

Easy Store America

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Easy Store America, founded in 1984, was a publicly traded company in the self-storage industry. Founded in 1984, the firm had enjoyed significant growth and had become a well recognized company that relied on quality customer service, positive public perception, and high market opinion for its future growth and success.

Hanna Melvin, Director of Communications and Investor Relations, received an email from her assistant about a customer's complaint that was posted on a message/bulletin board on Yahoo!'s search engine. This was the first time that Hanna was aware that comments and criticisms were being made about her company that did not come through normal channels, i.e., letters, telephone calls, the company website, or employees. The incident evolved further as Hanna was faced with a "What are you going to do about this?" question from a supervisor. Although Hanna was an experienced communication specialist, the message board concept was new to her. She then had to face the "buzz" over message boards and what decisions must be made in dealing with future communications spread over the World Wide Web about this storage company. The micro focus of the case was the decision of how to respond to this one particular customer. The macro issue is how should the firm deal with future comments about the company or the services of Easy Store America on message boards through the Internet.

Hanna Melvin, Director of Communications and Investor Relations at Easy Store America, had just received an email from her assistant, Margaret Healy. The lead line read, "Jack thought you should be aware of this. He sent a copy to Stephen Nichols." Stephen Nichols was a divisional vice president for the company.

As Hanna read on, she found a second email message addressed to Margaret. It was from Jack Connell, a corporate manager in the Franchise Department. His message read, "So what can you do about this?" Below his typed inquiry was an Internet link to a Yahoo site. Hanna thought, "Okay, I'll bite," and clicked on the hot link. The

next thing she knew, she was looking at an Easy Store America web site, but it certainly wasn't the one called ESA.com! No, this one read "Yahoo! Message Boards: Easy Store." The headline on the page read, "ugly storage facility." She read on:

Help . . . the Easy Store in Eaton, Maryland won't return a \$725 check even though it was sent by mistake. Their \$130 check went to the landlord and the rent check went to Easy Store. When informed of the mistake I was told: "nothing we can do about it, it's been deposited." When told we're being threatened with eviction because we don't have another \$725 to pay the rent, their attitude was "can't help you but we'll check with corporate." That was a week ago . . . haven't heard from them since. Help . . . what do we do to get the overpayment back? We've been using Easy Store for 4 years—always paid on time, in full, and never months in advance. What to do? Has anyone else had a similar experience? I don't think this is typical of this great company . . . must be a local poor management problem.

This was the first Hanna was aware that a message site had been dedicated to her company on Yahoo! She decided that the tenant's story, if true, deserved a response. She called Margaret in for a brief chat about the email. "I'll respond to Jack," she said, "but is this the first you've seen this web site?" Margaret responded, "Yes, I was alarmed as well when I saw it. Can they do that? I mean, can they just get on line and say whatever they want to about our company and our service?"

"Apparently so," Hanna quipped. "Pretty frightening, huh? Well, I'll take care of Jack for today, but we need to find out if there are more stories like this out there . . . or, God forbid, even more sites like this."

Margaret, who often reminded Hanna of her substantial workload, interpreted this as an added job responsibility and remarked, "Look, if you think I have time to surf the web every day and respond to messages like this, you're nuts! There's no way I have time to monitor this." Hanna reassured Margaret that she was not implying that she begin to take on such a task. Hanna added:

I'll do some of my own research on these web sites. Maybe I can find out what other companies are doing. My immediate concern is to respond to Jack about this tenant, but there is a bigger problem here, and that is whether we are going to make it a practice to monitor these sites and whether we will respond to such stories.

Hanna asked Margaret to contact the district manager of the Eaton property and investigate the complaint to find out what had actually happened and report back to her. Margaret left and Hanna, alone in her office, mulled over this problem and talked to the walls:

This is all I need . . . another task on the list of things to do. Not only do I have the Internet world to deal with, now I've got a manager in Franchise asking me what I'm going to do about it, and he has, in his infinite wisdom, copied a divisional vice president on the message board as well. Hanna mimicked the voice of a supervisor: "So what are you going to do about this, Hanna?"

She threw her pencil on the desk and began reading more about her company on Yahoo! Message Boards: ESA.

COMPANY BACKGROUND

Easy Store America, a Real Estate Investment Trust (REIT) company, was founded in 1984 and became a publicly traded company in 1994 under the symbol ESA on the New York Stock Exchange. As a REIT, the company pooled the funds of small investors to acquire real estate investments and pass the income and depreciation benefits along to individual investors. The firm had built, franchised, or purchased 528 self-storage facilities in 31 states and the District of Columbia. Over 1,500 employees served as managers/operators of these facilities. The company was headquartered in Austin, Texas, where approximately 150 employees worked as support personnel to self-storage facilities across the country. For legal purposes, the franchise entity of the company was run under a separate entity called Franchise Corporation. Other significant functions managed by corporate personnel included marketing, human resources, accounting, construction/development, and information systems.

The company's internal structure was set up in three regions: east, west, and central, with a divisional vice president responsible for all of the storage facilities within a region. Reporting to the divisional vice president were district managers, handling the daily oversight and any customer service issues related to the facilities in his or her district. The Director of Corporate Communications and Investor Relations, Hanna Melvin, reported to the Vice President of Human Resources. Hanna's unit was responsible for handling all media inquiries and all statements released to public entities about Easy Store America. Thus, Jack's request to respond to the Yahoo! message board was sent to Hanna. Margaret Healy, Hanna's assistant, handled much of the day-to-day administration of the investor relations side of the business. She

served as kind of an “internal clearing house” for communications and investor relations issues, forwarding those that she could not handle routinely to Hanna.

Customer service complaints that routinely came to Hanna’s attention were quickly re-routed back to the district manager, to be handled at a district level. This provided customers with quick attention to any issues that a site manager could not handle. The company’s reputation was built on its name brand. Customers had grown to associate good customer service with the name of Easy Store America. In fact, a recent survey had asked customers what their primary reason, other than location, was for choosing East Store over its competitors. The number one answer was “a helpful manager.” This tied closely to the company’s “Storage Satisfaction Guaranteed” slogan. With the company’s strong focus on customer service, any call or letter containing a message such as the one Jack brought to Hanna’s attention was taken very seriously and expeditiously addressed. However, the proper response for handling complaints that appeared on message boards on the Internet was something new.

THE IMPACT OF MESSAGE BOARDS

Since the use of message boards was relatively new, many businesses had not had to deal with this phenomenon. In just a few short years the Internet had become an indispensable marketing tool and the center of business. There were literally millions of Web sites where positive and negative comments about companies could appear. The Internet was growing by two million pages a day and could be viewed by over 100 million wired consumers. NEC Research currently assesses the Web at 1.5 billion Web pages, which is an 88% increase from 1998. The prediction was 8 billion by 2002, which would exceed the world’s population.

“Bad things can happen to good companies on the Internet,” declared William Concowich of CyberAlert. He stated, “The unhappy customer who once wrote a private letter expressing outrage to the CEO about customer service can now publish that on the Internet, available to over 100 million people worldwide including attentive reporters from print publications and television.” Through message/bulletin boards provided by Internet service providers and search engines like Yahoo! it is very difficult to conceal company problems. Yahoo! alone lists over 300 “consumer opinion” sites that criticize major corporations like American Express, Ford, Nike, Sears and Roebuck, Home Depot and even Yahoo! itself. Some of these boards were developed by angry customers and current or former employees who have freedom of expression to a worldwide audience, yet possible anonymity. There was no doubt that what was said on these Internet bulletin boards could damage a corporation’s reputation, brand image, and market opinion. Online

bulletin boards had become an increasingly popular location for investors to share their information. These boards feature “threads” made up of various investment opportunities. Some messages may be true. Others might be fraudulent scams to “pump up” or “dump” a stock by revealing imaginary “inside” information.

A critical problem with message boards is that one never knows whom one is dealing with because most of these communication outlets permitted users to hide behind multiple aliases. A single person could be potentially very helpful or very damaging to a major corporation through this medium because these on-line message boards provide both accurate and inaccurate information to the reader.

The “Web” tide was shifting, however, as the question of free speech on the Internet had become just that—a question. As an example, the Northwest Airlines sickout by flight attendants that was held during the Christmas holidays in 1999 to force cancellation of profitable flights was enabled through a message board created by a veteran employee, Kevin Griffin. Griffin’s website contained several anonymous pleas by co-workers to hold this sickout to dramatize employees’ demand for a voice in their contract negotiations. Griffin himself was against the sickout, but other workers were using this tool to gather support. The sickout took place over one of the most crucial times in the airlines history—the dawn of the millennium, but the tables turned, as sickouts were deemed illegal by federal labor statutes. Airline private investigators confiscated Griffin’s home computer and subpoenaed the company that hosted Griffin’s web site, 9NetAvenue, for the Internet addresses of those who posted pro-sickout messages. Only a few of these people were tracked down, and, although the actual legal outcome was unknown, messages on this board dropped from 100 a day to 10 a day. Northwest claimed that it had no desire to infringe upon free speech so long as people confined their comments to legal topics.

Corporate America was beginning to crack down on Web message boards due to investment rumors, product hoaxes and general mischief. Within months of the Easy Store episode, more than 100 companies had sued over statements made anonymously online posted everywhere from small sites like Griffin’s to the financial message boards run by Yahoo! (YHOO), America Online (AOL), and Microsoft (MSFT). Few of these cases had reached a final resolution. These major web service providers had altered their contracts to include notification of limitations on customer privacy: if the company were served with a subpoena in a “John Doe” lawsuit, the customer’s anonymity might be compromised.

In contrast, rights groups advanced that this crack-down was going way too far, and that these lawsuits were intended to just silence free speech. Yet on November 3,

2000 in the Boston Globe. Yahoo! CEO Jeff Mallett stated that the company was going to begin removing some of the material posted on message boards due to impacts on business "because what we publish can influence a lot of people's lives." Activists argued that if you removed one message, you would be liable for the rest of the messages. This issue of contingent liability presented a "sticky" issue in the evolving Internet age.

BUSINESS RESPONSE TO MESSAGE BOARDS

Although Hanna certainly had many other things to do, she thought she made the message board postings a priority. She began to do some research to see what other companies were doing. She spent several hours trying to locate authoritative sources for assistance and found several relevant articles and commentary.

Lisa Wager, chair of the ABA Business Securities Litigation Committee at Morgan, Lewis LLP in New York, stated that companies face several basic choices when dealing with message board information: (1) monitor the message board and evaluate responses to each message, (2) sue anonymous sources when faced with false information or defamation issues, (3) go online and try to correct misinformation, or (4) ignore the information especially if it were a rumor.

Hanna reviewed further information about these various alternatives.

Monitor message boards. According to Amelia Kassel of Marketing BASE in California, monitoring what is said on the Internet about a company and its products had become a fundamental corporate responsibility. A good monitoring system provides early warning signs of problems or spotting important trends within a particular industry. In order for a company to be decisive, it must have timely feedback. Monitoring system companies such as CyberAlert captured all information about a company as it appeared on the World Wide Web and filters it for proper use by that company. In the Ragan Report (2000), a communication report for executives, Jerry Stevenson stated, "from foreign media stores to conversations in discussion boards there were hints that the Firestone tire fiasco was brewing long before it came into public interest."

Suing individuals. The use of lawsuits to redress damages from false statements that damage a firm's name or reputation is certainly an option for a company. However, whether a message is anonymous or not, suing the source can be very costly and time consuming. But the company has to weigh the cost/benefit or the legal impact of the communication from a message board as in the Northwest Airlines

case. Making this judgment may not be easy, as only future court judgments will make clearer how involved big business becomes in this practice.

Correcting misinformation. When faced with the posting of false or misleading information about a firm, is it better to try to address it or just leave it alone? When dealing with a public outcry over defamatory information about products or services, delivering correct information might be necessary, perhaps in the form of a message online to consumers in general or in the way of individualized customer service attention. But what about more minor complaints or criticisms of the company or its products or services? Can, or should, the firm commit the substantial resources required to review and respond to each of these?

Ignore information. In the *Wall Street Journal* on November 7, 2000, officials from Sears Roebuck and Co., Nike Inc., and Compaq Computer Corporation stated that they don't pay attention to message boards especially when they represent employees' moods and fears. They argued that responding to message boards could be seen as an endorsement of the issues themselves. Posting issues can lead to argumentation and, thus, lead to public coverage and negative publicity.

HANNA'S DECISION

From Hanna's review of the message board on the Yahoo! Website, she noted that it showed limited activity about her company and that the messages fell largely into two groups: customer service issues and stock prices. Regarding the latter, Hanna knew that she and other company officials could not respond via a message board from the company. Recent tight legislation required dissemination of information on a company to everyone in a uniform manner (including those not reading the message board). As for customer service, she was encouraged that there were so few issues listed. Maybe the company's push to address customer service problems at the district level was, in fact, working, she thought.

After her research into the problem, Hanna realized that there were many issues that could be considered and that the company really needed to develop a policy in this area. She also understood that she needed to do some further research and study on this matter to try to get a handle on it. But at 5:45 on that Thursday afternoon, she had to consider the current issue of the disgruntled customer in Eaton, Maryland and the possible negative impact of this posting on current and potential customers.