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GLOBAL WATCH

The Latin American Market

Self-Storage In Brazil

By David Blum

I was extremely fortunate last year to receive a phone call from a potential client who asked if I could help him recreate a style of self-storage in Brazil that I had become associated with in the South Florida market. The client had already commissioned and completed a market study in Sao Paulo, a city with over 20 million people of which two million have significant financial resources. With only around 250,000 square feet of self-storage in the market, this seemed like a “no-brainer.”

While I do not speak Portuguese nor have ever traveled to Brazil, I did have a distinct advantage. A former Brazilian employee of mine had returned to Brazil with his wife and found he could not return to the U.S. How many Brazilians, stuck in Sao Paulo, had first-hand experience operating an American-style self-storage facility? Also, he spoke perfect English.

Although we were hired within a week, it took almost 10 months for the first site to be identified and secured. While it was then time to get things rolling, there was a major obstacle to overcome. It wasn't language or distance (an eight-hour flight); instead, the obstacle was culture.

Getting Started On Foreign Soil

First, the business culture in Brazil is very different. It takes more than 150 days to form a new business; long compared to the hours it takes in the U.S. Forget that payments are done exclusively through an invoicing system where the customer's bank account is billed and money is transferred; forget that the pace of life is at “half speed” compared to the U.S., so that it takes twice as long to complete even the most mundane tasks; added to that is corruption, crime, and laws and conditions that seem generally anti-business—including restrictive zoning. The most challenging task, even more so than what I suspect it has been in Europe and other foreign markets with more stable economies and a more established middle class, is simply a difference in culture.

There is no self-storage culture in Brazil. Yes, there are a few self-storage facilities—some even mirror products the operators and owners have seen in the United



Guarde Aqui (top) was developed in the style of third-generation facilities in the U.S., while most existing facilities in Brazil (bottom) are reminiscent of first-generation facilities.



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States. But the last new facility built in Sao Paulo was completed seven years ago and, as seen in the accompanying photos, it looks more like what we know as first- or second-generation storage in the U.S. These self-storage pioneers, who all had their epiphanies at about the same time, brought a product to the market in which there were no customers. Yet in Brazil, the population still has no idea what self-storage is or why anyone would use it. Unfortunately, even the police are convinced that its sole purpose is to provide a secret hideaway for thieves and their contraband. Just ask Luis Gorrêa, proprietor of Mini-Docs, who was detained over 14 hours at his facility by local police who were convinced that one of his customers was a smuggler and that he was an accomplice.

I quickly understood that my greatest obstacle would be in how to help my client educate the public on what we in the U.S. and many European countries were quickly discovering: the true benefits and advantages of self-storage. This was not necessarily a task of design, form, and function. Instead it was a monumental marketing assignment.

As it happened, on my second day in Sao Paulo this past March, I was informed that the *Yellow Pages* were closing in just two days. Hence, one of my first tasks was to meet with the local *Yellow Pages* sales people, who informed me that there was no section for self-storage because there was no term in Portuguese for the concept. I found that previous self-storage operators were content to have their ads appear randomly in and around sections that related to large furniture stores, moving and storage companies, or what, when literally translated, meant “large furniture stored in big boxes.”

With no time to object, we settled for an ad in an area close to where most of the competitors’ ads gravitated. I did, however, get a promise from the *Yellow Pages* reps that they would attend a meeting with all of the other current self-storage operators so that a new heading could be created in the *Yellow Pages* next year under a term or heading that all operators would agree on. Going forward, we would create a term that would translate to mean self-storage in Brazil.

Creating Storage Awareness

It is from this approach, appealing to a very basic level of awareness, that I have tried to work with the team in Brazil. Our brand, *Guarde Aqui*, is utilizing a very distinct image, taking advantage of prime retail-style locations and adopting a professional approach toward each task we undertake, in order to transfer an American model to a foreign culture that has many different concerns with and objections to accepting what we have taken for granted for a long time in the U.S.

In essence, the message we are trying to convey about self-storage to the people of Sao Paulo is that:

- Life’s unexpected turns require a safe, secure, and professional temporary housing for your valuable belongings.
- From time to time, you need a place you know you can trust to leave your possessions for a limited period.
- You will return to find them just as you have left them.
- Business can make use of short term space solutions.
- The environment in which this all takes place is secure, clean, safe, and managed professionally.

The objective is to not just do this just once, but rather to repeat these concepts in many key locations, standardize the level of service, promote to the public a consistency which will match their expectations, and allow them to comfortably experience to benefits of this new service for which they have a need but have not yet discovered. The challenge is to present this information to a target audience that (as in the U.S., also) is not sitting by waiting for us to come along. Yet we need to make them keenly aware of the opportunity for when the need arises. We need to let them know we have exactly what they require at that time.

Consequently, along with the business, import, and construction challenges, the challenges of finding qualified technical installers, the fluctuating exchange rates, and my personal language barrier, the greatest challenge remains in educating as many people as possible—not just about who we are, but what we do, what we can provide, how to make use of it, and why they have a need for it when currently they have no idea why self-storage even exists. How do you advertise and promote a product or service to people who don’t even have a word or concept in their language that they can associate with what it is you are trying to tell them?

In The Beginning

Seven years ago, those few self-storage pioneers who came on the scene together in Brazil pooled their limited resources and placed several cable television ads. While the money quickly evaporated, occupancies grew slowly. Even today, an occupancy level of 80 to 85 percent on facilities under 300 units is considered strong. But there has been no consistency in what is provided. The services are limited, at best, and there are no clear, uniform messages to reach the masses. Locations are hidden for the most part and are not particularly user-friendly. Moreover, the technology for the industry had not even remotely approached where it is today in the U.S. Occupancies fluctuate between 70 and 85 percent, while rates equal approximately \$23 per month in U.S. dollars per square

meter. With the wildly fluctuating exchange rate of between 2.11 to almost three reais (Brazilian dollar) per U.S. dollar, that would be the equivalent to somewhere in the area of \$25 per foot on an annual basis.

So why is now the right time to build self-storage in Sao Paulo? We have seen the evolution of the product in other markets. Although it has taken time, we now see the growth of storage facilities in many European countries. France, Italy, Spain, and Mexico have a growing storage presence. The global economy has opened up ideas and products from all markets. Many wealthy Latin Americans travel frequently to the United States and they long for products and services they find there. In Sao Paulo, with its huge population, the explosion of high-rise condominiums is allowing the newly enriched middle class to invest in real estate; small real estate with limited space. Therefore, as life's planned or unexpected changes occur, there will be a growing need for secure, safe, clean, professionally managed self-storage space. The new concept of self-storage promoted by *Guarde Aqui* will become synonymous with a new standard for a service that Brazilians are just now waking up to.

Guest writers for Global Watch are coordinated by *Mini-Storage Messenger* International Correspondent Paul Fahey.