

# Profit Center Alternative

Mastering the Five Fundamentals of Building a Successful Records Storage Business

By Jim Teske  
Special to Direction




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The key is to understand all potential costs and design a plan that minimizes investments.

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A current franchise prospect of mine recently asked me to compare records storage to his former trade; the hotel business. I told him that they were actually quite similar. To a large extent, hoteliers go out and invest in a piece of real estate that will attract clientele. The more rooms they can fit onto this piece of real estate, the more billable units they have to generate revenue. The better the occupancy rates, the more revenue there will be to offset expenses; hence the more profitable the operation.

All these same things are true with records storage. However in this business the “guest” is a file box and records retention requirements are such that in many or most cases, the guest doesn’t “check out” for seven to ten years.

Back in the 1980’s when the records storage industry was much less mature and barcoding was a new technology, I helped a Lyon Moving & Storage operation transition from the storage of household goods to the storage of business records.

A more recent position leading the sales effort for a well recognized software company provided the opportunity to walk through literally hundreds of records centers. And even though the industry itself has changed over the years and the landscape of participants has changed, there are certain fundamentals that still

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## Records Storage ...

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apply to movers and other storage professionals that wish to gain the long term residual revenue associated with storage of business records and other information assets.

So despite the fact that many see this business as simply a box on a shelf, there are clear differences between those that have truly grown and prospered and those that have not taken advantage of the opportunities presented in the marketplace. You might consider these differences as being basically five fundamentals that may just help you become one of the “haves” instead of one of the “have nots.”

*Understand the Capital Requirements and Critical Investments.* If you're already in the moving and storage business, you may already have many of the key components to offering records storage.

You may have a building; trucks or delivery vehicles; pallet jacks, dollies and lifts/pickers; computers and communications systems; customer service, warehouse and administrative personnel; and you may even have racking that can be used to store records. As will be discussed in the next section, having a building is important but having the right building can be a competitive advantage or it can be a real liability.

Because records storage is a service business, invest time and energy in building a true service culture; where your employees are rewarded for both accuracy and productivity and where each individual sees them self as a critical component to delivering on the expectations you set with customers. Also invest in technology that puts tools in the hands of customers to minimize road blocks between your staff and the customer's desire to manage their information.

You will invest in racking systems that help maximize the number of billable units you can fit into your facility. Consider that the purchase of new shelving with installation can exceed \$2.00 per box space. Then also consider what the market will bear as a billable rate per cubic foot per month and you'll understand how many months it takes to pay back that initial investment in shelving.

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## In the records storage business, the sale is much more educational and may not have immediacy.

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Some good news may come via the amount of used racking available in today's shelving marketplace and/or your ability to finance shelving/racking purchases.

### Other Cost Considerations

Sprinklers or fire suppression systems can also be a big issue.

Your local fire marshal and applicable fire code will determine the necessary water pressure and corresponding flow (amount of water released per square foot of real estate) in direct correlation to the racking system and clear height proposed for your facility.

Installation or upgrades (including pumps, piping, sprinkler heads, in-rack drop downs and even special shelving) can be significant. This is a significant issue that demands your attention prior to the construction of shelving systems or even your building.

On top of the above noted capital investments consider vehicles, other equipment, lighting, dedicated computer hardware and software, insurance, utilities, signage, permits and licenses, professional service fees (accounting, legal, etc.), sales aids and marketing materials, uniforms, etc.

Entering the records storage industry when you already have a moving and storage operation traditionally requires a lower total investment than for someone starting such a business from scratch.

The key is to understand all of your potential costs and design an implementation plan that minimizes investments wherever possible while still assuring that you offer solutions that are more attractive to potential customers than what is offered by your competition.

*Understand the Importance of the Right Building.* Go back to the analogy already offered about the comparison between the hotel business and records storage. Billable units per square foot becomes an advantage for the operator with more ceiling clear height vs. the operator without such high ceilings.

The former can offer more flexibility in storage rates



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and can minimize both the timing for additional real estate and the likelihood of operating out of multiple facilities. The focus here is to do everything possible to maximize the billable units per square foot of real estate in the interests of long term growth and profitability.

Remember the importance of addressing sprinkler systems upfront as noted above. Dealing with code violations after the fact can be very costly; let alone having to absorb the expense of moving large volumes of records (even temporarily). There are several firms that specialize in assuring that you've got the right sprinkler systems in place and/or that work with fire marshals across the country to help address these issues prior to construction of racking systems.

Also consider floor loads. Because you'll be putting high density shelving systems into your facility, you'll ultimately be putting a tremendous amount of weight per square foot onto your floors. Unless you have original building specifications, you may want to hire a local engineering firm to drill your floor and run a pressure test on a concrete core sample.

Especially if you are leasing space, overloading a floor can create serious potential liabilities. The leading shelving suppliers can help you understand the weight per sq. foot.

The quality of construction is no small issue either. Depending on where you're located, wind speed could be a consideration that leads you toward tilt-up concrete, concrete block or reinforced higher-grade metal construction. And you'll want to be careful about the roof. A roof that is less susceptible to wind or water damage is a critical protection for paper or other records that could be negatively affected by moisture or the elements.

How about proximity to your desired customer base? Your facility should ideally be within fifteen to thirty minutes of the major metropolitan area you wish to serve.

Other important issues to consider include neighborhood; flood avoidance (dock height floors and proper drainage or runoff); proximity to fire and police stations; office space and client review areas; security systems; ventilation; covered loading areas and roll-up doors; surrounding brush avoidance; and space that can be converted or used for climate controlled storage.

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## How to Sell the Services

### *Understand the Selling Process*

When offering your services to moving and storage clientele, salespeople become used to instant gratification. A prospective customer that is planning a move usually has a set date for such an event. Provided that your salesperson can present your services as reliable and fairly priced, the sales cycle is predictable and limited.

In the records storage business, the sale is much more educational and may not have immediacy. While virtually every type of business needs a safe and secure place to store their valuable business information, salespeople introduce your services to prospective customers that may not need immediate solutions.

Records may need to be relocated from under-utilized office space, self storage or even a poorly performing competitor and yet the prospective customer feels no immediacy to act. A triggering event that serves as a powerful motivator, such as contract renewal or filling up the current space where records are stored, may be months off into the future.

Salespeople in records storage therefore must effectively use tools to manage larger potential pipelines and must keep your name in front of prospects over time to assure that they choose your services when they're ready or when properly motivated.

For this reason, it may be desirable to have a dedicated salesperson for records storage apart from the person selling your moving services. You'll also end up with salespeople that are better focused and better educated on the specific needs of records managers and data processing managers vs. the buyers of office or household goods moves.

This doesn't mean that you can't use your moving and storage contacts or customers as a base from which to solicit records storage opportunities. The focus here is to simply confirm that the sales cycles are different, the prospects may be different and the decision makers may be different.

*Understand the Marketing Focus.* If someone is looking for a plumber today, they may still pick up the local

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Storing records with a commercial records center is cost effective – office space is far more expensive.

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Records storage is not rocket science – but it requires potentially significant capital, solid planning and industry education.

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yellow pages, find a listing and make a phone call. But if a business is looking for a place to store records, they are probably sitting at a desk with a computer and will seek such services through a search engine.

Can they find you first before finding a competitor? Is your website more than just an online brochure and does it drive prospects to contact you when they have a need? Online marketing is critical in today's web based business environment.

You should also consider other creative ways to keep your name in front of the customer. Educational mailings, postcards and sales aids all help assure that prospects call you when they need you. Participation and sponsorship of seminars can also give you credibility, create brand recognition and lead more prospects to your business. And having membership in various trade groups or associations helps you build relationships with the people making buying decisions for records storage and data storage services.

### *What Customers Want*

#### *Understand the Customer's Perspective.*

There are a number of reasons why customers will choose to use your services. First and foremost, storing records with a commercial records center is simply the most cost effective use of space. In most cases, office space is far more expensive per square foot than what a customer will pay to store with you.

With self storage, a customer pays for a given amount of real estate and the cost per box is lowest when the room is full. Of course when more boxes need to go offsite, the customer needs another room or space and the cost of storage can double (not to mention the costs for shelving to the customer to get the most efficient use of that space).

With records storage, the cost is typically per cubic foot and therefore billed at the lowest incremental storage "unit." The customer only pays for the specific amount of cubic foot space they need.

However to really earn relationships with larger customers, you should understand the soft costs and work with customers to minimize expenses.

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For example, if the customer paid you \$0.30 per cubic foot per month to store records and your retrieval and re-file price was \$2.50 each (that \$2.50 being billed twice when the customer requests a box – once on the way out and once on the way back in), the cost to the customer of having the box offsite more than doubles for a given year for a box that is delivered and then re-filed.

So employ tools that help the customer truly understand that activity so they can make educated decisions about when to keep more active records onsite. Consider using scanning or facsimile solutions that offer the ability to transfer information electronically so that any future retrieval does not involve a secondary retrieval and re-file of the same information.

And offer digital archiving solutions that help customers keep information in electronic form whenever possible to avoid storing of paper. Digital archives offer you another profit center.

You can and should also learn more about legal records management; health information management;

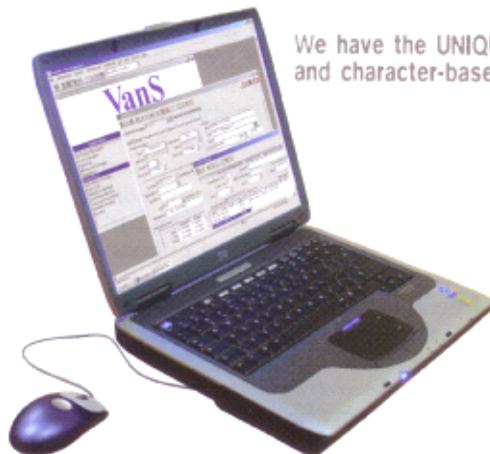
storage requirements and methods for blueprints, maps, film, fiche and other media.

For example with legal records there are often multiple volumes of pleadings (court filings), correspondence or discovery. If the customer informs you that there are three pleadings volumes for a given case, certain records center software packages will help you track all three volumes as a set; which can reduce the likelihood of retrieving only one volume when the customer really needs all three.

When storing medical records, your understanding of HIPAA requirements as well as filing systems such as terminal digit will help you comply with regulatory requirements and also give the customer confidence that you know their issues and “speak their language.”

Building a records storage business is not rocket science. But it does involve use of potentially significant capital, solid planning, industry education as well as proactive sales and marketing techniques to help you offer attractive and competitive storage solutions. Plan your work, work your plan and enjoy the results.

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