Moneyball – Payroll Comparison

Rich Team vs. Poor Team

New York Yankees

$114,457,768

vs.

$39,722,689

Oakland Athletics

What Storage Moneyball Can Teach You vs. the Storage REITS [Real Estate Investment Trusts]

Moneyball is a 2011 Academy Award nominated film starring Brad Pitt as Billy Beane, the general manager of the Oakland Athletics. Based on the book by Michael Lewis, it's the true story of the A's 2002 season when Beane tries to assemble a competitive team on a shoe-string budget that has the potential to beat even the wealthiest teams with their deep benches filled with expensive talent. Beane and his assistant GM Peter Brand, played by Jonah Hill, build a team of undervalued talent by employing a computer-generated statistical approach to analyze a ball player's ability.

The film's award-winning screenplay reveals that the A's executives, even with years of experience, don't understand the value of Brand's plan to build a winning ball team without spending the millions of dollars that the rich teams spend. In the film, Peter Brand, a recent Yale graduate with a degree in economics, is forced to explain to the seasoned management that they have misunderstood the fundamentals of the game and are therefore at the mercy of the richest teams when purchasing talent.

Listen to how Peter Brand explains his philosophy:

There is an epidemic failure within the game to understand what is really happening. And this leads people who run Major League Baseball teams to misjudge their players and mismanage their teams. People who run ball clubs, they think in terms of buying players. Your goal shouldn't be to buy players; your goal should be to buy wins. And in order to buy wins, you need to buy runs.

Billy Beane adds his assessment of their failure in the Big Leagues:

The problem we're trying to solve is that there are rich teams, and there are poor teams. Then there's fifty feet of crap, and then there's us. It's an unfair game. And now we've been gutted. We're like organ donors for the rich. Boston's taken our kidneys; Yankees have taken our hearts. And you guys just sit around talking the same old 'good body' nonsense like we're selling jeans. Like we're looking for Fabio. We've got to think differently. We are the last dog at the bowl. You see what happens to the runt of the litter? He dies.

So what does this movie have to do with the storage industry world of the Internet?

Follow me as I rewrite the plot of Beane's story as an analogy of the storage industry and the difficulties that the smaller operators often experience when faced with the Google PPC (pay per click) advertising purchasing power of the larger Real Estate Investment Trusts (REITS).

In *our* film, a seasoned operator of a small storage facility is forced to admit that he has misunderstood the fundamentals of marketing, and when purchasing market impression share, calls, and actual rentals, finds himself at the back of the line – behind the wealthy REITs PPC Internet searches. He's experienced an epidemic failure by not understanding what is really happening, and as a result, he finds himself misjudging his staff and mismanaging the advertising.

If I were Peter Brand, here is what I would say to smaller storage operators and management companies:

Your goal shouldn't be to buy advertising; your goal should be to buy rentals. In order to buy calls, you need to buy advertising conversions.

And to bring our story to its happy ending, I would dispel many of the industry misconceptions and myths.

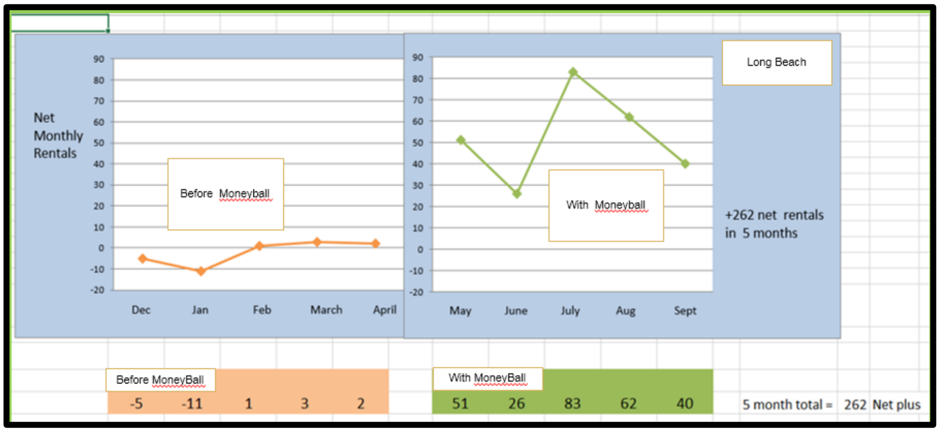
Myth #1: We can't afford internet advertising, and we rely on free generic SEO results from my website.

This is what the REITs and your competitors want you to think, as they dominate the pay per click (PPC) results and Google searches for your market share. In reality, generic SEO results are dinosaurs and are dying a slow death, just like the yellow pages. SEO results are simply too far down the search page, and with cell phone usage at an all-time high, people dislike scrolling down and, therefore, are clicking less and less on the lower generic results. Call volume thus suffers.

People are learning that PPC ads are now localized and no longer filled with irrelevant nationally-based advertisers. Google is at the heart of this generic SEO extinction. Google makes most of their money at the top of the search results page. That's where the big league storage game now gets played.

Let's explode the myth that you can't afford to play in the same PPC ballpark as the REITs. Not playing in the PPC advertising Internet world against the REITs costs you tens of thousands of dollars every month in lost potential income and millions in asset values. Astute owners understand every potential renter is worth anywhere from $1,500 to $6,000 over their average length of stay, based on location and/or demand. Another misconception is that customers stay just two to six months. The reality is, on average across your portfolio, the norm is fifteen to thirty months. Taking the lower figure of $1,500 in the case study below, how much would this five-month increase of 262+ net rentals be worth? [Note: this case study is a seasoned stabilized site, struggling with historic low occupancy and suffering from heavy competition.] After just five months, Moneyball produced 262+ net rentals, penciling out to a conservative increase of $393,000 in additional income. Obviously, this will lead to more favorable refinancing in the future.

Five-Month Long Beach Site Net Absorption Results playing Storage Moneyball



Myth #2: We can't compete for Google positioning against Extra Space and Public Storage to gain the most valuable top of the page results.

Many storage owners have dabbled with PPC using traditional storage marketing companies that build websites to do the SEM (search engine marketing) execution. Few have shown the kinds of returns on investment (ROI) listed below. The reality is that they usually get beat by the REITs for strategic Google positioning, and their clients (because their SEM companies only generate clicks) get beat on the phone by the REIT call centers. That doesn't mean the REITs can't be beat.

Here is an actual case study of a report that the traditional storage industry marketing leaders don't want you to see. It's called the Google Auction Detail Report, and traditional storage marketing companies don't share it because they generally are out-positioned by the industry giants. Rather than showing you this report, they talk for hours about clicks and Google website analytics.

However, in the case study below, the REITs have been pushed down, not only in strategic positioning, but in valuable market (impression) share, as well. Why is market share valuable? Because it the pressure gauge by which we buy phone calls and rental conversions. Many owners think these types of results are just a matter of buying your way to the top. In reality, nothing is further from the truth. Google placings are closely monitored and determined by performance. As you can see, the Moneyball site greatly outperforms the REITs in market share (impression share). This top Storage Moneyball facility beats the REITs at their own game, resulting in many more leads/calls and rentals for the Moneyball team owner.

1	Auction insights report (Apr 1, 2016-Jun 21, 2016)						
2	Display url domain	Impr. share	Avg. position	Overlap rate	Position above rate	Top of page rate	Outranking share
3	**Moneyball site/You**	91.11%	1.6	--	--	85.05%	--
4	**extraspace.com**	32.80%	3.5	34.87%	16.88%	59.71%	85.75%
5	**publicstorage.com**	< 10%	4.1	8.45%	11.58%	43.57%	90.22%
6	**cubesmart.com**	< 10%	3.8	5.35%	18.28%	50.13%	90.22%
7	selfstorage.com	21.87%	4.6	23.60%	3.29%	18.41%	90.40%
8	amazon.com	< 10%	3.7	6.49%	10.64%	32.28%	90.48%
9	storage-deal.com	19.58%	2.4	20.13%	31.24%	83.79%	85.38%
10	rightspacestorage.com	< 10%	3.9	6.56%	3.73%	42.05%	90.89%
11	beststoragehesperia.com	14.44%	2.7	15.33%	24.13%	70.03%	87.74%
12	storagedirect.com	13.53%	3.5	14.32%	19.40%	53.29%	88.58%
13	storageinvictorville.com	11.42%	4.9	12.45%	0.69%	25.72%	91.03%
14	doortodoor.com	< 10%	4.6	6.56%	12.06%	25.16%	90.39%
15	clutter.com	30.68%	3.9	32.62%	12.22%	42.95%	87.48%
16	sparefoot.com	< 10%	5.1	6.07%	1.66%	14.08%	91.02%
17							
18			**Moneyball**	**REITS**			
19							

Myth #3: We don't need expensive advertising. We get lots of clicks on our lower PPC ad placements, with traditional storage SEM marketing companies, and our generic SEO.

In this case study, here are the six-month net absorption figures playing Storage Moneyball. Check the last six months in comparison to the previous six months before Storage Moneyball methods were introduced. Notice the 90+ rentals for the two consecutive months of May and June on a stabilized site with normal numbers of move-outs. These results were obtained in an area of heavy REIT competition and with many local competitors. How do your current net monthly rentals compare? How is your current monthly net absorption doing in comparison?

It should be noted that the staff initially needed to be retrained in playing Storage Moneyball, which is different than feature and benefit renting. Coupling Moneyball with training, this staff now dominates on the Internet and the storage rental game.

You may ask, "How are these results achieved?" Moneyball is not about clicks or reservations. It's about, 'Calls not Clicks.' Clicks are only a means to an end. So it's not only important to muscle the REITS, the facilitators, and the traditional storage SEM marketing companies at their own game by playing the Google PPC search game better than they do, but also to generate more conversions as a result of the increased market share. Conversion to rentals is the benchmark.

Moneyball is not just about more leads and calls. It's about outperforming the REIT call centers and your competition on the phones! This is discussed in further detail below.

Excerpt Sitelink Mgt. History Report Hesperia, pulled June 20, 2016

	June	May	Apr	Mar	Feb	Jan	Before Moneyball Dec.
Activity							
Move-Ins	114	124	69	43	43	43	12
Move-Outs	24	34	30	29	24	23	23
Net	90	90	39	14	19	20	-11
Occupancy							
Occupied Area	131,156	115,614	98,114	90,239	85,214	79,918	75,428
Occ % of Total Units	84	74	64	60	58	56	54
Occ% of Total Area	91	80	68	63	59	56	52

The REITs can be beat locally with a modest Moneyball budget that yields tremendous ROI (return on investment). The average monthly spend at a Moneyball site will be between $1,500 and $4,000 in clicks per month to Google. Compare that expense to the revenue and asset value of 10+, 20+, or even 90+ net rentals per month, worth $1,500 per rental. The ROI is staggering.

The truth of the matter is, even the REITs don't fully understanding what is actually happening in the world of Internet shoppers. The following myth exposes the REIT call center weaknesses.

Myth #4: My staff closes all their calls, or my staff closes 75% of their leads.

Moneyball market research points to the fact that staffs typically only source the leads they close. Historical percentages, based on experience, show that most staffs close about 15% of all their potential leads. There is a huge fallout of unclosed leads that never finds its way to source reports. There is also a huge fallout of leads that never finds its way to your property for a visit, even after your invite. The biggest misunderstanding in the storage industry today is that a reservation or an invite to the property is a success. Nothing could be further from the truth in Storage Moneyball.

Time is the enemy of the transaction. A real commitment is an actual same-day contract signing; not an invite to come in for a tour. As the days go by after the initial contact, your conversion rates dramatically go down on any rental graph of reservations. Many reservations, and most promises to come in, never come to fruition. Call centers train for reservations. Moneyball trains for same day rentals, and it is an art form. It's not easy. It's a totally different approach to playing the rental conversion game.

When is the last time you heard a marketing company explain that the click on the Internet needs to be closed that day with an actual rental or contract signing? The reality is that for the most part staffs are still locked into the traditional sales techniques of feature and benefit renting, ending in an invitation to come to the facility.

Storage Moneyball offers new systems of training staffs in the art of closing and converting the huge increase in leads and calls the same day produced by the storage Moneyball PPC advertising.

Moneyball is a game that allows you to dominate your competitor in every American market, but your staff needs to open their minds to these new methods of presentation and actually closing the rental inquiry the same day. Relying on marketing companies for leads and having no clue as to how to close them is a waste of your advertising dollars. Moneyball fills that void of training by introducing state-of-the-art closing techniques and follow-ups, in addition to lead generation.

Supervisors should never set their cap on a click report or a Google analytics report at the end of the month. Performance is based on two numbers only: net rentals and net income at month's end. Moneyball outproduces traditional storage marketing SEM in both net rentals and net income, month in and month out.

The final myth we would like to explode relates back to the owner's ability to afford PPC advertising click charges and intensive sales training of staff. There are owners who are playing Storage Moneyball every day and putting up huge numbers. They quickly run out of storage spaces to rent. Does Moneyball stop making the owner money, with a cessation of services? Absolutely not. Now the game really begins.

Myth #5: I don't need PPC advertising. My facility is 98% occupied.

The truth of the matter is that his rates are too low! Moneyball advocates consistently churning 3% to 5% of the inventory, with aggressive rent increases.

The standard industry view is to modestly increase market rates to avoid move-outs, typically from $2 to $10. Moneyball plays a different game by raising rates, with monthly increases, based on size, averaging from $10 to $40 per storage room. If a number of renters move-out, we will quickly refill those spaces utilizing the power of PPC advertising and Moneyball. What really matters, however, is the net income - not the occupancy. You won't find many markets where the REITs stop their PPC advertising. They are constantly churning the top 10% of their inventory in conjunction with aggressive rent increases.

Let's take a look at a site that came on board with, a stabilized high occupancy, that is now in the high nineties. As you will see, every month Storage Moneyball pushes the envelope of income and asset value.

This Rancho Santa Margarita Sitelink History Report was pulled May 1, 2016.The six-month average increase of playing Storage Moneyball from November to April comes to $23,205 per month.

Excerpt Sitelink Mgt. History Report Rancho Santa Margarita, pulled EOM April, 2016

Deposits	Apr/16	Mar/16	Feb/16	Jan/16	Dec/15	Nov/15	Before Moneyball Oct. 2015
Totals	$225,584	$229,090	$220,807	$223,208	$207,097	$198,635	$194,198

At the end of six months on Moneyball, the program showed an increase of $31,386 in additional monthly income, rising from $194,198 to $225,584. Using a 5.5 cap rate, that's an increase of $6,847,855 in asset value. Capping a running average of $23,205, the asset value increase is still a robust $5,062,909.

It took a number of years for Moneyball results to be assimilated into the sports world, but now it's used in most professional team sports' endeavors. The biggest hurdle for owners is to reevaluate how they look at their advertising and real closing ratios when sourcing is done properly. They need to ask themselves: Can my current advertising systems and staff training produce these types of results? Can I go from $1 to $2 per square foot? Most owners utilizing traditional storage platforms cannot.

We discussed three actual case studies above in three uniquely different markets. For every one dollar the ownership invested (including Google clicks and PPC Moneyball management), they received an ROI of $3.72. A 372% return on their investments. And the return on asset value is off the charts. I wish I could tell you that in 2002 Billy Beane and the Oakland A's won the World Series. That season they broke the American League record for most consecutive wins with 20 wins in a row playing Moneyball. With one of the lowest budgets in the big leagues and a team decimated with free agency (losing most of their top players to richer teams), they lost the final league championship game to a team stacked with million dollar players and all-stars. But, they really didn't lose. They changed the game forever!

Welcome to the new era of Storage Moneyball

Cary Coleman, nicknamed, "The Sultan of Swat"
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