The Pros & Cons of Charging for Package Acceptance

- Exploring Package Lockers as a Revenue Source
- Analyzing the Benefits & Costs of Charging Residents

LUXER
ONE

The Pros & Cons of Charging Residents for Package Locker Use

According to The Wall Street Journal in 2015, the collision of two American trends – a rise in apartment living and a surge in online shopping – has resulted in apartment buildings struggling to organize and track their residents' parcels.

> *"U.S. online retail sales are expected to swell to $334 billion in 2015, up from $263 billion in 2013, according to Forrester Research Inc., a research and advisory firm. Analysts at Forrester expect that number to increase to $480 billion in 2019."*

(Source: Wall Street Journal, October 2015)

Second only to fitness centers, secure access to packages is among **the most requested amenity in multifamily properties.**
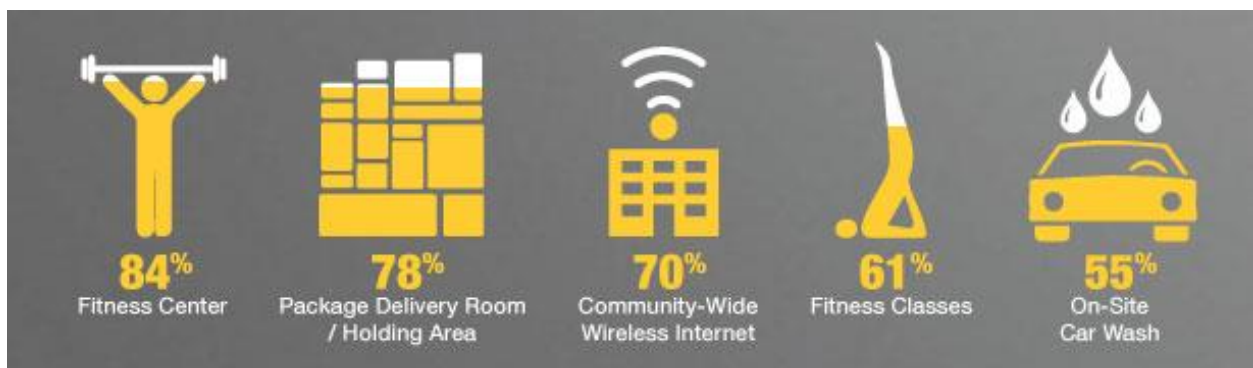
(Source: 2013 NMHC / Kingsley Apartment Resident Preferences Survey)

Many properties are exploring, or have already implemented, package locker systems as an effective way to solve the overwhelming problem of residential package management. These solutions can allow for properties to charge residents for locker use, whether it's to recoup costs, drive additional revenue, or encourage quicker pick-up of packages. As a result, properties are trying to understand the pros & cons of charging their customers.

In this whitepaper, we share the different ways to implement fees for package handling, and weigh the pros and cons of charging residents for using your locker system.

Multiple ways to charge residents

There are several ways to charge residents for using package lockers. The methods you decide to implement are a business decision based on how important driving revenue for package management is to your property's business model.

1. **Storage fees**

   Instituting a storage fee that only goes into effect after a free grace period is the most popular way that properties charge their residents for locker use. The longer packages stay in lockers, the fewer lockers are available for use, resulting in a greater need to purchase more lockers. While this isn't the most effective way to drive revenue, it does encourage residents to pick up their packages in a timely manner, reducing the number of lockers you need to purchase. Properties can explain the motivation for this fee as ensuring lockers are available for future packages or other residents, which is why this model for charging is the most well received by residents.

   Fee examples:
       i. *$1 per day after a package has been in a locker for 24 hours*
       ii. *$5 per day after a package has been in a locker for 3 days*

2. **Sign-up fees**

   A one-time sign-up fee can be instituted as part of signing up for the service or as part of the move-in process. This is one of the more seamless ways to charge for package lockers, since it is generally done during move-in, when residents are already paying other fees.

   If you charge per resident, fees are more effectively tracked by the package locker solution. If you charge on a per-unit basis, fees may be collected by the property as part of the move-in process. It is recommended that this is not an option, but mandatory for everyone, as making it optional can cause a lot of operational challenges for staff and delivery personnel, as discussed later.

   Fee examples:
       i. *$30 sign-up fee*

3. **Monthly or annual fees**

   In this option, fees are incurred on a yearly or monthly basis for each unit or resident. They can be billed by the property as part of the monthly rent or managed by your locker vendor. One issue with this fee structure is that residents may want to add or remove the service every month depending on their own personal delivery volume, resulting in a lot of operational challenges for staff and delivery personnel.
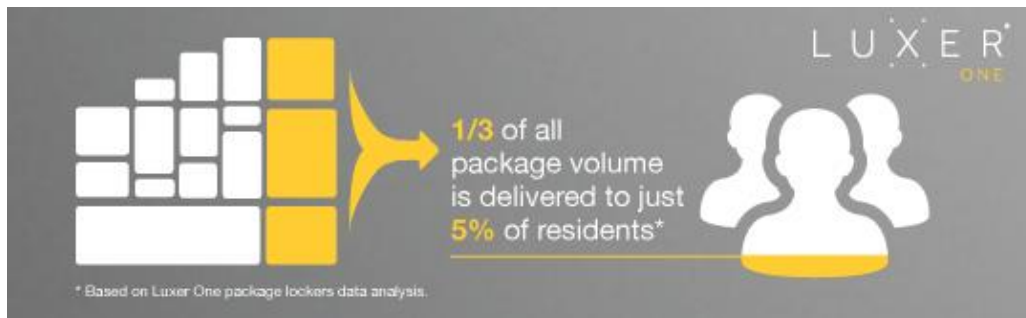
   Fee examples:
       i. *$30 per year to use package lockers*
       ii. *$5 per month to use package lockers*

4. **Delivery fees**

   Charging per package is the most direct way to correlate package volume to revenue received. It directly impacts residents that have a lot of deliveries while having no

impact on residents that don't have packages delivered to your property. If you currently accept packages free of charge, introducing this policy may result in significant resident pushback.

Fee examples:
    i. *$2 per package*
    ii. *First 5 packages per month free; $2 per package thereafter*

5. **Outbound shipping**

If outbound shipping is part of your locker system, your locker provider will typically offer the option to charge residents for the service. The locker system may also share this revenue with the property. This is not always a service that on-site staff participates in, and even if it is, residents don't always expect it to be free (as they do for *receiving* packages). Therefore, this fee structure typically has low pushback from residents, since it's perceived as a convenient perk of the locker system.

Fee examples:
    i. *$1 per package*

Pros of charging residents

- **Fewer lockers required** – Having to pay a fee every time they receive a package at home may dissuade residents from getting items delivered to the property in the first place. With this lower adoption, a property would not need to install as many lockers.

- **Revenue** – Charging for package handling will result in additional revenue for your property. Just be sure to calculate how much revenue it is going to generate. Losing one prospective tenant to another property where package acceptance is free may offset a year's worth of package revenue.

- **Cheaper lockers –** By charging residents for package locker access, a property can offset the initial cost of a locker installation. In most cases, package locker companies will

share in the revenue produced from charging residents, since there is overhead involved in their collection of those resident fees. If a package locker company shares in revenue obtained from residents, they are much more likely to reduce the cost of lockers overall. For example, if 100 residents opt in to paying $30 each in fees, then a package locker company may be more willing to reduce their price for the lockers by several thousand dollars.

Cons of charging residents for package locker use

- **Resident dissatisfaction –** Perhaps the biggest downside of charging residents for using package lockers is resident dissatisfaction. Many residents believe that it's their right to receive packages at their home address free of charge and if you decided to charge them for this, it looks like a rent increase. These disgruntled residents may also take to Yelp and other social media channels to disparage the property publicly. The cost of one 1-star review would quickly offset any revenue generated from locker fees. If you are going to charge, it is strongly suggested that you only do it for new residents and clearly notify them ahead of time.

- **Carrier pushback –** If residents refuse to use the package lockers but still get packages delivered to their home, the property management team will still have to manually deal with that resident's packages. Here's an example of how a scenario like this would play out:
  - *A carrier arrives at the property with 50 packages to deliver to the lockers, as instructed by the property. After trying to deliver 50 packages, 20 of those packages can't be delivered because they belong to residents who are not using the lockers. The carrier then has to either 1) take all those packages back to their central facility, 2) deliver a "sorry we missed you" note to the resident's unit (assuming the carrier has that access), 3) physically go each of those units to leave the package at the doorstep (potentially damaging the property walls with their carts/packages on the way), or 4) leave the pile of packages with the leasing office, which of course is inconvenient for the property manager and resident. Thus, your system has significantly increased their workload and carrier adoption will present an enormous challenge.*

- **System must accept all packages –** If residents are paying for package locker use, they will have a much lower tolerance if a package *does not* get delivered to the lockers. They will demand that 100% of their packages actually go to the lockers, since it's now a service they're paying for. Thus, if they order an oversized package and a property doesn't have a locker that accommodates large packages, you'll have an upset resident. If your property gets a new carrier who doesn't yet know the package locker system, their package will likely be delivered somewhere other than the locker system. Residents will feel that they're needlessly paying for something that doesn't work for them. As an analogy, if a property were to charge residents for a business center but the

room was always full of storage items, they would have that same sense of paying for something and then not being able to use it.

- **Nickel-and-diming –** Most properties that have package problems are catering to higher-end residents and differentiate themselves by the quality of their property and amenities. Typically, the revenue generated from collecting fees on a package locker system will be less than a couple of months' rent. Being perceived as a property that nickel-and-dimes their residents will likely result in losing quality tenants faster than usual, or not even acquiring them in the first place.
  - *As a case study, one national property firm recently stopped accepting all parcels to its 169 properties nationwide, stating that managing packages was "overwhelming their lives". A resident at one of the properties said in response, "Package delivery is almost a basic amenity. It's almost like they just told us that they're going to stop doing maintenance." When their lease is up … they "definitely won't stay." (Source: Wall Street Journal, October 2015)*

- **You may need to cover the fees down the road** – The general industry trend is towards not charging residents. If this trend continues and a competitor's property decides not to charge, you may need to reverse your decision down the road in order to compete. In this case, you may be responsible for covering those fees with your locker vendor.

Helping you make the decision

Fundamentally, the question of whether or not to charge residents for using package lockers comes down to whether a property is installing package lockers in an effort to drive additional revenue or rather to provide a service for residents. Most amenities at a residential property, such as gyms, pools, or business centers, are typically provided free of charge as a benefit to residents. Thus, a property should consider the ramifications of charging for an amenity that residents may perceive as something that should be free of charge.

The following flowchart may help your decision process.
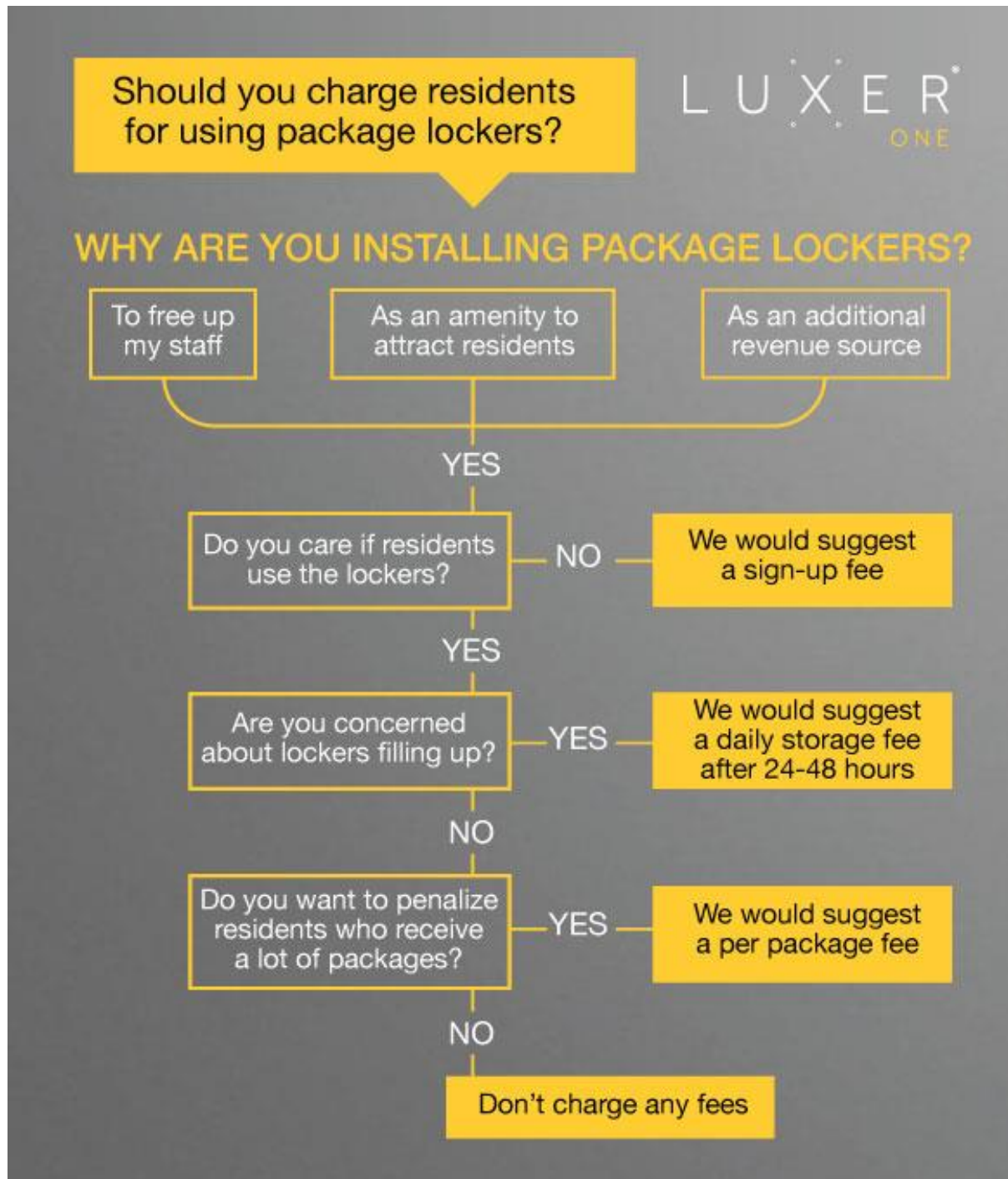
About Luxer One

Luxer One was spun out of [Laundry Locker](#) and [Drop Locker](#), an international locker-based delivery network. The Drop Locker software runs more delivery lockers in more cities than any other platform, with over 40 markets served and lockers in over 1,000 apartment buildings throughout the world.

Laundry Locker operates San Francisco's largest dry cleaning service and has won numerous accolades for its business. The company has been featured in Forbes, The New York Times, Wall Street Journal, Fox News, Entrepreneur Magazine, and more for its innovate approach to locker-based delivery and the value that it provides for customers. The company intimately understands the needs of property managers and residents and has proven that its service reduces the burden for all constituents.

In 2013, Laundry Locker started a project to open its network of lockers so that other companies could provide service through them. With the Luxer One locker system, deliveries can now be provided by any third party approved on the platform, such as UPS, FedEx, Google Shopping Express, OnTrac, and many more. This system is being deployed across the company's nationwide network, helping properties and carriers reduce cost, improve customer satisfaction and drive more e-commerce volume.