

**2009** International Winner  
**SELF-STORAGE**  
*Facility OF THE Year*  
**LOVE BOX SELF STORAGE**  
 Shanghai, China



By Elizabeth Ferrin

China, a nation of over a billion people with a growing consumer class, seemed primed for the introduction of self-storage. However, many Western businesses have quickly learned the expensive lessons that it is not always as it seems in China. For reasons not quite understood, many businesses fail to translate their product or service into the Chinese economy.

Self-storage is no exception. While there are big rewards for a facility that is able to establish itself in China, the risks are high as well. However, one developer has done his homework, carefully weighed the risks, and determined that the time has come to open a self-storage facility in China. This bold developer has created mainland China's first self-storage facility, Love Box Self Storage—the *Mini-Storage Messenger's* 2009 International Facility of the Year.



## QUICK FACTS

**Owner:**

Carson Block

**Management Software:**

SiteLink by SMD Software, Inc.

**Access Control:**

Chamberlain Access Systems

**Design and Security Consultant:**

Sherwood and Associates

**Interior Systems:**

Janus International



### Risks And Rewards

An old Chinese Proverb warns, "Be not afraid of growing slowly; be afraid only of standing still." Carson Block, fully invested founder and CEO of Love Box Self Storage, took these words to heart when he decided to move forward with plans for a self-storage facility in Shanghai, China. He knew the city posed a great opportunity for a successful storage business, but he also knew there were many roadblocks that could potentially derail the development plans. "From my own experience, I felt there was a need for self-storage among foreigners living in China," says Block. "Many of us are on 'expat packages' where the company pays to have belongings shipped from the States or Europe to China. However, most rental apartments in China are furnished, so a lot of expats are stuck with too much furniture."

Block also noticed a wave of change transforming the local economy. As recently as 20 years ago, China was considered a nation of extreme poverty, but today there is a growing consumer class. "We see a need among China's upper-middle class for self-storage," says Block. "They've become consumers and our research showed that they generally feel their homes lack enough storage space."

While the country as a whole seemed primed for a self-storage development,

Block and his team researched several potential areas before selecting the city of Singapore as the prime contender for their development. The developers came close to purchasing two different buildings in the city, but both deals fell apart on signing day.

Then they came across a property that gave the group an added measure of hope. The site was situated on the third floor of a former factory that had been recently converted to office space and retail stores. Located near Shanghai's city center, this ideally located property was dubbed the Shanghai Fashion Hub.

### Location, Location, Location

Although it was great location, it also came at a high price. "It was somewhat more expensive than we would've wanted, but because of its proximity to two of Shanghai's three central business districts and a number of target Chinese market households, it made sense," says Block. "It is also at the intersection of two major intra-city expressways, with easy access from the exit. So, in the end, we compromised a bit on price in order to have an excellent flagship location from which to launch our brand and self-storage in China."

Block envisioned not only a single successful self-storage facility, but an entire portfolio of branded storage

businesses in various locations throughout China. With a goal of a 15 percent market share once the industry has matured in the nation, Block hopes to develop not only a self-storage business, but a self-storage brand that will become a household name in China.

The group decided early on that the key to capturing the goal of 15 percent of the self-storage market is successful branding. They wanted a brand that both Chinese consumers and expats would recognize and clearly understand. As a secondary objective, the developers hoped to create an emotional bond with their customers to make their self-storage business even more successful.

To create that bond, the developers put together a logo that would have specific appeal to their current and potential customers. In the style of Hello Kitty®, a character that is extremely popular with all age groups in China, the logo includes a painfully cute elephant icon with a moving box tucked behind his trunk. The logo also includes the business' name: Love Box Self Storage.

From the beginning, the development team planned to use an English name in order to emphasize the industry's American roots. After a series of market tests, the name Love Box scored high with both foreigners living in China as

well as Chinese consumers. In fact, many Chinese customers assume the name means to take things they love, put them in a box, and bring them to Love Box Self Storage for safekeeping.

### Delivering On Design

With a catchy name, a cute logo, and a flagship location, the team was ready to head into the next phase of the development—the design process. Since this marked the first self-storage development in mainland China, there was a great deal of guesswork involved in laying out the floor plan. After researching the options, the team settled on creating 10 standard sized units that averaged 40 square feet. A portion of the building was left without any partitions so the owners could add capacity once they had a good feeling for customer demand.

With a design plan in hand, the developers moved on to the most difficult phase—construction of the project. Ultimately, the building's conversion proved extremely onerous and frustrating for all involved. "The biggest frustration was the lack of construction competence coupled with the workers' stubbornness," says Block. "Throughout the process, the contractor's workers showed a preference for using hand tools instead of power tools. We would literally show them how they could get a time savings of 80 percent on a given task by using a power tool. They would thank us and then the moment we weren't looking, put the power tool back down and pick up the hand tool."

The contractors were also extremely difficult to manage. One of the contractors continually attempted to switch materials during construction, so constant oversight was required to ensure the proper materials were being used. Eventually, the developers decided to hire an American-owned construction firm to take over the supervision of the site and the contractors.

### Flawed Flooring

Although the developers had to fire the original contractor after beginning work, construction continued. The development process carried on until the team discovered an unexpected issue with the building;

the mezzanine floor above the facility originally installed by the property redeveloper's crew was improperly constructed, leaving gaps at the edges and support columns. This example of poor workmanship left the facility extremely vulnerable to water intrusion and damage.

The developer agreed to make the repairs to bring the flooring up to code, but initially failed Block's inspections. Although it took several rounds of checks to ensure a watertight floor, satisfactory repairs were finally delivered and the developer agreed to indemnify Love Box Self Storage for any damage that might be caused by future water leaks into the facility.

Once the water issue was solved, the developers were able to address the city's fire safety concerns. Ensuring the self-storage facility is able to meet all of Singapore's fire codes and standards proved a difficult task. "The biggest problem was that nobody in the fire department in China had seen a self-storage facility floor plan," says Block. "China has one of the stricter fire codes in the world. The fire department's approval people's greatest fear is that people will die in a fire in a building that passed inspection. If that happens, they're in serious trouble."

Block knew that passing the inspection would be difficult because, at first glance, the fire officials thought the building housed many small apartments rather than a self-storage facility. The fact that Love Box Self Storage is a foreign company also meant that fire officials would scrutinize their building even more than local companies that sometimes slide by without meeting all of the codes. Although it took some time, the officials eventually came to understand both the self-storage concept and the site's unique floor plan and they gave Block's team the stamp of approval—confident that the building did indeed meet all of China's fire codes.

### Marketing Prior To Opening

After three months of working, the building was finally fully converted. While the site was ready for opening day, much of the business' marketing and advertising actually took place well before the facility's grand opening. In addition to the logo,

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the developers also created a guidebook as both a marketing tool and a service to their customers. Following in the footsteps of the famous Michelin Guides,

reinforce the message that self-storage is an essential part of the consumer lifestyle. Most importantly, tenants love the guides and often e-mail them to other

says Block. "It has a lot of modern conveniences, but as a rapidly developing nation transforming from strict communism only 25 years ago, there are a lot of things we take for granted in the West that can be major hassles in China. Most Westerners agree that China is a very interesting place to live, but that there's a lot of BS they could do without."

Another standout feature: The company's pricing is straight forward. In China, many businesses use opaque pricing, where the customers are expected to negotiate the price down. Customers uneducated about the product or the system run the risk of paying too much for an item. While some tenants have attempted to negotiate on the self-storage pricing, the employees at Love Box Self Storage simply explain that the facility offers transparent pricing. In other words, everyone pays the same amount and no one runs the risk of paying more than another customer for the same product. Although most expats and some Chinese appreciate the transparent pricing, other customers have had trouble accepting the system. However, Block is quick to note that China is slowly converting to a more transparent pricing model nationwide.

... Love Box Self Storage offers their customers impeccable customer service and no nonsense pricing—a rarity throughout most of China.

designed to encourage traveling by car thereby increasing tire sales, Love Box Self Storage created high quality branded guidebooks designed to help expats navigate life in Shanghai. The guides cover topics like renting an apartment, grocery shopping, and public transportation—all of which can feel very foreign to outsiders. The guides not only help to position the Love Box Self Storage brand, but they also

expats and friends, creating a buzz for Love Box Self Storage and allowing word of mouth to market the facility.

Using the same philosophy that drives the guidebooks, Love Box Self Storage offers their customers impeccable customer service and no nonsense pricing—a rarity throughout most of China. "Even if you speak the language, China can be a trying place to live for many Westerners,"

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### A Customer Service Commitment

While China's customer service is notoriously unpredictable, the developers of Love Box Self Storage committed themselves early on to providing the best of American-style service to its tenants. "We saw this as a great marketing opportunity to grab attention not just by saying, 'Hey, we solve space problems,' but rather by saying, 'We just solve problems, period,'" says Block. "We are reminding people of our unique selling proposition: Get self-storage without BS. We're also positioning ourselves as a company that really understands the frustrations of expat life."

Of course, expats are not the only target customers for Love Box Self Storage. The storage facility is also courting upper-middle-income Chinese and is currently working hard to help this segment of the population understand the self-storage concept. Currently, educating Chinese customers remains a challenge. Convincing

Chinese consumers that they do not need to live with stuff piled up throughout their homes, which is a common situation, has been difficult. Likewise, selling them on the value of a clean, convenient, secure storage space, versus a dirty shed out in the country, has also been trying.

## Convincing Chinese consumers that they do not need to live with stuff piled up throughout their homes, which is a common situation, has been difficult.

Regardless of the reluctance some Chinese customers may exhibit when it comes to paying a premium for safe and secure storage, Love Box Self Storage insisted on all of the best security features. The property is equipped with covered walkways and cameras, which record footage of anyone entering or exiting the facility. The company also employs on-site security guards to protect customers' goods and prohibit a local competitor from coming in and sabotaging the facility.

Customers also have the convenience of 24/7 access through a system of keypads. "Our access control hardware is seamlessly integrated with the facility management system and allows the site manager to spend less time navigating through screens of directions and more time making each customer's experience a pleasant one," says Bill Rosenthal, sales manager at Chamberlain Access Solutions, provider of the access control system used at Love Box Self Storage. "The access control system makes it clear to customers at Love Box Self Storage that security was a major consideration in the facility's design."

The software used throughout the site also works hand in hand with the security features to give customers the best possible storage experience. "SiteLink Web Edition can run in nine different languages, including Chinese, at the click of a button," says Jim Ferguson, marketing director of SMD Software, which provided the company's business software. "Plus, all

you need is an Internet connection and a computer to run SiteLink."

### Top-Of-The-Line Amenities

Other amenities offered at Love Box Self Storage include tenant insurance and options for customer paid pickup and

delivery services. Packing and moving materials can also be purchased and delivered from the facility to the customer's home or business. A variety of shipping services are available as well.

At a customer's request, the facility's staff has been known to shop for price quotes for international relocations and domestic shipments to China. In one case, the facility even helped a customer find a suitable kennel to board her dog. In short, the staff members are willing to go the extra mile to help their customers at all times.

One of the facility's best known amenities is its money-back guarantee. "On all of our literature, on our Web site, and in the contract, we specify that if clients aren't satisfied for any reason they can call the owner to get a refund of their most recent month's rent payment," says Block.

With the right location and features, Love Box Self Storage was finally complete and ready to open its doors for business on December 22, 2008. While the rent-up period was initially slow, in March 2009, occupancy jumped seven percent with the business averaging rents of approximately \$2.90 per square foot of rented space. Today, occupancy stands at about 65 percent and continues to grow at a steady pace of seven percent month over month.

With increasing growth in an up-and-coming market like China, the future for Love Box Self Storage looks bright. In fact, occupancy has increased so much that the owners have decided to develop a second

phase at the facility. The new addition will bring in a total of 1,640 more net rentable square feet to the existing site. With a growing customer base, Love Box Self Storage is well on its way to capturing a portion of China's estimated \$500 million self-storage market—a huge dollar figure that, in any language, translates into unequalled profit and bottom line success. ■■



Elizabeth Ferrin is a freelance writer based in Maple Grove, Minnesota. She is also a frequent contributor to the *Mini-Storage Messenger*, *Mobile Self-Storage Magazine*, and *Self-Storage Now!*

## RUNNER-UP

### Spaces Self Storage

Toronto, Ontario, Canada

## Quick Facts

**Owner:**  
Spaces Self Storage Limited

**Architect:**  
JH Rust Architect, Inc.

**Contractor:**  
Cooper Construction

**Architect:**  
Garry L. Roberts

**Management Software:**  
Rent-Plus by Hi-Tech Smart Systems

**Security System:**  
Chamberlain Access Solutions

**Doors:**  
US Door/Janus International