

The Move from Live to Online Auctions

By Cheli Rosa

By now, every owner, operator, and manager in the self storage industry knows online auctions are an option they have for their lien sales. However, best estimates indicate only about 30-40% of the facilities in the industry are utilizing online auctions. While this number is growing every year and all but one of the REITs are now using online auctions in some capacity, the majority of the industry has yet to embrace this new technology. Why is that? Why are some people doing online auctions? Are online auctions better? How do online auctions work and what are some of the frequently asked questions?

Why Online Auctions?

Although generally slow to embrace technology, the self storage industry is finally doing just that. Property management software programs are now web-based. Operators are using tablets and paperless leases. Security for self storage facilities is now controlled by mobile devices you don't even have to remove from your pocket or your purse. High powered kiosks are being used to cut labor costs. Conducting auctions online is only the natural progression of things. The single most significant piece of feedback I get from customers is "online auctions are so much easier." That is what technology does. It makes our lives easier. Auctions are a very negative, time-intensive, liability ridden aspect of our industry. Why not jump at the chance to make the process easier.

Are Online Auctions Better?

"If it ain't broke, don't fix it, right?" "Why re-invent the wheel?" "Don't mess with a good thing." These are all common responses to the idea of shifting from live to online auctions. Those who have not made the change yet feel their sales are working just fine and there is no need to make a change, but are they working just fine? Operators using online auctions love the fact there is no "auction day" at the facility. There is no parking on the grass, no messy bathrooms to clean-up, no trash strewn about the property. There is also no need to provide additional

staff to cover the office or even worse, locking the office up and leaving for hours at a time. Auctions are a disruption to regular business.

I can see the preference for live auctions from the auction bidder perspective and even the auctioneer perspective, but I cannot see it from a storage facility operator perspective. Bidders don't want the increased competition from online auctions. They also like to smell the units before they buy them. Auctioneers want to stay in business and make money, but operators and managers should see no opposition to online sales. We know they bring a higher return than live auctions. We know they bring a bigger audience than live auctions. We know they remove a lot of the hassle from auctions and allow operators some anonymity in this task, which paints them in an unfavorable light.

There are still quite a few operators who conduct their own auctions and thus are apprehensive about paying a fee for their sales. However, the return from the online auction will go above and beyond that fee to offset any new charges. I know this to be true. I am not just saying it in the hopes of getting more people to use online auctions. One beautiful thing about technology is it allows us to collect tons and tons of data. This data tells us how many pictures lead to higher unit prices, how many days is optimal to list a unit. We know which days of the week are best to host your auctions. We have data on everything. That was impossible with live auctions.

In addition to the data, marketing is so much more potent for online auctions. We can spend real money highlighting facilities and different unit types. That was near impossible with live auctions because we did not know what the units would look like until auction day. Where live auctions used to bring very little money and inspire collusion among bidders, online auctions allow operators to set achievable goals for their debt recovery. In the past, it was common for operators to expect to recover no money and only focus on getting the units cleaned out. All of the operators on our site report "getting the best prices they can for units" as one of their top auction concerns.

How Does It Work?

Online auctions are so easy; people think they are doing something wrong. You still have to complete all the legal requirements. Then you cut the unit locks and

inventory the contents. The next step is to upload your pictures onto the website and enter the unit information. Your online provider will take it from there and conduct behind the scenes marketing and facilitate the bidding process. When the unit closes, on your scheduled auction date, you will get a notice telling you who won the unit. They will come and pay you and clean out the unit.

Frequently Asked Questions

1. Can I still charge a cleaning deposit and require them to have it cleaned out by a certain time?

Absolutely! A good online auction provider will not get in the way of you conducting business the way you see fit.

2. How much does it cost?

Each platform in the industry has a little bit different setup for fees, but generally, the base rate you will pay is 10% of the total sale price. If it does not sell, you don't pay anything.

3. What happens if the bidder does not show up?

You call us, and we will contact the second and even third place bidders to get somebody to buy your unit.

4. Can I try it without making a commitment?

Of course you can! We want you to feel comfortable using online auctions.

5. How do I get more information?

Go to Google and search for online storage auctions or visit one of the storage industry trade shows and visit us at our booth. Call a representative and ask important questions. How much web traffic do you have? Do you have any data about online auctions I can see? What is your average unit price? What kind of marketing will you do for me?