

Marketing and Operational Review

Marketing and ecommerce

Our marketing strategy focuses on building our market-leading brand awareness further and using it to maximise the cost-efficient generation of enquiries, customer move-ins and user satisfaction through our digital platforms. Our strong brand and continued digital investment and innovation has helped us create a market-leading website which delivers over 90% of our enquiries.

It was therefore pleasing that our annual YouGov survey (published April 2021) again confirmed that the brand awareness of Big Yellow remained ahead of other UK operators in the sector. The survey shows our unprompted brand awareness to be nearly six times higher than our nearest competitor both in London and across the UK.

The Big Yellow website allows users to browse different room sizes, obtain a price, reserve online and finally check-in online. The online customer experience also features Live Chat allowing customers to communicate with us in real-time via traditional Live Chat and also through WhatsApp and Facebook Messenger. Our popular and comprehensive online FAQs provide our users with another way to ask questions they may have about the service without needing to call us directly.

Over the past year we have developed our digital experience further through a complete redesign of our online check-in platform. This allows customers to complete the majority of their move-in process remotely. For example, they can upload their photo and identity documents, sign the full customer licence, set up authorised persons, complete their storage inventory and set up a paperless Direct Debit – all done remotely. This seamless user experience has drastically cut down the time our customers need to spend in our receptions when they move-in. The final process is completed through our in-store digital signature pads.

Our investment in our online check-in in recent years allowed us to manage enquiries and move-in customers with minimal physical contact since the onset of the pandemic and is there as an option for customers going forward, who for example may wish to send their removal company to the store and deal with everything from home.

We also offer the ability to purchase boxes and packing materials through our online BoxShop store. These can be home delivered or made available for our Click and Collect service from stores. Our online sales in the last 12 months have experienced a significant uplift with the increase in online shopping trends and the impact of many domestic customers working more flexibly.

Driving online traffic

Self storage is a consumer-facing business and the development of a strong and sustainable brand is multi-layered and requires a consistency of product, customer service and interaction at all touch points, particularly online.

Search engines are the most important acquisition tool for us, accounting for the majority of traffic to our website. Our focus for a competitive advantage on search continues and search engine optimisation (“SEO”) work has helped us to maintain high organic listings for popular generic and local self storage related search terms. This in turn drives the growth and cost efficiencies of acquiring new prospects.

Brand search terms are also a valuable driver of enquiries for Big Yellow and help improve the efficiencies of our cost per enquiry. 35% of all traffic generated from search engines to our website originated from “Big Yellow” brand searches in the year.

This clearly indicates, although self storage is a relatively immature industry with approximately 70% of customers using it for the first time, brand is important in driving higher levels of prospects and customer referrals, leading to improved operational efficiencies. We have demonstrated this through significant improvements in the performance of existing storage centres following their acquisition, re-branding, and assimilation into our business.

Search engine marketing remains our largest source of paid for web traffic. Ongoing website optimisation and an engaging user experience through our digital platforms helps ensure we maximise the conversion of these web visits into enquiries and then customers.

Digital display advertising enables us to regionally target audiences in the market for self storage, raising consideration of the service and the Big Yellow brand through engaging creatives.

Strategic Report

Marketing and Operational Review (continued)

Online customer reviews and social media

Supporting our values of putting the customer at the heart of our business, our online customer reviews generate real-time feedback from customers and provide positive word of mouth referral to our website visitors. Through our 'Big Impressions' customer feedback programme, we ask our new customers to rate our service. With the users' permission, we then publish these independent customer reviews on the Big Yellow website which currently total 37,800, averaging 4.8 out of 5.

The Big Impressions programme also generates customer feedback on their move-out experience and from prospects who decided not to store with us. These customer reviews and mystery shop results are transparently accessible across the business and helps reinforce our focus on outstanding customer service.

We also gain real-time customer feedback from over 12,000 Google Reviews averaging 4.6 out of 5. These help to enhance our visibility within local search listings conveying trust in the Big Yellow brand. Additionally, we have over 2,500 reviews from the independent review site TrustPilot. These reviews average a 4.7 out of 5-star rating, labelled as "Excellent" on the TrustPilot ratings scale.

We monitor our customer reviews and respond where necessary for customer service reasons or to manage our online reputation and improve our service offering.

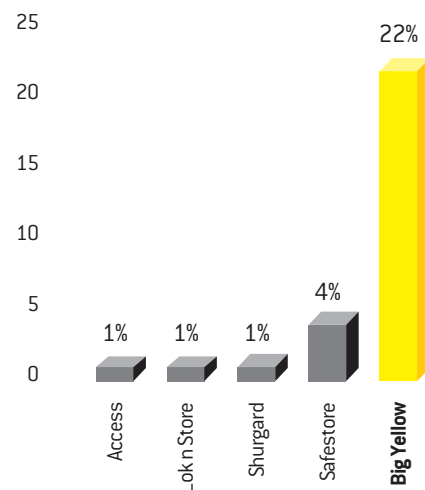
Social media continues to be complementary to our existing marketing channels. Big Yellow actively posts content across Twitter, Facebook and Instagram which help to raise awareness of our CSR activities. These social channels are also used by customers to connect with us and are monitored in real-time, enabling us to respond promptly to any enquiries.

The Big Yellow LinkedIn platform is used to communicate company achievements, CSR initiatives and to present an honest picture of what it is like to work for Big Yellow. It is also central in our drive towards more direct recruitment.

The Big Yellow YouTube channel is used to allow web prospects to experience our stores online through our video guides to self storage. The online blog is updated regularly with tips and advice for homeowners and businesses, as well as summaries of our charitable and CSR initiatives.



Unprompted brand awareness for the UK (%)



Source: YouGov commissioned survey by the UK Self Storage Association January 2021

Sustainability

We have developed a new long-term strategy to become Net Renewable Energy Positive and deliver Net Zero Scope 1 and 2 Emissions targets, which will be funded with significant investment from the Group over the next few years. The main delivery vehicle for this new strategy will be the installation of solar generation capacity onto our existing store estate. By 2025, we expect to have completed a multi-million pound investment in renewable energy generation both on the roofs of our estate and also at other locations.

We will be publishing with our Annual Report in June a standalone Strategy document that sets out our Commitments, Actions and Timelines to become 100% Renewable Energy Positive and Net Zero Scope 1 and 2 Emissions by 2030.

Governance of this ambitious programme has been enhanced during the year through the creation of a Board Sustainability Committee, chaired by Heather Savory, Non-Executive Director.

The sustainability performance highlights for the year are:

- the solar stores generated nearly 18% of their electricity needs;
- onsite solar energy generated versus electricity and gas purchased in the year was 6.7% (2020: 6.1%);
- our absolute energy use and emissions have decreased; this is explained through an increase in solar, a greener grid and through lower customer activity in our stores during the pandemic, particularly during the initial lockdown; and
- our market-based Scope 2 emissions are now zero, thanks to our Renewable Energy Guarantees of Origin ("REGO") backed 100% renewable electricity from Opus Energy.

Foundation and charitable activities

The Big Yellow Foundation has adopted a seventh charity partner, Street League, during the year. The Foundation has continued to support our six established charity partners during the year as well as Street League. The Foundation has raised funds of over £220,000 during the year and has paid out nearly £150,000 in grants.

At the end of March 2021, over one third of customers (the average of our move-ins and move-outs) opted to contribute to our Foundation. Initially this level was impacted by the pandemic but has bounced back and now exceeds pre-pandemic levels.

Big Yellow's community investment for the year, delivered via discounted space, was £334,000, £307,000 of which was given free of charge. Our stores allocate this space to worthy local charitable organisations and not-for-profits and we house different organisations, from foodbanks to small community groups to NHS partners. We accommodated the British Red Cross in 27 locations and the free space to the Red Cross alone was worth just over £37,000.

Cyber security and IT infrastructure

Cyber security remains high on the agenda within the Group and we make investment where required in response to the ever-changing threat landscape. Using both external specialists and in-house knowledge we perform regular reviews of our cyber risk and security posture. Testing of both systems and people is carried out on a regular basis, including penetration testing and phishing simulations.

Our Data Compliance Officer oversees our ongoing compliance with GDPR and PCI DSS. The role also includes Business Continuity and Crisis Communication management. Policies and procedures are under regular review and benchmarked against industry best practice. There are mandatory courses for all staff to complete both for Information Security and Data Protection.

Our Infrastructure and Development teams continue to drive innovation and efficiencies throughout the Group. During the pandemic our technology team were able to provide uninterrupted secure access to IT services regardless of the access being required in store, in the office or at home.

The self storage market opportunity

In the recently published 2021 Self Storage Association UK Survey, only 50% of those surveyed had a reasonable or good awareness of self storage. Furthermore, only 8% of the 2,092 adults surveyed were currently using self storage or were thinking of using self storage in the next year. This indicates a continued opportunity for growth and with increasing use of self storage, together with the ongoing marketing efforts of everyone in the industry, we anticipate awareness will continue to grow.

Self storage is not a commoditised product and awareness is driven largely by businesses and individuals using self storage. Consequently, the increase in awareness over time has been relatively slow, with good awareness of self storage increasing from 38% in 2014 to 50% in 2021 across the UK [source: UK SSA Survey 2021]. Our YouGov Survey carried out in April 2021 showed higher levels of awareness in London of 61%.

Occupancy rates across the UK industry at the end of 2020 of built space was 82.3%, compared with approximately 60% in December 2008. This has increased from 76.2% at the end of 2019.

Growth in new facilities across the industry has been largely in regional areas of the UK and particularly in smaller towns. Historically, new supply creation in our core markets in London and the South East, has been difficult, with high land values driven by competing uses such as residential and urban industrial. In London in the year to 31 December 2020, there were five new store openings, including two new Big Yellow stores. We are aware of four planned store openings in London in calendar year 2021, including one Big Yellow store.

Strategic Report

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The Self Storage Association (“SSA”) estimates that the UK industry is made up of approximately 2,000 self storage facilities (of which 598 are purely container operations), providing 50.6 million sq ft of self storage space, equating to 0.74 sq ft per person in the UK. This compares to 9.4 sq ft per person in the US, 1.9 sq ft per person in Australia and 0.15 sq ft for mainland Europe, where the roll-out of self storage is a more recent phenomenon (sources: UK Self Storage Association Surveys, May 2020 and May 2021 and FEDESSA European Self Storage Annual Survey 2020).

Big Yellow is well placed to benefit from the growing self storage market, given the strength of our brand, and our online platform which delivers over 90% of our prospect enquiries. Our portfolio is strategically focussed on London, the South East and large metropolitan cities, where barriers to entry and economic activity are at their highest.

Store operating model

The Big Yellow store model is well established. The “typical” store has 60,000 sq ft of MLA and takes some three to four years to achieve 85% plus occupancy. The average room size occupied in the portfolio is currently 67 sq ft, in line with last year. The store is open seven days a week and is initially run by three staff, with a part time member of staff added once the store occupancy justifies the need for the extra administrative and sales support.

The drive to improve store operating standards and consistency across the portfolio remains a key focus for the Group. Excellent customer service is at the heart of our business objectives, as a satisfied customer is our best marketing tool. We measure customer service standards through a programme of mystery shopping and online customer reviews, which are externally managed. Over the year, we have achieved an average net promoter score of 82.9 from customers who moved in and moved out of the business.

The store bonus structure rewards occupancy performance, sales growth and cost control through quarterly targets based on occupancy and store profitability, including the contribution from ancillary sales of insurance, and packing materials. Information on bonus build-up is circulated monthly and stores are consulted in preparing their own targets and budgets each quarter, leading to improved visibility, a better understanding of sales lines and control of operating costs.

We believe that, as a consumer-facing branded business, it is paramount to maintain the quality of our estate and customer offering. We therefore continue to invest in preventative maintenance, store cleaning and the repair and replacement of essential equipment, such as lifts and gates. The ongoing annual expenditure is approximately £38,000 per store, which is included within cost of sales. This excludes our rolling programme of store makeovers, which typically take place every five years, at a cost of approximately £20,000 per store.

Demand

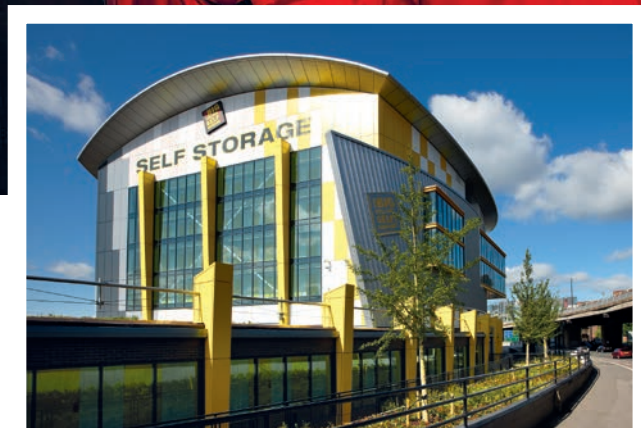
Demand for self storage is largely driven by need, with security, convenience, quality of product, service and location being key drivers. Awareness remains relatively low compared to commoditised products, such as hotel rooms or airline seats, albeit it is increasing slowly year-on-year with increased supply, marketing expenditure and customer use.

We are confident that Big Yellow benefits disproportionately from this improving market for our product, due to our market-leading brand and operating platform with our focus on London, the South East and large metropolitan cities.

Customers renting storage space whilst moving within the rental or owner-occupied sectors represent 39% of move-ins during the year (2020: 39%), split approximately 60/40 between homeowners and renters (2020: 51/49). 13% of our customers who moved in took storage space as a spare room for decluttering (2020: 12%). 34% of our customers used the product because some event has occurred in their lives generating the need for storage; they may be moving abroad for a job, have inherited possessions, are getting together or separating, are students who need storage during the holidays, or homeowners developing into their lofts or basements (2020: 37%). The balance of 14% of our new customer demand during the year came from businesses (2020: 12%).

Of our overall occupied space today, customers who are longer stay lifestyle users, decluttering into small rooms as an extension to their accommodation, occupy 10% to 15% of our space; approximately 50% of the space is customers using it for less than 12 months, for reasons which are largely event driven, which could be inheritance, moving in the owner occupied or rental sector, home improvements, travelling; the balance of 36% of our space is businesses. Businesses occupy larger rooms on average than domestic customers and, despite being in 36% of the occupied space only represent 20% of customer numbers.

Over the past few years, there has been a growing trend towards self-employment and smaller business start-ups in the UK, dynamics that are positive for self storage. Additionally, businesses in the UK have been increasingly seeking flexible office and storage space rather than longer inflexible leases. The current crisis has accelerated the structural changes in retail that were already occurring, resulting in more demand from online retailers looking to trade without a physical high street presence. The deindustrialisation of big cities with the conversion of commercial space into residential and other uses, is also a driver for demand from the SME market seeking flexible warehouse space. We believe that these long-term trends will continue to drive demand for our product.



The Group commissioned an external survey a couple of years ago to assess the value the average Big Yellow store generates for its local economy to assist our discussion with local authorities around planning. Key highlights were:

- the average store is home to 105 different businesses who between them employ 300 people as a direct result of their occupation;
- 60% of the businesses that occupy our stores are start-ups who have never rented space anywhere else before; and
- For over half of the businesses, this is the only space they rent, for others this complements their other space.

Given the growth in homeworking fuelled by the lockdown, this trend of businesses choosing to operate without needing the expense of office space may increase. Furthermore, increased homeworking in general may result in domestic customers taking small rooms to declutter and create space for home offices.

We have a dedicated national customers team for businesses who wish to occupy space in multiple stores. These customers are billed and managed centrally. We have four full time members of staff working on growing and managing our national customers. The national customers team can arrange storage at short notice at any location. In smaller towns where we do not have representation, we have negotiated sub-contract arrangements with other operators who meet certain operating standards.