

The Self-Storage Target Market: Identifying Your Most Profitable Customers and Facility Trade Area

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Not long ago, self-storage marketing consisted of placing a Yellow Pages ad and then waiting for the phone to ring. In today's market, not only do you face more competition for customers, YP is slowly being replaced by the Internet as a primary means for prospects to learn about your store. Unfortunately, Internet marketing has a similar limitation to that of YP—namely that it works only for customers who are actively looking for you.

Because of this, self-storage operators are increasingly turning their efforts to proactive or outreach marketing including print media, direct mail or cold calling on key community and business locations. Such marketing campaigns communicate directly with potential customers, making them aware of self-storage as a way to solve their problems.

Taking things to the next level, target marketing is a way for you to find prospects who fit the profile of your key customers, allowing you to concentrate your budget on the most potentially profitable opportunities. Simply put, it's better to focus your marketing dollars on customers who are the most receptive and who will, once captured, produce the highest benefit to your store's bottom line. To find them, you must clearly define your market.

Understanding Your Trade Area

To target your best customers, you must first understand your trade area. Traditionally, the local self-storage market has been defined by a one-, three- and five-mile radius around your store. Unfortunately, the fabric of a market doesn't follow something as arbitrary as a circle drawn on a map.

A more productive approach is to define your trade area by taking into consideration how people actually travel and interact. Things like interstate highways, waterways and bridges may increase drive time and thus the convenience of your location, while different socio-economic patterns within a geographic area create real or imagined barriers for future customers.

From where do your current customers come? This is a useful place to start. Most self-storage management-software programs have functions that will actually map your current customer base from their addresses.

You may wish to focus your marketing efforts on those geographic segments of your trade area that generate most existing customers or perhaps those from which you aren't currently garnering customers. Combining your understanding of the geographic distribution of your existing tenants with an understanding of your competition can help you determine that certain areas are underserved or otherwise ripe for increasing levels of marketing.

A simple and inexpensive computer program such as Microsoft Streets & Trips will actually draw out drive-time distances around your store based on the road system and projected allowable speeds on such roads. Once you have that drive-time map, it's a simple matter to also plug in the locations of your competition and your existing tenants. Often, a pattern can be seen whereby you can determine areas within the trade area that might be underserved or be a good target for the customers you're trying to attract.

The Importance of Demographic Factors

In reviewing market studies, it's not unusual to find that within a given three- or five-mile radius around a store, some locations perform better than others. After factoring in considerations of the relative quality of the competing stores and their managers, the proximity and competitive intensity between some of the stores in the submarket, rental rates and other similar factors, we are often left to conclude that certain socio-economic factors play an important role in people's relative willingness or propensity to rent self-storage.

The most obvious example of this might be a difference between a lower-income area around an older industrial city, and the suburban upper-income area located as much as 10 miles away on the opposite side of a five-mile radius around your site. You might even find that factors such as income relate to the size of the rental space a tenant might choose, with lower-income tenants renting smaller spaces and more affluent tenants renting larger ones. This is an important factor to consider in target marketing if you have an abundance of either large or small units.

Get Data

Once you've geographically defined your trade area, there are several ways to obtain demographic information that you can overlay onto your map. Demographic data is available directly from the U.S. Census Bureau and can be accessed for free at Census.gov. There are some limitations with this data, for example, it's difficult to map corresponding data to the dimensions of your defined trade area. If, however, there are several ZIP codes within your defined area, the Census data can be shown in ZIP-code format, which also becomes easy to use in mailings.

There are also various paid sites such as Nielsen Claritas, CACI Inc. or Easy Analytic Software Inc. that can supply demographic data to be mapped to whatever you've determined your target trade area to be. Mapped variables can include concentration of businesses, percentage of renters, housing type or income amongst many of the variables you may wish to consider.

There are several national companies such as InfoUSA, Equifax, Accenture and others who can provide you with mailing lists of residential and business addresses in your target trade area. These lists can be broken down and refined by specific demographic criteria such as credit score, income, or a series of other demographic criteria for residential addresses or business type, number of employees or similar factors for businesses.

Most important, this same data can be broken geographically into specific areas within your defined market. The mailing list can then be generated down to the level of a given street, mail-carrier route or ZIP code. In this way, you can focus your advertising dollars specifically on those areas you've determined will produce the best results for you and the marketing needs of your store.

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