A market analysis of the Finnish self-storage industry

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In an ever-growing economy, where an individual's possessions seem to constantly accumulate, the negative aspects of ownership are experienced by many. Possessing a lot of items can be very time consuming and exhausting. Meanwhile, centralization is increasingly squeezing people into smaller areas of living. People are frequently required to move house, which can lead to a logistical nightmare. The self-storage industry has emerged as a solution to this problem and only recently found its place in Finland.

This report will introduce the reader to the Finnish self-storage market as it currently exists, and examine where it might be heading. In order to make a market forecast the industry was first defined. This was done by analysing the self storage operations and driving factors. Qualitative data was gathered by direct contact with the main self-storage operators in Helsinki. This introduction and secondary research works as a basis for assumptions made in the research.

In the methodology an empirical approach was used, with the goal of forecasting the future market. This was done by gathering statistical material about the Finnish environment, as well as financial data from the chosen self-storage operators. By combining the driving factors with the empirical research results were produced. The research will give informational value to potential investors, self-storage operators, as well as curious customers.

As described, the main objective of this report is to provide strong arguments for estimating the future market of the Finnish self-storage industry. However, key for a successful research is also to present objective data, thus leaving the reader open to make their own assumptions.

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1 Introduction

The idea of making a market analysis about the self storage industry came up when discussing potential topics with my key partner Julius Tallberg Oy, a real estate investment company operating in Helsinki. Self –storaging can be seen as a subgroup in real estate, which is why the company is interested in the recently established industry in Finland. However, they lack understanding of the business model and don't have an overview of the market. The following research questions became the topic of this thesis: is the self storage market growing or decreasing in Finland, what is the current competition on the market, and how profitable is the self storage business.

As my key partner decided the main goals and topic for this report, the structure and research of the study will not be solely be focused towards the company. Meaning in practice that the readers knowledge in self-storaging is assumed to be nonexistent. The reason behind this is hoping that the report will give value for a larger group of readers.

1.1 Objective

The study will aim to determine the future potential of the Finnish self storage industry. In seeking the potential future of the market we need to understand the self storage business, as well as predicting the Finnish operational environment.

The written report should give informational value for persons who not are familiar with the self-storage industry. Persons reading this market study will get knowledge of the foundation to current day, fundamentals, and operational environment of the Finnish self-storage industry. This information should provide value to potential investors, self-storage operators, and curious customers.

Furthermore, the reader should get insight about the main operators in the Finnish market, and how they are positioned against each other strategically. In order for that, we have made brief company comparisons. The ideal outcome of the report is to provide strong arguments, showed in a presentable way, thus giving a view of the market situation. Still, while doing so, preserving the reader's integrity and ability to make his/her own assumptions based on the statistical material.

1.2   Structure

This report is divided into three main sections. The first section, called the knowledge base, is where the main theoretical topics are presented. This section focuses on market analysis', strategical business comparisons, and market forecasting. The knowledge base is constructed using information only from books.

The second part will introduce the self storage industry for the reader in terms of history, modern day, and industry fundamentals. This part will end with an analysis of the business environment in Finland. The information is gathered from articles, websites, and direct contact with the chosen operators.

The third part, empirical part, is where the personally generated material is displayed, and statistical material is combined. This is undertaken using an empirical research approach.

1.3   Restrictions

The information gathered is cathegorized as public information, either from financial statements or websites. The only qualitative information gathered is through a brief questionnaire towards self storage operators. With the answeres gathered we will try to define the second part in the report, named the self storage industry. Financial information is gathered at the latest from year 2008. Other statistical material is to be gathered only from the organization Statistics Finland. Theories and terminology used in the methodology is to be supported by the knowledge base. The reason for only using the original marketing mix is to create a brief overview of the many self storages' operating in Finland.

2   Knowledge base

2.1   Empirical research

We tend to find reasons behind facts that we cannot accept as coincidence. According to Hoover, "A standard definition of scientific law is a true, universal generalization". (Hoover 2001, 20) Still, we also tend to forget that the assumption of scientific laws are locked to the certain time plus circumstance when it was first observed. When we explain the correlation between two events, all other surrounding events are ignored. This problem is otherwise known as "ceteris paribus", translated to "as with other things the same". Therefore empirical assumptions can never be seen as perfectly correct, as the world is affected by more than two factors.

The best way of seeking the truth behind scientific assumptions is by testing ideas. When an idea is proven wrong, it is modified so that it takes the newly discovered exception into account.

Mathematics plays a key role in seeking macroeconomical laws. Numbers are one of the few tool available when analyzing globally sized trends. Parity in percentages are analysed until a patterns are found. The empirical research method has received much criticism over time, but then again, few other methods make predicting the future any more accurate. The method never offering specific answers, a mathematical average is still closer to the truth than a wild guess.

As stated by Kosorok, "both empirical processes and semiparametric inference techniques have become increasingly important tools for solving statistical estimation and inference problems". (Kosorok 2008, 3)

2.2   Supply & Demand

"The quantity of every commodity brought to the market naturally suits itself to the effectual demand. It is in the interest of all those who employ their land, labor, or stock, in bringing any commodity to market, that the quantity never should exceed the effectual demand." (Smith 1776, 65)

While business has evolved much since the days of Adam Smith, many of his theories still offer significant value about the fundemantals in economy. The citation above describes the nature and connection between supply and demand. Smith also defined the nature of pricing

an d costs to a far extent, mostly relevant to his own time. He could not however have predicted the evolving of global markets and growth in technology.

An easy way in understanding the supply and demand of a product is to follow one supplier and one customer. "In practice there is a struggle, as both parties try to get the most beneficial deal from the other". (Ruskin-Brown 2006, 21) Allthough, the problem in this theory is that customers never can visualize the total market supply offered, and neither the supplier in seeing the total market demand.

Today, distribution chains and broad concepts make the connection between supply and demand very often complicated to determine. Products are exchanged many times in between, thus understanding the value which every "middle man brings to the table" is practically impossible. Customer satisfaction is also said to be impossible to determine, reason that it varies so much from person to person. (Ruskin-Brown 2006, 21) Booming trends works as criticism against the model of supply and demand. Proving that demand is constantly in motion and very much based on customer impulses.

Allthough the model of supply and demand doesn't give any specific detail of markets in itself, it is still an accepted model and widely spread theory. Most commonly used only to describe the overall nature of how markets work.

The figure seen below illustrates price fluctuation when supply shifts from overstock to understock, thus affecting prices.
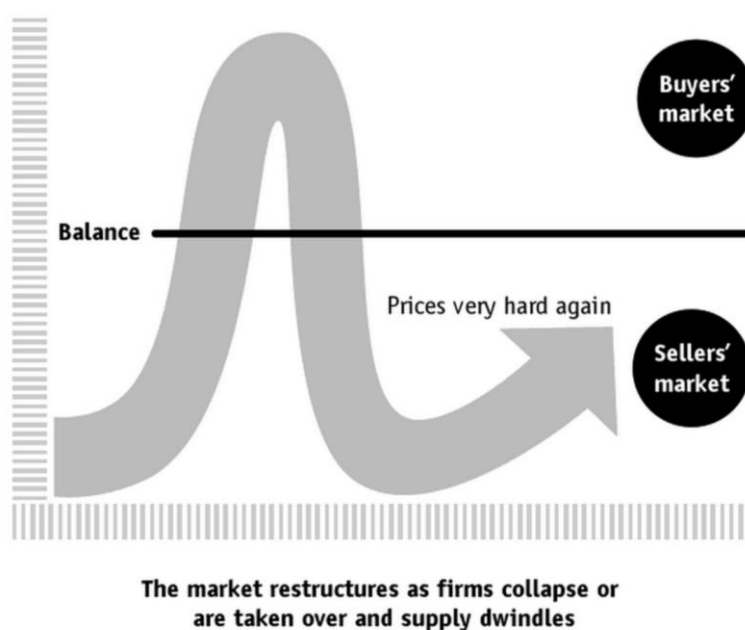

Figure 1: Law of supply & demand (Ruskin-Brown 2006)

2.3 Marketing mix

One fundamental of business is having two counterparts acting in trade. We know that business models today are much more complex than this, but this simply explains the exchange of value. Value is always subjective for a specific individual or company. Someone may appreciate time, when someone else is willing to sacrifice time for money. Organizations are specialized in concentrating a certain value towards one specific customer.
The marketing mix is a famous tool, used to describe the manner in which this is done.

Originally Neil Borden invented the marketing mix containing four components, known as the 4p's. Today there are as many as 7p's, called product, price, place, promotion, people, process, and physical evidence. This report will only contain details about the originally invented product, price, place, and promotion.

2.3.1 Product/service

Analysing the product tells us what value is given to the customer. The best way of knowing this value is by determining the quality, design, features, name, and also customer priorities.

Products are tangible assets and requires logistical planning to manage. They are expected to be consumed and worn over by time. The lifelength of a certain product decides its inflation in value. Tangible products are part of what Adam Smith describes as productive labour, while services are said to be unproductive. While this in theoretical terms is correct, the weight of services has started to dominate many global markets. Services generate a large amount of GDP depending on the place, thus challenging the original statement.

Value exchange in services is far more complicated to determine than with products. The quality of intangible value is very much based on personal emotions and individual customer experiences. Knowing the direct value of a service usually comes down to gathering feedback of customer satisfaction. Improving on the customer satisfaction can come down to simple, still immensely affecting details, such as smells, sound, taste, sight, and other physical aspects of the service environments. Another way of offering value to customers is by combining additional services upon the main concept, such as warranties, returns, or supporting subservices. Offering a guarantee softens the decision making process of purchase, as the bought value is secured by the supplier. Other subservices are meant to give customers the opportunity and free will to add value on top of the core product.

According to Puusa "the product can be divided into the three of the following elements. The core product, additional value, and subservices". (Puusa, Reijonen, Juuti & Laukkanen 2012,

102) The core product offers a main solution for the customer's problem. Additional benefits concludes the design and quality of a product. Finally the subservices are meant to increase the attractiveness of using the whole concept.

One commonly known debate regarding products is if a customer should buy high quality or lower quality products. Quality products are expected to last longer, and are therefore more expensive. They are also said to be kinder towards the environment. Still, some customers prefer to change their style often, thus buying cheaper brands in a more frequent rate. In the end, deciding what products to buy comes down to preferences of an individual customer. This debate about mass production has been going on since the industrialization. "The manufacture of physical products was the traditional cornerstone of economic activity in Europe" (Kotler, P., Keller, K., Brady, M., Goodman, M. & Hansen 2009)

2.3.2   Price

Money is the strongest driving force of companies. It is what employees expect in return for their work, what investors collect as profit, and also the only thing companies accept as payment from individual customers. Therefore, currency exchange rates may greatly affect the demand and value of assets, effecting results of organizations. Nevertheless, currency fluctuations are expected to be balanced out in the long run by the increase and decrease in end prices, having an impact on the product demand.

Again, value is always a subjective factor, and the value perceived by customers will decide the price of a product. While the price, in theory, is the equilibrium between supply and demand, the price also portrays the customers willingness and ability to pay. Buying product comes very often down to what the customer wants, and not what the customer actually needs. This is why marketing becomes more important every day, as most of our needs are already satisfied. The willingness to pay can be increased by obtaining loyal customers. Brand equity is about creating a lasting connection between organization and customer, and can in some cases be a company's most valuable asset. This relationship between customer and organization can make price evaluation very complicated. (Puusa et al. 2012, 108)

Price fluctuation depends on changes in the market supply or demand. Some reasons behind the fluctuation can be a high/low season, new competition on the market, social trends, or entitled technology. Pricing strategies have been invented to manage all changes in market supply and demand. Understanding market changes can greatly increase the revenue and profitability of a company. With pricing methods companies can attract new customers, or simply generate the highest potential price from a subgroup. Some of the most common pric-

ing strategies are the penetration, premium, cost, bundle, skimming and value pricing methods.

The pricing method used by a company solely depends on their individual market strategy. Some industries keep to a certain pricing model all together, while the actual price can slightly differ depending on the product details. (Frow, Pennie, Payne, Adrian, McDonald & Malcom 2011, 267)

One fundamental rule for companies is that the costs have to be covered by the income, and as a unified entity, one end of the company will effect the other end. Aside from currency fluctuations, operational costs will eventually affect the price of delivered products. Alternatively, profits can be sacrificed when maintaining the price. However, when companies adapt to the current market competition they can only have a short term deficit in order to survive. This is also known as a pricing strategy, with the goal of driving competitors to bankruptcy. We repeat the classical example of moving production to China. Competitive pricing is found by the means of cheap labor. This phenomenon forces other companies to follow the same example or alternatively offer different quality or a preferable brand. (Sinclair 2010, 41)

While we are on a daily basis in contact with products and prices, the price represents something much bigger than our physical eyes can see. Only by understanding the cost structure of a company can we understand the prices we find in stores. Combining this with the fact that we are surrounded by thousands of products daily makes it simply impossible to get a full sense of every available price. In the end we, as customers care more about getting on with our lives, rather than making every small decision based on our social values.
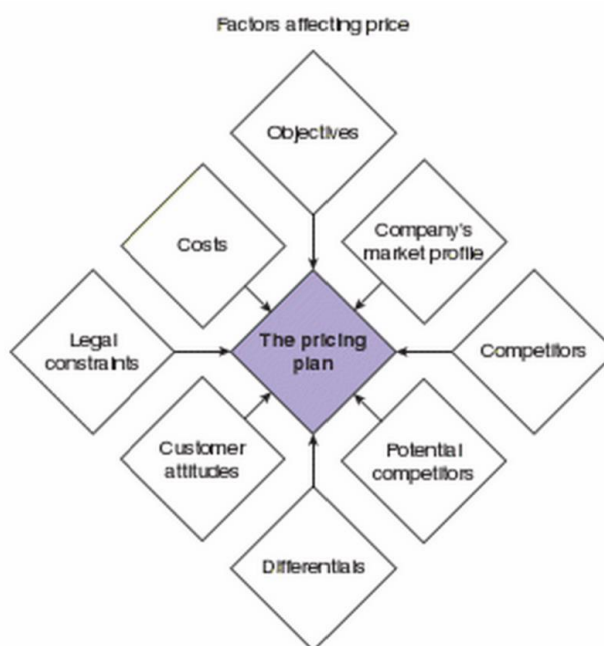

Figure 2: Factors to consider in the pricing plan (Frow et al. 2011)

2.3.3 Place

Aside of having the right product sold for the right price, having it sold on the right place is as important. Place should explain all the practical operations of the logistics and distribution. The distribution channel will determine the cost of routine activities regarding employees, business operations, and transportation. Using a cheap distribution channel, with lower risk, has the downside of sharing profits with business partners.

With the decision of distribution channel, many facts about the environment should be taken into consideration. Such as weather, terrain, infrastructure, uncertainty, and culture. Physical aspects can affect the cost of operations and risks of damage in delivery.

While the routine activities is one part of modeling the distribution channel, the other is to avoid risks. Local uncertainties, such as natural disasters or political instability can lead to the downfall of a company. To prepare for these sudden suprises organizations make risk analyses, simulating the worst case situations possible. With the result of these analyses management can make fast decisions and action when an eventual crisis occurs. The VAT, value at risk, becomes relevant understand when the invested value is high. That is why some companies chose cheaper distribution channels, sacrificing end profit and control, even if they would have the capacity to invest.

When analyzing an operational environment other, non visual aspects, become relevant to realize. Knowing the legislation of a region is essential for an organizations survivability. The corruption in a country will also affect how different situations are to be handled. Knowing what rules to actually follow will affect the competetiveness. This issue can be solved by knowing the right people. Organizations are known as expert defenders against legal accusations.

Another critical aspect is to know economical standards, explaining how the wealth is distributed within the country. The amount of taxes collected by the government and how that money is used can prove to be valuable information. Some firms can predict future government spending to generate value from smartly positioned investments. Government spending will have an impact on the social structure. This can affect disposable income, health, and community activity of consumers. The place targeted will also have a specific culture and market preference. Language plays an important role when offering value to a demographic segments. This is where agents justify their value as experts, working as the middle man between marketing, sales, or logistics.

2.3.4   Promotion

While previous components of the marketing mix are meant to finalize, deliver and sell the product. Promotion "is the activity of communicating forward the product, service, or idea in question". It can also be called to persuading consumers to actually buy the product. This is done by having an affect on customer attitudes, goals, beliefs, values, and preferences.

The importance of promotion is justified when consumers have a need or want they don't really identify. Successful communication is when a consumer is convinced otherwise by the marketer, ending in a sale through the distribution channel. This in theory means that the promoter has increased the total demand on the market. It is key to remember that all communication with a customer will affect the company's brand image. Therefore, communication should be carefully managed and tought through before undertaking.

The promotion mix is said to contain the following four ingredients. Advertising, publicity, personal selling, and sales promotion.

Advertising is when the promotion is practiced by an identified sponsor. It is impersonal and meant as a way for mass communication. Publicity can stimulate the demand for a product by placing favorable news of it in mass media. Bad publicity will decrease the demand of a product, thus affect the sales towards an undesirable direction.

Personal selling gives the best means of communication with the goal of closing a sale. However, the service may be affected by the individual representing the product, and can also lead to a negative experience for a customer.

Sales Promotion covers displays, shows, exibitions, demonstrations, and many other non-routine selling efforts. All kinds of promotion plays the role of communication between supplier and consumer through channels. (Hundekar, Appanaiah & Reddy 2010, 102-114)
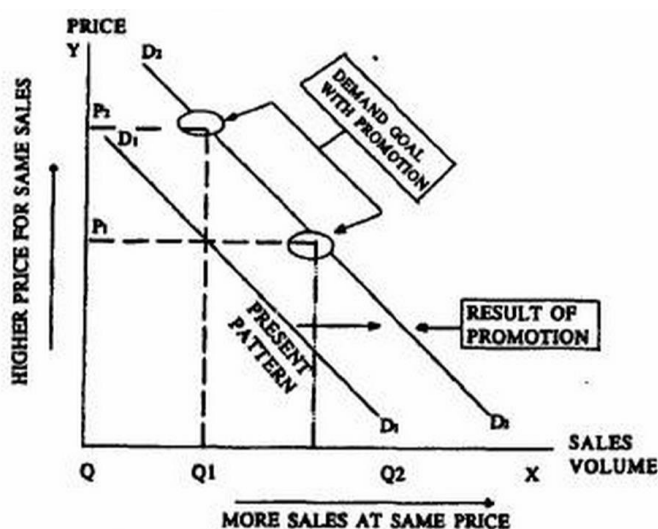

Figure 3: Influence of promotion on demand (Hundekar et al. 2010)

2.4   Differentiation

Differentiation is explained as when a company knowingly acts differently than their existing competition. The concept was proposed by Edward Chamberlin in 1933. It is practiced by modifying the product, price, place, or promotion for a specific target group.

Quality is the most changing factor in the practice of differentiation. Products can have different traits, such as as the features, safety, and usefulness. The differences can also come down to small details, such as product colour, size, and design. The ideal outcome however is that the customer gets to decide for themselves as much as possible. This will build a sense of uniqueness and ownership, as the product reflects the customers personality. Differentiation in the distribution channel will have an effect on time of delivery, pickup, and product availability. Combining these aspects will determine the end price.

Promotion is also very keen to differentiation. Companies use personas in advertising, promoting much more than the product itself. Consumers are intended to identify themselves with this fictional characters, who in many cases is surrounded by the ideal circumstances in life. Brand stereotypes are the result of this habit, which usually awakens either strong dislike or a strong affection in customers.

Diversification is very much alike differentiation, although the effort to strive for something different is much higher. It involves moving the company towards new production or markets, while still posessing some combining factors to the current situation. One example is when Nokia startet manufacturing mobile phones, as they previously only produced rubber boots and tires. The combining factor in this case was the use of raw materials, while the new area was technology. The amount of change implemented in a company is parallel to the risk of failure. However, diversification reveals new possibilities for business' and can give an immense advantage in terms of competition. The reason why the risk is often considered to be worth taking. (Proctor 2000, 253)

2.5   Target market

The target market is like the marketing mix topical when defining a business. Before having a specific product, price, distribution or promotion plan the process of chosing a customer should be undertaken. In the segmentation process companies will chose from a small to high scale target market. The marketing method will depend on how specific and small the chosen target group is, and how the company is going to offer value to these customers.

According to (Aaker 2008, 29) after identifying customer segments, the next step is to consider customer motivations. Meaning to understand how the purchase decision is made and how the value priorities are ordered.

When determining motivations, the first task is to find a research group and gather qualitative or quantitative information of values. After that, the team clusters the similar customers into different segments. Analysing the group, the team tries to imagine how the customer would interact with the product, and eventually get their needs and wants satisfied. Having the research group describing the ideal experience is a great way of discovering customer motivations. The differences will be taken into account and the service constructed in order to please every customer involved in the segment.

As described by Kotler, mass marketing is meant for the largest potential market, which leads to the lowest price or higher margins. This method is best suited for large and massproducing companies, such as Coca-Cola. Being a well working marketing method its use is still declining in the world. Customer demands are increasing and people are willing to pay more for a specific item or service, which is why some companies turn towards micromarketing instead.

Segmentation marketing is a step towards a more specific target group. The customers involved in this segment should have the same needs, and also the same wants. However, not everyone in the segment will eventually want the same thing. Therefore many marketers suggest to preserve the customers free will, only offering the specific values as additional services. After all, the ultimate goal of segmentation is to sell more products profitably, which is done by making the decision of purchase easier for the customer.

Niche marketing can be identified by dividing market segments into subsegments. The target groups of a niche market demand a very specific value from a firm and are also willing to pay more for it. Niche markets are considered as having growth potential and are less likely to attract powerful companies. The low costs of setting up a shop on the internet has led to many business start-ups aiming at niche markets.

Local marketing is also becoming easier with the social media, which concentrates on a certain trading areas or neighbourhoods. The problem with local marketing is larger organizations unified brand. The image may be diluted if the message is different from place to place.

Individual marketing is the final method, and ends in something called the "segments of one". This concludes of private dialogues between the customer and supplier. The internet is making it easier to communicate with individuals. Companies are making personal customer

profiles and act on the information gathered beforehand. Most often though, organizations combine a mix of all the different marketing methods, which eventually evolves into their own personalized market method. To understand the internal methods completely a big amount of knowledge and experience is needed from within a company. (Kotler et al. 2009, 334-340)

2.6   Strategic analysis

"A basic starting point for the analysis of a market or submarket is the total sales level. Among the sources that can be helpful are published financial analyses of the firm, customers, government data, trade magazines, and associations" (Aaker 2008, 62).

The strategic analysis will determine the competitiveness of a company and guide a company's future strategic decisions. A completely covering strategic analysis contains of five different subanalyses. The customer, competitor, market/submarket, environmental, and internal analysis. These cornerstones are tools with to create an entirely covering SWOT-analysis, where strengths, weaknesses, opportunities, and threats are assessed. We will leave the customer analysis out, as the features are explained in the previous chapter called target market.
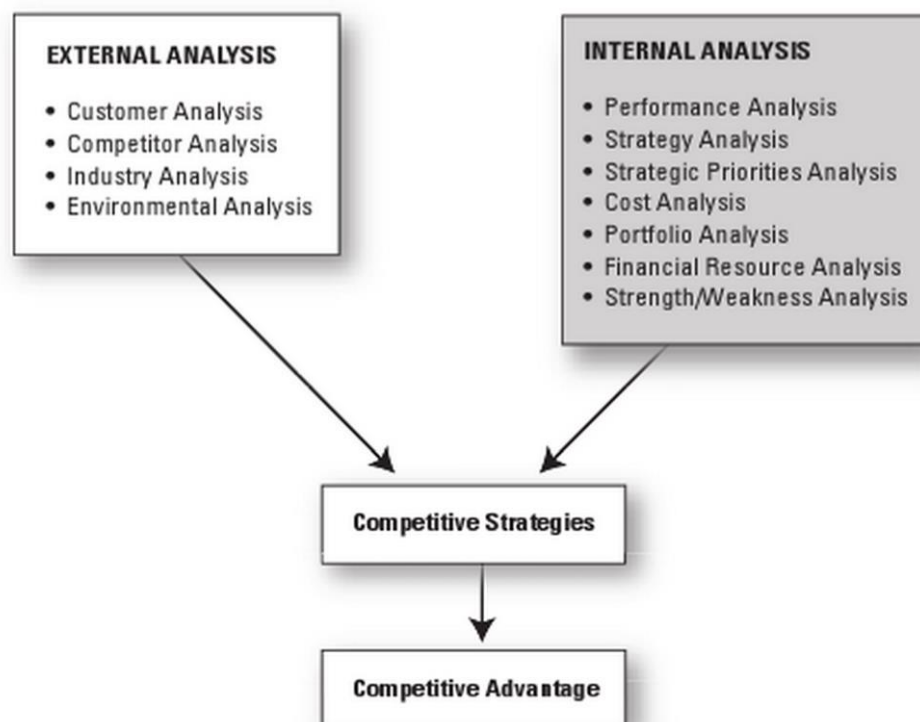

Figure 4: A framework for competitive analysis (Paley 2006)

According to Kotler, the final phase of strategic planning is called controlling the outcomes. This is described as measuring results, diagnosing results, and finally taking corrective action. When companies diagnose a particular result of a timeperiod they might find the reason behind it. This can be known as intellectual value for companies, and helps them to take preventive action before change occurs. The reasons can be found from threats, opportunities, strengths and weaknesses of a company. (Kotler et al. 2009, 88)

2.6.1 Competitor analysis

The first step of creating a competitor analysis is to identify current and potential competitors. In most cases, the competitors are quite visible, in which case the analysis should be done with depth and insight. The second case is when customer priorities are changing and they move over to indirect competitors that offer rudimentary value.

Aaker gives us two examples of how to investigate change in customer priorities. It is done by understanding customer choices and product use-associations. (Aaker 2008, 41)

A competitor will in the end reveal competitor objectives, commitment, culture, and positioning strategy. After identifying and analysing potential competitors, the information can be compared to the internal analysis. This benchmark will give a reality check on the competitiveness of the company.

2.6.2 Environmental analysis

It is hard to draw a line between changes in the environment relevant for a specific company. Changes in the economy has a tendency to somehow affect us all. However, changes can be prioritised into most affecting and least affecting factors for a firm. These changes can either benefit or harm the company, but the overall rule is that the change is out of managements direct control.

The most impactable and revolutionairy changes are usually linked to either technology, economy, or consumer behavior. Steadily shifting aspects are culture and demographics. Forecasting these trends should be part of every organization's routines, when the outcome of a company can very much depend on these changes. (Aaker 2008, 78)

A good example is explained by Aaker. "Richard Harrington, CEO in Toronto media, made the drastic decision of moving 55 newspapers away from the paper industry. He could see a trend of media moving over to the internet and cable TV, and acted accordingly. The decision was based on projecting existing environmental trends". (Aaker 2008, 78)

2.6.3 Internal analysis

When conducting an internal analysis the following elements of a company has to be understood. Performance, strategy, priorities, costs, portfolio, and financials. All of which will determine a company's strengths and weaknesses. As mentioned before, when strengths and weaknesses are identified, the strongpoints can be used against competitors and weak spots improved.

Analysing the financials is the only way of understanding profitability. The costs structure is easily understood by looking at the financials. Internal performance can always be improved upon and used as competition. This also applies for boosting quality of the portfolio. The internal analysis is finalized by analyzing previously used strategies and how they worked. The experience can be seen as intellectual value for a company.

"The lessons behind strategies are to manage a company in a delicate balance. Meaning that the costs can be cut to ensure profitability, while the quality given to customers is yet preserved". (Paley 2006, 100)

2.7 Market forecasting

The science of forecasting future markets based on historical data is followly described by Metsämuuranen. Previously gathered data is considered as fact, and with time the data will correct itself. Therefore, statistics brings reliable data to the process of trying to predict future markets. How this data is interpreted and arguments generated is something else thoguh. While subjective predictions of the future can be found interesting, it is the objectively gathered data that is considered to be everlasting. (Metsämuuranen 2005, 254)

2.7.1 Identifying driving forces

The result of an investment can very much depend on understanding driving forces behind market dynamics. The outcome of most companies depend on thier future revenue, which is why the driving forces behind sales are important to understand. When management decode statistical data, economic fluctuations in short term conditions should in some extent be ignored. The interest in analyzing the data is predicting turning points when the direction of growth changes. Even if a direct link between two events cannot be identified, the data analysed can create a better understanding for the researcher about the market. Hence, we have market experts that have experience and personal insight of the field. "Expert opinions are a good tool when identifying driving forces in sales". (Aaker 2008, 64)

In a non-expansible market, industry operators have to accept the market size as it is. This is otherwise known as the primary demand for a product class. In these situations market competitors fight intensely to get a larger piece of the market share.

In a opposite situation, when total market demand is growing, the demand is predicted by suppliers and the price is balanced. It is when the total market supply meets the demand that price starts to fluctuate (Kotler et al. 2009, 212)

2.7.2   Trendlines, Indicies & Simulations

Trendlines are described as being the same for technical analysis' as hammers are to carpenters. When using trendlines information from graphs are easily readable and can provide better information as where the event is actually heading. In practice it works by calculating the average development from a longer time period, thus removing radical fluctuation from the graph. (Bulkowski 2012, 19)

These questions become relevant when analyzing market trends. Which direction is the trend moving, how long might it last, how strong is it, when should one get aboard and also exit. Having the answer for these questions can lead to substancial profits. (Logan 2014, 20)

Indicies are used to compare two, or many, unrelated events against each other. This is done by ignoring the size dissimilarity between chosen objects and only looking at the percentual change. With the use of indicies, comparison can be made visually clear and understandable.

Simulations are a tool used to demonstrate the development of events by the effect of different reasons. In business and finance it is mostly used by applying patterns found in numbers into a future projection. With modern technology these projections can be made very visually appealing and easy to change. This science is strongly linked with computer games, that have proven to be useful in the making of simulations.

In some cases, simulations can also be made by using abstract and non regular events. With these presumptions, management can mentally prepare for the worst case scenarios'.
"A simulations is an applied methodology that can describe the behaviour of a system using either a mathematical model or symbolic model". (Banks 2009, 5)

3　The self storage industry

This section we will introduce the reader to self-storaging from its history to current day. Then we move over to descre the target group, and customer motivations. The objective of this part is to identify driving forces that may affect the sales of a self-storage company. The Material is based on information from articles, associations, surveys, and also a questionnaire with open answers, sent to the main self-storage operators in the Finnish market. This secondary methodology is meant to provide professional opinions from self-storaging experts.

3.1　History to present time

The foundation of self storaging is hard to determine, mainly because the business idea is far from revolutionary. The function of leasing facility space for storaging purposes has been around since ancient times, and many reasons for the use of real estate still stays the same today. Classical reasons for storing items are to protect assets from the environment and against hostile individuals. Both motives work as primary values for the self storaging business today.

Still, a worldwide concept and service model can be traced back to Texas, USA, where the first self storage facility chains started to open around year 1960. The newly started business chain offered the customers a space with a garage door on street level with a personal key. Originally the service was meant for industry workers, offering easy access and security for preserving tools. The idea turned out to be very successful, and started to find its effective use for other consumers on the market. The self storaging industry evolved steadily until between the years 2000-2005, when over 3000 self storage facilities were established yearly (Moallem 2009).

The self storage industry has been one of the fastest growing sectors of the United States commercial real estate industry over the last 40 years. In the end of 2014 there were over 58 000 self storage facilities worldwide, of which 48 500 facilities were located in the United States. Overall, the total rentable space in the US. is just above 210 million square meters (Self storage association 2015).

Eventually the self storage industry was established in Europe. By the end of 2014, the total European self storage space equaled 7.7 million square meters. Out of that number 45 % is located in the United Kingdom, 5 % can be found in Sweden, and only 1 % of the space can be found in Finland. The Russian market is not included in the numbers. (Federation of European self storage association 2014)

The first Finnish self storage enterprise was founded in 1993, called Espoon Minivarastot. Today, the biggest operators in Finland are Pelican Self Storage with 12 facilities and Cityvarasto with 23 facilities. Smaller enterprises are Kotivarasto and Suomen Varastot with both only one facility in Helsinki. All of the firms are seeking growth in their own way.

When compared to global statistics, the Finnish market is far from reaching its peak. However, different environmental conditions, demographics, and social security, can influence the total market potential of self storaging in Finland.
Using the previously presented numbers we can calculate that the self storage industry in Finland covers about 770 000 square meters. Comparing these numbers, Finland's self storage industry could fit into the US's about 270 times. Still with the population only being approximately 58 times smaller.

3.2   Driving forces & Target group

Customers in the self-storage industry are divided into residential customers and commercial customers. The period of time rented, especially with residential customers, need the self-storage unit only for about 3-4 months. What customers are looking for when deciding the provider is a reliable and safe area with suitable room climate for their items. That is why it is important to install security features and climate controllers. The physical location is also an important feature when customers chose the self-storage unit. The location is important since storaging requires a lot of objects being moved around.

The majority of the target group are residential customers between the age of 18-64 years. According to the study done by Inside self-storage 93 percent of customers were in this age group. The customer share of smaller agegroups is almost evenly split. (Inside self-storage)

Reasons for needing a self-storaging space varies, but the most common reasons are moving to another apartment or inheriting someone that passed away. When people move to another apartment they temporarily need storing space for their possessions, before moving them to the new apartment or selling them. On the other hand some customers rent the storages for long timeperiods for things that don't have room for in their house, or that they don't simply need on a daily basis. It is very popular to store sesional leisure items, such as skiis, surfboards, bikes etc. (Parham 2014)

In the survey, only 35.2 percent of customers chose the lowest priced unit available in their city. The remaining 64.8 precent were more concerned about special features, amenities, free truck deals, add on services, and unit availability. (Inside self-storage)

The self storage utilization is also becoming more standard for businesses. The commercial customers needing self storage space are usually small businesses, maybe doing work from their own homes. An important aspect with commercial customers is, that they usually want the possibility to retrieve their items whenever they want, and high security of the space, since they may store a big amount of expensive stock. Today's technology makes the aspect of security and availability ever more efficient and easy. (Sonne 2012)

The figure below shows us the most common reason for renting storage space. Moving is at the top reason with an amount of 77 percent, when combining students moving abroad with ordinairy moving. The owner of Suomen varastot also affirmed that the the main reasons for renting storage space is when people move abroad, change appartments, or the current appartment is being renovated. The survey also revealed that that 88 percent rents self storage for personal use.
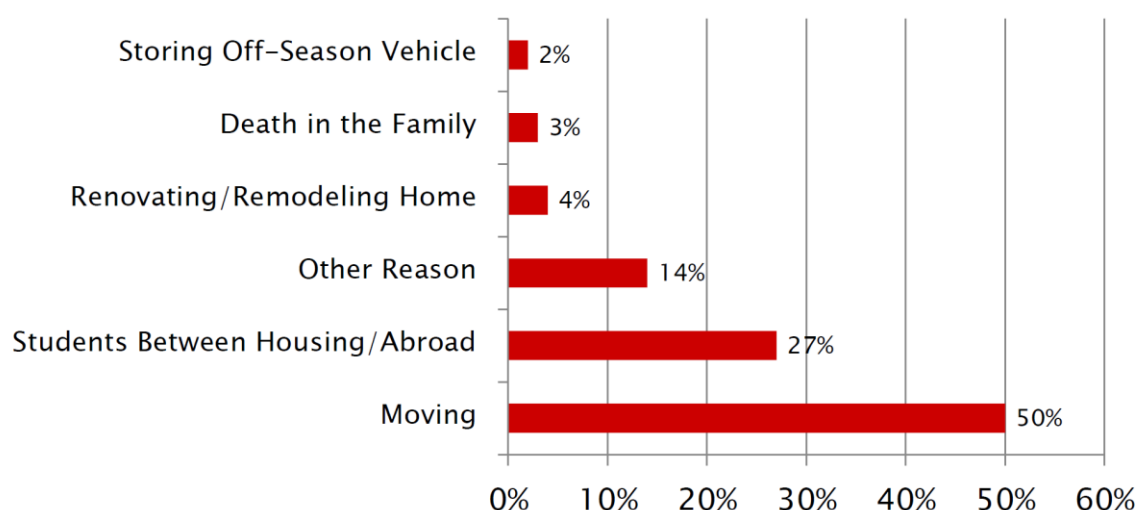

Figure 5: Self-storage customer motivations (Inside self-storage 2012)

The results of the survey are gathered from the year 2012, and the location of the survey is unknown, which is why it cannot be compared directly to describe the Finnish market. However, the business model is similar worldwide and the answers from Suomen Varastot resembled the results, making the survey still a reliable scource of information.

Results concerning the sales channel was that 74 percent reserved the storage unit online, 16 percent used phone and, only 9 percent bought the space in person.
This emphasizes the importance of a good looking and properly functioning website.
Another result was that 80 percent of customers used a deal or discount in combination with the purchase, proving that sale campaigns is a strong driving force in sales.

4   Empirical Part

The empirical research is done by gathering statistics describing the Finnish operational environment, as well as analysing financial data from self-storage operators in Finland. The material is naturally concentrated towards the municipalities Helsinki, Espoo, and Vantaa. Mainly because this is where the industry is mostly established, and also the largest economical activity in Finland is practiced. In this area, we find smaller self storage operators named "Kotivarasto" and "Suomen Varastot". Larger companies, operating in a wider area are called "Cityvarasto" and "Pelican self storage". All four are included in the research. The financial data is meant to provide knowledge of how the operators are managing individually and against each other. Then we will combine their revenue together, with the goal of determining the total market supply. Data from Statistics Finland combined with the driving factors in self-storaging should give clues of in what direction the market may be heading.

4.1   Finnish operational environment

The data is gathered from the public database named Statistics Finland. The database is supported by the Finnish government, and is considered to provide very reliable scources of statistical information.
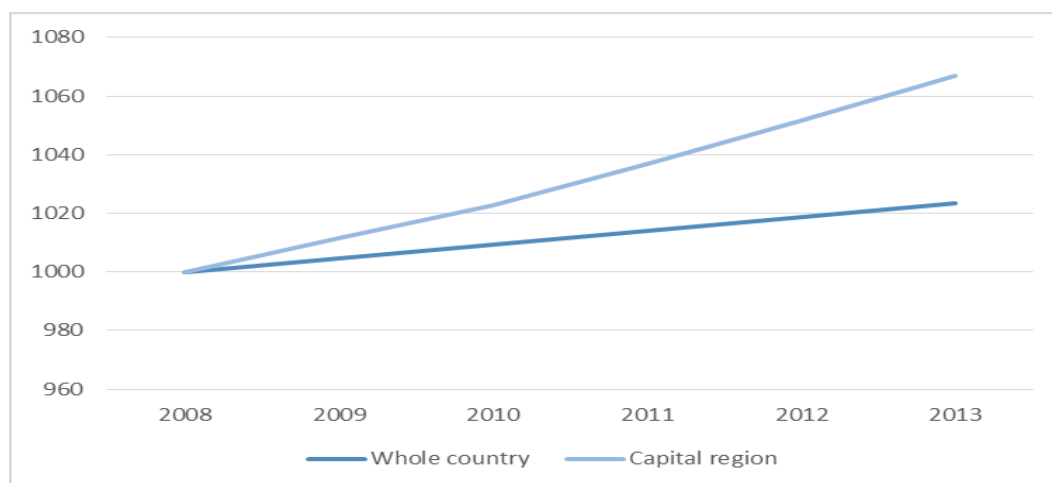
4.1.1   Demographic

Figure 6: Population index 2008 (Statistics Finland)

The population index shows a steady growth in Finland as well as the capital region. The concentration can clearly be seen as leaning towards the capital region, providing evidence of centralization within the country. The development is explained either by foreign or internal immigration. Nevertheless, population growth is expected to increase in Finland and even more rapidly in the capital region.
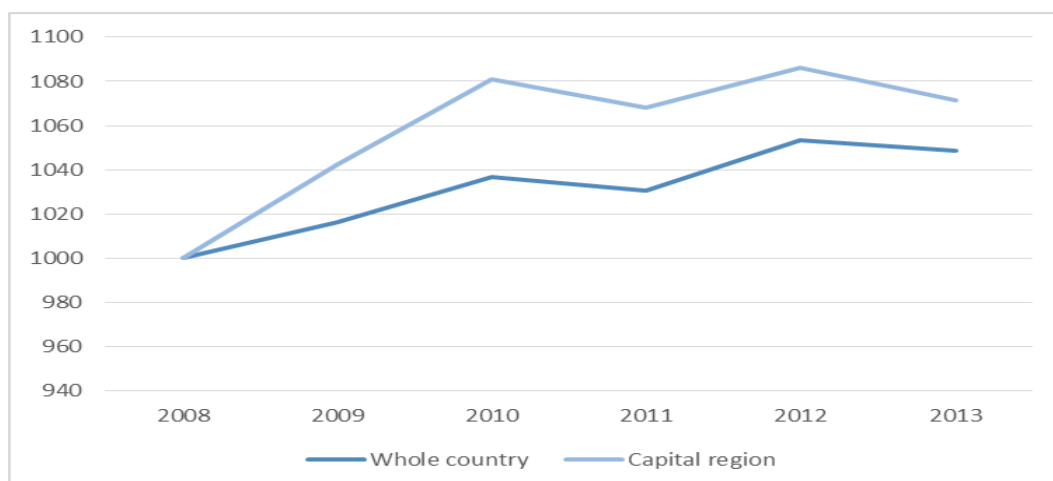
Figure 7: Death index 2008 (Statistics Finland)

The death index illustrates a rapid increase almost parallel to the population index. The whole country's deaths rate was 49 100 in 2008 and has evolved with 5-8 percent since 2008.
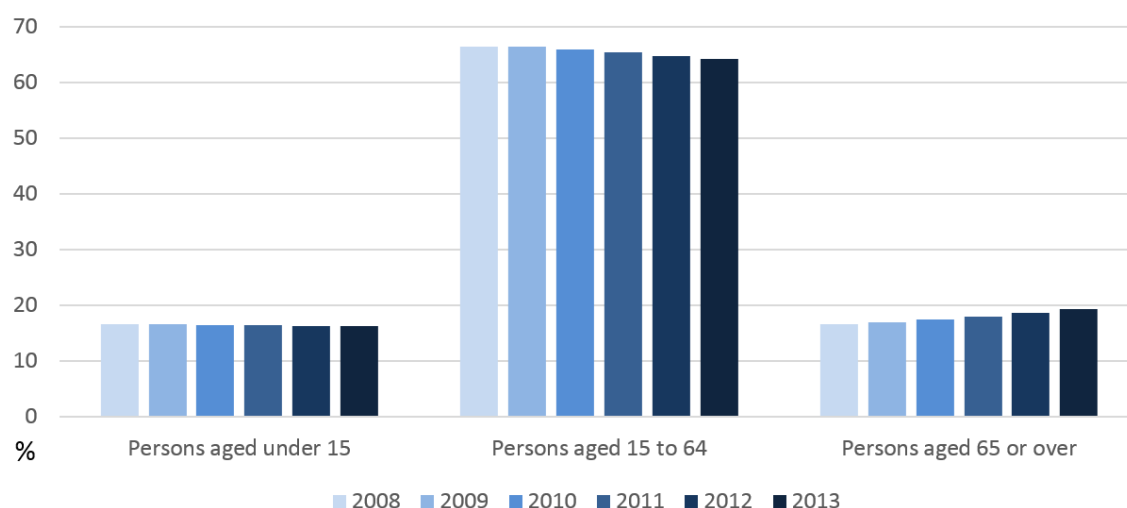

Figure 8: Persons in Finland shared by age group (Statistics Finland)

The figure above illustrates the Finnish population divided into age groups. We have to re-member that the total Finnish population in 2008 was 5 326 300, meaning that even a 1 % change in the figure turns out to be a substancial number.

No significant change can be seen of persons below the age 15. However, persons between the age 15-64 is drastically decreasing. Simultaneously we can see an immense growth in el-derly aged inhabitants. A population boom, about 60 years ago, is starting to become senior aged citizens. Based on these facts we can expect an increase in the death ratio in the mere future. Key questions are how long this trend is going to continue, will the age gap be re-placed with foreign immigration, and when will it actually effect the death ratio.
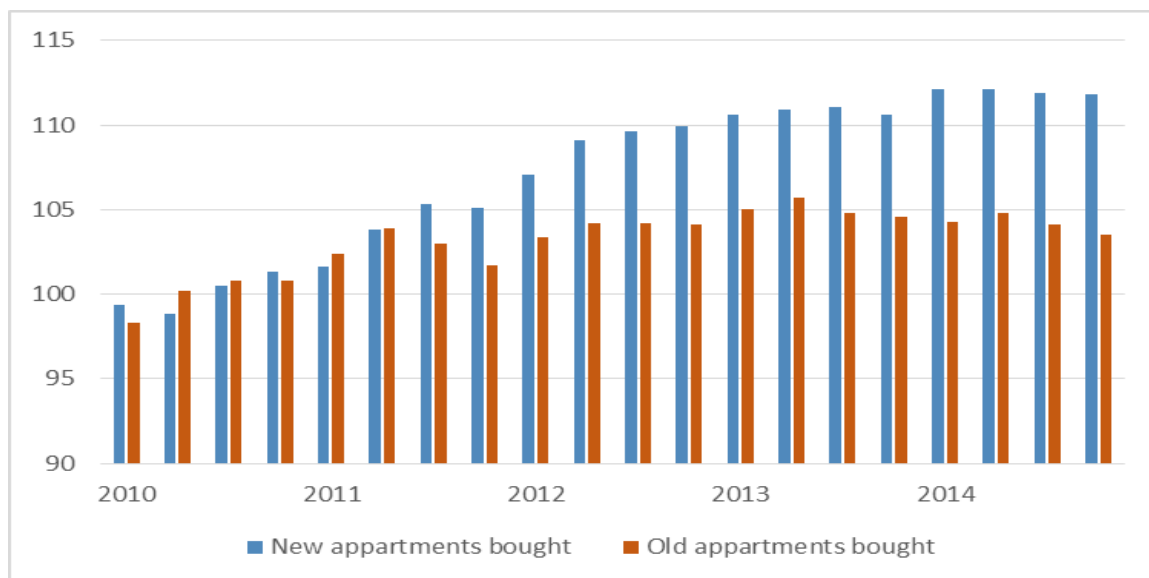
4.1.2 Economic

Figure 9: Appartments bought in Finland (Statistics Finland)

The figure shows and index of appartments bought in Finland starting from 2010.
Based on these statistics we can find the following trends. Purchase of new appartments is increasing steadily, with a yearly growth of over 2 %. The sale of old appartments is evolving in a slower rate but is still growing with approximately 1 % per year. The sale of appartments is not directly connected with an increase in moving, since the real estate market is filled with both investors and private users. However, the sale of new appartments can be seen as increasing the total housing supply in Finland. Assuming that the percentage of people moving stays the same, it would lead to a bigger amount of people moving.
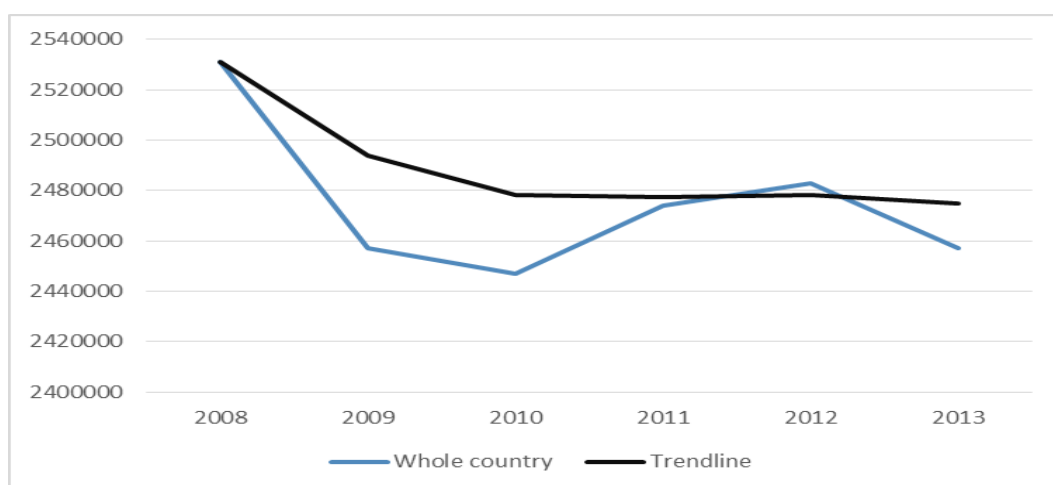

Figure 10: Employment in Finland (Statistics Finland)

The number of employed inhabitants shows a trend of slightly decreasing. From 2008 to 2013 the change of employed inhabitants is approximately a 3 % decrease. Based on this timeperiod, employment is expected to decrease or stay on the same level in the future. The population growth combined with the decrease in numbers of employed results to an increase in the total unemployment rate in Finland
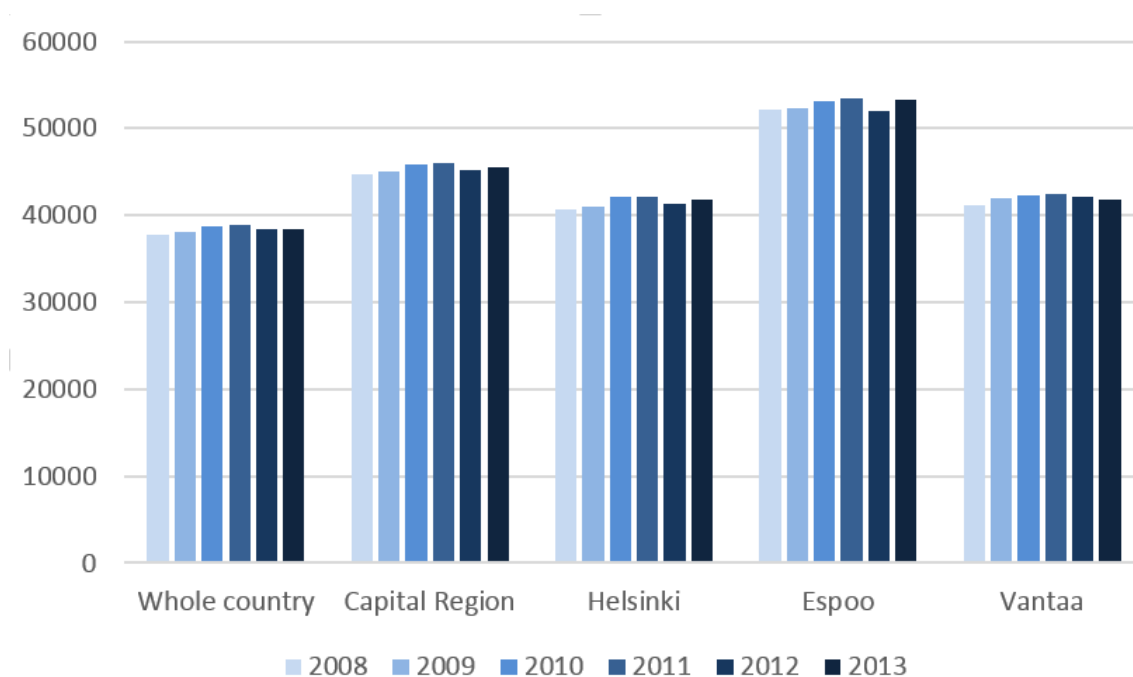

Figure 11: Disposable income shared by region, mean number (Statistics Finland)

The National GDP is a good tool for calculating economic development of a country. However, it does not give details on how the wealth generated is distributed. Therefore we have replaced the GDP with Disposable income/capita divided by shared region.

Clearly Espoo has the most earning consumers in average. Helsinki and Vantaa are somewhat on the same level and slightly above the whole Finnish average. The capital region has approximately 15 % more disposable income when compared to the whole country. From the years 2008-2011 the trend is similar in all regions. In 2012 and 2013, Helsinki and Espoo has a bump down and back again to the level of 2011. Espoo has the highes number as well as acceleration in 2013. Based on this timeperiod, average disposable income is expected to grow in the capital region. The number in Vantaa and the whole country is expected to decrease or stay the same.

4.2 Helsingi Kotivarasto Oy

Year	2008	2009	2010	2011	2012	2013	2014
Revenue	288 000	287 000	334 000	365 000	359 000	316 000	301 000
Income	113 000	106 000	79 000	87 000	46 000	17 000	17 000
Profit	95 000	80 000	61 000	67 000	39 000	17 000	17 000
Income/Revenue	39%	37%	24%	24%	13%	5%	6%
ROI	34%	27%	20%	21%	11%	5%	5%
Equity ratio	76%	95%	97%	99%	87%	88%	89%

Table 1: Helsingin Kotivarasto Oy financials

Helsingin kotivarasto Oy's revenue increased until 2011, when it started to decrease in the same level as it once growed. The operational income was a staggering 39 % in 2008 but has fallen to 6 % in 2014. Allthough the negative development in revenue, the company has close to no liabilities and an equity ratio close to 90%. Meaning that the company has low financial costs and a return on investment almost the same as income. Taxes on profit explains the slight difference. Circumstances are that the company has low risks if only they can get the revenue back on track.

4.3 Suomen Varastot Oy

Year	2011	2012	2013	2014
Revenue	284 700	318 000	344 000	353 000
Income	19 200	34 000	47 000	60 000
Profit	-9 300	13 000	25 000	39 000
Income/Revenue	7%	11%	14%	17%
ROI	3%	7%	12%	16%
Equity ratio	-1%	2%	8%	19%

Table 2: Suomen Varastot Oy financials

Financial data of Suomen varastot Oy begins in 2011. If the company was acquired or started at this time is unknown. Revenue, income, and profits as increased at a steady rate. The equity ratio is also increasing. We can assume that income over the years has been used to increase the company's equity. If this trend continues, then financial costs will decrease significantly and turn the company into a very lucrative investment.

4.4   Cityvarasto Oy

Table 3: Cityvarasto Oy financials

Year	2008	2009	2010	2011	2012	2013	2014
Revenue	935 400	1 621 100	2 311 800	2 859 000	3 126 000	3 298 000	3 947 971
Income	35 800	76 000	152 300	177 000	185 000	240 000	237 823
Profit	7 600	42 800	101 800	105 000	119 000	168 000	189 944
Income/Revenue	4%	5%	7%	6%	6%	7%	6%
ROI	5%	8%	11%	10%	10%	11%	6%
Equity ratio	8%	13%	16%	17%	17%	18%	28%

Second largest in terms of revenue is Cityvarasto Oy. The revenue has increased by four times since 2008. The profitability fluctuates very little in the whole time period presented. Equity has also increased significantly over the time. It is worth mentioning that Cityvarasto's total assets increased from 3-11 million euros in 2014. Out of this number 2 million euros are from investors and the rest is increased liabilities. On top of this, the company has plans of listing on First North, stock market. Significant investments seeking company growth can be expected from Cityvarasto in the mere future.

4.5   Pelican self storage

Table 4: Pelican self storage financials

Year	2009	2010	2011	2012	2013
Revenue	1 653 000	2 054 000	2 526 000	3 469 541	5 918 000
Operational income	-	-	-	-	-
"Profit"	69 300	283 400	590 200	936 800	1 224 000
"Profit"/Revenue	4%	14%	23%	27%	21%
ROI	3%	5%	5%	6%	6%
"Equity"	2 286 800	5 758 300	12 274 600	15 456 000	20 872 600

Pelican self storage was complicated to analyse, because the company is structured to not make any official profit, thus not paying corporate tax in Finland. Therefore it is impossible to calculate the actual profitability of the company.

"Opco 1, Opco 2, and Espoon Minivarasto is a part of consolidated corporations. The parent company is Pelican Finland Holding Oy. The parent company of this is NSS Pelican S.á.r.l., with domicile in Luxembourg" (Pelican self storage financial statements)

The revenue is calculated by combining numbers from the companies Opco 1, Opco 2, and Espoon Minivarasto. This can be seen as the most reliable part of the table as it is untouched by financial technicalities.

As mentioned the operational income is impossible to calculate as the section called "other expenses" in the data empties the company before profits. Other costs are assumed to be rent to the real estate companies owned by Pelican self storage.

Profits are assumed to be "interest and other financial costs" paid from Pelican Holding to the parent company in Luxembourg.
Equity has also been assumed to be the debt between Pelican holding and the mother company. By analyzing the revenue, we can clearly see substancial growth. The increase in revenue from 2009 to 2013 is 360 %. Gathering 6 % return on investment is also profitable for the parent company in Luxembourg.

4.6 Differentiation

In this section information is gathered by secondary research from the operators websites'. The prices of all four operators don't differ much from each other. Price changes much between different locations and ordering a bigger space becomes cheaper in proportion. Pelican self storage offers 35€/sqm per month, until 4 months when it almost doubles. Thus offering a cheap price for the largest target group. Kotivarasto has the price of 39 € without a sales campaign. Suomen varastot costs 41 € with a 25 percent discount for the whole period, if you are a new customer. Otherwise known as penetreation pricing. Cityvarasto has a price between 39-44 € and doesn't have a public sales campaign. According to the webpages, Pelican self storage and Cityvarasto has packaging materials as a charged subservice.

Transportation offered by Suomen Varastot and Cityvarasto by directing customers to a partner's website. Kotivarasto has their own vans that they rent for 3-6 hours. Pelican Self-storage lets you borrow a trailer without charge for up to 24 hours.

Cityvarasto and Pelican self-storage has clearly invested more in webpage functionality and design than their smaller competitors. This is very crucial if the 74 percent of people ordering online is valid. Service quality plays a key role in differentiation, but cannot be compared with this secondary research method.

Conclusion of this brief analysis is that Pelican self storage has the highest price but free transportation, plus an impressive looking website. Cityvarasto has the second highest price with an impressive looking website, but lacks transportation. Kotivarasto has the secondly cheapest price with the second most subservices and a humble website. Suomen varastot offers the cheapest price for new customers, least amount of subservices, and a humble website.
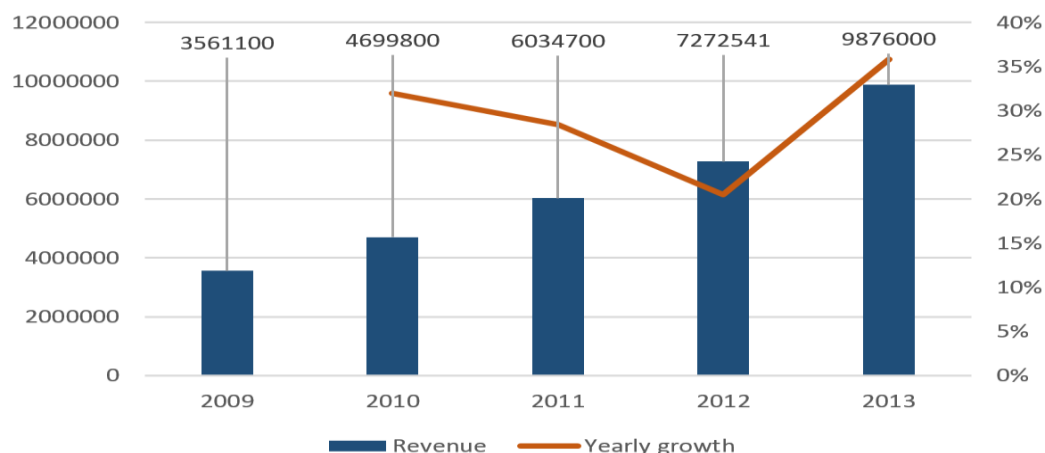
4.7   Total market supply

Figure 12: Total revenue combined

Simulating the same the market development based on average growth of 30 percent annually we get the following numbers. In 2015 the total market supply will be 16,7 million euros. In 2018 it would be 36.7 million euros, and in 2023 the revenue would be 136 million euros.

If we assume that the final number is exaggerated, then the yearly growth is going to start decreasing. Meaning that the growing phase is currently at it's peak. One important question is when the total market demand is reached, yet the suppliers expect it to continue growing. As a comparison, all the self storage operators are in the same boat, rowing together with their backs towards a stone. The turning point of this trend will possible lead to substancial decreases in self-storaging prices, thus affecting the revenue. Still, the self-storage industry has proven itself to be very profitable. Meaning, that the self-storage companies would most likely survive lowering their prices, and simply reduce on growth seeking investments.
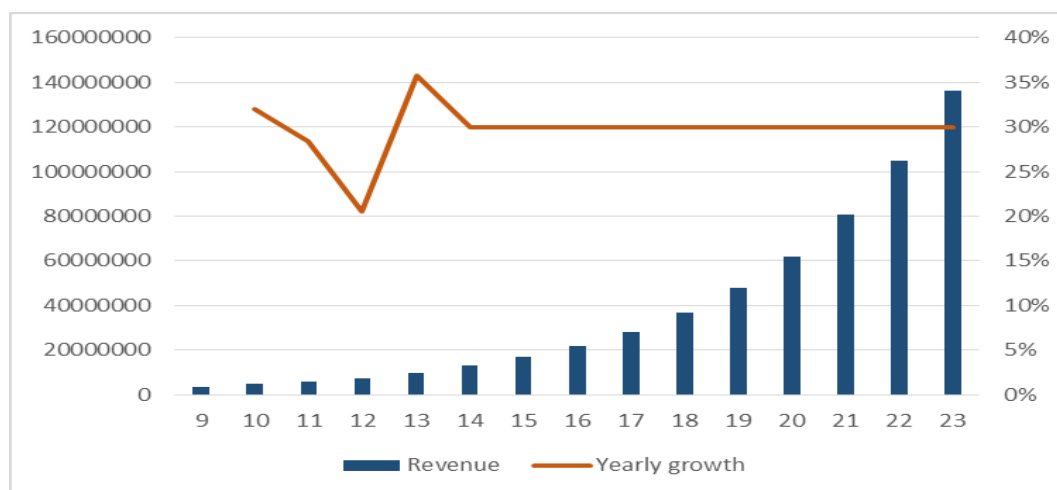

Figure 13: Simulation based on average yearly growth

5   Research results

Analysing the combined revenue of chosen companies', we can assume that the self storage supply is still far from reaching its total demand. The market competition is intense but still the profitability stays good. It was discovered that, finding patterns between macrodevelopment and the self storage industry is hard when the market is expanding. The total revenue stays visually unaffected by other events. The rapid expansion may be explained by the under-development of Finland self storage industry, when compared to the global market. It is however expected that when supply eventually meets the total demand, we start to see similarities between macrodevelopment and the total revenue.

The following theoretical arguments can be provided by this research. The effective weight of the events are assumptions based on the methodology. The numbers are strictly theoretical.

- 3 percent of customers rented space because of a death in the family. If the total demand is linked to death, then the total market demand is expected to increase with approximately 1 percent, which is the average death rate, times the weight of 3 percent

- 50 percent of demand is linked to a person switching housing. New appartments bought is increasing with approximately 2 percents a year and old appartments with 1 percent. As an average we get 1.5 percent growth a year. If this is linked to increased moving we divide the yearly rate with half

- If linked to employment and disposable income, the total demand will increase in the capital region by 1 percent, and decrease or stay the same in the whole country.

- The share of target group age is decreasing, thus leading to a decrease in total demand by 0.5 percent annually, unless immigration increases in Finland.

- Population is expected to grow with approximately 1.2 % in the capital region annually.

The following equation is formed by the research arguments. It will show the supposed total market demand growth annually in the capital region:

$$x = 1+(0.01 * 0.03) + (0.015 * 0.50) + 0.01 - 0.005 + 0.012$$
$$x = 1.0298 \quad \rightarrow \quad \textbf{2,98 \%}$$

5.1 Reliability of research and presented material

As mentioned, the location of the customer analysis done by Inside Self-storage is unknown, but the results matched the answers obtained from the owner of Suomen Varastot. Therefore, much of the data can be accepted as correct. The data gathered from Statistics Finland is very reliable information. The financial analysis' can also be seen as thrustworthy, with the exception of the numbers gathered from Pelican Self-storage. Assumptions and end arguments presented in the research results are intended to be formulated objectively.

6 Conclusion

Creating a fully covering market analysis was discovered to take much more time and effort than used in this study. The research can also be seen as neverending, as the research and assumptions can always be improved upon. Knowing when to stop can be complicated.

The research provided strong arguments when identifying driving factors, analysing financials, and operational environment in Finland. Still, no actual proof of driving factors impacting market demand was found, due to the situation of understock. The end arguments don't offer specific results in forecasting the future, but then again few empirical macroanalyses do.

Deciding if the report was successful comes down to the reader who survived this far, which is known by answering the following question.

Do you know more than you did before?

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Figures

Tables

Appendixes

Appendix 1: Questionaire

Questions to self-storage operators in Finland

Name:

Job Title:

Company:

1) *Could you explain the self-storage target group and customer motivations with your own words?*

2) *What things would you say that mostly affect the self-storage demand in the Finnish market?*

3) *How would you guess that the Finnish self-storage market will evolve in the future?*

4) *Do I have your permission to publish the information gathered through this questionnaire? (YES/NO)*

Appendix 2: Data from Statistics Finland

Population	Whole country	Helsinki	Espoo	Vantaa	Capital region
2008	5326314	576632	241565	195397	1013594
2009	5351427	583350	244330	197636	1025316
2010	5375276	588549	247970	200055	1036574
2011	5401267	595384	252439	203001	1050824
2012	5426674	603968	256824	205312	1066104
2013	5451270	612664	260753	208098	1081515

Deaths	Whole country	Helsinki	Espoo	Vantaa	Capital region
2008	49094	4890	1140	994	7024
2009	49883	4957	1268	1096	7321
2010	50887	5109	1328	1157	7594
2011	50585	4980	1303	1218	7501
2012	51707	5074	1309	1245	7628
2013	51472	4974	1341	1212	7527

	Share of persons aged under 15, %	Share of persons aged 15 to 64, %	Share of persons aged 65 or over, %	Average age, both sexes
2008	16.7	66.5	16.7	41.1
2009	16.6	66.4	17	41.3
2010	16.5	66	17.5	41.4
2011	16.5	65.4	18.1	41.6
2012	16.4	64.8	18.8	41.8
2013	16.4	64.2	19.4	41.9

	New appartments bought	Old appartments bought
2010	99.4	98.3
	98.8	100.2
	100.5	100.8
	101.3	100.8
2011	101.6	102.4
	103.8	103.9
	105.3	103
	105.1	101.7
2012	107.1	103.4
	109.1	104.2
	109.6	104.2
	109.9	104.1
2013	110.6	105
	110.9	105.7
	111.1	104.8
	110.6	104.6
2014	112.1	104.3
	112.1	104.8
	111.9	104.1
	111.8	103.5

Employed	Whole country	Trendline
2008	2531000	2531000
2009	2457000	2494000
2010	2447000	2478333
2011	2474000	2477250
2012	2483000	2478400
2013	2457000	2474833

Disposable monetary income of a household-dwelling unit, mean, EUR

	Whole country	Capital Region	Helsinki	Espoo	Vantaa
2008	37829	44707	40737	52218	41167
2009	38114	45088	41037	52260	41968
2010	38824	45919	42175	53202	42380
2011	38930	46011	42091	53513	42430
2012	38458	45139	41267	52011	42139
2013	38436	45612	41781	53280	41776