

Management Companies Have Evolved with the Industry

Professionalism and well-rounded competency are hallmarks of today's third-party managers

By Mark Wright

When Lynne Powell, president of Vancouver, Washington-based CedarTree Management Company, began offering third-party management of self storage facilities in 1978, she did not imagine at the time that she would be able to one day have the bookkeeping records of 18 properties right at her fingertips.

Such a luxury would have to await the combined genius of then-geeks Bill Gates, Steve Jobs and a cast of thousands in Silicon Valley. Technology for Powell was a bit more basic back then.

"When I started in this industry," she recalls, "I spent many long hours with a ten-key adding up journal sheets and auditing individual ledger cards."

Technology Was a Game-Changer

Julie Farrar, president of Tyler, Texas-based The Self Storage Advisors, LLC, agrees. "Technology is a business manager's best friend," says Farrar. "As we learned quickly in asset management, oversight is everything and having an Internet connection makes this a much, much easier process for keeping tabs on the stores. Web-based property management software and *gotomypc.com*-type connections enable daily (or even all-day) opportunities that were just not possible years ago."



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Julie Farrar, President
The Self Storage Advisors, LLC

The advent of various technologies did more than simplify key management tasks, notes David Blum, president of Coral Springs, Florida-based Best Management Services, LLC. It connected the industry with the marketplace in a whole new way.

"The biggest change (in third-party management) is how much more technically knowledgeable we have had

to become in order to compete," Blum observes. "The Internet has changed a lot of the way people shop for self storage today, so it's incumbent on management companies to focus their attention on the most effective ways to reach the customer—and in today's world that's social networking, search engine optimization and Web marketing. It's a matter of economics."

The changing economics of marketing ushered in by the Internet just about turned the old advertising models upside down. Powell says she didn't imagine that one day "yellow pages advertising would lose its position as the primary source of marketing for storage facilities."

"The yellow pages got way too expensive for what they could deliver," echoes Blum. "The alternative became investing in the Web. Management companies, on behalf of their facility owners, have to maximize what limited funds they have available—and the best return today is through the Internet, not the yellow pages."

(That's not to say he thinks the yellow pages are dead yet, by the way. But he predicts that the Internet will surpass the productivity of yellow pages advertising before long.)

Technology isn't the only hallmark of change that management companies have seen since their early days. Indeed, warns Farrar, becoming tech-dependent is unwise.

Good People Remain Vital

"Although it may be tempting to rely on this convenience, you would learn the hard way that cell phones and emails cannot replace face-to-face management meetings and on-site supervision," Farrar cautions. "Monthly site visits cannot be eliminated or even curtailed. They still need to be both planned and unannounced. There needs to be a system for evaluating performance and measuring results."

Human resources management can still be as much of a challenge in the 21st century as it was in the 1970s—since human nature arguably does not change much over time. "I think our biggest lessons were in getting up to speed on employment practices," observes Powell. "Our managers are our number one resource, which we need to employ wisely and fairly."

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Farrar adds that, “the ideal management firm will have key people plugged into the right spots. Marketing know-how today includes so much technology and requires an understanding of new methods, so a progressive approach to placing personnel must be applied. However, management methods—the tried and true, plus the new—have to both be in place. The professional property management team is only as good as the current people it employs.”



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Do some management companies bring different sets of skills to the table? “Originally, 10-plus years ago, there were companies that were known for certain strengths,” explains Blum. “Today’s environment requires that every management company be strong in every aspect. What differentiates the companies now is the size. Smaller management firms tend to give much more hands-on supervision, while larger companies have a hierarchy of personnel. It’s a matter of finding a comfort level.”

Powell agrees that “smaller companies are sometimes able to give better overall service. The principals in the larger companies are necessarily farther removed from the day-to-day operations and may be more difficult to reach by clients.”

Size Not a Big Deal

Can management companies achieve economies of scale to help stretch their clients’ purchasing dollars? Attitudes are mixed on how much of a difference this might make for a facility owner.

“Bulk pricing on products and services is always a plus, of course, as are solid relationships with preferred industry partners,” notes Farrar. “It is not how large the company is that creates synergy, but rather how deep and wide is the



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Lynne Powell, President
CedarTree Management Company

scope of their knowledge, understanding and involvement with the best in the business.”

Powell says market concentration is the more important factor in garnering bulk-buying power. “Economies of scale can be relevant for the purchase of insurance (all kinds), co-op yellow pages advertising and webpage services. If you have the knowledge to use technology and the Internet well, you can manage on any size scale. Some of the savings is dependent on having several facilities in the same market area. If the facility is isolated, even a large management company will not be able to get good co-op advertising rates.”

Blum views opportunities to leverage size for economy as more limited—especially since group buying power won’t help reduce the bigger items, like payroll or taxes. He notes that even solo facilities can likely achieve savings already via association memberships. “The Florida SSA has an arrangement with Office Depot, so the same discounts a management company can get may be available to smaller operators through their association.”

Surprising Changes

Recalling the earliest days of self storage management, these third-party managers have seen their share of industry surprises—and not only in terms of technology.

Back in the 1970s, says Powell, she couldn’t have imagined “the beauty of some of the facilities that are built today—not that they do any better in occupancy in this economy than the facility built in 1976 that still has a great location.”

Blum notes that pricing strategies and competition have evolved over the years, particularly as a consequence of overbuilding in some markets and this latest recessionary period. “We used to set prices and not change them for another 10 to 12 months,” he recalls, “but prices change daily now. And certainly the philosophy we had of ‘build it and they will come’ has changed. Today, we can’t sit and wait for business to come to our door.”

“The self storage product itself has improved so much and with that, the expectations of our customers far exceed what was tolerated in the past,” says Farrar. “In so many ways, it’s a completely different business.” ❖

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