

We now have a portfolio of 75 open and trading Big Yellow stores, with a further 13 development sites. The current maximum lettable area of the 75 stores is 4.7 million sq ft. When fully built out the portfolio will provide approximately 5.6 million sq ft of flexible storage space.

In addition, we part-own and manage 25 Armadillo stores which are principally located in regional UK towns and cities, and operate from a platform of 1.1 million sq ft.

Operational and Marketing Review



The self storage market opportunity

In the recently published 2020 Self Storage Association UK Survey, only 48% of those surveyed had a reasonable or good awareness of self storage. Furthermore, only 10% of the 2,126 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 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 48% in 2020 across the UK (source: UK SSA Survey 2020). Our YouGov Survey carried out in April 2019 showed higher levels of awareness in London of 65%, up from 58% in 2014.

Occupancy rates across the UK industry at the end of 2019 of built space was 76.2%, compared with approximately 60% in December 2008. This was down slightly from 2018, impacted by the Brexit uncertainty which intensified over 2019 until the general election in December.

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. In London in the year to 31 December 2019, there were two new store openings. We are aware of five planned store openings in London in 2020, including two Big Yellow stores.

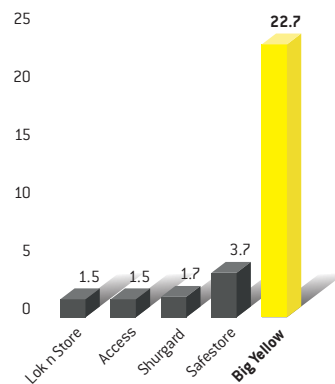
The Self Storage Association (“SSA”) estimates that the UK industry is made up of approximately 1,900 self storage facilities (of which 563 are purely container operations), providing 49 million sq ft of self storage space, equating to 0.7 sq ft per person in the UK. This compares to 9.4 sq ft per person in the US, 1.9 sq ft per person in Australia and 0.1 sq ft for mainland Europe, where the roll-out of self storage is a more recent phenomenon (sources: UK Self Storage Association Survey, May 2020 and FEDESSA European Self Storage Annual Survey 2019).

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.

The UK’s brand leader

Big Yellow is the most well known brand in self storage. The latest YouGov survey commissioned by the UK Self Storage Association “SSA” in January 2020 measures unprompted brand awareness across the UK. The results showed Big Yellow has the highest unprompted brand recall, six times higher than our nearest competitor.

Unprompted awareness for the whole UK (%)



Source: The UK Self Storage Association YouGov Survey 2020



Operational and Marketing Review *(continued)*

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 81.9.

We have a team of ten area managers in place who have on average worked for Big Yellow for 13 years. They develop and support the stores to drive the growth 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 £37,000 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. Over the last five years we have invested £13 million in the upkeep and maintenance of our stores, all of which has been expensed in the statement of comprehensive income.

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 spend 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 (2019: 41%), split broadly evenly between homeowners and renters. 12% of our customers who moved in took storage space as a spare room for decluttering (2019: 12%). 37% 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 (2019: 35%). The balance of 12% of our new customer demand during the year came from businesses (2019: 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 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 may be accelerating 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 may be accelerated by the current pandemic.

During 2018, the Group commissioned an external survey to assess the value the average Big Yellow store generates for its local economy. 36% of the Group's space is occupied by business customers, and 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. 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.

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 the UK Self Storage Association's annual YouGov survey (published May 2020) 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 across the UK to be six times higher than our nearest competitor.

We rolled out our new customer facing website in October 2019, which presents a clean and intuitive online user experience with a focus on web conversion. With 62% of our online web visits originating from mobile devices in the year, a 'mobile first' philosophy continues to drive our thinking around any web development. The new website features a revamped and engaging size estimator tool which helps our web users to select the size of storage space they need with confidence.

The online customer experience has also been enhanced with our relaunched Live Chat. This improved feature now allows customers to communicate with us in real-time via traditional Live Chat but also through WhatsApp and Facebook Messenger. Our popular and comprehensive online FAQs provides our users with another way to ask questions they may have about the service without needing to call us directly.



Operational and Marketing Review *(continued)*

The Big Yellow website allows a user to obtain a storage price, reserve, and check-in online. This has proved useful in allowing us to manage enquiries and move-in our customers with minimal physical contact during the lockdown period.

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.

For the year ahead we are developing our digital experience further, allowing customers the option to move-in remotely and complete all necessary paperwork and initial payments online before they arrive at the store. This will allow new customers to visit the store and open their storage room for the first time with even less face-to-face contact with our store teams should they wish to. This is both a valuable customer experience in a Covid-19 trading environment and will also improve productivity and efficiency in our stores going forward.

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, which represents over 90% of our total enquiries.

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 continued with the design of the new website. This 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. 36% 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 70% to 75% 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 performance of existing storage centres following their acquisition, re-branding and assimilation into our business.

The sponsored search listings remain 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 has also allowed us to continue our regional targeted advertising to those in the market for self storage.

Online customer reviews

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 33,000 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 9,572 Google Reviews averaging 4.6 out of 5. These help to enhance our visibility in local search engines conveying trust in the Big Yellow brand. Additionally, we have 1,899 reviews from the independent review site TrustPilot. These reviews average a 5 out of 5-star rating, labelled as "Excellent" on the TrustPilot ratings scale.

We regularly monitor our customer reviews plus any online mentions of Big Yellow on social media, and across the web generally. We use this insight to monitor our brand and improve our service offering.

Social media

Social media continues to be complementary to our existing marketing channels and Big Yellow can be found actively posting content across Twitter, Facebook and Instagram. 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.

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



Artist's impression of Bracknell (opening September 2020)



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.

Cyber security

The Group continues to treat Cyber Security seriously. Using in-house knowledge and external specialist advice the Group regularly reviews its security posture. Further investment in protection from the ever-evolving threat landscape to the Group is made where required. We carry out frequent penetration testing of internet facing systems, use components such as anti-phishing as well as maintaining and replacing components (such as firewalls) with the latest technology and specification.

We have recently recruited a new Data Compliance Manager to oversee our ongoing compliance with GDPR and PCI DSS. The role will also include Business Continuity and Crisis Communication management. Policies and procedures are under regular review and benchmarked against industry best practice.

There are mandatory annual training courses for all the Group's employees on cyber security and data protection.

Sustainability

Our store portfolio today is twice as energy efficient as it was in 2011. Our investments in efficiency measures over the years are paying off and 98% of our stores have an Energy Performance Certificate rating of 'C' or better. Our total location-based Scope 1 & 2 Emissions reduced by 62% from 2011 and our emission intensity is now at 5.9 per m² CLA. We remain committed to increasing our solar capacity from our current 22 solar PV installations and look to add six more installations during 2020/21 (3 on new stores; 3 on our existing stores).

We also look to support our customers in making more sustainable choices, for example by installing Electric Vehicle charging pods at our new stores. For the first time this year, we are reporting our market-based emissions, thanks to our new renewable electricity contract. We understand that there are real climate change issues affecting all of us, so we will aim to develop a Zero Carbon strategy during 2020, assisted by the arrival of our new Non-Executive Director for Sustainability, Julia Hailes.

Foundation & charitable activities

The Big Yellow Foundation has continued to support our six charity partners during the year; it has raised funds of over £150,000 and has been able to distribute over £120,000 in grants. In July 2019, the Foundation appointed an independent trustee, Jess Pallot Cook, who brings a wealth of charity experience to the Board of Trustees.

By the end of February 2020, nearly one third of our customers (the average of our move-ins and move-outs) opted to contribute to our Foundation. This level of contributions has been impacted recently due to the pandemic, but the Big Yellow Executive Directors are personally donating £50,000, and the Non-Executive Directors £11,000 this year to make up for this shortfall.

Big Yellow's community investment for the year, delivered via discounted space, was £535,000, £315,000 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 and the British Red Cross.

The last month of the financial year was dominated by the pandemic. However, we are very pleased to say that we have been able to play our part in helping organisations reach out to vulnerable individuals and we continue to support a large number of them either through discounted or free space or boxes.

