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The Marketing-Technology Twist

Take a cue from the big boys

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05/01/2007

Are you aware that large self-storage organizations have certain methods to increase their revenues and profits that less-experienced facilities haven't yet had a chance to discover?

The big operators benefit from economies of scale. They have access to plenty of human and monetary capital. They have the ability to test new concepts without putting the entire company at risk. They have acquisition and development teams to locate and buy facilities or prime properties. And they can afford the latest technology and the time it takes to implement it properly.

Advantages like those are part of being big. They're really not easily duplicated for smaller companies. However, we've identified six "big secrets" readily adaptable for operators with fewer facilities or even just one site.

Big Secret #1: Revenue Management

Large operators understand the importance of revenue management and use technology to help them leverage economic occupancy. A facet of this is to implement timely and accurate rate changes with automated notification. As the popularity and acceptance of the economic-occupancy theory increases, so does the confusion about properly using related tools to your advantage.

Adjusting prices based on supply and demand is a standard business principle, but many owner/operators are still reluctant to raise prices. They may think doing so will cause people to leave, and prospective tenants to walk out the door. While a few tenants might leave due to a price increase, consider this: If you currently have a 20 percent net profit margin and you increase rates by just 5 percent, physical occupancy at the facility could drop by 20 percent and you would still maintain your bottom line!

When physical occupancy of a group of units of the same size with similar attributes reaches 85 percent to 90 percent, raise the street rate for the remaining vacant units. The size has proved to be popular, and the small increase will drastically help your economic occupancy and bottom-line profits.

The same principle should be applied in the opposite direction when a particular size unit doesn't seem to be renting. Try adjusting your prices downward by a small increment to see if you attract more clients.

There are many theories and practices to managing rates, but it is a consistent truth that you can make more money by adjusting rent rates in response to trigger points in physical occupancy or set adjustments over time. Knowing this raises additional questions:

Q: At what percentage of physical occupancy do I raise or lower the rent rate?

Q: What is an optimal change amount?

Q: How can I make certain my managers are doing this properly?

Large operators automate the rent-rate adjustment process. Your management software should do the same, based on your defined trigger points or points in time. If you leave it up to employee discretion, you'll rarely get the result you want.

Big Secret #2: Integration and Automation

Integration and automation are paramount to larger operators' success. While it's not as critical for small guys, integrating and automating can definitely add thousands to your bottom line.

The Internet is a powerful tool and should be used by every facility to increase profits. The power of the Internet allows you to seamlessly connect to a call center, kiosk, website, letter shop, payment processors, etc.

How much time would your site manager save if he didn't have to fold, stuff and seal letters going out to tenants? How many more customers would you get if people could rent directly from your website?

Your management software, call center, website, kiosk and payment processor should all "talk" to each other in real time. If a tenant moves out, your call center and kiosk should know immediately so that unit can be available for rent without getting your site manager involved.

Large operations save millions of dollars by integrating and automating every process they can. They make or save millions by integrating with websites, kiosks, payment processors, etc. Look for management software that provides for integration and automation.

Big Secret #3: Centralized and Outsourced Expertise

Using a CPA for taxes is a very common practice. Having a car mechanic work on your automobile is standard practice. Using an attorney to help you with the law is perfectly normal. But, for some reason, many owner and/or operators still try to do their own marketing, letter mailing and phone answering. Let's be honest here ...

There are companies that specialize in marketing, phone answering, etc. They are very good at what they do. Seriously evaluate your in-house expertise in all facets of your business. If your site manager is doing your marketing or writing sales scripts, but he doesn't have a proven track record in that area, consider the impact on profits. Seriously look at outsourcing these important tasks to a specialist.

Most of the time, outsourced experts pay for themselves within 30 days and add a lot of value to your organization. Larger operators realize this and use experts wherever they know it will impact profits. Analyze where you think you can improve and explore the options available in the industry.

Big Secret #4: Smart Marketing

The days of simple selling are long gone. Unless you're in a market with little or no competition, you must go beyond Yellow Pages and drive-by traffic to occupy your facility physically and economically.

Large facilities target their marketing based on who they know—geographically and demographically—rents from them. They use online marketing strategies and through integration actually reserve many units through the Internet. Through technology, they can study customer demographics and trends to market to the right people at the right time. Not only does this save money on ineffective advertising methods, but it generates many more rentals than they would get otherwise.

Here are a few things to look at before spending another penny on marketing your facility:

- What are the geographic characteristics of your current customer base?
- What are the demographics of your current customer base?
- What tenants stay the longest?
- What advertising medium generates the lowest cost per rental?

If you know these four things, you can immediately begin smarter marketing and corresponding profits.

Big Secret #5: Data Safety and Security

What would happen if you came to your office tomorrow and had an urgent message from your site manager saying, “Ummm, the computer wouldn’t turn on this morning, so I took it to the repair shop. They said the hard drive was fried and unrecoverable. I know I was supposed to be doing backups, but I haven’t for, like, four months. Please, please don’t fire me!”

Answers to the following questions would be up in the air:

- What are my customers’ names and contact information?
- When did they pay their bills last?
- What is the credit card number that I was auto-billing every month?
- Who is past due?
- How much merchandise did I sell this month?

Not only would you deal with the hassle of getting the computer back up and running, but the time you spend, the mistakes that get made and the lost revenue will cost you a fortune.

Large operators protect their data like it was their life. If you’re still using software that is based on your local computer, make sure you back up daily. Make sure the media upon which you back up is good. And, make sure the back-up is taken away from the facility and put somewhere safe every night.

In addition to data loss, data/identity theft is becoming a major problem in our society and in the self-storage industry. Large operators use technology that takes every precaution available so that “less than honest” employees aren’t tempted with Social Security, credit card and driver’s license numbers. This also reduces their risk of a potential legal action or bad publicity that could result from a breach or loss of this critical information. Keep your company protected from lawsuits by using software that encrypts and number masks critical information.

Big Secret #6: Relevant, Real-Time Reporting

One of the most successful operators in the country recently told a group of people at a workshop that he credits his success to his ability to make good and timely decisions based on up-to-the-second, accurate data. The quality of your reporting is dependent on the quality and accuracy of the data being put in your management software. Do everything you can to control how data is input and managed once in your software. Many software programs add the necessary controls.

If you have more than one facility, centralizing this data is very important. You should be able to look at your business at the site level, but also for multiple sites on a consolidated basis, which allows for comparisons and organization-wide rollups.

In addition, reporting should be accessible in real-time from wherever you are. If not, you'll be making decisions on limited or dated data.

Now that you know the six secrets, it's up to you to implement them. Some are easier than others, but all are possible for operators of any size, especially with the help of capable industry experts.

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