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Rent-To-Own Stores

SIC: 7359**NAICS:** 532310**Number of Businesses / Units:** 8,300

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This industry comprises establishments primarily engaged in renting a range of consumer, commercial, and industrial equipment. Establishments in this industry typically operate from conveniently located facilities where they maintain inventories of goods and equipment that they rent for short periods of time. The type of equipment that establishments in this industry provide often includes, but is not limited to: audio visual equipment, contractors' and builders' tools and equipment, home repair tools, lawn and garden equipment, moving equipment and supplies, and party and banquet equipment and supplies.

Rules of Thumb

55 percent of annual sales includes inventory

General Information

Most states have some sort of regulations or laws governing rent-to-own. For example, Michigan law requires that 45 percent of rental payments must go towards the purchase. Other states have similar requirements. Some states just outline what the agreement must contain between the store and the customer. Here is a paragraph from California's Rental-Purchase Act, which is 24 pages long.

"It is further the intent of the Legislature to (a) prohibit unfair or unconscionable conduct toward consumers in connection with rental-purchase transactions, (b) prohibit unfair contract terms, including unreasonable charges, (c) prevent the forfeiture of contract rights by consumers, (d) provide a right of reinstatement and a reasonable formula for the exercise of purchase option rights under a rental-purchase contract, (e) provide reasonable requirements or the servicing, repair, and replacement of improperly functioning rental property, and (f) cover rental-purchase transactions under existing laws, including laws governing debt collection, cosigners, home solicitation contracts, and warranties. This title shall be liberally construed to achieve its remedial objectives."

Product Breakdown

Furniture	38%
Appliances	22%
Electronics	23%
Computers	7%
Jewelry	3%
Other	5%

Pricing Tips

"Eight (8) times monthly gross receipts (tops), includes lock, stock (inventory) and barrel. All underlying debts would be paid off by seller at this price. I think the multiple is now less because the industry has sustained a shake-out."

Benchmarks

"The average store has annual revenues of \$554,000 and has 596 items."

Source: "The Association of Progressive Rental Organizations—Rent-To-Own HQ, www.rtohq.org

"He said his most successful store is in Springfield, which brought in more than \$2.5 million in revenue."

"The typical Aaron's store is 8,000 to 10,000 square feet, one-third the size of a typical Best Buy, and is located in a strip mall or stand-alone building."

Source: "Rent-to-Own Chain to Add 50 Area Stores" by Cindy Atoji, *The Boston Globe*, March 29, 2007

Item	Cost %
Wages	26.0%
Depreciation	20.0%
Utilities	9.0%
Advertising	6.5%
Purchases	5.0%
Other	29.0%
Profit	4.5%

Source: 2006RTO Industry Statistics, Association for Progressive Rental Organizations (APRO)

Product/Services	Share
Consumer electronic equipment rental/leasing	42.0%
Consumer appliance rental/leasing	19.4%
Other rentals and repairs and maintenance of equipment etc.	16.1%
Household furniture rental/leasing	10.5%
Video/DVD equipment rental	5.8%
Sales of merchandise	5.7%
Commercial leasing	0.3%
Home health equipment rental	0.2%

Source: IBISWorld, May 1, 2006 Report

"The average income per unit is \$70.20."

"Operating costs for rent-to-own businesses are higher than traditional retail because of the ultimate return of merchandise, merchandise repair and replacement expenses, the need to continually market the industry's services to a rotating customer base and other unique factors."

Source: 2006 RTO Industry Statistics, Association for Progressive Rental Organizations (APRO)

Profit Margins	
1 to 4 stores:	4.4%
5 to 10 stores:	4.8%
11 to 40 stores:	8.4 %
41 or more stores:	6.0%

Source: 2006 RTO Industry Statistics, Association for Progressive Rental Organizations (APRO)

Additional Resources

Related Websites

- ▶ [Rent to Own Online](#)

Associations

- ▶ [Association of Progressive Rental Organizations \(APRO\)—a very good site with lots of data and information](#)

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