



# Weathering the Storm

Gift businesses are still reeling from last year's hurricanes. Do you have a plan for disaster?

BY MEREDITH SCHWARTZ



**H**urricane season is here again, and the damage done by last year's catastrophic storms is nowhere near repaired. Nine months on, the ripples of Hurricanes Katrina, Rita and Wilma are still spreading through the gift industry.

Almost everyone *Gifts & Decorative Accessories* spoke to claimed to be among the "lucky ones," conscious that the unlucky ones no longer give interviews. Nonetheless, retailers and manufacturers shared tales of lost inventory, customers and employees, help slow to come, and promises unmet.

Another recurring theme is that companies that were spared the full impact of the storms were hit almost as hard as those damaged by the winds and waters. Ripple effects spread far beyond the hurricane zones, touching businesses that shipped, exhibited, or sold in the affected areas.

Virtually everyone we spoke to reported industry communities pulling together. Vendors have offered extended terms and dating, reducing, postponing, even canceling orders in an effort to help retailers get back on their feet. But will it be enough? And what can be done to prepare for the next disaster?

#### ARE YOU READY?

Wildfires, tornadoes, blackouts, earthquakes and terrorist attacks have made it clear that no business is immune from disaster. Yet 77 percent of small businesses aren't fully pre-

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pared, according to a MasterCard International Study.

Of course, planning can't prevent disaster, but it can help a store reopen successfully. At least a quarter of small businesses that close because of a disaster don't reopen. And according to insurance provider The Hartford, that number rises to 40 percent among businesses that don't have a disaster plan.

Most retailers already have some kind of plan, such as insurance and fire safety equipment, in place. What they may not have is a plan for a disaster that affects their broader region.

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Businesses may find that even if they are unharmed, services like telephone, power, cellular and Internet connections, mail and even roads are affected, and alternate plans are needed to meet key needs. Similarly, a business with all its vendors or customers in a single area or all its goods entering through a single port is more vulnerable to business interruption.

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**Check Your List**

STORES AND VENDORS ALIKE should take the following steps to minimize business disruption:

- Develop **contingency plans** in case the office, plant or store becomes unusable.
- Make sure the building is **up to code** — bolt tall cases to wall studs, secure breakable items to shelves, move large objects to low shelves, latch drawers and cabinets, and consider installing storm shutters, fire sprinklers, emergency lighting, perhaps even a backup generator.
- Have **backup vendors** and shippers in place in case the primary ones are disabled.
- Make **backup copies** of critical records and software. Store a copy on-site and a second off-site.
- Maintain an up-to-date copy of employee **contact information** and computer passwords. Develop a "telephone tree" to rapidly contact employees in an emergency. Consider keeping a phone list of crucial vendors or customers.
- Review **insurance coverage** annually. Make sure it includes business interruption coverage and that inventory is insured for its full replacement value.
- Designate an **emergency contact**.
- Check with **critical vendors** and make sure they have a plan too.

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Many organizations — including FEMA, the Small Business Administration, the American Red Cross and state and local governments — offer “business continuity” planning. The Institute for Business & Home Safety offers storeowners free copies of the “Open for Business” disaster planning tool kit at [www.ibhs.org](http://www.ibhs.org). Retailers recovering from a disaster can request “Getting Back to Business.”

**THE NEW NORMAL**

Disaster survivors want to get back to normal as quickly as possible, including reopening their businesses. Unfortunately, the University of Wisconsin Green Bay’s Center for Organizational Studies reports that things almost never “get back to normal” after a disaster. Rather, they settle into a new pattern. Custom-

risk of rebuilding fosters respect and regard within the community. Participating in disaster recovery create good will that can help weather the storm and come out stronger than ever.

**WHERE ARE THEY NOW?**

Following are stories from gift industry businesses that survived the difficult 2005 hurricane season.

Garden and home decor vendor **Toland Enterprises Inc.**, Mandeville, LA, came through Hurricane Katrina mostly unharmed, though truck bay doors blew in and there was water damage. The month-long loss of services, power and phone caused more serious difficulties. More troubling yet is the fact that the infrastructure still has not fully recovered; mail now takes five extra days to arrive.

More than half of Toland’s employees resettled elsewhere, and those that

business, according to Sands. “We’ve gotten extended terms from all our suppliers and the banks, and we’ve given extended terms to everyone in the area.”

Toland has maintained its sales force in Mandeville, but it has outsourced manufacturing and fulfillment permanently. “We can’t afford the risk of keeping our core business in Louisiana,” says Sands. “I fully expect that it will happen again.”

Lead crystal and silver plate vendor **Louisiana Variety Wholesale**, New Orleans, was directly affected by Katrina: owner **Tenie Guenther** lost the roof, three overhead doors and most of the inventory in one building, and sustained damage to another. After nine months, repairs are just getting started, and Guenther expects them to take another two to three months to complete.

“It’s like pulling teeth to get anything from the insurance company,” she says. What she has gotten so far won’t cover the costs.

Guenther paints a vivid picture of damage in her neighborhood — damage that’s missing from media footage of downtown and the French Quarter, where repairs are further along. Even more damaging to her business is the loss of customers. Louisiana Variety Wholesale lost about 150 stores from its buyer base, and those that remain aren’t ordering as much product. She estimates that the company has lost 80 percent of its business.

“There’s no business in the city [because] before people will buy lead crystal they need to have a house to put it in,” Guenther notes. “I go to bed worrying and I wake up worrying. A lot of people just think that we’re wiped out,” she says. “And we’ve been in this business 22 years.”

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*Community spirit matters in retail, and a storeowner who shares the risks of rebuilding fosters respect within the community.*



ers move away, have different needs, or simply develop different habits. A business that was successful before the disaster may no longer meet customer demands.

The Center advises that business owners analyze their business plan to see if it meets the needs of the new environment. Then decide whether to reopen the same business, make changes, start a different business, relocate, or do something else entirely. The Center also advises stores selling non-essential items to take their time reopening, rather than incur costs for a customer base not yet ready to buy.

On the other hand, morale and community spirit do matter in retail, and a storeowner who shares the

did return (some still living in trailers) suffer from post-traumatic stress disorder, which hurts productivity. “The workers we have are frazzled,” says Toland President **Dave Sands**. “There doesn’t seem to be an end in sight in terms of getting back to having fun and having a real positive attitude. People have lost hope.” Sands estimates that Toland lost 50 percent of its sales in the fourth quarter.

There are a few silver linings, however. “The saving grace is that we introduced a lot of new product and it sold out very quickly,” notes Sands. “Our customers have stuck with us through a lot of problems. There’s a lot of compassion out there.”

That compassion also extends to

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**Candle House Imports**, Gloster, LA, didn't sustain much physical damage, though its personnel had the scary experience of being in the eye of the hurricane. The company was also fortunate that much of its wholesale base and some of its retail base are spread throughout the country. Still, fourth quarter sales were hurt by a crucial shipment that was delayed six weeks. "We're the exclusive importer, so it's not like we could go to another company," explains owner **Randy Alewyne**. "We have a product that we make especially for the New Orleans market. That business is gone.

"We had between 3.5 and four million people living in Louisiana, and probably a million of them are now gone. When you take 20 percent of the population, it's tough on any

business. The state's broke, taxes are going up, and we haven't even begun to rebuild."

Many former Louisiana residents have moved to Texas. In response, Candle House moved two of its retail locations to Texas as well.

As for the future of business in Louisiana, Alewyne has reservations: "The scary thing is that it could happen again. I don't know how long it will take for things to get better, but they haven't even begun. They're going to have to tear down half the city before they start to rebuild."

**Ceramic Treasures**, New Iberia, LA, caught the left side of Katrina and the right side of Rita — but in the end the area was more impacted by refugees than winds. Owner **Marilyn DeBuse** saw displaced storm vic-

tims living in homes, churches, even campers in her own front yard, while her veterinarian husband organized an air lift to the ASPCA.

But the storm was a rude awakening about the retail business. Ceramic Treasures' primary accounts were retailers focused on tourists in Louisiana, Alabama, and Mississippi. "We had no physical damage to our building," says DeBuse. "But we'd have been better off if we did, because then our business interruption insurance would have kicked in. This way, we just lost our customer base."

In 1992, Hurricane Andrew took the roof off DeBuse's business, but Ceramic Treasures lost only three weeks' business — all covered by insurance. This time, says DeBuse, "It took 50 percent of my third quarter and 75 percent of my fourth

quarter, but it's getting better now."

DeBuse has this advice for disaster-prone retailers: "If you have all of your sales focused in one geographic area, have a backup plan." Ceramic Treasures has two — to shift production to a different product line that the company retails under a different name, and to repurpose existing inventory as promotional product with the addition of personalization.

**Lampe Orleans**, in New Orleans, got three feet of water in its building. "We still have the water line on the far wall," says customer service manager **Lori Dallimore**. "We left it there as a reminder."

The company did lose a lot of product, files and office furniture — as well as staff. "I was the only employee that came back," says Dal-

limore. "Everyone else relocated."

Lampe Orleans didn't ship anything for two months, because it had lost shipping materials and one supplier was inoperable. But these days, the business is back and better than ever. "We still have our same customers. If anything, it's helped because of people wanting to help," says Dallimore. "Around this area [our product] is in high demand, because people are re-doing their houses."

Retailer **Sterling Smith** at **Rudman's Cards and Party Shop** in Metairie, LA, was close to the levee breach, but on the dry side. More than half his customers weren't so lucky. When Rudman's reopened, the business was hemorrhaging money. "We were grossing just \$50 a day, and it costs \$450 just to open the doors," says Smith.

These days, customers' buying patterns have changed, because they've relocated. "Normally, they'd be in two and three times a week for small purchases," says Smith. "Now it's large purchases once in a while. If people felt safe enough to get back into the houses, I'd probably have a boom. But they don't want to rebuy it until they're settled."

Smith says that customers have been waiting for FEMA's announcements about how high the houses need to be rebuilt, as well as waiting to see how the levee rebuilding progresses, whether the federal government will provide money to help rebuild, and what this hurricane season will be like.

"The worry is that if a couple of storms come by people will have to

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 evacuate because they're in trailers. And if they have to evacuate more than once or twice, they'll move away," says Smith. "That obviously would have a huge effect on us, we're just starting to get customers back."

**Oak Alley Plantation** gift shop sustained no physical damage, but its business has been decimated by the loss of New Orleans tourist business. Without tour buses, steamboats and individual tour groups, daily attendance at its gift store dropped from

700–800 (about 250,000 per year) to almost nothing at first, and has recovered only to about 170 a day, at most.

The plantation has had to lay off 110 of its 140 employees, 14 of them in the shop, and expects to do only a quarter of its million dollar business this year. Gift shop manager Angela Delatte and owner **Debra Mayhew** had to cancel many orders placed at last July's Atlanta market; and this year, they can't afford to go at all.

"Eighty percent of our business was tourism, and New Orleans isn't seeing any tourism right now," says Mayhew. "We're not sure when it's going to pick back up. It all depends on hurricane season."

One saving grace has been Oak Alley's online business. The shop's online sales have grown, partly from customers simply unable to get there in person, and partly because former visitors, appealed to via email, showed their support by ordering gifts for Christmas.

**Fast Buck Freddie's** in Key West, FL, was hit hard by Hurricane Wilma, a storm whose effects were dwarfed by Katrina but whose local effects were far from slight. The store, which stands 13 feet above sea level, escaped damage, but both warehouses were compromised and much inventory was lost.

"The good news is there is insurance," says general manager **John Muhly**. "The bad news is it doesn't cover the full cost of handling and moving and storage." For others who've faced disaster, Muhly recommends hiring a private adjuster to help with claims. "They come from the industry, know your rights and the loopholes, and fight on your behalf," he says. "They take a percentage, but it is worth it."

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Freddie's held a sale of as-is merchandise to clear inventory and recoup some losses. But nothing compensates for the losses caused by evacuations, which the island experienced four times last year. "They evacuate all the tourists, and that's 70 to 80 percent of our business. When they leave there's really no reason to stay open. We were closed 30 days last year for evacuations," says Muhly.

By now, most residents have rebuilt their homes, and Fast Buck Freddie's is seeing some resurgence in sales of decorative accessories. However the whole island reports a business decrease of 10–12 percent. One possible cause is that many of the island's hotel rooms are



Fast Buck Freddie's  
Key West, FL

still occupied by recovery workers and displaced residents, rather than tourist shoppers.

While attitudes after Katrina ran the gamut from depression to hope, only **Chad Harris**, owner of **The Garden Gates** in Metairie, LA, has mustered actual enthusiasm for the storms. "I'm not joking," he says, "It's the best thing that's happened to me." And he says that despite suffering damages from looting (estimated at \$2 million worth) and 2½ feet of water in his landscape construction location, as well as falling trees in another. A third location, a plant-growing facility, was wiped out altogether, and Harris decided to close one of his retail locations, on Magazine St., in post-storm evaluation.

"I believe," Harris says. As a result, he chose to spend \$300,000, drawing on lines of credit and his American Express card, to get his business going again, and seized the opportunity to revamp his in-store system and focus on profitability.

Harris also used his cell phone to photograph the damage and its 5 gigabyte memory chip to save data from his Quick-Books POS system before the storm — a prescient move in light of the loss of all his paper records. He estimates that having that inventory and those receiving orders gained him \$500,000 from his insurance company that he wouldn't have gotten otherwise.



The Garden Gate  
Metairie, LA

But what really makes him believe is the compassion that came out of the flood. "I just asked," he says simply. "I stood in water up to my knees, and said to vendors: 'I need help.' Not only did they step up to the plate, they rescued me. I had vendors say, 'I'm loading \$30,000 worth of inventory into a truck, and if you can ever pay for it, great, but if not, don't worry.'"



Tradeshow management company **Helen Brett Enterprises Inc.** isn't actually located on the Gulf Coast, it's based in Lisle, IL. But its shows aren't: Helen Brett holds 1,500-booth events in New Orleans' Morial Convention Center. According to president **Robert Kolinek**, Katrina preempted the company's biggest show — the International Jewelry Fair/General Merchandise Show — leaving exhibitors around the country stuck with inventory. Then Helen Brett's business interrup-

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tion insurance maintained that since the company is not headquartered in New Orleans, business wasn't interrupted. In any case, the insurance had expired with the last show and the new policy had not yet taken effect. (Kolinek has since changed his insurance year to run from June to June, prior to hurricane season.)

But Kolinek rallied, creating a 600-booth Baton Rouge show that gave many of his exhibitors their first chance to rebuild business after the storms. He also gave back to residents that have helped the show over the years by creating a foundation that solicited donations from exhibitors. The foundation eventually raised \$22,000, which was given to employees of the show's cleaning, security, and decorating companies at Christmas.

Since then, Helen Brett hosted the first tradeshow to return to in New Orleans. "We're trying to bring business back into the city," Kolinek says. "If Helen Brett's coming back to the city, then the city is up and running; it's viable." ■

Circle #16

**Ensuring Insurance**

The National Federation of Independent Business, Nashville, TN, offers tips for making insurance claims:

- Prepare an **inventory** of damaged or destroyed items. Give a copy to the adjuster, along with copies of any receipts. Photograph the damage, and don't throw anything out until the adjuster has visited.
- Identify **structural and electrical damage**. Make a list of everything to show the adjuster.
- Get **written bids** from licensed contractors.
- Keep **copies of documents** submitted to the insurance company and paperwork received from it. Record the names and phone numbers of everyone spoken to.
- Some policies cover **legal and accounting fees** for presenting a loss to the insurance carrier. Many state laws mandate that insurers pay legal fees incurred to enforce coverage.
- **Business property policies** contain overlapping coverage with separate sub-limits. Some insurance companies categorize losses to minimize coverage: retailers should understand different coverage options.
- Most **policies cover losses** resulting from an evacuation order. Some set time limits on how long such coverage is afforded. Insurers will likely argue that once a civil authority time limit is met, covered damages cease, even though overlapping coverage grants continue to provide coverage.
- **Insurer delay** is common with complex property loss claims. Many policies have provisions that allow the policyholder to force an appraisal to cut through disagreements on value.