

disaster Recovery plan

BY CYNTHIA SCANLON

If your self-storage business were to be hit with a disaster, either flood or hurricane, tornado or earthquake, would you be prepared?

Despite an unprecedented year of disasters in this country, most businesses still do not have disaster recovery plans in place, according to a new study.

The University of Texas at Arlington recently conducted a nationwide study and found that only two-thirds of the companies surveyed had disaster recovery plans in place. And 40 percent of those with plans had never tested them to see if they were effective.

Incredibly, the survey concluded that 43 percent of all businesses hit with a major disaster would never reopen, and 90 percent would be out of business within two years. The self-storage industry is not exempt from these statistics. CONTINUED

According to Beth Sprinkel, assistant director of the Insurance Research Council, very few businesses think they have exposure to disasters. "We did a Small Business Attitude Monitor in which we surveyed businesses with two to 50 employees," she says. "We found that they don't think disaster is going to happen to them."

Sprinkel says the survey results also found that more than 50 percent of businesses didn't even attempt to obtain insurance for disasters. "So it's a case of businesses not even trying to get coverage," she says.

Melinda Swanson, account executive for MSTC, a Scottsdale, Ariz.-based software company specializing in management and record storage software for the self-storage industry, agrees with Sprinkel's findings.

"About half the industry is computerized, but many self-storage companies don't have backup plans," she says. "I think they believe nothing will happen to them."

According to Karen Gahagan, director of Information Services for the Insurance Institute for Property Loss Reduction, self-storage business owners

and operators need to think seriously about the possibility of disaster and have their environment assessed very carefully to find unique things that need to be covered.

"A lot of business owners think, 'Well, something might happen, so I'll get around to it.' By the time they get around to it, it's too late," she says.

California has experienced a string of disasters that has included fires, mud slides, rioting, and earthquakes. Mike Marando, spokesman for the California Trade and Commerce Agency, an economic development agency responsible for attracting and retaining business in California, says California businesses continue to operate, sometimes on sheer determination.

"This state shows so much resiliency in the face of disaster," he says. "It's amazing how people who live here can continue to make a comeback."

Michael J. Knuppe, co-owner of AAAAA Rent-A-Space in Castro Valley, Calif., a self-storage company that owns and operates 11 facilities in the Bay Area, knows firsthand the destruction wrought by Mother Nature. On October 17, 1989, the area was hit by the Loma Prieta earthquake, which injured hundreds of people and damaged buildings and roadways to the tune of \$4 billion.

"We were able to set up a command post and we offered free space to the community for 90 days," Knuppe says. "We also set up a drop off point for the Red Cross. The public came to our facilities to donate supplies, blankets, and medicines to the victims."

From this disaster, Knuppe developed a full-scale disaster plan for all of his storage facilities. "We realized we didn't have all the supplies we needed during Loma Prieta, so I'm even more prepared because I know where our shortcomings were," he says. "Now, all of my 85 employees can meet at any one of my facilities and we have supplies to administer to clients or employees and their families. We can even set up 10-by-20 storage spaces as temporary housing if things should get that bad."

Knuppe adds, "And they might. We don't know what the Big One really means here in California."

California wasn't the only area to be hit with a catastrophic disaster last year.



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The flooding in the midwest took its toll on many businesses.

"We were multiple feet above the flood plain," says Ross Larson, president of Printing Industries of the Midlands in Iowa. "Businesses that didn't even know they were at risk for flooding found themselves with five feet of water in their buildings."

Larson adds, "We are protected by a levee system. That's all well and good, but levees are made of mud and mud washes away with water."

Larson says many businesses involved in the midwest flooding had warning and admitted they could have prepared themselves or gotten equipment out of their buildings in time. "But they just didn't have disaster plans laid out," he says. "Most of them do now. But they have incentive. We had severe flooding this spring, and not all of the levees are repaired yet."

Tully Dunlap, president of Express Storage Management, a self-storage company that owns and operates six facilities in the Tulsa area, weathered a tornado that ripped through a suburb of Tulsa last May.

"We contacted the American Red Cross and the television stations and offered two weeks of free storage to anyone in the disaster," he said. "We generated 40 to 50 customers. Ninety percent of them ended up staying in our facilities from one to six months."

Companies that have disaster plans in place can concentrate on helping other people rather than running from crisis to crisis in their own businesses. The self-storage industry can also be in the unique position of assisting victims of a disaster in securing their possessions, which fosters peace of mind and reduces stress among those people. And during a disaster, the community will remember those businesses that assisted people as opposed to taking advantage of them. Such was the case with Express Storage during the tornado.

"We're hometown people," Dunlap says. "We gave people the opportunity to get their belongings into storage without them having to worry about money or finding their ATM card. It was a big help to them."

During the Hurricane Andrew disaster, Red Lobster, a division of General Mills Restaurants, trucked in

45,000 pounds of ice several times a day to residents. "We were there so quickly, they were calling us the Red Lobster Red Cross," says Dick Monroe, vice president of public relations for Red Lobster.

The community will remember the kindness and concern exhibited by companies like AAAAA Rent-A-Space, Express Storage, and Red Lobster. Count on it.

But to be this effective in a disaster, a company must have its own disaster plan in place. AAAAA Rent-A-Space and Express Storage have such plans written down and ready to go. In fact, both of these companies have gone a step farther and incorporated things unique to their area.

For instance, Dunlap has a list of every viable commercial self-storage facility in the Tulsa area. "If we had a massive tear down of one of our facilities, we would line up trucks and start shipping people out to other facilities," he says. "If we couldn't accommodate them in one of our own facilities, we would start down the list from the closest out and start

shipping them to our competitors with no hesitation."

AAAAA Rent-A-Space's disaster plan includes a boat, which is owned by its vice president. "If the bridges go down, most of our facilities can be reached by our boat," says Michael Knuppe. "So that part of our disaster plan is unique."

High winds and water damage from Hurricane Andrew cut a swath through Florida last year, destroying everything in its wake. Many businesses were either crippled or devastated by the storm. But those businesses that had disaster plans written down and ready to go were able to get up and running in fairly short periods of time.

For example, 60 Kentucky Fried Chicken restaurants were damaged, 27 of them so severely they had to be completely shut down, according to Gary Gerdemann, director of public affairs for KFC. However, all of those stores were up and running within two months time.

"We have disaster plans for everything you could imagine, and quite a few that you can't," he says. "We have

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had various versions of them for a decade now."

So what are some of the things that self-storage business owners and operators need to think about in creating a disaster recovery plan?

To begin with, conduct a complete survey of your business and determine areas and services vulnerable to loss. Check with your insurance agent to see what kind of coverage you'll need.

Then create a contingency plan for each potential problem or area of your business. In the event that you might be forced to leave, ask yourself whether it would be possible to re-establish your business temporarily somewhere else. If you had to move clients, how would you do that in an orderly manner?

"It's not a question of if we'll have a hard drive blow up. We know they'll blow up. It's just a question of when. They all die eventually."

- Tully Dunlap

If your business records are on computer, make backup copies of all data, including software programs, and store the information off-site, preferably with a commercial data storage facility. In the event of a major water catastrophe, your computer equipment would almost certainly be destroyed.

"My facilities average 2,000 units each," says Knuppe. "That's a lot of data that we would have to reconstruct, so we back up our system daily and take that information off-site."

Dunlap also pays careful attention to his computer system. His computers will run for ten minutes after a power outage, enough time to get them properly shut down. In addition to backing up his system and taking the information off-site, he also keeps backups of lease forms and pay cards in hard copy.

"We record each payment on a pay card just in case we have a massive loss of power or have a hard drive blow out on us," he says. "It's not a question of if we'll have a hard drive blow up. We know they'll blow up. It's just a question of when. They all die eventually."

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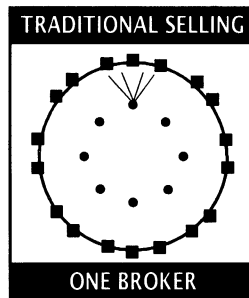
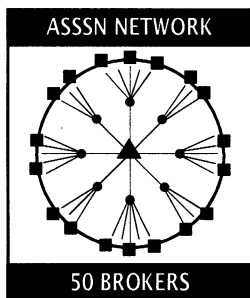
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Once you've made a contingency plan, make a video recording of everything in your business including all machinery, equipment, and contents. The video doesn't have to be expensive, just inclusive of everything on-site that you might lose. Store those tapes off-site with your computer data as well.

Also, remember to include your employees in your written plan. Each employee should have specifically assigned responsibilities in the event of a disaster and those responsibilities should be in writing. "If someone is not available, you need to replicate their capabilities somehow," says Richard Luongo, assistant vice president of Chubb Services Corporation, a risk management consulting firm specializing in business contingency planning. "There needs to be flexibility in job functions, and all of this needs to be documented."

Once your plan is written down, test it. "The plan must be tested in order for it to be viable," says Andy Marks, senior account executive for Chubb Services Corporation. "It's a living document, and it needs to be updated and run through its paces."

Luongo says a disaster plan can be tested by calling up employees at four o'clock in the morning and having them report to the office with disaster plan in hand as though they were in a real emergency. The proceedings should be videotaped.

"It's interesting to see how people react when they are truly stressed, and that's going to simulate what may happen if there's a real disaster," Luongo says. "You can then review the tape and fill in the missing pieces you didn't think about when you were relaxing in your office."

Nineteen ninety-three was filled with disasters ranging from Hurricane Andrew to the flooding in the midwest, and, most recently, by the California earthquake. Even if you don't think so, your self-storage business and hence, your future, could be at risk. So don't be caught unprepared. Conduct a survey of your business, decide how to protect yourself and your property, get your plan written down, and practice it. ■■

Cynthia Scanlon is a Mesa, Ariz.-based business writer.