Click Calculator

Amid rising digital ad costs, industry experts offer strategies for smarter spends.

By Laura Williams-Tracy

Acquiring new customers is getting more expensive.
It’s the modern-day rush to the Yellow Pages. Seemingly, everyone is now finally buying digital ads on Google, Facebook and other platforms. And when demand goes up, so does the cost.

“The whole industry has caught up,” said Dan Hobin, co-founder and CEO of G5, a digital marketing firm in Bend, Oregon, focusing on self storage. “There is so much more competition, which has driven up the cost.”

According to G5, Google’s cost-per-click is up 14% year-over-year due to increased spending and competition. At the same time, national year-over-year rent growth declined by 1% due to over-saturation in the self storage market. Mix in a global pandemic that dampens overall demand, and self storage owners need to be doing all they can to get in front of customers and make buying easy.

Digital marketing experts say owners can be savvier with their digital spend and use new tools to ensure a return on the investment.

Costs Rising

The number of companies adopting paid media as part of their digital strategy is growing. The REITs are showing dramatic increases in spending, and smaller operators have arrived in the digital marketplace, said John Jordan, a co-founder of Go Local Interactive, a digital firm in Overland Park, Kansas.

*Above: Melanie Thaden, manager of paid media, and Pedro Segura, director of new business for the self storage industry, work at Go Local Interactive to optimize the return on digital advertising spending.*
“There is an increasing level of competition overall," Jordan said, "and that’s the factor in increasing cost per click that companies have seen.”

For the uninitiated, cost per click (CPC) is a paid-advertising term where an advertiser pays a publisher, such as Google or Facebook, for every click on an advertisement. CPC is also called pay per click. CPC is used to determine the cost of showing users ads on search engines and social media platforms.

Cost per click is calculated by dividing the cost of a paid advertising campaign by the number of clicks. When you bid on the particular keywords you want to use in your paid ads on platforms like Google AdWords, you will be shown a CPC for those targeted keywords.

Each key word has a bid value. And like at an auction, the more people who bid on a word or series of words—such as “self storage near me”—the more those words cost.

Machine automation is also playing a role in escalating costs by offering up more qualified buyers, Jordan said.

All the media giants like Google and Amazon collect information about users to see what type of media they interact with, what they are searching for, and how, when and where they are searching. That data paints a picture of the consumer, revealing whether they are getting married, having a child, relocating for a new job or having some other life event that makes them more likely to be self storage consumers. Those people are more qualified sales leads, and storage operators with a sophisticated digital strategy are paying more to reach those customers.

“They can do it on a company level and tell if a customer is more likely to convert with Extra Space than with other firms, and those ads are more likely to be shown as a result,” Jordan said. “Advertisers are willing to pay more for ads that are more likely to convert for my brand.”

Strategies for Smarter Spends

Self storage owners need to be shrewd about their digital spend and escape the vortex of ever-escalating digital advertising costs, experts said.

Google and others rank keywords on a relevance scale. Sometimes the most relevant words are not the most expensive words, said Steve Lucas, CEO of The Storage Group in Altamonte Springs, Florida.

Google and others want to enhance the user experience, so relevant but not necessarily expensive keywords are rewarded by being high in a search.

“The better keywords you use and the more relevant they are sometimes will cost you less,” Lucas says.

The word “storage” is expensive because so many people are using it for not only self storage but also cloud storage and food storage. But the keywords “self storage Cleveland Ohio” become very relevant in a search in Cleveland and will be rewarded as such.

“You will be one of the first ads, because you are using words in a way that Google’s algorithm will understand,” Lucas said.

Therein lies an advantage for smaller self storage operators who aren’t seeking customers on a national scale. Smaller operators can pick terms relevant to their local market, whereas national REITs are marketing on a larger scale. A storage facility’s digital campaign might include the name of a new neighborhood nearby that’s a source of new rentals. The REITs’ national teams are unlikely to be able to work individual ZIP codes in such a way, Lucas said.

“Put your small town name in your keywords,” Lucas said.

Jordan of Go Local Interactive agreed.

“I have always believed the small guys have an advantage because they are all about one thing," Jordan said. “It’s increasingly difficult to focus at a local market level if you have thousands of locations. There is some
advantage for the local guy because he has a narrower focus.”

**Budgeting Parameters**

Paid digital media campaigns become more complicated and nuanced all the time. G5, The Storage Group and Go Local Interactive have invested heavily in new technology to assess the impact of digital spending and make immediate adjustments to campaigns to optimize the return on investment.

Go Local Interactive employs paid search managers who oversee accounts and make adjustments. Clients with multiple locations shift spending when one facility hits occupancy goals and another needs advertising support.

“There is a lot that goes on to make sure budget dollars are used well,” Jordan said. “It is really easy to go on and waste a lot of money from paid search if you don’t know what you are doing.”

Storage operators in rural areas may struggle to spend $100 a month on digital advertising, because there is little demand for keywords and few clicks happening for those key search terms. Other clients spend $2,000 to $3,000 per month per location and could easily spend more.

Management fees for digital campaigns range from under 4% of the monthly spend up to 20%.

Digital experts recommend setting a budget and then tracking the impact the campaign is having on occupancy goals. Google can tell what percentage of leads were lost when people were searching for self storage but the budget was not large enough to deliver an ad to that potential consumer.

G5 developed a tool that cancels out clicks that are not working toward the goal of converting online browsers to customers. For example, a current customer that clicks an ad to find a telephone number to pay rent is not a viable new business lead. G5 has a way to keep that click from counting toward the monthly budget.

“It’s cancelling out the ones that aren’t working, so you have more money focused on the ones that are working,” Hobin said.

With new digital tools, the cost to acquire a new customer online dropped by 25% for some clients, Hobin said.

**Online Leasing a Must**

If customers are finding storage online, digital experts said operators need online leasing to seal the deal. The COVID-19 pandemic accelerated adoption of online leasing and move-ins.

The history of self storage has been a person-to-person transaction. The Storage Group launched its first online rental tool, called ClickandStor, in 2010 to a lackluster reception.

“In the early days, we couldn’t give it away,” Lucas says. “People said, ‘What do you mean someone will move in online? Are you guys crazy?’”

Over the decade, more operators have added online rentals. Those who are using an online rental tool are seeing the best results from their online efforts.

“We believe self storage rentals will become much more e-commerce-like,” Lucas said. “Renting storage will be as easy as buying on Amazon Prime.”