

Strategic Report

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.

Marketing and Operational Review



Marketing and ecommerce

Our strong brand and continued digital investment and innovation has helped us create a market-leading website which delivers over 90% of our enquiries.

Our annual YouGov survey (published April 2022) 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 across the UK.

The Big Yellow website allows users to browse different room sizes, obtain a price, reserve online and check-in online.

The online customer experience also allows customers to communicate with us in real-time via Live Chat, WhatsApp, or Facebook Messenger. The comprehensive online FAQs provide our users with another way to ask questions they may have about the service without needing to call us directly.

The seamless digital experience continues with our online check-in platform. This allows customers to complete the majority of their move-in process remotely. 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 check-in online capability has significantly 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.

We also offer the ability to purchase boxes and packing materials through our online BoxShop store. These items can be home delivered or made available for our Click and Collect service from stores.

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. 37% of all traffic generated from search engines to our website originated from “Big Yellow” brand searches in the year.

This clearly indicates, that 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.

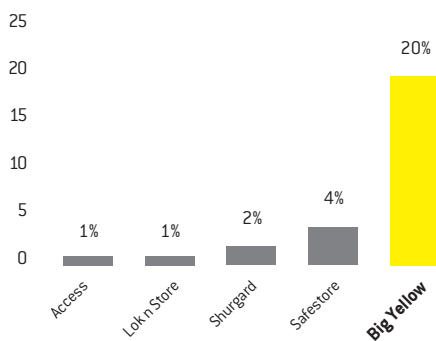


Digital display advertising enables us to regionally target audiences in the market for self storage, raising consideration of the service and the Big Yellow brand through engaging creatives.

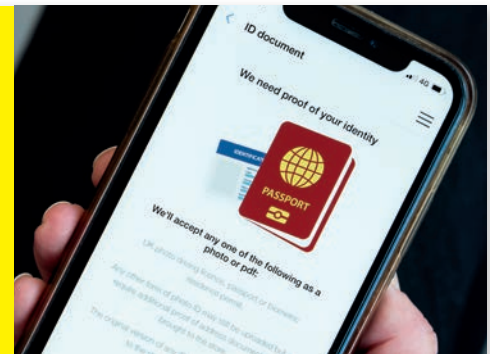
Online customer reviews and social media

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 over 42,000, averaging 4.8 out of 5.

Unprompted brand awareness for the UK (%)



Source: YouGov commissioned survey by the UK Self Storage Association January 2022



Check-in Online:

Making life easy for our customers

We know customers will often use self storage when going through a potentially stressful event like a house move or a building project. Where possible, we innovate to make our customers' lives as easy as possible when using our services. Central to this is speeding up the customers' move in experience, without compromising on our security or operational checks and balances.

Our Check-in Online platform is used by 90% of our customers to complete the majority of their move-in process at home.

Every feature has been designed to remove stress. The terms and conditions have been written in a more playful language, avoiding confusing legalese. An engaging animation takes the customers through the main parts of their contract and what they need to know about storing with us. Customers can upload their own identity photos and security documents straight into our database. Check-in Online also enables the customer to set up their emergency contacts, personal details and set up a direct debit. They can even input an inventory of what they are storing straight into the platform – a huge time saving feature for the customer by the time they get to the store.

Strategic Report

Marketing and Operational Review

(continued)



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 15,500 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 3,200 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 company culture.

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.

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.

During the year we published our 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.

The sustainability performance highlights for the year are:

- we have set our first science-based targets;
- we have maintained our inclusion in the FTSE4Good indices; maintained our GRESB Green Star rating and achieved a B award from CDP;
- we obtained our second EPRA sBPR Gold award;
- we have donated £316,000 in Community Investment. This consists of free and discounted space and BoxShop products donated and the funds raised by our employees that go to the Big Yellow Foundation;
- we have refreshed our emissions footprint to include Armadillo; and
- delivered three successful work placements in conjunction with our charity partners.

Foundation and charitable activities

The Foundation has continued to support our seven established charity partners during the year. The Foundation has raised funds of £172,000 during the year and has paid out £198,000 in grants, in response to requests for additional funding from some of our charity partners.

Big Yellow's community investment for the year, delivered via discounted space, was £306,000, £284,000 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.

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. During the year the Group's systems were subject to an external audit and achieved IASME Gold certification. This also incorporates Cyber Essentials. The Board receives bi-monthly reports on the Group's IT infrastructure and information security. The Group has not experienced an information security breach in the past three years and has cyber insurance in place in the event that a breach should occur in the future.

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.

The self storage market opportunity

In the recently published 2022 Self Storage Association UK Survey, only 51% of those surveyed had a reasonable or good awareness of self storage. Furthermore, only 8.5% of the 2,057 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 51% in 2022 across the UK (source: UK SSA Survey 2022). Our YouGov Survey carried out in April 2022 showed higher levels of awareness in London of 63%.

Occupancy rates across the UK industry at 31 December 2021 of built space was 83.3%, compared with approximately 60% in December 2008. This has increased from 76.2% at the start of the pandemic.

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 2021, there were seven new store openings, including one Big Yellow store. We are aware of five planned store openings in London in calendar year 2022, including three Big Yellow stores.

The Self Storage Association ("SSA") estimates that the UK industry is made up of approximately 1,429 self storage facilities and 621 purely container operations, providing 52 million sq ft of self storage space, equating to 0.76 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 0.16 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 2022 and FEDESSA European Self Storage Annual Survey 2021).

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

Our 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 69 sq ft compared to 67 sq ft 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.

There has been some debate in the self storage industry around fully automated stores. It is very important for us to maintain a physical, face-to-face interaction with our customers when they arrive at our stores to move-in or move-out. This is imperative to help us achieve our company values of helpfulness, empathy, and flexibility towards our customers. It is also critical for us to monitor and operate a safe working environment for everyone, including our staff. This is akin to renting a car but with some final checks and balances, which require our staff in store.

70% of our new customers have not used self storage before, and they will want to see the storage room for themselves before moving in. We want to be on hand to ensure they are satisfied with their choice and to accommodate them if they are not.



Strategic Report

Marketing and Operational Review (continued)

Face-to-face interactions also allow us to check the individual customer moving in matches the identity documents they have uploaded when checking-in online. From a health and safety perspective, we need our teams at the store to ensure the stores and customers are operating safely. They carry out fire-risk assessments, provide additional business services such as accepting deliveries on behalf of our business customers, manage occupancy levels and deliver ancillary sales of insurance and packing materials.

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 78.9 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 £40,000 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 we benefit 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 41% of move-ins during the year (2021: 39%), split approximately 65/35 between homeowners and renters (2021: 60/40). 12% of our customers who moved in took storage space as a spare room for decluttering (2021: 13%). 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 (2021: 34%). The balance of 13% of our new customer demand during the year came from businesses (2021: 14%).

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 37% of our space is businesses. Businesses occupy larger rooms on average than domestic customers and, despite being in 37% of the occupied space only represent 21% 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 has previously commissioned an external survey 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 over the past two years, 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.