

The Retail Management Advisors

WHAT WILL YOU DO **WHEN** DISASTER STRIKES YOUR STORE?

Pessimism, not optimism
Not IF, but WHEN

This is one area where it pays to be pessimistic. Do not think IF it could happen, but rather WHEN it will happen. It is only by thinking that way can you get yourself and business adequately prepared. And, preparation is the key to successfully getting through a major disaster and getting your business open again.

You can take steps to protect yourself and your business for some disasters where you have some advance warning, such as a hurricane. Other disasters come out of nowhere and can not be planned for, such as tornadoes, earthquakes and terrorist attacks.

Most individuals and business owners are complacent about natural disasters until it happens to them. It's only when the business owner has gone through a disaster that a disaster plan, including purchasing the proper insurance, is usually considered. But by then, it may be too late to save the business.

The businesses in New Orleans may have been prepared for the possibility of a hurricane but they were not prepared for a flood. After all, the levees had survived other stronger hurricanes. Looking back, I am sure they are saying to themselves that it was inevitable that the levees would fail at some time, and that since New Orleans sits below sea level there would be flooding. However, I think it is just human nature to dismiss the possibility of a catastrophe of that proportion.

While there's no way to lower the risk of a natural disaster there are critical measures that can be taken to protect your company's bottom line from nature's fury. A disaster plan and adequate insurance are keys to recovery.

Here are a few items to include in your disaster plan:

1. Back-Up Important Data.

Each night, or once a week, important customer records and financial information should be saved on a disk that goes home with you or a manager. Can you access your computer and phone systems remotely? If not, you may want to consider adding the

option in case you can't get to your office. Keep duplicate copies of important business papers off-site in a safe-deposit box.

2. Communication is Critical.

Know how to reach every employee and important clients or customers, including cell numbers if available. Make sure you also keep a copy of a key-person contact list outside the office in case damage is widespread. Include people such as your state and local emergency management agencies, insurance agent, independent insurance adjuster, banker, and vendors. Have a plan for communicating with customers to let them know you are still in business.

3. Create a Task list.

Do not wait until just before a disaster, such as a hurricane, is on the way. Develop a plan of what is to be done and a checklist of who is responsible for which tasks. Consider including a back-up person, in case people are out of the office.

Prepare for how you will protect both employees and customers.
Know how you will protect your merchandise.
What can you do to protect the premises?

4. Buy Insurance.

Most business policies do not cover earthquakes, floods, hurricanes or terrorism. Business Interruption insurance will not cover any losses due to these unless they have been added to you policy.

Business Interruption

Buy additional coverage as needed for your business:

- Extra expenses
- Extended loss of income
- Contingent Business Interruption coverage
- Services Interruption/Off Premises Power coverage
- Interruption by Civil or Military Authority coverage
- Ingress/Egress coverage

(More detailed explanations were listed in our September e-newsletter)

Insurance is a tempting target when you're looking to cut costs, but think twice about dropping any coverage. You may want to consider hiring an independent risk manager to assess your needs before purchasing any new policies. One word in an insurance policy can make the difference in hundreds of thousands of dollars so it is important that

someone familiar with insurance reviews it. Also consider having an annual insurance review to make sure there are no gaps in coverage.

Make sure you understand your policy, what it does and does not cover. Also be aware of deductibles and limits.

OTHER DISASTERS

We have discussed natural disasters. There are other events that can have a devastating impact on your business. For example, if you are a catalog retailer what would happen if your phone service or web site was down for a week? Or, if you live in the northern or northeaster part of the US, what if a blizzard shut down your store for a week? These things CAN happen!

A recent study by AT&T Business Solutions found the following:

Nearly one in five U.S. companies experienced an event in 2004 that caused their companies to cease operations for a period of time.

The average company experienced 9 incidences that caused operations to slow down to the point that the impact was “very significant”.

Every business has a vulnerability that must be recognized. Could your business survive? How much revenue would be lost? Would your customers stay with you through the hard times?

SUMMARY

Most small business owners and managers are so busy keeping up with everyday issues of growth, employees, and customers that they don't think they can take the time to think about Business Continuity Planning. However, it **MUST** be done and shouldn't be put off.

Statistics say 25% of businesses closed by a disaster will never open their doors again. In New Orleans and other places along the Gulf Coast devastated by Hurricane Katrina I believe the percentage will be much higher. I would not doubt that in New Orleans at least half will never recover.

Take steps NOW to ensure you can survive the next disaster.