

Self-Storage News

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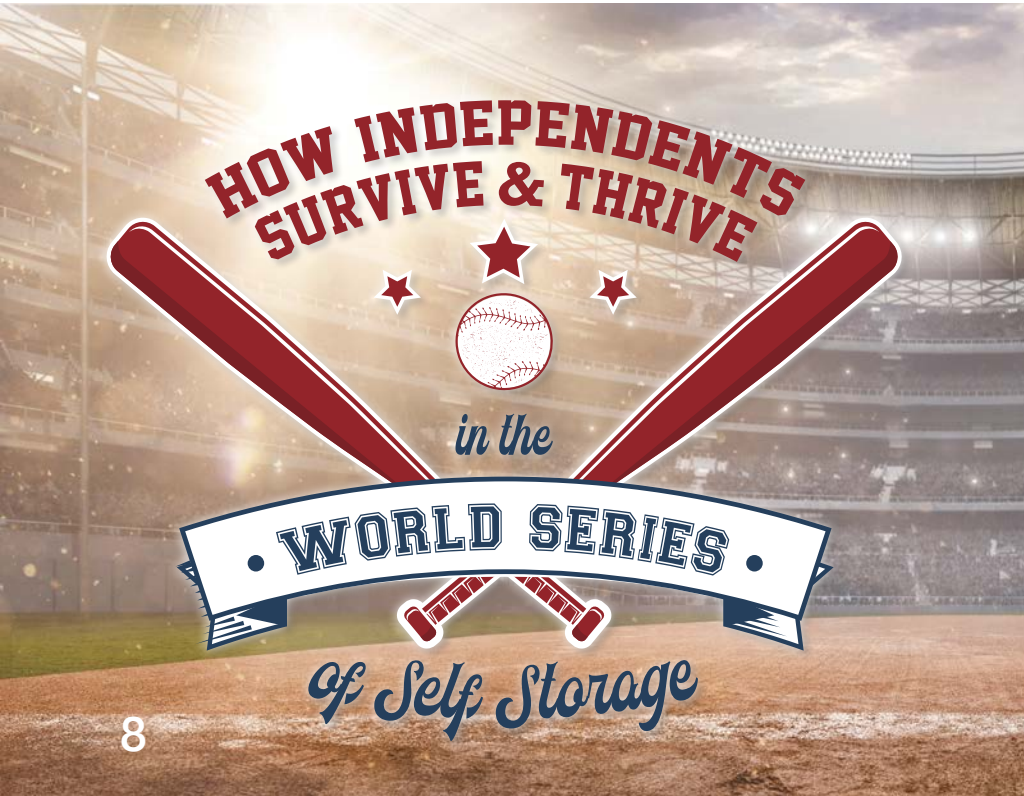
GOING TO BAT IN 2019 PREDICTIONS FOR SELF STORAGE

How Independents Survive and Thrive
in the *World Series* of Self Storage

HOW MANAGERS BECOME SUPERSTARS



**ASK ALL THE RIGHT QUESTIONS:
HOW TO KNOW IF THIRD-PARTY
MANAGEMENT IS THE RIGHT PLAY**



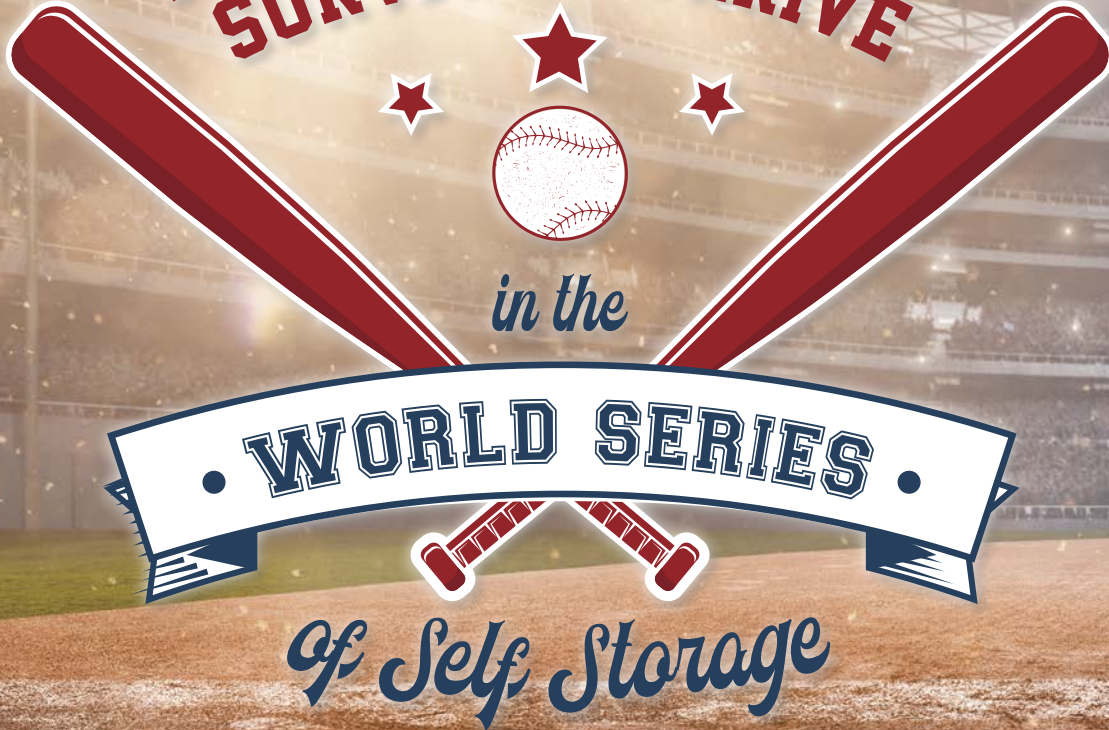
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HOW INDEPENDENTS SURVIVE & THRIVE



by Jason Meeker

Competing with REITs?

In “Moneyball,” the movie opens as the general manager of the Oakland Athletics baseball team, Billy Beane, finds his team battling it out against the New York Yankees in the fifth game of the 2001 Division Series. The Athletics lose the game 5-3. They lose the series 3-2. Their season ends, and the Yankees head to the World Series. Again.

But as the film soon reveals, the real score is \$114,457,768 to \$39,722,689. That’s the price discrepancy between what the two teams are paying their players. Every year, the Yankees seem to have all the money they need to get the best players they can afford.

While preparing a team for the 2002 season, Beane meets an economist named Peter Brand who sees Beane’s problem differently.

We reached out to owners of independent facilities to talk about how they survive and thrive against extremely well-funded REITs... Their answers revealed a concentration on the basics to attract new customers: marketing locally, providing exceptional customer service, keeping everything clean, secure and well-lit, and **doing something unexpected that “corporate policy” would never allow.**

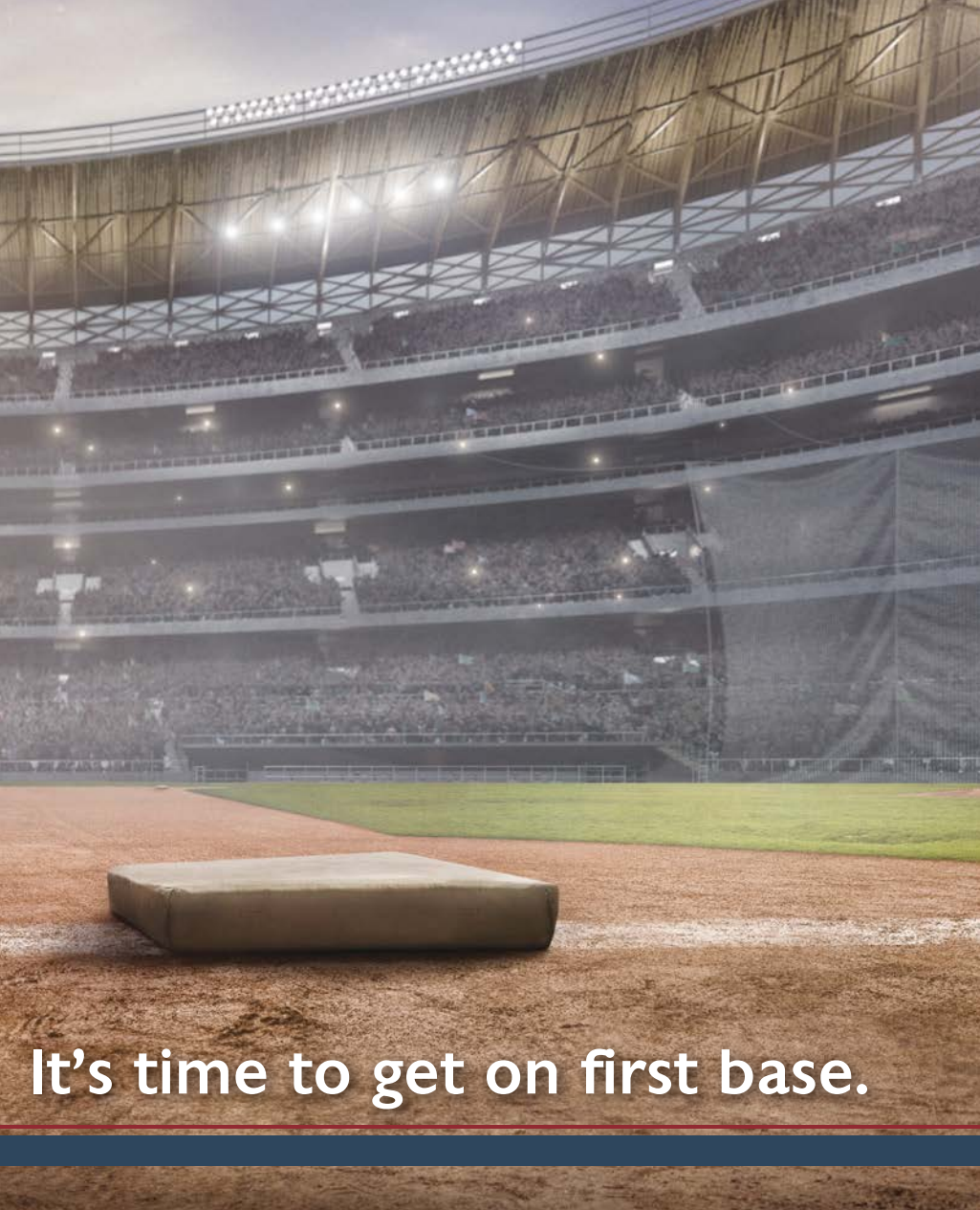
Brand tells Beane: “Your goal shouldn’t be to buy players. Your goal should be to buy wins. And in order to buy wins, you need to buy runs.”

He soon convinces Beane that his problem is *not* a \$74 million deficit against teams like the Yankees. His

problem is *not* a lack of power hitters or fast-ballers.

His problem is basic. He needs players that reliably get on first base.

Beane hires Brand, and they start hiring dependable hitters that no one else values very highly.



It's time to get on first base.

By following this fundamental and completely sensible metric, the two men soon turn the cash-poor Athletics into a powerhouse that changes the game. (In fact, in 2004, the Boston Red Sox followed the Brand's strategy to win the World Series for the first time since 1918.)

How does the plot of "Moneyball" relate to the Texas self-storage industry?

We reached out to owners of independent facilities to talk about how they survive and thrive against extremely well-funded REITs. (There's no need to list the names. There's probably one being built in your market right now—or opened within the last two years.)

The independent self-storage owners we talked to aren't backing down. Most reported strong occupancy in the face of stiff competition from the REITs.

A few in the Houston area are still experiencing the remnants of a "Harvey Bump" that happened in 2017 as thousands of people were displaced.

All in all, their answers revealed a concentration on the basics to attract new customers: marketing locally, providing exceptional customer service, keeping everything clean, secure and well-lit, and doing something unexpected that "corporate policy" would never allow.

In other words, get on first base.

KEEP IT LOCAL. KEEP IT LOCAL. KEEP IT LOCAL.

Darren Kelley of Right Move Storage is thriving. He operates 25 facilities with five more under development in the Houston area. He has seen the REITs aggressively build near his locations.

"You have to ask yourself, 'Well, how do I compete?' How do I make those properties perform when I have almost none of the marketing dollars they have?" asks Kelley.

Kelley says the answer is local marketing.

"I came out of the restaurant business where we did lots of local marketing with schools and churches. You've got to get into your community. That's how you compete with the REITs. You've got to get out of your four walls, and it better be a priority," says Kelley.

Denise Bowley of Grow Your Storage also stresses the importance of local marketing for her five facilities.

You've got to get into your community. That's how you compete with the REITs. You've got to get out of your four walls, and it better be a priority.

"Local is important. In our local communities, like Pflugerville, we have the advantage because we're local. Our website copy states that we're local. Our manager is local and does grassroots marketing around town," says Bowley.

Gordon Swanson of Aaron's Self-Storage operates seven storage facilities in central Texas. He also swears by local marketing for very personal reasons.

"I've got nine grandchildren playing baseball, so I take advantage of that and support the community. You'd just be surprised how many times you go to functions and people will say, 'Hey, I really appreciate you supporting little league.' People thank you for that, and it builds good rapport in the neighborhoods," says Swanson.

HIRE GREAT MANAGERS

Many owners stressed the importance of hiring great managers who can run the business correctly and provide exceptional customer service.

Mike Gallaway of A-American Self

Storage has seven facilities in the Dallas area. Many of them were started by his father in 1972 when resident managers were common. He says his secret to success is delegating decision-making to his managers.

"The number one thing, in my opinion, is to have very good management. They have to have the empowerment to make decisions without drilling down into minutiae with me, the general manager. I completely empower my managers, and I have damn good managers," says Gallaway.

Gordon Swanson stresses the importance of having managers provide great service even when the facility is closed.

"Our managers take the call-forwarding home with them before they leave, so if someone calls their branch after operating hours, they answer the phone. We have people on-call during the closed periods of the weekend. Some of the facilities are open on Saturdays. Some are not, but we answer the phones seven days a week," says Swanson.

According to the owner of Lone Star Storage Chris Foster, who operates five facilities across Texas, you get an edge over the REITs when you have a manager who can provide exceptional customer service.

"Flexibility. Flexibility. Flexibility. I think the rigidity of the processes which

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managers at REITs face gives us a very real advantage to tailor each rental to ensure a satisfied tenant. With an average tenure of eight years, we present a consistent and familiar option. We get to know our tenants, their specific needs, and create a family-type atmosphere. Hard to overstate the effectiveness of a smiling, happy face at the counter," says Foster.

Gerardo Montemayor owns and operates four self-storage facilities in Laredo and San Antonio. He believes personal touch is crucial.

"Our managers get to know our clients, and when they have an emergency or something, like they need to access their unit after hours, they let them in. It's a great advantage for our customers that they get to know our managers. I guess that's our main tool to compete with the big guys," says Montemayor.

HAVE A FREE TRUCK

Swanson does not like seeing his trucks parked in his parking lot.

"We have very nice moving trucks. We encourage people to use them to move in with because we want them on the streets. And if we've got a great customer who needs our truck to move out, we even allow them to do that now because the object of that truck is having it up and down the street. We want them parked in neighborhoods,

loading and unloading. It's a moving billboard," says Swanson.

Montemayor doesn't just lend a free truck, he also has someone lend a hand. "At each facility, we have a maintenance guy. He can help the tenant unload their furniture and boxes and everything. That's also a big advantage we offer that people like," says Montemayor. [Note from TSSA: Consult your insurance provider to make sure this is acceptable.]

USE TECHNOLOGY TO YOUR ADVANTAGE

Mike Brady with Westport Properties has 22 facilities in Texas. He stresses the importance of online marketing.

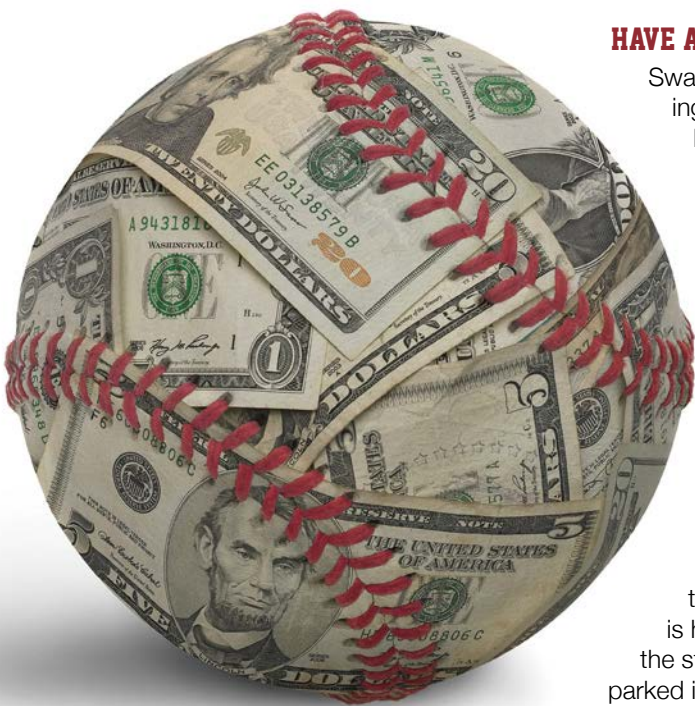
"You really have to provide a good user experience. From a marketing perspective, you have to make sure all your I's are dotted and your T's are crossed, and you're doing everything that you can from that perspective to make your website as friendly to users and as relevant to Google as you can, so that when somebody searches in your area on a mobile device or at their home computer that your facility will definitely show up in that area," says Brady.

Bowley says even if you can't afford \$1,500 a month in Google ads, you can still aggressively compete online. "If you can't compete online, you won't get phone calls," says Bowley. "We have an in-house blogger who writes blogs for all of our properties that get posted to Facebook, LinkedIn and Google My Business and our website, which helps with SEO. I also have what I call my 'Google Day.' I go through all of the Google pages and I catch things that even the guys we pay to do it don't catch and they're things that make a difference."

At Right Move Storage, Darren Kelley doesn't wait for potential customers to find him online. He uses a new technology called proximity marketing to find them on their phones as they drive nearby.

"I use a company called Keekom. I have these devices that transmit up to 300 meters. Any Android phone that drives by, it puts a notification on their phone through Bluetooth. You click it and it says Right Move Storage, and it takes you right to the property's website that you drove by, not just my main website. I'm getting between 200 and

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Some of Grow Your Storage's facilities have had to compete with area REITs, including the two in Colorado (pictured top: Loveland, CO and pictured bottom: Colorado Springs).



Independent owners who are working hard to beat the REITs say you have to **offer something extra** to impress your customers, so much that they'll tell their friends and family.

600 impressions on people's phones per day," says Kelley.

DON'T RACE TO THE BOTTOM ON PRICE

While all owners stressed the importance of competing wisely on price, Mike Brady offered some sage advice to fellow owners about pricing too low to try to beat the REITs.

"We've run into a lot of owners who are afraid to raise rates and push their current rates. I think managing a property from a standpoint of fear where you don't want to raise your rates, at least to keep up with inflation and beyond, is a big mistake that a lot of the smaller independent operators make. They shouldn't be afraid to do that. Payroll costs are going up. Utility costs are going up. Property taxes are going up. If you're standing still with your rates, you're really losing money every year. We need to continue to move forward to at least keep up with inflation and consumer price index increases. So, if you're not doing that, you're making a mistake," cautions Brady.

GIVE THEM SOMETHING EXTRA

Independent owners who are working hard to beat the REITs say you have to offer something extra to impress your customers, so much that they'll tell their friends and family.

Don Skipton believes in diversification at his four locations. He has to. "There's all these three-story things going up everywhere around us," he says. In addition to every kind of storage option including RV and boat storage, he also offers mailing services.

"It turns out to be pretty attractive. It gets people in and out, so they remember us when they need storage," says Skipton.

Bowley also believes offering other services beyond storage is smart marketing. "One of our locations has a packing and shipping store. It's a FedEx authorized ship center. People come to ship a package time after time and may not need a unit, but eventually they will, and will come to us because they're familiar with our staff. The shipping store isn't a big money maker. You won't make tens of thousands of

dollars shipping packages. However, the marketing and foot traffic is great," says Bowley.

Kelley excitedly told us about one of the most innovative ways he gets—and keeps—his customers: by offering them something extremely valuable for free that they can't get anywhere else.

"Basically, when you rent, you get free unlimited cloud storage. We were the first storage company in the world to offer cloud storage with your physical storage and call it total storage," says Kelley.

Ironically, Kelley likes having a REIT around because he finds opportunity by marketing in ways they simply don't. "I use them. Moreover, I beat them," he says.

That's how you survive and thrive, play moneyball and get on first base. Who's up to bat? ■

Jason Meeker is a freelance writer in Austin, Texas. He specializes in writing for up-and-coming businesses in real estate, technology, financial services, energy and public affairs. Meeker can be reached through his site www.jasonmeeker.com.