



# PAWN SOUTH

## CASE STUDY



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Long Term Established Family-Owned Pawn Shop Chain Doubles Operating Income in 2021

## BACKGROUND

Pawn South was a family-owned and operated 10-store group of pawn shops situated throughout the southern part of North Carolina with a single store in South Carolina. The former owners, Kenny Barnes & family, are from Whiteville, NC—a quaint farming community with an authentic small-town feel.

Started on a creative opportunity when Kenny Barnes bought into what would be his first store, followed by the family together bootstrapping Pawn South from the ground up. They had no formal training on how to run a pawn shop, much less a multi-unit pawn operation. Everything they knew about the industry was primarily self-taught other than some beginner training for the founder, Kenny Barnes from an old friend/associate from

the area. The husband handled the stores' day-to-day operations for the most part in the beginning, and over time brought his wife, son and daughter into one of the family businesses. The family had also developed a very successful real estate investment group that owns an extensive rental property portfolio in the region. Over the course of some 25 years, the closely held company steadily grew into a 10-store pawn shop chain.

The company enjoyed moderate success. By mid-2019, Pawn South had an aggregate loan balance of around \$700,000—the company's historic high. Although the owners ran the stores alone for over two decades, they wanted to groom their children to be more involved and eventually take over the business.

# THE CHALLENGES

Although Pawn South saw some growth over the years, the husband knew there was room for improvement.

Running a business in smaller communities has its advantages, but the owners of Pawn South also realized the cons. In the 25 years they operated, the husband and wife and other family members had never attended a single pawn trade show. None of them were members of any local or national Pawn trade organizations either. Instead, they were land-locked and never traveled out of the area to fully experience the pawn industry for the most part throughout their history in the pawn business.

Although Pawn South saw some growth over the years, the husband knew there was room for improvement. He also wanted to ensure his children gained the skills required to run the business successfully after his retirement.



The owners had a brief involvement from another consultant they found on some internet FB group and were not finding the specific knowledge or support they thought they were seeking. Upon a Google search for actual Pawnshop Consulting specifically, this led the husband to Pawn Shop Consulting Group (PCG). He noticed the significant online presence of PCG and, in early 2019, decided to reach out to the owner, Jerry Whitehead. Thinking was to make the proper investments to determine what they have, what they are missing, and what they need to go to grow the business properly going forward. Ownership felt hiring the proper qualified consultants would hopefully point the company in the right direction.



# THE SOLUTION

PCG custom scales management programs for clients based on their profile, business culture, and human resource needs. Along with Alan Nelson (Jerry's training partner with PawnTrain), the company did an over-top analysis of Pawn South. While the family had ideas on how to grow, they were at a total standstill. "They had no compass and were missing the key ingredients," Jerry recalled. They had very little clue as to what their true performance KPIs or key performance indicators were, and what drives bottom lines in the pawn business and more.

After analyzing the company's overall structure, financial stability, and overall KPIs, PCG initiated a host of innovative programs by mid-2019. These detail-oriented programs completely restructured Pawn South's compensation systems for starters. PCG initiated their hugely successfully tiered productivity systems for their SLAs (sales lending associates).



This was followed by a net line commission program for the management team, thus partnering the management team into the operations once they had the budget analysis finalized and established proper operating budgets for the stores.



Part of PCG's overall initial analysis was that Pawn South lacked a clear management structure and supervisory system for its stores. PCG remedied this by introducing a comprehensive area management program. PCG oversaw the onboarding, training, and development of each step while instituting some of the most aggressive multi-unit management systems created specifically for Pawn Shop Management teams.

These were close-supervisory, hands on, multi-unit management programs—a PCG specialty that has been refined over decades of operational development by Mr. Whitehead and the various teams he has been involved with in his extensive career in the industry.

Often times in these types of consulting roles, It is not uncommon for PCG to assist with bringing in outside candidates for the various management roles required within organizations like Pawn south. "Our strategy is to have the right-fit individuals in the right-fit positions," explained Jerry while attempting to develop all within. This plan produced a lot of hands-on

# THE SOLUTION

and group session training for the core management team. PCG made numerous role changes within the organization where needed as part of their ongoing consulting support. This is a fairly common practice once PCG has had an opportunity to fully assess all managers and SLAs individually with organizations like Pawn South.

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The area management program offered was specifically customized for Pawn South and entailed several weeks of on-site supervision and training initially when launching the program. PCG worked one-on-one with management, and managers to ensure competency in all areas. The implementation side of these types of management systems include administrative work, close field-level work with supervisory development and training, and the operations themselves.

With these types of comprehensive management and oversight practices developed, PCG reaffirmed the success of these programs along with a comprehensive road map of activities. Staff meetings, training, auditing, analyzing, and all structured around a monthly routine schedule pre-determined before each month BY the supervisors. These schedules broke down the initial objectives for each store they oversee, and what levels of priority each facility dictates with support, training, and other. Since unforeseen events can disrupt a schedule, supervisors are trained on how to properly manage operational fires that can develop on a scaled priority type of system. Digital calendars made it easy to amend plans and ensure administrative staff knew where the management team was at any given moment.



# THE OUTCOME



In mid-2019, Pawn South had a loan balance of \$700,000. After working with PCG for less than 6 months, PCG and team managed to enhance the loan balance by more than 50 percent. By January of the first quarter of 2020, Pawn South’s loan balance surpassed \$1 million a historic record high for the family and the company.

The results didn’t stop there. Their operating income also appreciated by over 100 percent during this time frame as well. The projection for 2019 went from \$500,000 to over \$1 million in Q1 2020. That was an exceptional feat for a long-established company. “We doubled the value of their company in less than 1 year of working with them,” Jerry said.

Pawn South’s performance increases didn’t go unnoticed. Other key figures in the pawn industry started to pay attention. PCG’s work made the company an attractive acquisition target. By late Q4 2020, a well-known public company acquired Pawn South. They paid a historical multiple of earnings to buy the group of stores and saw them as an exceptional target for their own strategic growth in the markets they dominated.

# SATISFACTION

Pawn South was the ideal consulting candidate because they were willing to take advice and try fresh ideas. The husband and family were all very spiritual and let that aspect of their lives guide them through the process. They were also like sponges—eager to soak up everything about the industry they could learn, and drank all the water we could pour as Jerry commented on. This open mindset helped PCG make a measurable impact on their results and their lives.

# SATISFACTION

An impressive exit gave Pawn South’s owners the chance to embark on new endeavors. The family owns an extensive number of rental properties in the area. They plan to continue expanding that aspect of their business while delving into other lucrative projects.

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Jerry stated they were just about to join their legendary focus groups and Kenny Barnes called him and said, “I have some bad news, and some good news”. He informed Jerry that “one of the public’s had just bought him out, all debts were paid, and they had millions in the bank” quoted Mr. Barnes

As a result of all of this activity, PCG’s founder Jerry Whitehead, and the Barnes family have made a lifelong amazing connection. It’s a relationship that continues today. “This was just an amazing group of people, and one of the most wonderful families I have ever had the opportunity to work with in my career,” Jerry fondly stated.



# ABOUT PCG

**PCG offers a fully customized experience. Leading pawn experts evaluate stores and personnel from top to bottom and create an individualized action plan.**

Pawn Shop Consulting Group is the brainchild of Jerry Whitehead. Prior to starting the company, Jerry was a well-known veteran in the pawn industry. His love affair for pawn shops began as a child when his family opened their first store in the early 60's. As an eight-year-old, he and his brother were involved in the day-to-day aspects of cleaning and operating the family's first shop. Eventually, Jerry along with other family members grew the family business into a multi-location, multi-million-dollar revenue producing pawn empire. In 1992, Jerry and other family members sold the chain to Cash America for an impressive transaction at the time.

PCG exists to help store owners reach the various goals. Pawn shops of all sizes benefit from their consulting services. PCG offers a fully customized experience. Leading pawn experts evaluate stores and personnel from top to bottom and create an individualized action plan.

With more than 20 years under its belt, PCG has become a respected leader in the pawn industry. They serve countless clients in the United States and over 45 countries worldwide. The company relies on the latest and best in pawnshop operations, technology, and metrics to best serve clients. Pawn South's story is just one of PCG's success stories. Throughout Mr. Whitehead's extensive career in the industry, he has been involved in the representation, purchase, and or sell of more than 250 pawn shops in the last 35 years and so much more. See what clients from around the world have to say about their work with Mr. Whitehead and the consulting group.

