

A store house of opportunities

Extra Space Self Storage has seen steady growth in the past few years since its 2007 opening, reports **ENYA LIM**

WITH a conspicuous red and blue colour scheme in its facility, four-year-old storage letting business Extra Space Self Storage makes a bold statement. “All part of the image branding,” a company spokesman says with a smile.

For some, the colours may be mildly reminiscent of Swedish furniture giant IKEA. And why not? With furniture movers and hobbyists making up a significant bulk of Extra Space’s customer base, its business does, in a sense, address lifestyles as well.

Having previously engaged in the wine storage business when he was still living in Sydney, company CEO Michael Hagbeck originally intended to start a wine storage facility here, but soon recognised and capitalised on the local market potential for other kinds of self storage, a familiar and commonly found industry in regions like Australia, the US, Canada, and Europe.

Apart from Mr Hagbeck, Extra Space Singapore Holdings Pte Ltd is also jointly owned by NYSE-listed Lazard Limited and Boustead Holdings, a listed Singaporean company, and run by CFO Kenny Tham, and GM operations, Jeannie Sng. The company is also a member of the Self Storage Association of Australasia (SSAA) and the Singapore Business Federation.

Indeed, space is a commodity in land-scarce Singapore – it is not surprising that many a space-starved household or stock-heavy business would turn to alternative storage options to accommodate certain needs.

In addition to wine aficionados, home-grown SME numbers continue to ride an upward trend, and Singaporeans are also increasingly adopting less conventional hobbies – with both



Mr Hagbeck: Says Extra Space has an edge over competitors because of its emphasis on service

ARTHUR LEE

recreational and more serious aims – such as canoeing, mountain-biking, and even teddy bear collecting.

Currently, consumers are categorised into approximately three main areas: 20 per cent of business comes from SMEs – most of which are notably local – who keep mostly inventory stocks and some documents, with home movers and lifestyle hobbyists (including wine collectors) each constituting 40 per cent respectively.

The business concept centres around do-it-yourself (DIY) storage, offering a flexible range of storage options – from lockers for students and backpackers to 450 sq ft rooms that can store company product stocks –

to individual, family, and business clients for a self-specified time period.

The private and self-contained storage units are all under 24-hour security surveillance including a personal access code system enabling customers efficient access to their property 24/7.

Extra Space has a niche in wine storage, boasting the largest walk-in wine storage facility in Singapore. Its wine storage facilities and services at Boon Keng Road and Eunos Link outlets include both lockers and walk-in cellars holding up to 400 cases, with cellars maintained stringently at 13 degrees Celsius and a constant 65 to 75 per cent humidity.

Value adding to their wine storage service is the presence of complimentary tasting rooms, directly adjacent to the storage cellars.

According to Mr Hagbeck, Extra Space has an edge over competitors because of its emphasis on service – customers get highly personalised treatment, including specially tailored advice on renting space for their items.

Other draws include the provision of specialised self-storage insurance, the use of specifically trained termite detecting dogs as part of its pest control system, and the convenience of online self storage operating software offering real-time information on

space availability across all its branches.

Extra Space has seen steady growth in the past few years since its 2007 opening, and Mr Hagbeck is optimistic that the market will only pick up as firstly, new entrepreneur businesses and SMEs continue to emerge; and secondly, as the local community’s interest in lifestyle and recreational activities keeps developing.

Also encouraging the positive outlook is its ability to retain clients – Extra Space has done fairly well in getting customers to stay, having kept 34 per cent of their clientele for a period of a year or more.

Some of these are business clients

who have actually made storage renting with Extra Space a part of their business model, Mr Hagbeck says, effectively incorporating Extra Space into their business. In view of such trends, a further doubling of the business’ existing storage space is on the cards, slated for completion by next year.

From a pioneer outlet of 268,131 sq ft, Extra Space today consists of five strategically located storage facilities islandwide, altogether totalling close to 617,000 sq ft in area, or 2.3 times larger than its starting size.

Extra Space says that it outshines its competitors by a margin of roughly 20 per cent, in terms of growth speed – gaining an average of around 3,000 new clients yearly.

Total company assets were worth \$62 million as of FY2010, reflecting a phenomenal leap of almost 13 times from its \$4.8 million value in 2007. Given these numbers, it is hardly surprising to learn that Extra Space broke even within the first two years of business.

Marketing wise, Extra Space has established a name of sorts for itself – both on and offline. There is a considerable amount of marketing and advertising carried out via television, for its mass penetration; Mr Hagbeck states the importance of public education as one factor aiding industry growth.

He estimates that currently about half of Extra Space’s business comes from the online platform, with around another 25 per cent of the company’s customers being introduced through word of mouth.

Mr Hagbeck’s parting shot? It is fundamentally necessary to “have (a) feel of what locals need and want”, says the CEO, who read Singaporean secondary school geography textbooks in the lead-up to hatching out the business. Good, sound advice that certainly seems to have served Extra Space well so far.