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Self Storage 2.0:

"Breaking away from the pack, it's a good thing."

Three Side Businesses That Can Supercharge a Self Storage Facility (and Leave the Competition in the Dust)

Renting trucks and selling storage supplies can make more money, get more customers and keep you up with the competition, but it may soon take more than that...

From:
Dallas, Texas
Thursday, 7:55 a.m.
September 26, 2002

Dear Fellow Speculators:

In the last issue we trudged through the advantages of self storage over other types of real estate investment. Thank God that's out of the way because now we can get on to the exciting stuff.

What we're going to do is, we're going to go straight for the jugular. We're going to remodel our self storage operation so that the only ones sweating down cycles and overcrowded markets will be our competition.

By the way, before we start, if you are easily offended, stop reading now. This is not for the shy, the meek, the extremely cautious. This is for those who have an appetite for...

Wanton Slaughter!

The passing lane is open, so let's step on it. You know the power and safety in diversification. When one part isn't pumping full speed, its counter part takes up the slack. I have a friend in the car business. When showroom sales sag there's always the body shop to make up for it. Or the used car lot. Or the service department.

My friend, by the way, is very rich.

Anyway, this is why ambitious self storage operators sell those boxes and rent those trucks. The additional sales revenue makes up for rainy days in the rental department. We recently had a soft rental week at The Storage Works, but it turned out AOK. Why? Truck rentals for that same week hit the lottery.

There's more to it than that, though.

The customers we get by doing more are ones who might otherwise stray to a competitor. Anybody with half a brain knows that in marketing, those who do more...

Get More!

Problem is, getting more takes more than box sales and truck rentals now. The new standard is teaming self storage with other types of businesses. Businesses that are separate and, like my rich buddy's body shop, mutually beneficial. This is bad news for the competition, but good for us... *if...* we have it in us to step around "normal" and move a few pieces of furniture around.

SO: which combinations make A-Bomb material? Coin-op car washes and laundromats should be naturals. Both are self serve, and can be run by one person like self storage. **Our target, remember, is more cash flow, *not* more employees or overhead.**

Not-so-naturals are coffee houses, redemption centers and can recycling centers. I'm not hip on any of those as marriage-worthy for self storage, but ambitious operators are already experimenting with those and others just as daring, like VCR and TV repair, and even sno cone stands (don't laugh, **a McAllen, Texas facility makes \$55,000 a year on two of these, and... *in only four months out of the year***).

For now, let's say we stick to the less daring that ought to work no matter where you put them.

Natural Side Business #1

Self Serve Car Wash

Most any self storage facility should be able to squeeze in a car wash. A five-bay setup fits on 20,000 square feet (less than a half acre), vacuum islands and automatic bay included, and requires only a single body to run it.

If that body happens to also be the self storage operator, this is a good thing.

The coolest thing about car washes is that for not a lot of land and **a staff of one**, you're in business. On a national average these puppies gross \$8,600 a month, but \$14,000 a month is not unheard of. Expenses range from 30-40%, (sharp operators keep it closer to 30%), so **it's possible to net around \$10,000 a month**. That's \$120,000 a year from something that takes up the space of five rental trucks parked side by side and that runs on one of cheapest commodities known to man, namely water.

Not-so-cool is, carwashes costs more to keep up than self storage. When an automatic bay breaks you can bet it's going to be more than lunch money. And, until it's fixed, the cash flow is stuck at zero. Then there's keeping the lot and wash bays clean, emptying the trash, inspecting equipment for wear, and emptying changers.

Anything else?

Yes.

Car washes don't have live-in management. Most operators check them twice a day, which leaves them unattended for about 23 hours a day. This makes them natural prey for vandals.

No two ways about it, compared to self storage, car washes are more demanding in the maintenance department. If ever you get bored on a slow self storage day, a car wash is a natural for taking up the slack.

Also not cool is that carwashes can't locate just anywhere. They consume massive amounts of water, so if sewer is not at the site or nearly so, pack up the pineapples, the luau is over. Our Golden Triangle Boulevard facility is a grand slam for a car wash, but building one'll have to wait another six months or more for sewer.

The Storage Works itself, by the way, runs on septic.

Still, as complimentary businesses, car washes are hard to beat as companions for self storage. Each brings business to the other, where as standalones neither would fare as well. And, any worry over vandalism is no longer a factor since the car wash would now be part of a self storage facility which has live-in management.

Another good thing is marketing efficiency. Selling both services to the same customer equals more dollars per customer. Dollars that our competitor could be getting, but never gets the chance.

Never gets the chance.

I like that.

Exactly how much more market share might we gain from this endeavor? That could be tricky to measure, but I'd heck of a lot rather have this advantage on our side than on a competitor's. Meanwhile, here's something else from Inside Self Storage:

"Probably one of the biggest differences between operating self-storage and running a carwash is the amount of paperwork involved. Whereas carwash operators are dealing with the in-and-out customer, self-storage owners must keep track of customers over an extended period of time. On the other hand, self-storage facilities typically require less physical maintenance than their carwash counterparts. Combining the two operations in a strategically placed site can generate exposure above and beyond that of a single freestanding business."

If there's a better marriage out there than self storage and carwashes, I hope I'm the first to find it, but for now it gets all five of my stars.

Natural Side Business #2

Self Serve Laundry

OK, getting your car washed along with a run to the self storage facility figures. But coin-op laundries? Read this. The Taylor Ultraplex is located in Taylor, PA and has its own website, www.ultraplex.net. It started as a combo car wash and self serve laundry, then later added self storage. Why not? With five acres there was plenty of room for expansion, the demographics were right for self storage, and none of its stand-alone competitors could offer this trio of complimentary services—Taylor Ultra Wash, Ultra Laundry and Ultra Storage. It must be doing O.K. in the cash flow department, at least good enough to have been featured in this month's issue of the web magazine Inside Self Storage.

Still, I'm not sure making partners out of these two is a marriage made in heaven. Maybe these play okay in the northeast parts of the country, but my research doesn't show these taking hold in Texas, except maybe in college towns. Demographics rule in such cases. Did I mention that the town of Taylor is about two miles from the University of Scranton? There you are. I'll get back to you after I check further.

Natural Side Business #3

Postal/Copy/Fax Center

It's hard to imagine where one of these wouldn't be successful. Maybe where the use of faxes or private storage is grounds for dismemberment followed by death, like Iraq.

Among the civilized, however, postal centers are popping up in retail centers like worms after a hard rain. In a 24/7 gotta-have-it-yesterday society, it's no wonder. These wouldn't exist if it weren't for our obsession with speed, much less that most of us would rather have sand kicked in our face than deal with a regular post office.

OK, but how much additional space and equipment do we need?

The next time you're in one of these centers, take a look. They can fit into the equivalent of a large walk-in closet and, except for the week before Christmas, you'll hardly ever find more than two people minding the store. Most times one.

And for equipment, what storage center doesn't already have a copier and fax machine? It's really a matter of rearranging the floorplan to make these customer-accessible.

Then a mailbox room. Can't we just as well do without it?

That one I'll have to think on.

Oh, one more thing about postal centers. People happily pay more for stamps and shipping at these than they do at regular post offices. If you don't understand this, you haven't been to a regular post office lately. If any activity is more fun than interaction with a postal clerk, it would have to involve cattle prods.

I have in mind others I think are five-star material, but that's where we'll leave it for now. No matter which of these you like, the most important thing in this entire equation is balance. When the brakes give out half way down Pike's Peak, you want to get to the bottom upright in the cash flow department.

Side businesses to the rescue.

One last bit of housekeeping before we sign off. I'm one of those who reads everything, including junk novels, with a highlighter in my hand. If you didn't with this issue, I hope you'll appreciate my extracting the highlights of this letter for you below...

**Why Coupling with Side Businesses May Soon Become
a Crucial Element in the Self Storage Survival Kit**

1. It's hard going broke if half your business is going great. Diversify, forge ahead, be a leader.
2. Those that do more, get more. Doubling up on services is work, but work beats hand-wringing over the competition.
3. Cross marketing to the same customer equals more dollars per customer, which always beats going after *new* customers.
4. Integrating side businesses with an existing one can many times be accomplished without investing in new hires. Increased cash flow without increased overhead. Isn't that what we all want?

I know all this sounds elementary, but the game, my Dear Watson, is beating the competition, because no matter where you go or what you do, the competition will always be there.

And the game is won by inches.

Be a little faster, a little smarter, a little better.

Learn it, live it, and watch the opposition crumble.

(You're a monkey if you don't.)

Sincerely,



Mike Heatley
(PR Man For
Making More Out Of What You've Got)

P. S. Two other made-for-each-others I like are recreational vehicle (RV) storage and shop space (small warehouses with an even smaller office attached.) These have been around

for so long, perhaps you think there's nothing really new about them. Perhaps you are wrong. There's a new twist in RV storage I am checking into that I'll bet a Steak n Shake lunch you've never heard of, and if it's as good as everything I've heard about it so far, we'll be talking about it soon. As for shop space, we have a developer drawing plans as I speak for three acres of our Golden Triangle site.

***P.P.S. Please see item RE: Tarrant County's
Kaleidoscope of Homes...***