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**IS YOUR BUSINESS PREPARED TO
SURVIVE A DISASTER?
MANY AREN'T. AND THAT COULD BE
THE DISASTER IN THE MAKING.**

» It was 9 a.m. on a cool early fall morning in New York City. Heather Lipman stood near the front door of her Tents and Trails store, gazing at the top of a building a block and a half away. As she watched flames and black smoke billowing against a bright blue sky, she thought, "Just a fire. The firemen are probably on the way." She turned to put the key in the lock.

Before she had finished turning the key, a tremendous explosion hurled Lipman against the security bars on the door. It was 9:03 and American Airlines 175 had just plowed into the south tower of the World Trade Center. Lipman picked herself up from the sidewalk and ran. Fast.

In some ways, Lipman's life has not been the same since Sept. 11, 2001. There have been the unexpected emotional and physical side effects.

"I have a hard time with claustrophobia now," she said. And the lofty landmark that helped her navigate lower Manhattan has been swept away. But one thing remains intact—the store she co-owns with her sister Jamie Abish survived. "It's amazing," said Abish. "The blast didn't break our windows."

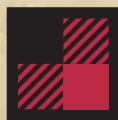
About 10 weeks after the terrorist attack, Tents and Trails was back in business. Unfortunately, most companies, particularly small to mid-sized ones, don't fare so well in a disaster. Experts estimate that 40 percent of small businesses hit by disasters don't survive. And professionals in a field called "business continuity" say many companies don't survive because they do not have adequate plans to deal with a disaster, be it a minor or major event.

Over the last five years, things have changed. The looming threat of terrorism and the dramatic effects of natural disasters such as Hurricane Katrina have prompt-

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ed more businesses to enact comprehensive plans for survival and recovery. But large corporations are doing most of the work. An overwhelming number of small and mid-sized companies—including many in the outdoor industry—remain unprepared for a potential disaster.

A LACK OF PLANNING

According to analysts, the earthquake that set San Francisco ablaze in 1906 registered 8.25 on the Richter scale, and the quake of 1989 registered 7.1. It's not far-fetched to think that in the near future another destructive quake could rock the city by the bay. But when GearTrends® asked outdoor companies in the Bay Area if they had all-encompassing disaster plans, the response was underwhelming. In December 2005, we did learn that The North Face is working on a business continuity plan, but the company was not yet ready to go on the record with details.

We talked with an employee who asked to remain anonymous of another outdoor company in the Bay Area with offices across the street from a pharmaceutical company. "About every month we can see them doing disaster drills," the employee said. "Sirens go off, and we can see people come out of the building."

She said that, aside from backing up data, "I don't think we have a plan. I think if anything happens, we'll just go over there and do what they tell us to do."

The mindset of the outdoor industry seems to mirror that of the rest of the small-business world. There is little if any conversation concerning disaster planning until a disaster actually hits home. Casey Sheahan, CEO of Patagonia, said that his company is working on a plan (*see sidebar, p.18*), but also stated he hears little talk of the subject in the industry. "Patagonia is the first company I've been with that has a long-term vision for disaster planning," Sheahan, president of Kelty before joining Patagonia, told GearTrends®.

Within the broader business world, large companies are addressing the issue, said Diana McClure, assistant vice president for the Institute for Business and Home Safety (IBHS). She said bigger companies may be more aware and proactive simply because they have greater resources.

"A lot of large businesses have business continuity planners on board," said McClure. In addition, she said small businesses don't recognize business continuity as an integral part of a business plan. "They need to realize it's a way to protect their assets," she said. "If you don't plan ahead and think about things that could happen, it could all go away in less than a day."

The National Retail Federation also recognizes differing attitudes among its members.

"There is a divide between large and small retailers, and also a divide between those who have been in an event and those who haven't," said Joe LaRocca, NRF's vice president of loss prevention. He said that in the last four years larger retail companies have begun to create business continuity programs.

"After 9/11, companies got complacent. But it's on the radar now because of the hurricanes," LaRocca said.

McClure pointed out that very few resources have been available to help small businesses create thorough business continuity programs. So, IBHS produced a publication called "Open for Business: A Disaster Planning Toolkit for the Small to Mid-Sized Business Owner." The 47-page document (available at www.ibhs.org/business_protection) takes you step-by-step through the disaster planning process, and is full of helpful suggestions and resources.

GearTrends® had a tough time finding even a handful of outdoor retailers with a fleshed-out disaster plan. Even some of the retailers who have endured catastrophes still haven't fully prepared themselves for the future. There is a mindset that on the long list of things to do, business continuity falls toward the bottom. And, yes, unprepared businesses have muddled through events and done OK anyway. Or so goes the thinking. But if you don't contemplate the worst and prepare for it, you may find yourself unwittingly enrolled in the school of hard knocks.

LOST IN THE FLOOD

"We've prepared for a lot of hurricanes over the years," said Mike Massey, owner of three Massey's Professional Outfitters stores in Louisiana. "It's been a common event for us to board up our windows."

Massey has always had a pretty good disaster plan. "We have what I feel is an adequate recovery procedure. We can get back to normal pretty fast," said Massey.

With stores 70 to 80 miles from each other, Massey has some flexibility; he can shift personnel, products and vital information to various sites. And whenever a hurricane powers toward Louisiana, he and his employees back up computer data, board windows and take steps to protect merchandise. After the storm passes, he said, "We can pretty much get up and running after a day."

While these steps had always served him well, he still suffered a walloping blow when Hurricane Katrina roared ashore in



Just off the shores of Lake Pontchartrain, Massey's Professional Outfitters' store in Metairie, La., suffered substantial damage from Hurricane Katrina.

late August 2005.

For two weeks, his 33-year-old store in Metairie, La., just off the shores of Lake Pontchartrain, sat in 8 inches of stinking flood water. "We had never had a store flooded before," he said. Massey and his employees were able to move personnel and some merchandise to a store in Baton Rouge and continue operations, but they still faced many challenges.

For one thing, the Metairie store had housed the company's Internet operation. And Massey said, "Our Internet business was zeroed out. We had no idea what kind of inventory we had and what we could salvage."

And there were physical challenges in restoring the Metairie store. "It's almost impossible to describe," said Massey. "Mildew 4 feet up every wall. Merchandise contaminated with mildew. Yakima cardboard boxes stunk. It was nasty, brackish lake water. You couldn't spend more than five minutes in the store."

He knew that if he hired a contractor for all the cleanup and rebuilding, he'd be out of business for months. So he and his employees went about the tough task of tearing out and rebuilding entire walls. "We had enough debris to fill a 20-foot-long trailer twice," he said.

Massey also faced problems with his insurance. "I called our insurance company, and they said that since the building didn't sustain certain types of damage, we couldn't get business interruption insurance. So we're still arguing with them about that," he said in December.

When asked what advice he would give other retailers, he said they should consider all the possible scenarios they might face and be sure they have the right insurance. "One thing I know for sure is that when this is all over, I will sit down and review our insurance coverage," said Massey.

COMMON PROBLEMS

"When it comes to a major disaster, the No. 1 mistake that small to medium-sized businesses make is to not have enough business interruption coverage," said Bob Hartwig, chief economist for the Insurance Information Institute. "Most have enough to repair a damaged structure or

PHOTO COURTESY OF MASSEY'S PROFESSIONAL OUTFITTERS

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replace inventory, but they could be out of business for weeks or months before the business is rebuilt. During that time, you'll suffer a loss of income and incur additional expenses. And business interruption will cover both of those."

Hartwig also advises companies to purchase flood insurance. "You can get business interruption as part of the flood insurance," he noted.

"The important thing about insurance is that it's money in your pocket that gives you choices or alternatives in adapting to a changing environment," McClure said. And every dollar counts when you're faced with the financial burden of a disaster. For Massey, his rebuilding project will approach six figures by the time he's done.

For Tents and Trails in New York City, doors stayed closed for 10 weeks following 9/11, and Abish and Lipman paid employees for a 40-hour workweek. "We hadn't budgeted for that," said Abish. "A week after September 11, we got staff together at a bank. I pulled out cash and sat in the corner of the bank for two hours, paying 20 employees."

While insurance is a major issue after a disaster, one of the biggest challenges during an event is communication. "The hardest part was being able to get in touch with employees, and they're like family to us," said Massey. When phone lines went down across the Gulf Coast and employees scattered to seek shelter, he had a tough time keeping track of everyone. McClure recommends that companies get 24-hour contact information for employees and establish a phone tree.

Owners should also keep in mind that they may be physically far away from their business when disaster strikes.

"I was in Seattle on September 11," said Abish. "We had a phone list and it wasn't on the premises, so we were fortunate." She also had contact information in her PDA. "From the moment I found out, I was making phone calls to make sure no one was hurt," she said.

Manufacturers, retailers and disaster planning experts agree that, besides your employees, the most important things to protect are communication and information systems.

BACK IT UP

Many outdoor manufacturers, such as Timbuk2, are going to great lengths to protect data. Timbuk2 sews custom messenger bags in San Francisco and sells a significant amount of product via the Internet. The small company contracts with Perrin Consulting to keep its systems running in a disaster.

"To fortify (the Internet) channel, we have built a highly portable web application that we can run almost immediately

from three physical locations," said Kim Perrin, a solutions architect with Perrin Consulting. "If any one site goes down, we can quickly re-point Timbuk2's DNS servers to a different physical location."

As for communications, Perrin said that in a disaster, the landlines of the sales force and senior staff are redirected to the appropriate cellular phones. "Next, the mail server is brought up at a different physical location, restoring the mail from off-site backup tapes," she said. "The final step is to bring up the mail server and relocate the DNS servers to the new physical location. The flexibility of the phone and computer connectivity adjustments allows people to work from any location."

In the past few years, the number of data backup companies has expanded dramatically. While many small businesses continue to back up data to tape or USB hard drives, online services are becoming more popular.

Evault, an online data backup company in Emeryville, Calif., across the Bay Bridge from San Francisco, has 7,000 customers and generated \$24 million in revenues in 2005. Companies such as Evault are thriving because they offer convenience and take the burden off the shoulders of business owners. Plus, they're becoming more affordable.

"The cost of bandwidth has declined, and the cost per gigabyte of hard disks continues to plummet," said Tony Barbagallo, Evault senior vice president of marketing. "Over 80 percent of our customer base was previously backing up to tape." He said the average subscriber is backing up about 50 gigabytes, which costs \$400 a month.

Granted, Evault represents the high end of the market. With a little research, you can find a service to fit your budget. Or simply go old school. Backup your data regularly, and then store it in multiple locations. The point is, something is better than nothing at all.

COSTS AND BENEFITS

McClure said that many small businesses do not prepare for disaster because they're concerned about costs, and most do not budget money for a disaster plan. "A lot of it is psychological barriers," she said. "That's why the Open for Business kit shows no-cost and low-cost things a business can do to help get over that barrier. Even if a business doesn't have much of a budget at all, the owner will see things they can at least do to get started. As they get comfortable, they can budget more as time goes on."

There is also a side benefit to disaster planning, said Donna Childs, president of a New York financial firm and

PATAGONIA PREPARES FOR THE...

WORST

Talk about a rough first day on the job. In January 2005, Casey Sheahan headed toward Ventura, Calif., to begin his first day on the job at Patagonia, but was greeted with floodwaters and mudslides. "I had to take a ferry to get from Santa Barbara to Ventura," he said. "The Ventura River (near the Patagonia headquarters) was at 30,000 cfs." No wonder he's working hard to shore up Patagonia's disaster plan. "We're not completely there yet, but we are developing one," Sheahan said.

Patagonia has plenty of reason for concern. In addition to floods, Ventura County suffers periodic earthquakes and fires, while trains with chemicals clack down the railroad tracks 300 yards from the Patagonia offices.

"The Tsunami that hit Thailand and Indonesia was also a big wake-up call," said Sheahan. "It affected a lot of our extended family around the world."

Patagonia's doing the usual stuff, like backing up data, but the company wants to go further. In December 2005, Sheahan met with Patagonia's facilities director to develop a plan to make the company self-sufficient for three days in the event of a disaster.

"We're especially concerned with kids in the child-care center," he said. To provide for the kids as well as all employees, Patagonia wants to have clean, safe water available. "We're even beefing up our power generators and looking at having salt water distillation and fresh-water pumping," said Sheahan. The company will also identify possible

sleeping areas, ensure that toilets will work, and stock a supply of satellite phones.

"We're also trying to figure out ways to get people home," he said. "Everything from a fleet of bicycles to people having hydration packs so they can walk long distances."

That would be a long walk indeed for Sheahan, who lives in Boulder, Colo. "I think I could do it in about 47 days," he laughed.




co-author of "Contingency Planning and Disaster Recovery: A Small Business Guide." As you evaluate your business functions, you become more organized. "You operate more efficiently in day-to-day operations and have a better sense of how your business works," she said.

But the greatest benefit of a disaster plan is that it will help steady you in the midst of a suddenly chaotic and shifting landscape. When a disaster strikes, things may happen that you cannot predict, and you could wake up to very different conditions.

For the owners of Tents and Trails, the empty sky above Ground Zero is a constant reminder that they operate in a new reality, where a sizeable portion of the store's customer base is gone.

"Two extraordinarily large buildings and the buildings around them are gone," said Abish. "Thirty thousand people who worked in those building are gone, and another 20,000 who used to walk through those buildings are gone. Traffic's down; I'm not going to kid anyone."

In New York City, thin traffic is not something you contemplate. But, in this unsteady world, it's hard to foresee what may come.


At 9:03, on a bright blue morning more than four years ago, Heather Lipman turned her back to the World Trade Center. "I never saw it hit," she said. "I never saw it coming." 

» To read more on Hurricane Katrina and the recovery efforts, go to www.snewsnet.com/katrina.

ARE YOU PREPARED?

FROM THE OPEN FOR BUSINESS TOOLKIT, 10 QUESTIONS YOU SHOULD ANSWER...


- » Are you concerned that your normal business operations might be interrupted by a natural or human-caused disaster?
- » Have you determined what parts of your business need to be operational following a disaster, and planned how to resume those operations?
- » Do you and your employees have a disaster response plan to help assure your safety and to take care of yourselves until help can arrive?
- » Could you communicate with your employees if a disaster happens during work hours or after work hours?
- » Can your building withstand the impact of a natural disaster, and are your contents and inventory sufficiently protected so they will not be damaged?
- » Are your vital records protected from harm that could be caused by a disaster?
- » Are you prepared to stay open for business if your suppliers cannot deliver, your markets are inaccessible, or basic needs (e.g. water, sewer, electricity, transportation) are unavailable?
- » Do you have plans to stay open for business, even if you cannot stay in or reach your place of business?
- » Have you worked with your community—public officials and other businesses—to promote disaster preparedness and plan community recovery?
- » Have you consulted with an insurance professional to determine if your insurance coverage is adequate to help you get back in business following a disaster?
- » To download a complete copy of the Toolkit, visit www.ibhs.org/business_protection/.



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