

# Records Management

## Can It Add Potential To Your Self-Storage Business?

By Christine Spisto



For quite some time now, the news and forecasts on the economic front have been less than promising. And it

was in 2007 that the self-storage industry started to feel the pain. From the East Coast to the West Coast, Alaska to Hawaii, self-storage owners and operators started experiencing a downturn in business activity, reporting increased vacancies in widespread markets. The housing slowdown, followed by the sub-prime mortgage lending crisis, the credit crunch, and the rising fuel prices, insurance rates, and property taxes, have all resulted in people no longer using storage as a luxury. With so much uncertainty, and markets over-saturated with self-storage facilities, the self-storage industry was thrown out of whack.

However, the good news is that as we finish 2008 and look towards 2009, people who lose their homes for whatever reason (foreclosures or simply home downsizes due to rising costs) will still need a place to hang their hats. So, they will be forced to pursue less expensive and smaller quarters, such as apartments and other forms of rental property. Consequently, they will end up putting their extra furnishings in a self-storage facility, which will help push the industry back up. But, will that be enough to catch up for the amount of business that was initially lost at the beginning of this economic downturn?

The self-storage owners and operators who use financial tough times to re-think their business and explore other possible expansion opportunities are generally the ones who make it during these difficult and fluctuating periods. And, chances are, they even come out with a more prosperous business than they had before.

Are you one of those individuals? If so, you should consider the potential profits records management could add to your self-storage business. Records management is here to stay, providing stability.

### Understanding The Product

It is important to understand that mis-managing critical business records can result in disastrous consequences. And, dealing with events after the fact can be dangerous and costly. Recent investigative reporting and media attention publicizing the mishaps of several well-known companies have thrust records management and corporate accountability into the spotlight. And, non-compliance to industry and governmental regulations have resulted in expensive litigation, financial penalties, bankruptcy, or even worse—jail sentences. All of this has been due to poor or inadequate record keeping. Because records can easily get lost or fall into the wrong hands, society is now demanding higher standards

for the accuracy and availability of content.

In addition, some of the main events of our generation, such as terrorist attacks, natural disasters, changing technologies, etc., have made it imperative that companies document their plans for their vital records and business resumption in the event of such scenarios. The majority of these plans require records be maintained off site within a specified distance.

With issues such as these grabbing headlines, records management has turned into a vital and profitable business that is not going away any time soon. It would be a relatively easy expansion into a thriving industry.

Walk into a grocery store these days and you'll find that your service options aren't limited to food shopping and prescription filling any more. Major chains have incorporated other offerings such as cafés, snack bars, and even credit unions inside their supermarket; even many

newly constructed apartment buildings now offer retail shops on the first floor.

While there are still a large number of self-storage operators who stick with the traditional business plan, others are offering/incorporating other services to thrive during economic downturns, differentiate themselves from the competition, draw a broader customer base, lower overall business risks, and generate traffic and income. For example, there is a self-storage facility in Australia that now includes a McDonald's®!

So what goes hand in hand with boxes, storage, and secure facilities? Self-storage companies are now discovering the many synergies between the services they provide and records management. Many people choose a records management facility for the very same reasons they choose a self-storage facility. Quite simply, it needs to be somewhat conveniently located and provide a safe and secure environment for customers to store their valuables—in this case, business records. This awareness has prompted many

the components of the records management business already in place: A facility, staff, computers, trucks or vans, and a broad, established customer base consisting of great candidates for records management services. If your customers are satisfied with your self-storage services, chances are they will favorably consider your company for their records management needs. For the self-storage owner or operator, the cost to go into the records management business would be much less than a traditional start-up. It is possible to begin with a small “test” operation, with little or no risk, and be profitable in less than 90 days. All you need is a little imagination, a sound business plan, and the desire to enter this business, providing a critical service that's here to stay and do nothing but grow.

## Revenue For Existing Space

In self-storage, you rent square footage. In records management, you rent cubic footage. For example,

unlimited prospects to sell. Companies everywhere are looking at this industry as an effective way to get a better grip on the increased volume of all kinds of records. As a result, they are becoming increasingly interested in companies that can assist them in effective records management—it could be you. From the banking and financial industry, to the medical and professional services, every business has records to store.

Consequently, diversifying into records management will put a permanent end to your cash flow problem. Records management is constant. You sell an account one time and it keeps growing, even if you do nothing. If you look at the statistics, an average account grows at a rate of 12 percent. Larger accounts tend to grow at a more rapid pace.

Another benefit of records management is a stable customer base. Once you sign an account, it tends to stay with you. As long as a records management account is provided with good service, it is unlikely that a customer will ever move to another vendor. It's not like self-storage, where they might try a new service provider next time around to give them a shot. Deciding to switch service providers in records management means moving your inventory and in most cases, paying costly out-charges from your current provider. Many customers do not feel comfortable moving their critical information, much less paying termination fees. Hence, customers tend to choose to stay where they are.

Additionally, although records management has become far more high tech, it is still a rather simple business model with minimal liability. Claim for breakage and damage are virtually eliminated. Through the use of standard industry contracts, your financial exposure is typically limited. Customers who require excess values pay for the additional insurance.

Finally, another great attribute of the records management business is the sale value of the established business. There is an active market for existing records management operations.

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to consider incorporating this offering into their operations.

While this is not a new idea, it is one that is gaining momentum as our business climate continues to demand greater structure, control, transparency, and compliance of records in a more regulated environment. It's a great way to transform some of your empty units, which owners and operators are reporting everywhere, into another profit center that generates recurring revenue which is largely immune to downturns in the economy.

If you own or operate a self-storage facility, you have many of

when records are housed in a typical modern office in standard four-drawer file cabinets, they require one square foot of floor space for each cubic foot of records. In comparison, when they are stored on shelves in a record center, that ratio can be increased to up to five cubic feet of records to each square foot of floor space. There is nothing in storage that delivers better revenue per square foot than records management. It's a permanent end to your cash flow problem.

Perhaps the most attractive aspect of expanding into the records management business is that it's a business with

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### More Affordable Technology

Just like electronic automations such as access control, sophisticated security devices, advanced accounting software, and computerized rent payment have helped trim your payroll budgets in self-storage, so does the technology in records management. Its implementation allows you to easily and economically manage your records management side of the business with less staffing. This puts more money in your pocket, while giving you additional time to spend on marketing and other more productive endeavors.

So if you are looking to expand and add an additional revenue stream, the software and hardware required today is quite affordable for even small self-storage owners and operators. And, it has also become very user-friendly to operate.

Technology suppliers are doing their part to bring even the smallest self-storage owners and operators up

to speed and offering different levels of purchase, such as small office packages. If you are a one-facility business and only have 200 units, they can sell you modules that are significantly less expensive than buying a large package, but offer you room to grow as your business does, providing you with more services and capabilities.

Then there is another option offered by some technology suppliers called subscription pricing, which takes away a large portion of the initial license fee, therefore, reducing the capital expenditure need. Subscription billing is analogous to cell phone billing in that you are not restricted in its use; instead, you are charged based on the usage of the following month.

The end result? It's not the cost of buying in anymore that determines whether or not you can afford to get into this business, it's just how comfortable you are using technology.

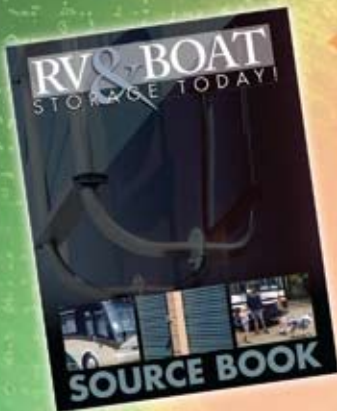
### Predicting The Future

The self-storage industry has been evolving and changing since its inception. However, its mainstay product has remained unchanged—everyone is in the business of renting space. Nevertheless, the manner in which you use and rent that space can be a little different and creative, to ensure stability and prosperity during either good or troubled economic times.

It has often been said that the best way to predict the future is to create it. Now is as good of a time as any, to expand into records management—an industry that's here to stay and will be needed long into the future, despite changing economic environments. **▶**

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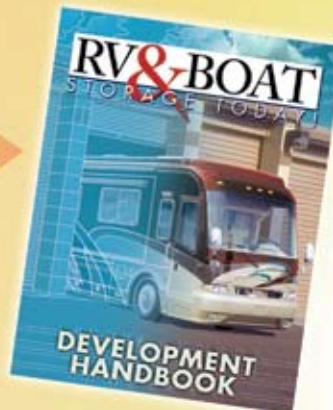


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