

my brg | settings | logout



Business Reference Guide Online

search for information on 556 industries

BRG search pawn

[◀ back to search results](#) | [view all industries](#)


Pawn Shops

SIC: Unavailable**NAICS:** 522298**Number of Businesses / Units:** 11,500

This U.S. industry comprises establishments primarily engaged in providing nondepository credit (except credit card issuing, sales financing, consumer lending, real estate credit, international trade financing, and secondary market financing). Examples of types of lending in this industry are: short-term inventory credit, agricultural lending (except real estate and sales financing) and consumer cash lending secured by personal property.

Rules of Thumb

40 to 70 percent of annual sales plus inventory

General Information

"The core tenets of building a retail chain are well known. The stores need to be consistent and welcoming -- a brand you can trust. This idea has guided chains for decades. It guides recent iterations selling organic vegetables, expensive lattes and well-designed kitchenware to what has been called the 'mass affluent' consumer. And it guides chains of pawnshops. It turns out that there are several such chains, the biggest of which is Cash America: from one location in 1983 it has grown to 468 today, and it reported 2005 revenue of about \$600 million.

"Unlike other kinds of chains, Cash America doesn't really compete on price. After all, pawn broking is regulated: interest rates vary from about 4 percent a month to 25 percent a month, depending on the state laws, and in general the chain charges as much as it's allowed to. But Jackson says that it does do many of the same things any chain would. It conducts focus groups, stresses customer service, uses sophisticated software to track inventory as well as consumers' profiles and has even hired 'mystery shoppers' to keep tabs on how individual stores are maintained and how friendly the staff is.

"It's also a 'more disciplined' borrowing strategy, she notes, insofar as if you fail to pay off your short-term loan, Cash America will keep your necklace and sell it. Generally speaking, the chain would prefer that you pay back the loan, since it makes more money through those fat interest rates than it does from retailing seized collateral."

Source: "Off the Skids" by Rob Walker, *The Boston Globe Sunday Magazine*, 2006

Benchmarks

"Pawn shops are a combination of a friendly loan office and a retail store selling goods at rock-bottom prices. Where else can you get a loan of less than \$225 at 13.3% interest for four months—and with a 10-day grace period? Interest rates for larger loans are comparable to high-interest credit cards. A typical loan is in the \$40 to \$60 range, made on jewelry and intended to tide the borrower over for a short period. The typical patron is a white woman, under 30 years old, and a repeat shopper. Customers are most likely to come back for their jewelry and TVs or VCRs, and are least likely to get their clarinets, keyboards or skis out of hock."

Source: "The New Pawn Shop" by John Erlich, www.Psychologytoday.com from Sussex Publishers

"A typical loan is small, averaging \$75 to \$100. The interest rate charged by a pawnbroker is controlled by the state and varies widely across the nation. The pawnbroker is also required to hold the merchandise for a specific period of time, giving the borrower time to repay the loan. This hold period also varies widely but is typically in the 60 to 90 day time frame.

"On average, about 80 percent of all loans are repaid. Repeat customers make up most of the business, similar to any other lending or retail establishment.

"Less than half of one percent of all loans are identified as stolen goods. Thieves and robbers are a pawnbroker's worst enemy.

"What is the difference between buying at a pawnshop and buying at a retail store? Mainly price. If you go to a pawnbroker, gold can be found for about 40 percent less than at retail outlets and other products are usually 30 to 50 percent less.

"Since 15 to 20 percent of a pawnbroker's customers elect not to repay their loans, they are forced to turn 'bad debt' into a retail center to recover their costs."

Source: National Pawnbrokers Association,
www.nationalpawnbrokers.org

Additional Resources

Associations

- ▶ [National Pawnshop Association](#)

[Terms of Use](#) | ©2008 Business Brokerage Press, Inc.