

Global Electronics Ltd.

3670 E Chipman Road
Phoenix, AZ 85040
602-437-8005

Future of the Self Storage Industry

By Tim Seyfarth President Global Electronic, Ltd.

So, what is the future of the Self Storage Industry ? In recent years the buzz has all been about incorporating the internet with management tools, adding call centers to increase store traffic and utilizing Kiosks. These all add value to the business either by slimming the accounting/record keeping functions, increasing occupancy and adding customer convenience to the business. But, what I have been hearing and seeing for the last several years has not been seriously addressed until just recently:

*How to lower the variable costs of human resources while utilizing the sites' assets 24/7 instead of just during business hours? How to reduce the cost of building the facility, reduce the amount of common area **and** how to reduce the amount of land without reducing the net rentable square footage?*

Is there an answer to these questions? Is it possible to increase asset utilization without increasing variable costs? How can I use a very small parcel of land effectively so all the numbers line up? Some owners believe it is possible and are already testing solutions in their markets. This, is the future of the Self Storage Industry!

To answer each question in the affirmative and accomplish each goal, some owners / operators have turned to technology. They have integrated Electronic Door Locks and Kiosks. The result, reduced or even eliminating the office altogether from some site locations. Electronic Door Locks and Kiosks, two pieces of relatively new to the Self Storage Industry, have huge yield potential!

To understand the technology, an overview of how the system works is important. The tenant enters their PIN at the gate entry keypad. If the tenant is current, the gate will open and the tenants unit(s) are unlocked. However if the tenant is past due, the keypad will not open the gate. It will instead display a msg that tells the tenant, for example, that their account is past due and they can use the kiosk to make a payment now and gain immediate access to their unit. The electronic lock will remove the over lock automatically!

Remember, **No bailment** is ever created since the electronic lock is not the primary lock. It is still the tenants lock, the tenants key and therefore the tenants liability. You simply have built in protection of your site assets.

A Look at the challenges and how technology solved them

Looking at the challenges:

Convenience

In a tight market, customers will want to rent at a location that is available when they want – convenience. So how can you create this type of *availability* convenience without increasing your costs? It is not reasonable or even feasible to have a management team available 24/7.

Reduce or eliminate variable human resource costs

What are the basic functions that on-site managers perform:

Rent units

Collect rent

Over Lock units (10-15% of a typical site is past due)

Remove over locks when rent is paid

So the question is, how can the site continue to perform these functions, without the cost of human resources? How can these all be performed more effectively and with reduced cost?

Use smaller parcels of land

Traditional self storage sites include a spacious office and living quarters for on site managers. In many markets, the cost of land has climbed to a point where it is no longer cost effective to build a traditional self storage site. But what if a non traditional site could be built either as a stand alone or as part of a *satellite* *system* of sites?

Security

Through the extensive use of cameras and the internet, most of the security challenges are the same with reduced management or manager-less sites except for one critical aspect, how to keep vacant units locked until rented? Electronic door locks provide the answer here.

Monitoring the Sites Operation

With managers on site, normal operations of the site can be monitored. Even if by accident such as the operation of the gate. If the gate fails to open, the manager can “tell” that there is a problem and either correct it or call someone who can.

What happens if the power goes out?

When the power goes out, does the site have to stop operating? How can an advanced site such as a manager-less site continue to operate without AC power?

Battery back up options for most major components are available such as the gate operator, keypads and the electronic locks to name a few. Utilizing these along with advanced software controls can allow the manager-less site to continue operating for extended periods of time when the power goes out.

Is there a solution that covers all of the challenges?

Yes! At least in the minds of some owner operators. The solutions to these challenges appears to be integration of e-LocX electronic door locks, user interface technology such as an INSOMNIAC Kiosk and a pair of keypads that are normally used to control access to the site by actuating the gate.

Although some adventuresome owners have been operating a manager-less site for years without the use of these technologies, they still have not received the - benefits that a *fully functional* manager-less site can give and have been limited to markets that require little security.

These are how each of the challenges have been overcome by using electronic door locking technology to reduce personnel costs and enable manager-less site operation.

Convenience

Society is more and more embracing self service as a normal part of everyday life. They **want** to be able to do for themselves and more importantly do it when and how **they** want. The Kiosk helps solve some of this challenge but from an owners point of view, you don't want to leave the site *open* , unlocked, so that the tenant may take the wrong unit or put unwanted trash etc into an unlocked unit. To completely provide the convenience of renting without human managers present, the electronic door lock is mandatory! Even in a reduced management environment, the electronic lock/kiosk combination enables renting units without management help and at times when the manager is off duty.

Reduce or eliminate variable human resource costs

The challenges to replace human resources with technology to rent units, collect rent, over lock units when late and remove them when the account is brought current. The solution is the Kiosk to rent and collect payment and the electronic locks, since they are *always* locked provide an automatic over lock and immediate removal of the over lock once paid! So if the tenant is past due, the keypad will not allow the gate to open and, even if the tenant tail gates into the property, since their unit already is locked the over lock is already in effect.

How to use smaller parcels of land

If there is no requirement for an office or apartment, the size of the parcel can be significantly reduced and/or the space used instead for rentable units. Increasing the net rentable space on a small parcel makes the difference between a location whose numbers will work and one that won't. The electronic locking system provides the lynch pin.

Some owners are incorporating the electronic door locks/kiosk combination in sort of a spoke and hub design. A *super site* is constructed of approximately 80,000 feet including a first class retail area and apartment. Surrounding this super site about 2-5 miles away are significantly smaller sites that are 100-200 units in total size. The satellite sites are equipped with electronic door locks and a kiosk for normal operation. As part of regular job responsibilities, the managers of the super site clean and maintain the satellite sites.

Security

A combination of products are used at a reduced or manager-less facility. Almost the same as what is used a conventional facility. Technologies include well placed day/night cameras, excellent facility lighting, common sense construction and building design, individual door alarms and keypad access gate control.

In addition to these, utilization of the electronic door locking system provides an active system that continually monitors the site. Since the electronic locking system is an individual unit alarm in addition to its locking capability, the system tracks the position of each unit door as an alarm does, the position of the lock itself and the it also tracks the position of the gate – so you know that the gate has done what it was told to do and actively locks out individuals who are not authorized to be on the property even if they manage to tailgate in.

Monitoring the Sites Operation

The electronic door locking system monitors not only the door status (open/closed) but also the condition of the locks, the position of the gate and its own *system* status. The results of this monitoring are sent to a server at Global Electronics, ltd.. Results that are out of the ordinary can be managed by one of the technicians remotely, or if the conditions warrant, a service provider can be dispatched to the location to correct the problem. The Kiosk works in a similar manner.

Alarm conditions can be handled similarly with alarm signals sent to Global or to the owners choice of locations using email, fax or page!

What happens if the power goes out?

The electronic door locking system includes provisions for an AC power interruption. For example, the entire electronic locking system including the keypads and most gate operators may be battery backed. At the owners discretion, the system can unlock the facility when a power out condition occurs or it can continue operating as usual. Most owners elect to unlock the facility allowing continued access during the outage. However, since the electronic locking system is also a multiplexed alarm system the operation of the site will continue to operate including the alarm functions.

Contacting help when necessary

Kiosks enable a tenant that has a question or problem to contact a call center 24/7. The call center can answer questions and provide help as required.

Conclusion

The technology is here. As the use of electronic locks and kiosks grows, so too will the methods of achieving lower human resource costs, maximizing the use of land and extracting the most profit from future Self Storage locations