

DANCING WITH THE DEVIL

A Self Storage Industry White Paper

This is a MUST read...

You'll learn why American Airlines is at war with Orbitz (an aggregator), why Macy's & The Gap won't sell on Amazon (an aggregator), why the majority of realtors despise Realtor.com (an aggregator), why Southwest doesn't do business with Expedia (an aggregator), and how Borders Bookstores were ruined by their aggregator partner... and how ALL OF THESE "aggregator issues" relate to the self storage industry.

Warn all of your colleagues!!!



How the Self Storage Industry is Selling Its Soul to the SpareFoot.com's of the World and the Hell We Are About to Reap for Doing So

A thought-provoking analysis of industry-wide utilization of indirect online customer acquisition channels and the future implications on self-storage operators, associations and the industry as a whole.

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Authors Note: This white paper is intended to be educational in nature and proposes an industry-wide call to action after a review of the information presented. Readers are encouraged to formulate their own opinions and do their own research. The descriptive terms employed herein are not intended to disparage any particular person or company, but used as such to give the reader easily identifiable analogies. A wide range of resources were used in the formulation of this white paper, some with a favorable disposition towards the use of aggregators, some neutral, and others unfavorable in their stance. Most of the original sources cited are available to the reader for viewing online. In the instances where an online reference is available, the text (article name) has been hyperlinked to the webpage or website where the article was found. In every instance, all of the sources cited on a page are also footnoted at the bottom of that same page.

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Abstract

There can be no question that we are living in the digital age. Consumer behavior patterns are steadily trending towards an ever increasing utilization of the internet for entertainment, purchasing, research and communication. In today’s business climate it is no longer a question of *if* an online presence is necessary, but ultimately a question of *how much* an online presence one should have.

Historically speaking, self-storage operators have been slow to embrace and utilize new technology for a host of reasons, one of the most obvious being the cost considerations. This prior “technological hesitancy” has placed our industry, operators and industry associations in a vulnerable position. The vast majority of industry professionals now recognize the need to “modernize” and as a result there has been a mad rush to offer our customers a “virtual experience”. However, this rush to all things “web-based” and the resultant short term successes experienced by doing so have blinded almost all in the industry to the long-term negative implications (threats) that the utilization of the indirect online customer acquisition channels (storage aggregators) pose to our financial livelihood.

This white paper will examine parallels between the self-storage industry and other industries’ experiences with online aggregators. This comparison will prove that the online storage aggregator sites will ultimately cause much grief to our industry. Taking an aggressive and controversial stance, this white paper details reasons why all operators should immediately discontinue utilizing storage aggregator sites and why every industry association should remove the storage aggregator companies from the their associations, barring them permanently from membership.

Full, Hungry, or Starving?

"He who is full loathes honey, but to the hungry even what is bitter tastes sweet..."

That proverb, in a nutshell sums up an issue staring the self-storage industry squarely in the face: the issue of self-storage aggregators. Most operators and industry associations think the emergence of these self-storage aggregator sites are "sweet" since they have helped many facilities without a good online presence increase occupancy by having access to renters they otherwise may not have had. Precious few others take the opposite stance that these aggregators are in reality "bitter" to our industry, being accepted as "sweet" by the majority because many are so "hungry" for the business.

In today's economic climate, we operators all face the same challenge: keeping facilities as full as possible, as cost-effectively as possible, at the best rates possible. We are acutely aware that the days of *if you build it they will come* are long gone. The recent recession and possible impending one have seen operators going to new lengths in their attempts to attract customers in this highly competitive environment in which we operate.

Heavy discounting has been rampant in many places around the country, although this trend has reversed itself modestly in some places. The result of this widespread practice has somewhat conditioned the market to expect concessions at the time of move-in. As a subsequent result, many operators still feel partially

obligated to continue discounting (in order to stay competitive) due to some of their competitors' willingness to do so.

Add to the mix the recent explosion of industry articles, seminars and convention sessions detailing the need to increase your online presence, utilize social media and new web technologies - coupled with the obvious shift in consumer behavior toward more online searches... and you have Industry Challenge 3.0 - how to stay competitive, using evolving technology and the internet, as cost-effectively as possible.

The self-storage industry is a relatively young industry when compared to the hotel, travel, and airline industries. Although still not yet a "mature" industry, it is aging fast and at breakneck speed. Historically, our industry has been slow to adopt new technology and we are now an industry "in flux" trying to get quickly up to speed. In this rush to modernize, we now find ourselves in a vulnerable position, "strategically" speaking.

The pressure to modernize, coupled with a short term mindset (i.e. over-emphasis on *cost-effective* customer acquisition methods) is leading us quickly down the road of poor decisions. We are buying into new technologies (specifically the online aggregators) without thinking through the long-term implications of doing so. We are "Dancing with the Devil" so to speak.

In other words, our industry's short-sightedness in looking only to quickly implement new and *cost-effective* technologies to fix the "occupancy" issue is going to come back to haunt us in the very near future as an exponentially bigger "declining revenue" issue. We need only look at other industries and examine their past and present predicaments (having already been down this road) to foresee our possible "hellish" future.

Know Thy “Enemy”

Why the online storage aggregators are not “The New Heroes of the Self Storage Industry”

In the June 2011 issue of the SSA Globe, the national Self Storage Association’s monthly magazine, an article appeared entitled [“Dot Coms Are Finding You”](#)¹. The magazine’s editor conducted an interview with the spokesmen of multiple self-storage aggregator companies. Here are a few quotes from that article, written by John Dunlap:

“In this computer age, the idea of helping customers find your self-storage facility has taken on even greater importance.”

The truth of this statement is undeniable. Everyone in the industry should wholeheartedly agree with this sentiment. However, the next quote taken from the 2nd paragraph of that same article reveals one of the biggest blind spots of the industry as it relates to how operators and industry associations should view these online storage aggregators. This is a blind spot that these aggregators are only too willing to use to their advantage...

“Enter the new heroes of the modern age in self-storage – businesses dedicated to helping prospective customers find you via the Internet.”

There are two not-so-obvious fallacies in the above quote. First, after some thoughtful consideration I expect you will exchange the word “heroes” for a more suitable one by the time you get to the end of this white paper, and secondly...

The aggregators are not technically trying to help your facility get found on the internet. They are trying to get their own aggregator sites found by potential renters before they find your facility.

Please read that statement again very slowly and carefully, pondering that fact. Although this is a very subtle point of difference, it is more than just semantics. It is an incredibly important distinction with far-reaching implications that every single industry professional must think through! Do you understand that by “*helping customers find you*” they are in essence actually disconnecting you from potential customers, using the revenue *you provide them* to drive online search traffic directly to their websites instead of yours???

In an article called [“Turf Wars: How Aggregator Search Results Can Affect Your Brand”](#)² appearing on the website SearchEngineLand.com, authored several years ago by Dave Feldmen (then Director of Client Services for the search engine marketing firm iProspect), he wrote:

“Are you a marketer looking for additional online sales outlets? If so, you’re probably considering partnering with aggregation sites as they have proven to be a highly effective solution for many marketers....

Also, keep in mind that while partnering with aggregator sites can do much to increase your page real estate in the search results, it does not necessarily guarantee that you will ultimately get the business. For example, a search result featuring your brand could generate a referral to an aggregator, where subsequently a consumer may end up finding a lower price on a competitor’s product/service.”

The use of aggregators adds another step to the customer acquisition process – a step that you do not have any control over.

¹ John Dunlap, “Dot Coms are Finding You,” [SSA Globe](#) June 2011: 16-20

² Dave Feldmen, “Turf Wars: How Aggregator Search Results Can Affect Your Brand.” Column: Brand Aid, 19 Sept. 2007, 5 Sept. 2011 <http://searchengineland.com/turf-wars-how-aggregator-search-results-can-affect-your-brand-12209>

Embracing the “Middleman”...

The self-storage aggregators have subtly and strategically inserted themselves as middlemen in our industry.

We who have used any of these online storage aggregators have played the part of the fool for doing so. Let’s take a look at the potential “financial carnage” they are capable of doing to our industry by surveying a few other industries to see how they have struggled with the online aggregator issue.

Here is a quote by Arthur Frommer, (founder of the famous Frommer’s Travel Guides) which appeared online discussing the aggregators and online travel agencies, found at frommers.com³:

“Back in the 1990’s, three giant new websites – Expedia, Travelocity and Orbitz – appeared on the Internet, helping consumers to find the best airfares and flights for their next trip. But the three online travel agencies didn’t limit themselves to simply disclosing that information; they also began selling tickets for the flights they revealed, and thereby caused the airlines to incur commission expenses of hundreds of millions of dollars.”

“Now as I see it, the airlines are launching a struggle to rid themselves of the expenses resulting from ticket-selling by OTAs, just as they earlier rid themselves of the expenses resulting from ticket-selling by standard retail travel agents.”

Many other industries are now in an all-out war against their industry aggregators because they’re taking quite a chunk of their revenue. Now,

these industry operators have to *compete with their aggregators online* for that highly coveted ‘click’, just like every self-storage operator utilizing online aggregators is doing now, and probably doesn’t even realized it!

Follow the Money

The aggregators’ primary objective is their own financial success... not yours.

There is absolutely nothing wrong with having a profit motive. That is why businesses exist. But as operators we need to realize that the aggregators’ profit motives are at conflict with ours.

The self-storage aggregator’s first and foremost, over-arching allegiance is *not* to the self-storage operator with the intent of helping them fill vacant units. Their primary objective is to produce ROI to their investors / owners.

Do not lose sight of this fact! They care not if *your* particular facility succeeds versus a local competitor. The primary goal of the aggregator is getting that reservation / listing / referral / rental fee deducted out of as many self-storage operator bank accounts as possible every day all across the nation.

We Are “Dancing With The Devil”

Aggregators are your COMPETITORS. They are not your PARTNERS.

Assuming that many self-storage operators already have an online presence, it stands to reason that every operator who utilizes online aggregators is in essence *funding their competitor’s efforts* to grab online traffic from them (the operator). They use the money you have paid them for a lead / listing / reservation / rental to turn around and *compete against you*. You are funding their SEM & SEO efforts and underwriting their ability to outbid you on keywords in *your own local market* to get your potential

³ Arthur Frommer, “Have Aggregators Like Kayak and Momondo Made Online Travel Agencies Obsolete? I Tend to Think So.” Arthur Frommer:Blog, 10 Jan. 2011, 5 Sept. 2011

<http://www.frommers.com/blog/?plckController=Blog&plckScript=blogScript&plckElementId=blogDest&plckBlogPage=BlogViewPost&plckPostId=Blog%3A3ec3ac40-db8a-4d10-a884-acf9ccad0879Post%3A75f38fe3-6f17-4684-9161-ee17328e27e1>

customers to come to them first (instead of *directly* to you) so they can then turn around and sell that customer back to you! Other industries see this clearly. Here is a quote by Matt Jones, founder of Real Estate Blog, in an interview with Michael Krisa, founder and President of Real Estate Unplugged, in the article [“Do-It-Yourself Online Lead Generation”](#)⁴:

“Today the real estate landscape is filled with companies offering to sell us leads – companies like Trulia, Market Leader, Service Magic, Lending Tree, and now, Realtor.com. Think about it: These companies are taking our intellectual property (our listings) and using it to generate leads online. Then, to add insult to injury, they are selling those leads back to us for a premium.

And many agents today are happy to pay those outrageous prices for leads... And why would they pay those usurious prices? Because many agents today are struggling to survive and in their minds, something is better than nothing. And the lead aggregators know it and are willing to take advantage of those desperate agents.”

Does the remark above bear any resemblance to the self-storage industry? We all know that it does, many times multiplied.

In comments posted in reply to a widely read article appearing on the website AgentGenius.com, entitled [“Why do Realtors Hate Realtor.com so Much?”](#)⁵ real estate agents chimed in with their thoughts. Realtor Michael Stuart posted these remarks in the article’s comments section:

“The core issue is that Realtor.com is a direct competitor – who simply aggregates local (MLS) data as their main content.”

This real estate agent is savvy enough to know that although his industry’s aggregators (in this case, Realtor.com) don’t actually “sell real estate” – they are still a *direct competitor*. We need to personalize and translate this truism to: *although storage aggregators “don’t actually own facilities and rent storage units” – they are still direct competitors.*

He further predicts...

“As technology advances, the valuable-local knowledge real estate agencies possess will be made available online – followed by niche/local online communities formed around it, and the value/need for national level aggregation sites will diminish... If realtor.com/realtor.org was truly an operation that was for the benefit of its local members, it would foster this transition, before purely commercial aggregation sites gain too much digital ground.”

Realtors understand that their industry needs to proactively address the aggregator issue *“before purely commercial aggregation sites gain too much digital ground.”*

The Ultimate End-Game Agenda

The online storage aggregators all have an unscrupulous agenda... although it is “hidden in plain sight” if we would just examine their true intentions carefully.

The ultimate goal of the aggregator sites is to **DOMINATE** the online customer acquisition channel and become the nationwide “go-to destination” for ALL self-storage rentals.

If you do not see this as an undeniable, irrefutable fact and you have even a shadow of a doubt that these storage aggregators **DON’T** have the goal of becoming the next

⁴ Michael Krisa, “Hey Eeyore! (Part 8): Do-It-Yourself Online Lead Generation.” Real Blogging: Real Estate Blog, 26 July 2011, 5 Sept. 2011 <http://realblogging.com/matt-jones/hey-eyore-part-8-do-it-yourself-online-lead-generation/>

⁵ Michael Stuart, comments posted after “Why do Realtors Hate Realtor.com so Much? Is it The Brand Name? If it Were Named Move.com, Would They Still Hate it as Much?” Agent Genius: AG Beat, 7 Oct. 2009, 5 Sept. 2011 <http://agentgenius.com/real-estate-technology-new-media/why-do-realtors-hate-realtor-com-so-much-is-it-the-brand-name-if-it-were-named-move-com-would-they-still-hate-it/>

“Expedia” of the self storage industry (and your biggest competitor)... then carefully consider this quote by Chuck Gordon, CEO of SpareFoot.com, one of the leading online storage aggregators. In a November 2, 2009 interview with [RetireAt21.com](http://www.retireat21.com)⁶ he said (in response to the interviewer’s question #4):

“In 5 years, SpareFoot will be the go-to destination for booking self storage units, saving millions of customers thousands of dollars...”

If Mr. Gordon has his way, we as operators will have to “buy” most or all of our customers from SpareFoot.com, or other aggregator sites. Should we be funding his efforts or any other aggregator’s efforts to become “the go-to destination for booking self-storage units”?

Mr. Gordon also said (in response to the interviewer’s question #2):

“Much like Expedia, SpareFoot gives consumers a true comparison shopping experience. SpareFoot is the only place you can book a self storage unit the same way you book an airplane ticket or hotel room on Expedia.”

If the stated intentions of the online aggregators are not enough to dissuade you from being a willing participant in funding your industry’s demise, then also consider this:

They Focus Mostly on Price

Allowing our product to be defined solely in terms of price (as is the standard practice) on aggregator sites is disadvantageous the industry.

Here is another quote from the aforementioned SSA Globe article, [“Dot Coms are Finding You”](#)⁷. Brandon Baud, of upickstorage.com is quoted as saying:

“The best part of upickstorage.com is that the person in search of storage gets to suggest what they want to pay for their unit.”

An online customer acquisition strategy like this has tremendous negative implications on revenue! Baud goes on to say:

“The facility owner can either take that rate to get the renter or counter-offer with their standard rate in real time.”

In this aggregator’s business model, we are reducing the customer transaction to a barter process. Do we really want to condition potential renters across the nation that they can “suggest” their own rates and barter every unit rental with us?

If we subscribe to this business model, then we are “commoditizing” prices. As stated in a presentation to the U.K. auto insurance industry (concerning the use of aggregator sites) found on [slideshare.net](http://www.slideshare.net)⁸, Jamie Riddell, founder of [Cheeze.com](http://cheeze.com) and an experienced, innovative digital media strategist in the UK says:

“Price competition means the service & value offer play a small part in the decision making process”

Looking over to the airline industry, on Quora.com we find a reply posted to the question, [“Why does Southwest choose not to offer their fares on 3rd party flight aggregators?”](#)⁹ Justin Benson, of Executive Sales Technology writes:

“... I also think they don’t want to be a commodity. Those sites create the perception that a ticket price is a commodity.... On top of commissions [it would have to pay the aggregators]

⁶ Chuck Gordon, interview by “Matt”, RetireAt21: Blog, Nov. 2009, 5 Sept. 2011 <http://www.retireat21.com/blog/chuck-gordon-interview>

⁷ Brandon Baud, “Dot Coms are Finding You,” SSA Globe June 2011: 18

⁸ Jamie Riddell, “The rise of the Aggregators – What are the implications?” 2009, 5 Sept. 2011 <http://www.slideshare.net/jamieriddell/how-the-rise-of-financial-services-aggregators-will-affect-the-insurance-industry-presentation>

⁹ Justin Benson, comments on Quora.com, “Why does Southwest choose...” <http://www.quora.com/Why-does-Southwest-choose-not-to-offer-their-fares-on-3rd-party-flight-aggregators>

Southwest would be nuts to allow itself to be defined this way.”

Self-storage aggregators drive down industry revenue not only from taking their “middleman cut”, but also by conditioning self-storage consumers that selection of a storage unit is strictly a price-based decision. Doubt that? At the time of this writing this is what you will find when going to the home page of these 3 popular storage aggregator sites:

[SpareFoot.com](#) – The most obvious text is in a rectangular red block with white text that says: “**View Prices**”

[UpickStorage.com](#) – The biggest text on the page is in orange block letters: “**PICK YOUR OWN PRICE**”. The search function on right of screen appears to now be a front/partner link to SpareFoot.com. (Look in the address bar at the domain name when clicking on the zip code search box)

[SelfStorageFinders.com](#) – The most obvious text is in a rectangular blue block with white text that says: “**View Prices**”. Note that the site is eerily identical to SpareFoot.com in navigation and search results, tabs, buttons and facility description verbiage.

Next Stop: Brand Erosion

Lack of practical differentiation on the storage aggregator sites will diminish your brand’s image.

Other than the textual description of a facility on the storage aggregator sites and a picture or two, what differentiation is apparent between competing facilities? There is (practically) no difference. The only

difference readily apparent is price. Who wins when facilities competing for the clicks start trying to out-do each other’s specials? No one except the aggregator because they get the fee no matter which facility a consumer happens to choose.

Alluding back to the article referenced earlier on [SearchEngineLand.com](#)¹⁰, Dave Feldmen also wrote:

“...be mindful that there are risks associated with partnering with aggregators, not the least of which is the chance that your brand message could be misconstrued. This is just one of the dangers of letting others advertise for you. For the most part, these risks are exacerbated by giving away too much to these sites. For example, are you concerned about words like ‘cheap’ or ‘discount’ being associated with your brand? Aggregators will often use these types of adjectives to attract buyers.”

Utilizing the storage aggregators may confuse consumers and send them mixed signals about your brand because you are showing up on the search results page next to facilities of lower quality. If you run a first-class self-storage operation, what is the consumer’s perception of you if you “bring down your brand” to the level of second-tier and third-tier facilities, appearing on the same page? The answer is: you cheapen your brand, otherwise known as brand erosion.

“Your position on an aggregator site may not reflect what you feel is your brand position in the marketplace.”

This nugget of wisdom (italicized quote above) from Jaime Riddell, author of the aforementioned presentation to the U.K. auto insurance industry on [slideshare.net](#)¹¹, is an important consideration for “top-tier” operators. But the aggregator spokesmen and sales staff will tell you the exact opposite! They’ll say, “*if you’re a top-tier*

¹⁰ Feldmen, SearchEngineLand.com

¹¹ Riddell, SlideShare.net

operator then you will 'stand out among the crowd and differentiate yourself' by being listed among second-tier and third-tier facilities" on the same page. Don't fall for this faulty logic. The concept of "cheapening your brand" or "brand erosion" is one of the reasons you won't find advertisements for Mercedes, BMW's, or Cadillac's in those grocery store or convenience store auto-trader free-for-the-taking magazines. They have a higher end client in mind and are very, very particular in choosing what they place their brand name in, on, and around.

If you have the best product, the best service, and offer the best value then you should want to get full price for it and be the market leader. By positioning yourself amongst others who are willing to give away (cheapen themselves) their product, you negatively impact your brand's perceived value.

In the article, "[The Business Model IS the Brand](#)"¹², entrepreneur and brand strategist Ray Podder writes:

"In the hospitality industry, contracts are being re-negotiated so that hotel brands can match prices with the aggregator brand, while every effort is being made to drive traffic to the hotel's web site for reservation bookings as opposed to the aggregator's web site..."

... It has been said there is a brand erosion, the question is, who's brand is being diluted and why? It seems that both are being diluted like going back and forth on a seesaw, as each tries to force what they believe to be the stronger business model."

If an operator chooses to stand firm on rates and there is a "hungrier" facility down the street willing to give away the store just to get another renter, what will the end result be over time? If the customer chooses to go somewhere else "cheaper", what perception does that leave in the customer's mind about the operator who refused to barter with them and give away too much?

Additionally, if you are very familiar with the facilities in your area, go to those aggregator sites and carefully read all of the facility descriptions for those listed in your competitive neighborhood. I can almost guarantee you that you will find a large percentage of those descriptions being "overly generous" (i.e. stretching the truth) in their terms describing their facilities.

Lessons From The Airline Industry

Look to the airline industry's past to see our possible future as it relates to aggregators.

You may have heard late last year about the battle between American Airlines and Orbitz, which progressed to include Expedia and Hotwire as well. In a show of support with its competitor Orbitz, Expedia and Hotwire dropped American Airlines' flights from their sites after AA took its own flights off of Orbitz, in a move to lower commissions it pays such sites for each ticket a consumer books.

Here is a quote from a December 23, 2010 article appearing on [ABCnews.com](#)¹³ about the issue:

"Earlier this week, American announced that it is trying to reshape the way airline tickets are sold, pulling all its flights off the online booking site Orbitz. Then yesterday, in a rare show of solidarity from a competitor, booking site Expedia fired back, changing the way American's tickets are displayed on its site, making it extremely difficult to find American flights."

¹² Ray Podder, "The Business Model IS the Brand," GrowBrand.com: Article, March 2004, 5 Sept., 2011 http://www.growbrand.com/pdf/G_BMITB.pdf

¹³ Scott Mayerowitz, "Expedia fights back at American Airlines," ABCnews.com, 23 Dec. 2010, 5 Sept. 2011 <http://abcnews.go.com/Travel/cheap-american-airlines-tickets-orbitz-american-delta-deals/story?id=12462370>

'This has been done in light of both American Airlines' recent decision to prevent Orbitz from selling its inventory and a possible disruption in Expedia's ability to sell American Airlines tickets when our contract with American Airlines expires,' Expedia said in a statement to ABC News. 'American Airlines has shown it only intends to do business with travel agencies through a new model that is anti-consumer and anti-choice.' (continuing Expedia's statement)

At issue are fees that each of the online travel agents get for each airline ticket sold. American is trying to steer more ticket sales to its own website and keep a larger share of the ticket prices for itself.

'They are trying to flex their muscles and control their distribution costs,' said Graeme Wallace, chief technology officer of the website FareCompare.com''

Your "Partner" Will Dump You

Could the storage aggregators, who many now call partners, one day soon become adversaries, quickly switching their "allegiances" to become "so-called" consumer advocates?

If Expedia's comments to ABC News are any indication, I think the answer is clear.

But we don't have to go to another industry for confirmation of this. The author of this white paper posted an article called: ["Stop Whining – Not As Wrong As You Think"](#)¹⁴ on the Inside Self Storage industry website, detailing reasons why one might want to look into mass-media

marketing and not blindly patronize the online aggregators. That blog post sparked a rebuttal called: ["Numbers Don't Whine..."](#)¹⁵ by Christina Qiu, marketing assistant at SpareFoot.com (the online storage aggregator):

"Smith rejects self-storage search aggregators because they promote transparent business practices. He asks you to mask high prices under broadcast ads featuring smooth-talking managers."

In all actuality, her above quote is not true and it proves she never saw any of our television commercials since none of them feature talking managers or employees. I reject the use of aggregators for a host of different reasons, all outlined in this white paper. But the more important question self storage operators should ask is, *"who is Ms. Qiu to arbitrarily determine that our facilities' prices (or any other facilities' prices for that matter) are high?"* Note: this comment reveals that these aggregator sites are all about focusing on PRICE! But most importantly, note her usage of the phrase:

"aggregators... promote transparent business practices"

That is the media tactic taken by all aggregators in all industries. Once someone within any industry questions the existence or usefulness of the aggregators, the aggregators band together as "consumer advocates" and immediately attack the dissenters as "anti-consumer and anti-choice" (as in exemplified in Expedia's statement about American Airlines...) or that the questioner is somehow against "transparent business practices" as reflected by Ms. Qiu's comments about the author.

Imagine the day if and when self-storage aggregators will have gained the prominence of an Expedia or Orbitz. Then, storage industry operators (having mastered the technology of direct online channel

¹⁴ Randy Smith, "Stop Whining... Not as Wrong as You Think," InsideSelfStorage.com: Op Side Blog, 11 August 2011, <http://www.insideselfstorage.com/blogs/opside/2011/08/stop-whining-not-as-wrong-as-you-think.aspx>

¹⁵ Christina Qiu, "Numbers Don't Whine: Using Self-Storage Stats to Evaluate Your Marketing," InsideSelfStorage.com: Op Side Blog, 18 August 2011, <http://www.insideselfstorage.com/blogs/opside/2011/08/numbers-dont-whine-using-selfstorage-stats-to-evaluate-your-marketing.aspx>

customer acquisition) decide to slowly pull back from their reliance on the aggregators - what happens then? Do the aggregators collude together to flip the “off switch” across the board to instantly punish those they innocently promote themselves as being out to help? As soon as their revenue becomes threatened, the mask comes off and we see where their true allegiances reside.

Millions of Dollars Later

The airlines see now see the wisdom of using their own websites (the direct online channel), not the aggregators (the indirect online channel) to capture customers.

From the same article referenced earlier found at ABCnews.com¹⁶:

“Southwest Airlines – which like American is based in Dallas – has long resisted allowing others to sell its inventory. Robert Mann, an airline consultant and President of R.W. Mann & Company estimates that ‘roughly 80% of Southwest’s tickets are sold directly by the airline... Traditional network carriers, like American and Delta only sell 20 to 30 percent of tickets directly through their websites.’ ‘Airlines sell a heck of a lot more than airfare. They sell hotel rooms, they sell rental cars. Maybe the airlines are thinking why share this ancillary revenue with Orbitz? There might be some profit in just selling your wares on your own website.’ ‘Southwest for a long time has not played with Orbitz or anyone and they are doing fabulously. If I were an airline, I might think: If they can do it why can’t I?’”

In another reader posted response to the aforementioned question posed on Quora.com, [“why does Southwest choose not to offer their fares on 3rd party flight aggregators?”](#)¹⁷ Mario Gavira, MD Opodo France (an online travel agency) writes:

*“Not offering their content on 3rd party flight aggregators has been one of the golden principles of all Low Cost Carriers. The saying goes that **by cutting out the middlemen...** airlines like Southwest can keep distribution costs down and pass the savings to the client. During the last years, increasing ancillary revenues by cross selling all type of travel related services have become an even bigger driver for airlines to shift the customers directly to their website.” (Bold emphasis mine)*

Throw Out The Middlemen!

While most self storage operators and associations are foolishly welcoming these middlemen (aggregators) with open arms to our industry, the more savvy retail industry professionals are in a mad rush to remove many of theirs (the competitor aggregators).

Here are excerpts from an article entitled [“Big Retailers let their Amazon channel run dry”](#)¹⁸, by Paul Demery, Managing Editor of internetretailer.com. It is an article about Macy’s and Gap’s decision to pull off of Amazon.com, the number one internet retailer. Mr. Demery writes:

Ever since Amazon.com Inc. started letting other retailers sell through its e-commerce platform as third-party sellers, there has been a “swinging pendulum of support and pull-back” from major retailers concerned about the ability of Amazon (No. 1 in the Internet Retailer Top 500 Guide), to use marketplace retailers’ sales information for competitive purposes, says Scot Wingo, CEO of Channel Advisor Corp., a company that helps retailers sell through third party e-marketplaces...

¹⁶ Mayerowitz, ABCnews.com

¹⁷ Bensen, Quora.com

¹⁸ Paul Demery, “Big Retailers let their Amazon channel run dry,” InternetRetailer.com: Article, 7 Feb. 2011, 5 Sept. 2011, <http://www.internetretailer.com/2011/02/07/big-retailers-let-their-amazon-channel-run-dry>

"We didn't want to give them information on product pricing and sales that Amazon could potentially use against us," says Neel Grover, president and CEO of Buy.com (No. 32 in the Top 500 Guide). Buy.com, which stopped selling through Amazon in October, operates its own e-marketplace for third-party sellers and has a strict policy of not competing against them, he adds. Amazon does often sell the same products as retailers selling through its marketplace, and at times at a lower price, retailers say...

Wingo says that many retailers selling on Amazon also have been concerned that Amazon can use information on their product sales to assist the merchandising and marketing efforts of Amazon.com and other retailers selling through Amazon.com. Another concern is that Amazon could use retailers' product information to deal directly with their product suppliers and cut the retailers out of the selling loop, he adds.

As a forward-thinking operator, you must consider the strategic reasons why you wouldn't want your facility data such as rates, occupancy, etc. accessible to any of the online storage aggregators (or to anyone they may serendipitously sell their collective data about your competitive market to). Utilizing these aggregators gives them access to valuable data that can be stored and archived, very well being strategically "used against you" in the future. Now that real-time, web-enabled property management software is widely available, the threat is very real indeed.

The Aggregators' "Lethal" Effect

Look what happened to Borders Bookstores when they allowed someone else to sell for them online. Their unwise partnership with Amazon.com ruined them financially.

MediaBistro.com, in an article called "[The Move That Doomed Borders Bookstore](#)"¹⁹ quotes Stephen Ceasar's comments from his article originally appearing in the LA Times Business Section from February 4th, 2011:

In 2001, just as Internet commerce was beginning to thrive, the company made the mistake of turning its online sales over to Amazon, a competitor, which gained vital customer information such as purchasing habits. "It's unheard of," Greco said. "It's as if Coca-Cola asked Pepsi to distribute Coca-Cola."

The MediaBistro.com writer, Richard Horgan, goes on to write:

Sure enough, Amazon was able to lure away Borders customers with its slick website functionality, especially the widget that matched a buyer's choices to other commensurate book titles. By the time Borders finally launched its own online service in 2008, it was way too late to catch up to Amazon and even Barnes & Noble, though that chain is also in trouble.

Update – 02/16/11: Borders has filed today for bankruptcy and released a list of the 200 stores it plans to close."

Border's executives thought (just like most self-storage executives think now) that it was a great idea to partner with that well-known aggregator, allowing them to sell product through the aggregator's website. Now those executives are out of a job.

If you are using the storage aggregators, then carefully consider how you are in essence just like... *"Coke (a storage facility), asking Pepsi (the aggregator) to distribute Coke (storage) for you."*

¹⁹ Richard Horgan, "The Move That Doomed Borders Bookstores" MediaBistro.com: Article, 8 Feb. 2011, 5 Sept. 2011, http://www.mediabistro.com/fishbowl/a/borders-bookstores-bankruptcy-amazon-barnes-noble_b22192

Are We Next?

The online storage aggregators are operationally capable of doing the same thing to us as Amazon did to Borders.

If you think the storage aggregators don't have a database full of valuable data that could possibly be used against you in the future, think again. Going back to the blog post referenced earlier by Christina Qiu, a marketing assistant working for SpareFoot.com, entitled "[Numbers Don't Whine: Using Self Storage Stats to Market Your Facility...](#)"²⁰

Christina wrote:

"I checked SpareFoot's own reservations database (based on tens of thousands of reservations running through our system) to research nationwide, storage-aggregator customer behavior, so let's examine those trends."

What happens if an online storage aggregator sees revenue decline and toys with the idea of selling that data to your competitors? If they can pull up the national data, then they can certainly pull up state and local data. What if the investors behind some of these aggregator sites pull the plug on venture capital and demand an exit? Is that data up for sale on the auction block? Or does a national self-storage chain buy the aggregator for the rental / reservation system in place, along with the data, somehow strategically using it to gain the competitive advantage in the market(s) you happen to be operating in? I am not saying this is currently happening or that it is their plan, but you must look at the possibilities from a long-term, strategic perspective.

Learn From The Hotel Industry

We should also take careful notes and learn from the past mistakes of the hotel industry...

which is much farther along in their own love / hate relationships with their own industry aggregators. Max Starkov, President and CEO at HeBS Digital (Hospitality eBusiness Strategies) wrote the following in an October 2009 online article entitled "[Growing Tensions Between Hoteliers and OTAs](#)"²¹ addressing issues between hoteliers and online travel agencies (aggregators). As you read it, look at the parallels between these comments and those of the self-storage industry:

"The industry as a whole has been hit hard by the economic recession... Many hotel companies (including some major brands who should know better) have exhibited a typical 'knee-jerk' reaction to the deteriorating economic environment by embracing the indirect online channel (OTAs) to compensate for decreasing business. These hotel companies have been willing to accommodate the OTAs with bigger discounts, unique promotions, etc., thus jeopardizing their direct online channel and destroying years-worth of achievements such as rate parity, best rate guarantees and more. In other words, some hotel companies have literally betrayed the industry by succumbing to the temptations of the indirect channel and demands of Expedia, some of them doing this in a particularly unintelligent way."

Focus just a moment on this part of Mr. Starkov's quote:

"...hotel companies... have exhibited a typical 'knee-jerk' reaction to the deteriorating economic environment by embracing the indirect online channel (OTAs) to compensate for decreasing business."

²⁰ Qiu, InsideSelfStorage.com

²¹ Max Starkov, "Growing Tensions between Hoteliers and OTAs," HotelMarketing.com: Article, 19 Oct. 2009, 5 Sept. 2011, http://hotelmarketing.com/index.php/content/article/growing_tension_between_hoteliers_and_otas (originally posted article has been truncated)

Let's see if we can substitute a few of the "players" in this quote and if it would be relevant to our industry after doing so:

"Self storage operators have exhibited a typical 'knee-jerk' reaction to the deteriorating economic environment by embracing the indirect online channel (storage aggregators) to compensate for decreasing business."

Has this shown to be true? Absolutely - and unfortunately, the emergence of these storage aggregators coincides with one of the worst recessions in U.S. history. Look again at this sentence, probably the harshest part of his quote (bold emphasis mine):

*"In other words, **some hotel companies have literally betrayed the industry** by succumbing to the temptations of the indirect channel and demands of Expedia, some of them doing this in a particularly unintelligent way."*

I would concur with Mr. Starkov's assessment, that not only is the over utilization of the indirect online channel unwise (and eventually unprofitable), but in "partnering" with the "Expedia's" of the world it is in essence a betrayal of the industry by operators, all in hopes of making a quick(er) buck.

This embracing of the indirect online channel (aggregators) has come about in our own industry for the very same reasons it came about in the hotel industry. Hoteliers, lacking technological assets of their own, saw the dot com entrepreneurs as their knights in shining armor. They provided them a "cost-effective"

solution that utilized the latest technology. Sadly, these hoteliers only focused on filling empty rooms without considering the long-term revenue implications. They "sold their soul to the devil" so to speak. We in the self-storage industry are doing the same thing now. In the same [article²²](#), Mr. Starkov recounts comments from an earlier article of his and writes:

"Back in the Spring of 2003 in the article 'Brand Erosion, or How Not to Market Your Hotel on the Web', I argued about the existence of a new kind of disparity in the hospitality vertical: between smart, Internet-savvy OTAs on one hand and Web-inept hoteliers on the other, and characterized some hoteliers as being the Web reincarnation of the 'Stockholm Syndrome' where the kidnapped victims (hoteliers) fall in love with their kidnapper (OTAs)."

This comment closely correlates to the self-storage industry's history. Operators and the industry as a whole (until very recently) have been "web-inept" as Mr. Starkov calls it, and the "internet-savvy" online aggregators have appeared on the scene, being hailed as the "new heroes" of our industry to help us poor, ignorant, naïve operators weave our way through this new technology – with emphasis on the term "cost-effectively" at that! Unfortunately, this remains the widespread viewpoint of operators in our industry (and management companies, consultants, and the associations too)... The viewpoint that aggregators are "heroes", just as it was the widespread viewpoint of the hotel industry a decade ago. Now the hotel industry and hosts of other industries would never use the word "hero" in regards to aggregators.

Dot coms now see in our industry the same opportunity they saw years ago in the travel and hospitality industries. Our collective ignorance means we are "low-hanging fruit" for these savvy dot com entrepreneurs.

²² Starkov, HotelMarketing.com

Guilty by “Association”

All of the self storage industry associations at the state and national levels also bear some of the blame for our industry’s acceptance of these online aggregators.

Each of the self-storage industry associations at the state and national level have fallen prey (albeit innocently) to the wiles of these online aggregators just as most other industries have. Exacerbating the situation is the widely accepted industry practice of inviting vendors to speak in an “educational” format at trade shows, conventions, executive retreats, and seminars. Even though all RFP’s for presentations include the disclaimer cautioning the vendor to keep the topic educational and not sales oriented, the very fact that these vendors are chosen to do a presentation by our association executives lends a certain amount of credibility to those they put forth to “educate” the industry. This is not necessarily an explicit approval or endorsement of the vendor’s business, but it most certainly is a somewhat “implied acceptance” of that vendor’s operation as being “good for the industry” by virtue of the fact that they are allowed to make presentations.

In almost all instances, having a vendor conduct an educational seminar that specializes in doors, construction components, or software provides no conflict of interest since they are not directly competing with operators for the self-storage customer. But in regards to these online aggregators, this is absolutely not the case.

Throw The “Devils” Out!

Should a self storage industry association even accept as vendor members those who are setting themselves up as the middlemen between self-storage operators and consumers?

The self storage aggregators seek to do that very thing – and by their own admission! Going back to [Chuck Gordon’s quote](#)²³ (CEO of SpareFoot.com):

*“In 5 years, SpareFoot will be **the go-to destination** for booking self storage units, saving millions of customers thousands of dollars...” (Bold emphasis mine)*

Industry associations exist for the benefit of the industry members (operators) – not the vendor members. The primary goal of every industry association should be to protect the interests of its members and their industry. In the case of these online aggregators, they are *directly competing* with the self-storage operators (association members) for the self-storage consumer. Should *direct competitors* continue to be allowed in our associations as vendor members? Should associations be using vendors (whose stated purpose is to become the middleman in our industry) to educate its members about anything? Should *these particular direct competitor vendors* be allowed to write articles for industry trade magazines, post blogs on industry websites, or be called upon to make presentations at self-storage industry conventions? These are issues that every national and state self-storage industry association needs to consider.

At the very heart of the matter: *What is in the best interests of the industry, long-term?*

And... how much vendor advertising or sponsorship revenue associations may lose (should they eject these competitors from the membership rolls) will hopefully not even be a part of the discussion.

²³ Gordon, RetireAt21.com

An Industry Action Plan

As an industry, we need to strategically and proactively confront the aggregator threat by replacing them, using strictly “non-competitive” acquisition channels before we reap the same results other industries have for neglecting to intelligently address the aggregator issue.

Each segment of the self storage industry has a part to play in addressing the threat these aggregators pose. Starting with the most important player, the individual self storage operator, I have outlined some potential courses of action that can be taken to neutralize the negative financial impact the aggregators bring to our industry. This is by no means an exhaustive or detailed plan, but simply a suggested set of first steps. The quicker the industry replaces the aggregator channel with “non-competitive” acquisition channels, the less industry revenue the aggregators will be able to siphon off.

Operators:

The best advice is simply: “Don’t go to the dance”. Don’t utilize the aggregators. Not even one. Take the money you would have paid them and use it to drive traffic to your own website. Focus on the *direct* online channel. Spend your online marketing dollars to drive people to you *directly*, not indirectly. If you don’t have a website, you absolutely must invest in one. By making this investment, you reap 100% of the benefits and don’t have to share any of the returns, unlike using aggregators. If you’d really like to be ahead of the game, look into what is called an “*omni channel strategy*”.

This concept has taken hold in the retail industry and appears to be in the future of many other industries, including ours.

If you are currently using aggregators, wean yourself off of them – quickly. Cut all ties in 60 days or less. If you have allowed them to “utilize” your free Google Places listing, demand it back immediately. If you argue that you get a lot of rentals from the aggregators that shows how dependent upon them you’ve become, which makes you a “captive”. Every dollar you give them “tightens the noose” around your “financial neck” that much tighter (figuratively speaking). Make changes in your online marketing and promote your facility in such a way as to bring customers *directly to your own website* – not a third party’s.

Drop the strictly “cost-effective” mindset when it comes to generating rentals. Use this (admittedly over-simplified) analogy to help you see through the error of focusing too much on the “cost-effectiveness” of various online marketing methods....

Let’s say a patient suffers from high blood pressure. The doctor gives him two prescriptions, one for Pill A and one for Pill B. He says “*both work equally well in controlling blood pressure, but have different side effects. Take one or the other. Which one you choose is up to you. You should need about 3 months of treatment to get it under control.*” The patient visits the pharmacist who tells him, “*Pill A costs \$300 for a one month supply - \$10 per pill. Pill B costs \$15 for a one month supply - \$0.50 per pill.*” Now, which one is more cost-effective? Pill B, of course. But when informing him of the side effects of each the pharmacist says, “*Pill A gives 1% of all patients taking it slight headaches. Pill B has been shown to cause kidney failure in about 50% of all patients who take it 3 months or more. Which one do you want?*” In this case, simply focusing on “cost-

effective” could be deadly. In the same way, the aggregator-type of “cost-effective” reservations will in the long-term accomplish (in principle) the same thing, causing systemic harm to revenue throughout the entire industry.

Talk to fellow operators in your own competitive neighborhood. Forward this white paper to them. Explain to them how everyone now “dancing” will eventually get burned. Persuade them to “stop dancing.” Remember operators, the investment capital backing some of these aggregators will only go so far. If you refuse to play the game, their main source of revenue is gone and they will fade away. No good ROI for the investors, no more money for the startups.

Additionally, if there are some very old, 1st generation facilities who insist on using the aggregators and won’t stop doing so or listen to reason, then let them be. If we as an industry can wean most of the top-tier and mid-tier facilities off of the aggregator sites (leaving mostly the older, poorly managed facilities listed there that are in disrepair), the public will soon see that the quality of the aggregator referral is sub-standard and the average consumer (even after just one bad storage experience) will abandon the aggregators as a way to search for storage.

We, as operators need to pledge our operations as “aggregator-free” facilities and encourage other self storage operators to take a stand and follow suit. And, demand that our own self storage associations stop “partnering” with such sites.

As more and more operators see the dangers these aggregators pose to our financial livelihood, it will be interesting to see how much storage space we can keep out of the control of the aggregators.

Self Storage Consultants:

Being experts in the industry, consultants should already know why utilizing aggregators is a bad idea. Hopefully this white paper has brought some more clarity to the issue. Be sure to continue advising your clients that this widely accepted “necessary evil” isn’t so necessary for the reasons outlined herein. Spread the word for the good of the entire industry. Encourage your clients to develop their *own* online presence. Tell them they must set aside marketing dollars for the *right type* of online exposure. Never, never, never encourage operators to use a middleman for marketing who takes a cut of operator revenue and uses that cut to further compete with the operator for the self storage consumer!

Management Companies:

Sadly, too many management companies are utilizing the aggregators already. If you are an operator who uses a management company that has your facility using aggregators... forward this white paper to them. If they “get it” and see the need to drop the aggregators, all is well. If they don’t, then get a new management company or allocate those funds you were paying them to develop a great online presence. If you are in business as a management company and you are utilizing the aggregators, change your strategy *immediately*. There is technology in the industry right now that makes the aggregators functionally irrelevant - allowing the operator to focus more on development of the *direct online channel*. This focus and the development of an *omni-*

channel strategy is the future of the industry. Make the changes necessary and tell the operator why you are doing so. Re-allocate some marketing dollars. Forward this white paper to your clients to help them understand.

Industry Associations:

As a first step, verify and source this white paper. Go to the source material and read some of the articles cited. Decide for yourself if this white paper presents an accurate and clear portrayal of the aggregator issue. Do some independent research. Call other industry association leaders (airline, hotel, travel, etc.) and get their thoughts first hand. Then, if you are satisfied with the veracity of this work, disseminate this white paper to all of your association executives. Ask for comments from board members and employees working at the associations. Internally debate the issue. Reach out to the other self storage associations (state to state) and get their perspectives on the issue.

Secondly, I suggest disseminating this white paper to your association members if they have not yet seen it and ask for their feedback. The results of these first two steps will largely determine your association's next move.

Important Note to All!

Additionally, expect pushback from all of the aggregators. Historically, the push back comes in the form of outcry that aggregators "are good for the consumer" and "promote transparent business practices".

They suddenly become staunch "consumer advocates" when their existence in an industry or usefulness to it is questioned. Look for the blog postings, the rebuttals, the articles (hopefully not in the association magazines), and a few unsuspecting and uninformed operators being quoted by the aggregators to defend their validity and "effectiveness". Look also for the mock outrage and personal attacks levied against anyone who chooses to side with the industry instead of the aggregators. When this happens, it further proves they are not who they pretend to be. They are not your partners. They are, and have always been... your competitors. Shall we still call them "heroes"?

The Final Analysis:

The self storage industry must stop patronizing the aggregators to protect revenue and to retain control of the customer acquisition process.

Fortunately for us they are not yet entrenched in our industry like they are in others. *We must act quickly to keep that entrenchment from ever happening.* I hope this white paper has stimulated you to envision a future without the aggregators and encouraged you to further develop your own *direct online channel* strategy and to look into an *omni channel* strategy. We need not go the way of the hotel, airline, or travel industries. It is not inevitable. In several quotes throughout this paper you find the underlying theme of operators in other industries endeavoring to *decrease* dependence on the indirect online channels. All of them are now focused on bringing more customers to themselves *via their own website*. Millions and millions of dollars in commissions later, they now know all too well that it is more "cost-effective" in the long run (and much more profitable) to deal with customers *directly*.

We can learn much from those industries who have gone before us.

May we all see and consider the implications of these following truths and take the appropriate action for the good of our industry:

1. Aggregators are our competitors. They are not our partners.
2. The aggregators' primary objective is their own financial success... not ours.
3. The self-storage aggregators have subtly and strategically inserted themselves as the middlemen in our industry.
4. The ultimate goal of the storage aggregators is to dominate the online customer acquisition channel and become the nation-wide "go-to destination" for ALL self-storage rentals.
5. Allowing our product to be defined solely in terms of price (as is the standard practice on aggregator sites) is harmful to the industry because it commoditizes prices.
6. Lack of practical differentiation on the storage aggregator sites will diminish your brand's image.
7. The storage aggregators, who many now call partners, will soon become adversaries, quickly switching their allegiances to become "so-called" consumer advocates.
8. We must see (like most other industries all now see) the wisdom of using our own websites (direct online channel), not the storage aggregators (indirect online channel) to capture customers.

9. Operators, management companies and associations must no longer welcome these middlemen aggregators with open arms to our industry, and like all other industries, quickly act to educate operators why they should stop using the indirect online aggregator channel.
10. We must act to protect ourselves from the storage aggregators because they are operationally capable of doing the same thing to us as Amazon did to Borders Bookstores.
11. Self storage industry associations at the state and national levels must make a course correction, because they are largely (albeit somewhat innocently) responsible for our industry's acceptance of these online aggregators.
12. Self Storage industry associations should eject from membership vendor members who are setting themselves up as middlemen between self-storage operators and consumers (because they *directly compete* with operators for the self storage consumer).

Make it your number one internet marketing priority this year to drive customers to *your own website...* to secure reservations and rentals from *your own website...* to *get your site listed above the aggregators* in the search engines. Stop buying into the lie that utilizing aggregators successfully increases your online exposure. Don't fall for the erroneous "cost-effective" arguments to justify using aggregators. Don't forget that they are not there to help *you* get found on the internet, they are there to get *themselves* found on the internet so they can *sell* you customers. Don't "pay" your competitors to compete with you. Don't "fund" their efforts to become the must-go-to middleman for rentals. In other words...

STOP DANCING WITH THE DEVIL!

