20 ideas he's all excited about to drop in my lap. He calls me the devil's advocate, because I consistently take a more pragmatic and pessimistic view of everything.”

“I'm overly optimistic and aggressive,” Briley concedes. “Craig will be the first one to tell me ‘no, you shouldn't do that’ or ‘you should do this.’ Whatever he says, I believe it. He's a total reality check.”

Briley says he frequently calls upon his friend and colleague for much more than just Shewmake's “financial oversight” job description.

“Craig enjoys doing for others,” Briley says. “He's a good listener, extremely thoughtful and conscientious. He can be anything he wants to be—he could be the operations manager, he's strong at advertising, he's a great trainer, he's incredibly organized and thorough. He's got it all. He simply prefers to do the accounting part of the business.”

“I used to be in marketing and management and I like the accounting side better because the numbers are always there when you want them, they don't talk back, they don't

CONTINUED ON PAGE 44



Anthony, Kalle,
Angelo and Michael
Gughiocello



THE DEDICATED

Angelo Gughiocello

PARTNERS SALES AND LEASING, TEXAS CITY, TEXAS

**Whether it's
with his kids,
customers or
colleagues, Angelo
Gughiocello
consistently puts
his "families" first**

By Kristen Card

When Angelo Gughiocello finally arrived in Texas City, Texas, it had been a long, strange road trip from his home in New York state—a two-day journey in an \$800 van (that lost a wheel in Mississippi), with his three kids, about 15 boxes of his life belongings and a store manager job waiting for him with John Spangle at Partners Rental (www.partnersrental.com).

"The kids had essentially been raised in the rent-to-own stores Angelo had worked in," Spangle remembers. "So the first day, his middle son, Michael, who was 10 at the time, comes walking into the store and doesn't say a word. He walks all the way around the store—it's about 8,500 square feet—comes over to me, looks me straight in the eye and says, 'I'm Mike.' I shake his hand and say, 'Hi, Mike. It's good to meet you,' and he says, 'I'll have this all cleaned up in a week.' That's the work ethic Angelo's got and he has definitely instilled it in his kids."

The moment classically characterizes the interweaving of Gughiocello's personal and professional lives into the extended familial structure that it is today. And by all accounts, this big family is also a happy one. Gughiocello has been with the company—now named Partners Sales and Leasing—for almost six years, where he's now operations manager overseeing six Texas locations—three in Texas' coastal region and three in the Austin area.

"He's everybody's best friend," Spangle says. "The customers just love him. Angelo's as honest and fair as the day is long, he just walks and talks integrity. And his greatest strength is collections; he knows how to talk

to people, how to be respectful and be firm, so he can say, 'Look, it's time. You need to come in to pay me.' To be a good collector, you have to have good relationships. That's what Angelo's all about."

Gughiocello's relationship with Spangle actually originated in 1996, when Renter's Choice—where Gughiocello had been working since 1989—acquired Magic Rent-to-Own—where Spangle had been working since 1990. Spangle, a company vice president, promoted Gughiocello from store manager in the small city of Hornell, New York, to a regional manager way down in Louisiana. Gughiocello amped up the area's profit from 2–3 percent to 13–14 percent within six months. But when he was confronted by his homesick spouse, Gughiocello requested a demotion so he could return with his family to New York. He and his wife eventually separated, but with full-time custody of his children, Gughiocello continued to turn down promotions and a few earlier proposals from Spangle to avoid excessive hours at the office. He accepted the Partners offer in large part because of Spangle's clear understanding and support of his single-dad status.

"John was always 'family first,'" says Gughiocello. "When I came to take over the Texas City store, we set up a playroom on the second floor for the kids to be after school and on weekends, so they had somewhere to do homework, watch TV, play video games or whatever. I've learned a lot about family values working with John."

Long hours are no longer a concern, but are now commonplace for Gughiocello, who's biggest challenge at work, according to Spangle, is going home.

CONTINUED ON PAGE 44



INDIANA

FOOTBALL

FOOTBALL

THE ROCK
FOOTBALL



THE DEDICATED

Dennis Adams

FULL-O-PEP APPLIANCES, BLOOMINGTON, INDIANA

After more than 30 years in the business, Dennis Adams still stands ready, willing and able to do whatever it takes to take care of business

By Kristen Card

I've never stayed home one sick day. I've never gotten up and said, 'I really dread going in to work today.' Every day, I'm ready to go." Full-O-Pep/American Rental (www.americanrentals.com) District Manager Dennis Adams likes his job. Which is a good thing, as it's been more than 30 years since the Bloomington, Indiana, native started working—straight out of high school—in a local appliance store, repairing televisions. Within a few years, the store was sold to Jim Hammond, who remains the now-retired owner. Within a few more months, Hammond, Hammond's brother-in-law David P. David and Adams were talking about transforming the company into a then-new-fangled business called rent-to-own.

"Jim bought an informational packet about the rental business from Bud Green up in Michigan," Adams remembers. "For \$100, you got a packet with an outline of the business and all the forms you would need to run it. And part of the deal was you could go up to visit his operation to see what he was doing and how it worked."

The three men did, indeed, take a field trip up to Kalamazoo Rentals to spend the day with owner Green—who must have been persuasive, because the trio decided en route home that they were going to try the rental business. Adams managed the company's first rental department.

Today, Full-O-Pep/American Rental has a flourishing 50 stores and three RNR Custom Wheels & Performance Tires locations across four states. Adams has helped open many of those locations and he oversees 10 key central Indiana stores. David, now vice president and general manager, characterizes Adams as

fiercely loyal, brutally honest, extremely hard-working and passionately enthusiastic.

"Whenever Dennis likes an idea, he just can't wait to get out and share with other people," David says. "When something needs to be done, Dennis doesn't think twice about getting in there, rolling up his sleeves and taking care of it. For example, every holiday season, he hooks up this long trailer to his truck and hauls product around from store to store to make sure the stores are stocked with what they need to take care of their customers. Dennis understands the importance of taking care of things—especially customers, making sure they get what they need when they want it. And he's definitely not afraid to get his hands a little dirty doing it."

"Our customers want what everybody else wants," Adams says. "But they just don't have the ability to get it. We create that for them. We've got customers today who are third-generation—it was the parents, then their kids and now their grandkids coming into our store, and that's so satisfying."

At the same time, Adams—who competed in track, basketball and football all through school and who has shared season tickets to Indiana University basketball games with his dad for more than 30 years—has a competitive streak that continuously keeps him striving for more.

"I'm never satisfied," Adams admits. "No matter how successful a store is, in my mind, it's still not where it could be. I love our busy seasons; I enjoy being out in the stores, moving a lot of product, carrying product back and forth between stores and searching for items they need. It's different every season, every day."

CONTINUED ON PAGE 44

RTO AND THE

FINANCIAL CRISIS

The current worldwide financial crisis has rental dealers fretting about their futures and rightly so. There is concern over whether the industry's lenders—mostly banks these days—will continue to exist and whether they will continue to lend to the industry. Then there is concern over whether consumers will continue to rent.

A business that buys a piece of inventory for \$750 and then rents it out for \$25 a week needs a steady supply of credit in order to keep buying inventory. Some dealers are salivating over what they are sure will be an influx of new customers whose suddenly perilous financial circumstances will require them to take a hard look at rent-to-own for the first time. Other dealers' mouths are dry from the fear that times will get so tough that American consumers will become too poor even to rent. No one—alas, not even the Harvard MBAs and economic advisors and their political bosses who drove the country into this mess—can predict the future with any accuracy.

This is not, however, the first economic crisis that the rent-to-own industry has faced, although it threatens to be the most severe and longest lasting. A quick look back at some previous hard times may provide insights into what widespread economic calamity does to RTO.

A review of economic calamities past and how they affected the rent-to-own industry

By Ed Winn III





While the rent-to-own transaction may have first surfaced in the 1960s, the industry did not really get going until the late 1970s/early 1980s. This was at the height of President Jimmy Carter's economic "malaise" of high interest rates, high gas prices and rampant inflation.

Most rental dealers at that time, and there were not very many, got their financing from one source, the commercial finance company Borg Warner Acceptance Corp. The lending was disciplined, with small lines that required dealers to pay off purchases in 18 months. These lending terms were the origin of the 18-month/78-week rent-to-own term in rental agreements. Dealers paid Borg Warner prime plus 6 percent. When the prime interest rate hit 20 percent briefly in the early 1980s, rental dealers were paying 26 percent interest on their credit lines—and were grateful to have access to the funds. Savvy rental dealers borrowed all they could, because in some states, the prime interest rate was higher than the usury rate and higher than the finance charge limits in retail installment sales acts, thus cutting off virtually all consumer credit. The RTO industry got a huge bump during this hard time with overall growth as much as 25 percent a year. Rent-to-own got an early reputation as being counter-cyclical and a recession-proof industry. Tom Devlin took Rent-A-Center public in 1983 because he saw the vast potential for the growth of rent-to-own and wanted access to public money to finance that growth.

On the consumer side, the "misery index" (unemployment rate plus inflation rate) reached its all-time high in June 1980: 22 percent. (The misery index was first calculated by economist Arthur Okun, an advisor to President Lyndon Johnson, in the 1960s.) It was 1986 before the index fell below 10 percent.

This era saw not merely a deep recession, but "stagflation": rising unemployment, negative growth in GDP and high inflation. In an ordinary recession, there is rising unemployment, negative GDP growth and falling prices. Even during this period of stagflation, the rent-to-own industry came into its own and grew at rates not seen before or since. Consumer credit was very tight and the demand for consumer goods was very high—the demand contributed to the inflationary pressure. These were ideal circumstances for RTO growth.

The next time the country fell on hard economic times was the recession of 1990–91. This recession allowed Bill Clinton to run and get elected president in 1992 using the slogan, "It's the economy, stupid." By this time, rent-to-own was well established in most markets. Rent-A-Center's startling growth, including its acquisition by Thorn EMI in 1986 for a

whopping 34 times monthly revenues—a nearly \$600 million purchase—attracted a lot of interest and a lot of money to RTO. Major finance companies, rather than banks, courted dealers and Transamerica Commercial, Chrysler Financial, GE Capital, McDonnell Douglas and others had large rent-to-own portfolios. It was not unusual for a dealer to have a line of credit equal to eight or even ten times monthly revenues on a revolving line, paying interest only, and dealers borrowed all they could for reasons good and bad.

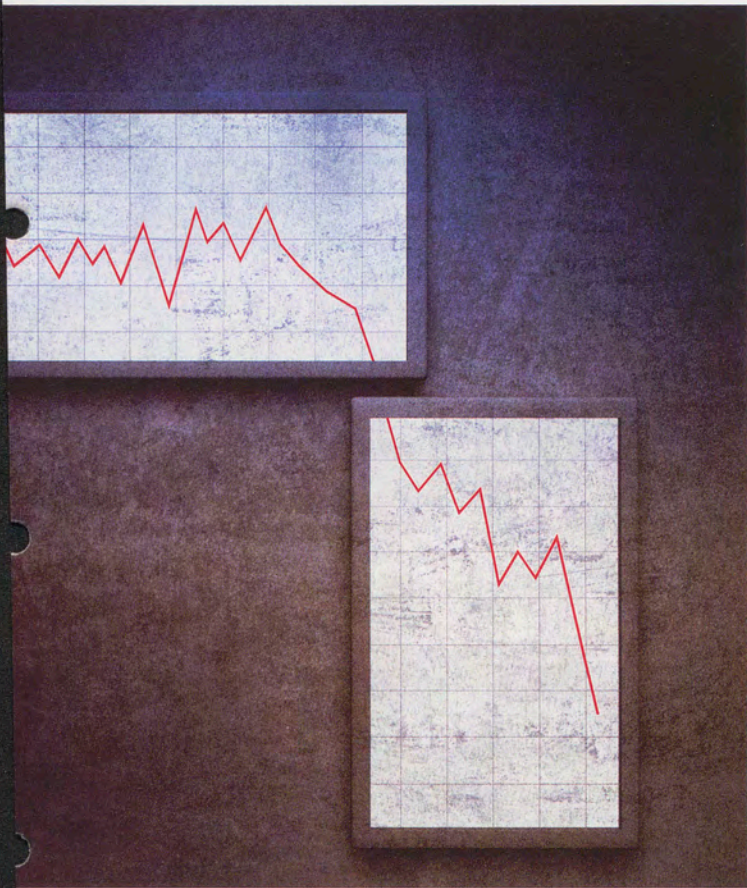
The recession in the early 1990s was not as broad or as deep as the previous one and did not drive hordes of new customers to rent-to-own doors. Many dealers were overextended because credit was so loose; when economic growth slowed and RTO growth along with it, a lot of dealers went under. The industry proved that it was not recession-proof after all. In 1991, Transamerica wrote off \$137 million in bad rent-to-own loans. The period saw the creation of Magic Rent-to-Own, a lender-created entity designed to operate some 350 RTO stores that had been repossessed. If rent-to-own lending was loose, consumer credit was even looser. The credit card age was born in the 1980s and consumer credit card debt has continued to grow exponentially until today (www.federalreserve.gov/historicaldata).

The rent-to-own industry that came out of this recession—a recession that saw the misery index creep over 10 percent for the first time since the early 1980s—was more disciplined, more professionally run and eventually more consolidated. The weak operators were driven out and the surviving companies saw opportunities to expand rapidly via acquisitions, which they exploited.



Today, on the lending side, the finance companies have been replaced by local banks and the public's investment in Rent-A-Center and Aaron's, which together operate more than half of the rent-to-own stores in the country. Lending is disciplined and growth has been modest and steady. For example, banks typically cap lending lines at two to four times monthly revenues, with a host of other negative covenants to control the loan. Conditions on the lending side of the industry are very different from conditions during the last recession. Still, this is not the time to be fussy with your lender. In fact, you want to buy him lunch, instead of the other way around.

On the consumer side, the misery index has not topped 10 percent, although it is trending up so far in 2008 and is a far cry from the early 1980s when it was twice as high. Consumer credit is tightening to a greater extent than perhaps ever before. By the time they get washed through the system, all of the mortgage defaults will increase the number of



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One might suppose that if the economy truly melts down into a worldwide depression with soup lines and former executives selling apples on street corners, then rent-to-own will melt down along with the rest of U.S. commerce, but that has not happened yet. There is no reason to predict or suppose that things will get *that* bad.

consumers with bad credit by millions. Credit card defaults are on the rise and some predict that the next spectacular financial failures will be some of the credit card companies. Consumer credit is tightening and that situation is akin to the early 1980s. An open question is whether the current situation—bleak and uncertain as it is—will also stifle consumer demand. If demand falls, then all consumer businesses, including rent-to-own, will suffer.

Lately, there has been a rise in layaway plans, according to the *The Wall Street Journal* (October 21, 2008). One Internet layaway company reported that sales have increased 91 percent over the previous year. This is some indication that, for the moment at least, consumer demand is being sustained—and that bodes well for rent-to-own.

Some dealers report anecdotally that as the bottom tier of customers has fallen away due to economic uncertainty, job loss, high gas prices and general belt-tightening, it has been replaced by new, higher-income customers. These customers are more demanding and less grateful to have a place to do business, but they are still paying customers, so far.

One might suppose that if the economy truly melts down into a worldwide depression with soup lines and former executives selling apples on street corners, then rent-to-own will melt down along with the rest of U.S. commerce, but that has not happened yet. There is no reason to predict or suppose that things will get *that* bad. There are checks and balances in place and at play that did not exist during the Great Depression to minimize economic crises.



In a behavioral note, the Great Depression yielded a generation that fostered the desire and will to defer gratification and save. By the 1960s, subsequent generations had lost those desires and replaced them with a desire for instant gratification. Savings rates in the country over time fell from more than 10 percent of income to less than 2 percent. The desire for instant gratification persists today and the marketplace has made every effort to accommodate that desire. It will take some time and some real pain to alter that behavior. In the meantime, rent-to-own is there for consumers who do not want to wait and who have lost their credit or are wary of using it in times of such uncertainty. As with all tough times, there are opportunities, and rent-to-own is as well-placed as any industry anywhere to offer consumers their goods and services at great values without the specter of debt and default. ✧

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



WHO IS YOUR **VICE PRESIDENT** OF

Sales Prevention?

**BLAME IT ON
THE ECONOMY OR
HIGH GAS PRICES,
BUT IT JUST MAY
BE THAT THE
BIGGEST OBSTACLE
TO YOUR COMPANY'S
CONTINUED GROWTH
IS STANDING INSIDE
YOUR STORE
RIGHT NOW**

Most companies have at least one. He's the chief culprit behind the missed goals and prolonged sales slumps heretofore attributed to everything from high gas prices to global warming. Sometimes he is easy to spot, but some digging may be required to identify this person who is at once the most expensive employee in the company and its greatest obstacle to steady growth. We're talking about the Vice President of Sales Prevention. You may believe that no such position exists in your organization and you could be right—unless any of the following describes your business lately:

- ▶ Whether you spend 2 percent or 6 percent of your revenue on advertising, the only things that go up are payroll hours and the owner's blood pressure. Things that go down include profit and cash flow.
- ▶ Everyone in the company has read the policy manual, the procedures manual and the latest executive essay on the value of customers, but returns—or, for those still stuck in the '70s, "pickups"—only slow down when the truck is in the shop or the store is closed. The company is considering a three-day workweek.
- ▶ While the local population has increased, the number of rent-to-own, sales-to-leasing, lend-lease and move-to-own stores has steadily decreased as a result of mergers and acquisitions. But you have yet to reap any benefit from this game of Last Man Standing. In fact, your rate of customer growth begins with a decimal point.
- ▶ Finally, you will know your Vice President of Sales Prevention is on the job when you give serious consideration to a new sales contest: Fewest Customers Lost.

The one unassailable metric in the rent-to-own industry is customer count. Arguably it is the most definitive means of measuring how effectively we deliver on our promises, present and past. Businesses grow by various means that always boil down to two factors: either more customers keep coming through the turnstiles or management figures out a way to soak the customers who already came through the turnstiles. In the second case, growth is manufactured through cleverness and maybe some tricky accounting. In the first, it is developed through careful research, wise strategies and responsive tactics. It isn't hard to figure out which organization will hit the wall first. The real measurement of any company's health is the number of new customers it is able to attract and retain, thus fueling revenue growth. Nipping all that in the bud is job one for your Vice President of Sales Prevention. But just identifying him isn't enough—the enabling bureaucracy must be dismantled and offsetting positives developed.

Any talk of lost business usually begins with the way employees handle late payers. In this case, that would be an incomplete exercise. It is unlikely that any assistant manager facing hard deadlines and intractable quotas is thinking about customer growth when she needs another four payments to win this month's "Keep Your Job" contest. But that person makes up only about a fifth of the work force in most companies. So a good number of other people share significant responsibility for the things that hinder growth. It is fairly easy to spot a pickup or return that needn't have occurred. A little retraining or direct involvement can stop or at least slow down most of those. A much tougher proposition is accounting for a rental sale that was never made to a customer who was never recorded, by a person who doesn't see either of those as a problem. Sometimes the answers are far from what they appear to be.

A little rent-to-own store in Ohio was in a slow downward spiral despite heavy advertising, aggressive promotion and well-intentioned staff and management. Deliveries never exceeded the relatively low levels of returns and write-offs. Meanwhile, the company's other store across town was thriving. Ideas emanating from home office included hiring commissioned salespeople and paying outrageous incen-

tives for new orders. Then someone with no agenda other than growth and no loyalties except to sales and profit spent a few days poking around the store. Soon, it was clear that getting orders was not the problem. Traffic was good and staff selling skills were generally high. Trouble was, nobody could turn all those new orders into deliveries. The process of verifying, tracking, organizing and scheduling was so dysfunctional that fewer than half of all orders written ever made it out the door. Once the potholes were fixed the store moved into the fast lane and stayed there.

The lesson is that sales and deliveries are two very different processes, requiring vastly different skills and abilities



for successful execution. The well organized *manager* must be complemented by a high-energy, hellishly competent and money-driven *sales leader* who can generate a steady supply of good orders that the *manager* can then turn into *customers* by doing all those "back-of-the-house" things correctly. When these roles are reversed or confused, employees lack guidance and the door is open for a Vice President of Sales Prevention to step up. It can be anybody: store manager, assistant manager, district manager. It is ironic that the concepts and processes that make up Rent-to-Own 101 can also be a blueprint for developing highly effective Vice Presidents of Sales

Prevention. All that's required is a little misdirection and a few misplaced assumptions in the following areas:

JOB DESCRIPTIONS. When these are little more than a long list of seemingly unrelated tasks and functions, apparently unrelated to getting new customers or satisfying existing customers, the right conditions exist for developing a Vice President of Sales Prevention. When hours must be devoted to process or detail with no clearly defined outcome, little time is left to create new sales opportunities or capture existing ones—two things that have very clear outcomes. Vice Presidents of Sales Prevention resolve this conflict by posting complicated work schedules and inventing new reports and forms to replace the ones currently not in use to record things that are not happening. Go into a store and ask who is in charge of sales. If you hear “We all are,” you can be sure that no one is.

GOALS AND INCENTIVES. The best compensation plans create significant rewards for producing well-defined outcomes, which are always measured in concrete terms over reasonable periods of time. The worst are obscenely

pay early and pay often are prized. Others have a short shelf life. This VP prefers employees with backgrounds in security work, correctional facility management, nuclear submarine safety and homeland security. Although the company—like most thriving rent-to-own stores—has replaced “collections” with “account management” or “customer development,” the Vice President for Sales Prevention has not.

RENTAL CRITERIA. In the summer of 1982, a few rental guys sat in a Waffle House in Charlotte, North Carolina, and came up with a matrix that, among other things, predicted which customers might be expected to move to nations that do not have extradition treaties with the United States or trade their rental furniture for a bass boat or pay late around Christmas and during factory layoffs. The group had plenty of time for such visionary output because none managed a store with more than 200 customers. The effective Vice President of Sales Prevention will expand on that seminal work and remove all risk from the rental equation by approving only orders from customers who don't need it this month, don't have the money yet or haven't made up their

The real measurement of any company's health is **the number of new customers it is able to attract and retain, thus fueling revenue growth. Nipping all that in the bud is job one for your Vice President of Sales Prevention. But just identifying him isn't enough—the enabling bureaucracy must be dismantled and offsetting positives developed.**

complicated and contain more loopholes than a mail-order dental plan. Top performers always gravitate to workplaces where the pay plan is transparent, goals are attainable and sufficient resources are available. Ignoring this, Vice Presidents of Sales Prevention revel in maze-like action plans with hopelessly optimistic outcomes and incentives apparently based on Mayan astrology. Their idea of a good delinquency-reduction plan is clearing more space in the back for returns. During sales meetings they whisper knowingly that sales incentives are designed for people in good markets where there is no competition and prices are lower.

COLLECTION POLICIES. Vice Presidents of Sales Prevention create 200-page manuals that focus on ways to win court cases, understanding repossession laws, the efficiency of auto-dialers versus sound trucks and the mechanics of cell phone triangulation. Nowhere will customer retention or corrective strategies receive mention, but clear instructions will be given on skip tracing, skip prevention, skip recovery and the spending limits on skip-recovery celebration. Customers who

minds. If the company embraces a new marketing strategy—say, “guaranteed approval”—its Vice President of Sales Prevention ensures that same-week delivery never becomes part of the bargain. You will know this one's on the job when you find manila folders stuffed with unmarked, undelivered orders in a carton with last season's fliers or in a file drawer labeled “MISC” or “CNCL.”

CUSTOMER SERVICE. Progressive rent-to-own companies pride themselves on receiving generally better satisfaction ratings than other service businesses. Much of this can be attributed to a highly competitive marketplace and the growing cost of acquiring new customers. It's simply cheaper to hire folks who are friendly and responsive. Put a Vice President of Sales Prevention to work on this and he or she will come up with a raft of rules and initiatives which, if properly managed by your Director of Customer Dissatisfaction, will discourage anyone from offering a referral or reopening a closed account. At the top of the list is keeping the policy manual at the sales counter so that all issues can be quickly resolved with

the magic phrase, "It's company policy." Another is the use of strategically placed warning signs that point out the consequences of irritating management with irresponsible actions such as writing a check, asking to use the bathroom, failing to stay home during your scheduled delivery week, even *thinking* about a refund and parking in the wrong spot or wanting more nice things than the VP of Sales Prevention believes you can afford. Of course, that's in addition to providing wrong or incomplete answers during the investigation surrounding your recent request for service.

ADVERTISING. Usually the domain of corporate managers or owners, the advertising department can be the straightest path to the top for potential Vice Presidents of Sales Prevention. You've probably seen their handiwork in sales circulars picturing goods that only remotely resemble those on the floor, or in commercials running on cable channels that cater to wine lovers and house renovators and offer exotic vacation trips to any suicidal advertising managers willing to commit their entire budget to that station. At least a few times a year, the Vice President for Sales Prevention will demand detailed information on every shopper that—when collected, massaged and extrapolated months later—will offer convincing proof that, while the advertising is highly effective, store

personnel are not doing their jobs and all managers are significantly overpaid. Positive reinforcement will never be the hallmark of your Vice President for Sales Prevention.

A marketing manager for Sears once told an audience of retailers that the venerable merchandiser's most effective marketing strategy could be summarized as not letting Aunt Bea's refrigerator get scratched up before it gets to her home. Anything more complicated than that, he said, was unlikely to be executed with any degree of precision and would only divert attention from everyone's real job, which was ensuring a nice shopping experience in the local Sears store. The fact that Sears bought the carcass of K-Mart willingly and in broad daylight should not influence your opinion of their marketing strategy. By the time your shop has been in business as long as Sears Roebuck & Co., it is guaranteed that you will have found and fired all your Vice Presidents of Sales Prevention. Just don't repeat K-Mart's mistake and replace them with your Directors of Customer Dissatisfaction. *

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

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father-and-son
leadership team
demonstrates
success that's all in
the details**

By Kristen Card

I did a lot of due diligence," Mike Gerwe Jr. says, referring to his life-changing decision to accept a sales/marketing position with RES Accessories (www.res-sacc.com) in 1994. "I talked with about eight close friends who were involved in [that sort of] business and the word was, it was either something that would work really, really well, or it would be terrifically challenging."

Mike elected to join RES and fortunately, it's worked really, really well—mostly due to the longtime, close relationship he shared with the company's owner—his dad, Mike Gerwe Sr.

"We're quite close, so I knew it would probably work favorably," Mike Jr. acknowledges. What he might not have guessed is just how his entrance into the family business would ultimately turn RES into the rent-to-own industry's go-to vendor for all the little things that help them create big success.

RES Accessories offers about 2,000 different items that support rent-to-own products, covering several categories: appliance accessories, such as dryer/range connectors or clamps; computer accessories, like replacement keyboards and mice or cables; electronics accessories—universal remote controls, batteries, etc.; refurbishment/cleaning accessories, such as furniture polish or leather cleaner; and warehouse accessories—appliance carts, furniture pads, etc.

"When Mike Jr. came into the company, we were carrying about 30 to 40 accessories for rent-to-own and servicing about 100 stores," Mike Sr. remembers. "He saw an opportunity and became very involved in APRO, TRIB Group, state [rental dealer] associations and with individual rent-to-own stores as cus-

tomers; rental-purchase has been the bulk of our business ever since. We provide stores and chains with real one-stop shopping for items they might have had to go to as many as 15 or 20 different vendors for before."

Today, Mike Jr. serves as RES Accessories' president and CEO, the company services about 145 rent-to-own companies representing about 3,000 storefronts nationwide and this niche business is saving its customers more than just considerable cash.

"Our biggest competitor is local procurement," Mike Jr. notes, "when [store personnel] pull money from the cash drawer and run up to Lowe's or the corner hardware store at the last minute, spend three times the money for a dryer cord, on company time/payroll/insurance, using the company truck and they're not in the store serving customers. They can customize a program through us and we ship same-day—the intrinsic savings, beyond just the cost of the items, become extremely clear."

Indeed, the Gerwes say their goal is to do whatever they can to make their customers' jobs and lives easier.

"The single most important lesson we've learned is to listen," says Mike Sr. "Let the customers come to you and tell you exactly what they need. If you've got an open mind and you listen to what they're saying to you, then you'll have incredible opportunities presented to you."

"We work to understand what their business is all about," Mike Jr. seconds. "I try to take all of our personnel to rent-to-own stores individually, to see how they operate, what their daily life's about and how we can help them. We see the amazing one-on-one personal relationships

CONTINUED ON PAGE 44

Depreciation Choices for 2008 Tax Returns

EDITOR'S NOTE: "Vendor Tipsheet" offers APRO's vendors the opportunity to highlight the features of their rent-to-own products and services. In this issue, we've asked Jim Hubbard and Dan Strunk, certified public accountants with Kirkpatrick, Sprecker & Co., to fill us in on a new tax provision that affects rent-to-own dealers.

The *Economic Stimulus Act of 2008* provides taxpayers the opportunity to take increased depreciation deductions on their 2008 tax returns. This act allows for a temporary increase in the depreciation expense deduction under Code Section 179 to \$250,000, and also a 50 percent deduction for bonus depreciation under Code Section 168(k).

For tax purposes, rent-to-own merchandise is depreciated using the modified accelerated cost recovery system (MACRS), using the three-year class life. Other assets for RTO dealers are depreciated over lives ranging from five to 39 years, depending on the assigned class life.

Code Section 179 deductions

Prior to this act, taxpayers could deduct up to \$128,000 of the cost of depreciable personal property used in a business, in the year purchased. The property would include items such as rent-to-own merchandise, computers, office furniture and equipment, and vehicles. However, this deduction amount is phased out if the cost of qualified property placed in service during the

year is more than \$510,000. As a result, many RTO companies are not able to take advantage of this accelerated deduction due to the amount of rent-to-own merchandise and other equipment that is purchased during the year.

The new law raises the amount of this deduction to \$250,000 and increases the phase-out amount to \$800,000. The phase-out is dollar-for-dollar; therefore, this deduction is completely phased out if qualifying purchases exceed \$1,050,000 during the tax year. The increases apply to property purchased and placed in service in tax years beginning in 2008. As a result, businesses not on a calendar year will not get the higher expensing limits until the tax year that begins in 2008. For example, if

a company has a year end of September 30, the Section 179 limit and phase-out amount for the year ending September 30, 2008, would be \$128,000 and \$510,000, respectively. The Section 179 limit and phase-out amount for the year ending September 30, 2009, would be \$250,000 and \$800,000, respectively.

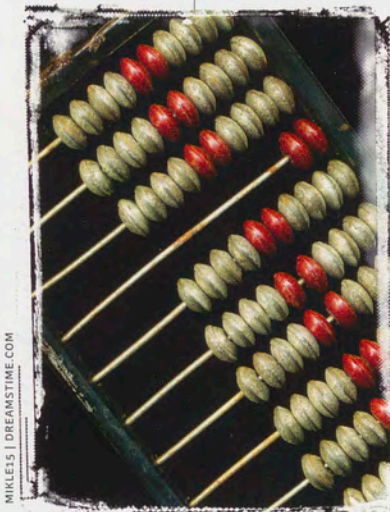
Bonus depreciation

Congress has used bonus depreciation before in an attempt to spur the economy through business investment. For example, bonus depreciation was available after the September 11, 2001, attacks. The new law provides taxpayers 50 percent first-year bonus depreciation for qualifying property. To be eligible for bonus depreciation, the property must be new property and (1) eligible for the MACRS depreciation with a depreciation life of 20 years or less; (2) water utility property; (3) computer software (off the shelf); or (4) qualified leasehold property. The property must be purchased and placed in service during 2008. There cannot be a binding written contract before January 1, 2008, to acquire the property. The bonus depreciation is available to all companies.

This new tax law gives rent-to-own companies an opportunity for significant reduction in the amount of federal income taxes they will pay for 2008. However, companies need to be aware of the fact that if accelerated deductions are taken in 2008, then there will be smaller deductions in the following years. As a result, companies will need to plan to maximize the amount of tax savings. For example, a company may not want to take the extra deduction in 2008 if their marginal tax rate is only 15 percent and then create more taxable income in the following year when the marginal tax rate might be 25 percent or even 35 percent. In addition, there may be increased income tax rates in future years depending on the outcome of the election. However, the opportunity does exist to save some taxes in 2008. ✦



Jim Hubbard, CPA, is an audit and accounting partner, and Dan Strunk, CPA, is a tax partner at Kirkpatrick, Sprecker & Co. in Wichita, Kansas. Contact them at 316/685-1411. The firm has been offering tax, audit and consulting services to the rent-to-own industry since the 1960s.



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www.acer.com

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Jay Nardone
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Computer

Wholesalers Inc. *

Ivan Somyk
Hackettstown, New Jersey
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www.gocwi.com

CybertronPC * ^ +

Sherry Workman
Wichita, Kansas
316/440-8232
sherry.workman@
cybertronpc.com
www.cybertronpc.com

D&H Distributing * ^ +

John Alifano
Harrisburg, Pennsylvania
800/340-1007
rto@dandh.com
www.dandh.com

Dell Inc. * ^ +

Linda Mosley
Round Rock, Texas
512/724-3382
linda_mosley@dell.com
www.dell.com

EParts Barn LLC *

Ronald Reaves
Amelia, Ohio
513/200-6980
info@epartsbarn.com
www.epartsbarn.com

High Touch Inc. * ^ +

John Rogers
Wichita, Kansas
316/832-1611
johnr@hightouchinc.com
www.hightouchinc.com

Ideal Software Systems Inc. * ^ +

David Sisson
Meridian, Mississippi
601/693-1673
dsisson@idealss.com
www.idealss.com

New Age Electronics * ^ +

Mike Bertolani
Carson, California
310/952-5883
mbertolani@
newageinc.com
www.newageinc.com

PlanITROI Inc. * ^

Mike Wlotzko
Denville, New Jersey
973/664-0700
mwlotzko@planitroi.com
www.planitroi.com

SED International * ^ +

Jonathan Elster
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jelster@sedintl.com
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Vance Baldwin Inc. * ^

Scott Cameron
Davie, Florida
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scottc@
vancebaldwin.com
www.vancebaldwin.com

Woot Inc. * ^

Jerry Compton
Carrollton, Texas
972/417-3959, ext. 220
jcompton@woot.com
www.woot.com

Computer software

High Touch Inc. * ^ +

John Rogers
Wichita, Kansas
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www.hightouchinc.com

Ideal Software Systems Inc. * ^ +

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www.idealss.com

PCRental Agent *

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Ron.Koller@
DesignerWare.com
www.rtorental.com

Petz Enterprises Inc *

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Tracy, California
209/835-2720
leroy@petzent.com
www.petzent.com

Rental Information Systems Inc. * ^

Larry Burns
Magnolia, Arkansas
800/863-7394
sales@rentinfo.com
www.rentinfo.com

RSSS LP * ^ +

Ellison Crider
Corpus Christi, Texas
361/993-1790, ext. 2119
ellison@rsss.com
www.rsss.com

RTO Pro Software * ^ +

Ron Ganus
Eustis, Florida
800/351-6299
sales@rtopro.com
www.rtopro.com

Profiled in this Issue

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



Dennis Adams,
**Full-O-Pep Appliances/
American Rental**
1436 S. Liberty Dr.
Bloomington, Indiana 47403
812/333-7496
www.americanrentals.com

[PAGE 26]



Angelo Gughiocello,
Partners Sales and Leasing
141 E. Magnolia, St., Ste. 204
Friendswood, Texas 77546
281/648-9500
www.partnersrental.com

[PAGE 24]



Craig Shewmake,
Briley Investments,
**dba Aaron's Sales & Lease
Ownership**
5200 Buffalo Gap Rd., Ste. F
Abilene, Texas 79606
325/698-1501
www.aaronrents.com

[PAGE 22]



Michael Gerwe Jr.,
RES Accessories
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800/444-7304, ext. 210
www.resacc.com

[PAGE 38]



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In 1973, Fred and John Rohrbach started the Asia-America Company, importing ceramics from Vietnam. With the fall of Saigon, these enterprising brothers shifted their focus to antique reproductions and nostalgic oak furniture from other Asian countries. Fast forward 35 years, and A-America, Inc. is a leader in providing high quality solid wood furniture to millions of American homes. Leveraging their years of increasing familiarity with the Asian marketplace, they were one of the first to actively develop container direct programs to bring furniture dealers outstanding values in proven winner furniture designs at the most efficient cost. Sensing major change in the Chinese market, A-America was one of the first to reinvest in the slowly awakening economy in Vietnam, and was already well positioned when furniture manufacturing grew over 35% last year.

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Larne O'Toole	412.759.0647
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The Gerwes FROM PAGE 38

they've developed with their customers and by being there, we're building the same sort of working relationship with them."



The Gerwes' approach to their own business mirrors those close connections. Originally launched by Mike Sr., and his wife, Joyce (they'll celebrate their golden anniversary next summer), RES now employs a tight-knit, cross-trained "family" of 15, led by what Mike

Jr. calls "an extraordinary management team." Mike Sr., sidling toward retirement, today holds the official title of company chairman. His son honors the important role his father still plays within the business by calling him "Guide."

"I've had no problem whatsoever in letting go of responsibility and transferring it to [Mike Jr.] from day one," Mike Sr. says, "because we've always been so in-sync in how we think, work and deal with the challenges we face daily. We've already concluded a succession plan—and it isn't an end, it's a new beginning. We've successfully gotten here without missing a beat and we intend to be around a long, long time." *

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



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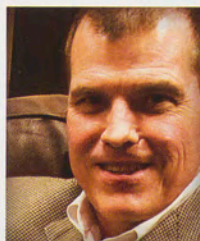
High-traffic area—88,000 vehicles per day

4,000-square-foot store

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Shewmake FROM PAGE 23

walk off the job, and you can always count on them," Shewmake only half-jokes.



All joking aside, the disciplined, detail-oriented Shewmake revels in the methodical nature of his number-crunching—and marvels at his good fortune in finding the ideal combination for a successful career—in rent-to-own, or anywhere.

"You've got to find work you like to do and people you like working with," quips Shewmake. "And if you can find a company that will let you grow and develop into your full potential, then that's the best." *

Gughicello FROM PAGE 25

"I literally have to forbid him to work seven days a week," Spangle says. "He's not ignoring his kids—they're with him.



It's just what he loves to do. The people coming in and out of the store, they're his family. So if I tell him he can't go to work, then I'm telling him he can't go to family."

Though Spangle frets about burnout, Gughicello—going into his 20th year in rent-to-own—says Spangle himself has been vital to his friend's staying power.

"Keeping it fresh has a lot to do with who you work for," Gughicello explains. "I think burnout comes not from just being somewhere, but from not enjoying your job and who you work for. I really enjoy dealing with people, and John and I work well together. I really owe my success to my family—my kids first and foremost: Anthony, Michael and Katie—as well as my family in rent-to-own." *

Adams FROM PAGE 27

Which is how a rent-to-own career—with more than three decades at the same company—stays fresh for Adams.



But beneath the ever-changing daily work landscape, he credits three essential elements with his rent-to-own success and stamina: a solid work ethic, a positive attitude and a deep caring for his business and its people.

"I treat the stores and the company like I'm part of it," Adams says. "When I spend company money, I feel like it's my own money. I feel like the more successful the stores are, the more successful I am. I always treat it like it's my business as much as anybody's business. I feel like part of a family." *

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One of the Internet's benefits is the availability of information about nearly everyone in the world—and that includes information about rental customers who have disappeared with your stuff.

We all know by now that the Internet is changing, indeed, has changed, everything. It has changed politics and was instrumental in Obama's triumphant election victory. It has changed business, creating whole new worlds of communications and hardware and software empires. It is wreaking havoc in the print media. It has changed how all businesses, large and small, conduct their affairs by making near infinite quantities of information—about one's own business, competitors, the market, vendors, customers—instantly accessible.

The Internet has changed how human beings interact—how people meet one another and express themselves to one another. It has changed how you communicate with your employees and co-workers and they, in turn, communicate with the company's customers.

It may even be changing how we all think. Science has begun to track neurological changes in human brain structure and function due to increasing amounts of time spent searching the Internet—moving quickly, as one does, from one topic to another, instead of engaging the brain in pursuits requiring more sustained focus.

What this means, primarily for the business world anyway, is that as long as commerce remains competitive, as opposed to collaborative—and it remains to be seen whether free markets will continue to be the primary mechanism for allocating resources in this country over time—there will be winners and losers as the Internet continues to wreak its rapid changes.

The supply and demand for rent-to-own goods and services, generally, seems sturdy enough, and so winners and losers will be determined among RTO companies, as opposed to this industry versus other related industries. Those dealers who adapt most successfully to the changes being wrought by the Internet are more likely

to win than those who resist those changes that are already upon us and the changes yet to come.

Here are a couple of tips for the readers of this magazine that might give you a leg up. Focus on collections for a minute. One of the Internet's benefits from this point of view is the availability of information about nearly everyone in the world—and that includes information about rental customers who have disappeared with your stuff. It is more difficult than it once was to disappear because of the Internet; you can find out where most people are with a few clicks of your mouse.

Space does not permit a complete analysis of all of the resources available on the Internet for skip-tracing, but a good starting point is www.howardnations.com/practiceareas/debtcollection.html. Nations is a debt-collection attorney in Texas and his site catalogues some of the more useful sites for finding people.

Social networks on the Internet are another excellent source for keeping up with people when they move around. Your rental customers may forget to tell you when they move, but they will tell their friends on MySpace or Facebook or Twitter where they are—and typically you can be one of their "friends" just by signing up. It is a good idea to set up accounts with all of these networking Web sites and others as they develop. Ask your customers for their social network names on your rental applications so that you can keep in touch with them about store news. Then, if they do not keep dutifully in touch with you one day, you have a whole network of friends and acquaintances to help you find them.

The message here is to embrace the brave new world of the Internet if you have not already done so. Whether you want to or not, none of us really has any choice if we are going to survive and prosper. *

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

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