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Hurricane prep work rings up sales

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By Paul Davidson, USA TODAY

Hurricane season has barely begun, but it's already kicking up a storm at cash registers.

Mass trepidation after last year's record barrage has been blowing the roof off sales of satellite phones, generators, backup data services and ready-to-eat meals. The months-long buying craze is even spawning spot shortages of items such as hurricane shutters.

Tropical Storm Alberto, which hit northern Florida on Tuesday, merely fueled the frenzy. Jittery consumers stocked up on batteries and water, though Alberto was never forecast to become a major storm.

"Historically, people buy in panic mode, but this year it's more proactive buying" before hurricane season began this month, says Craig Van Wagner, president of GMPCS, a satellite-phone dealer.

The economic boomlet is rooted in businesses and some consumers treating hurricane preparation more soberly after two punishing seasons.

Take S&H Solutions of Delray Beach, Fla., which provides frequent-shopper services to grocery stores and other retailers. It's renting redundant data facilities in Miami and Atlanta, where it has opened a second office to stay up and running in case of another coastline disaster. It bought an Internet-based phone system from TelCove that's immune to local phone outages. And it's leasing two satellite phones. Total tab: about \$20,000 a month — no small change for the 80-employee firm.

But S&H isn't blinking. After Hurricane Wilma tore gaping holes in the roof last year, its office building flooded and was condemned. For days, the company could not access payroll, e-mail and marketing data. For weeks, it had no office, no phone service.

"I never want to deal with a situation like last year again," says Steve Ritacco, S&H's chief technology officer. The extra \$240,000 a year in expenses, he says, is a small price against the several hundred thousand dollars that Wilma cost the company in lost productivity.

Most vigilant are those on the front lines. Utilities are shoring up networks. Grocery stores and gas stations are snapping up generators. Oil companies are moving critical equipment above (they hope) the reach of floodwaters.

Thousands of others, from law firms to brokerages, are scrambling as well. One big New York brokerage, concerned about a tsunami hitting the East Coast, feared that its data center 35 miles inland wasn't far enough away. It's moving the operation 40 miles farther, says Bob Bauer, group vice president of Emerson, the firm's network power supplier.

In New Orleans, conveyor-belt maker Laitram took a two-year lease on 43,000 square feet of office space outside Dallas and reserved hotel rooms for employees there as a hurricane contingency.

Consumers, meanwhile, made the most last month of Florida's 12-day sales tax holiday on items such as flashlights, coolers and tarps.

"We're at a level of preparation we've never seen," says Jonathan Bernstein, president of consultancy Bernstein Crisis Management.

Last year saw a record 27 tropical storms and hurricanes, which followed a brutal 2004 assault. This year's forecast is for up to 16 tropical storms, at least eight of them hurricanes.

Most businesses remain grossly underprepared for natural disasters, experts say. Many big companies' hurricane plans include details for securing buildings and backing up records, plus employees' emergency contact numbers. But the blueprints are often of little use because few businesses update them or conduct drills, says Jim Green of Business Risk Solutions.

Chief executives, Bernstein says, are loath to invest big bucks in disaster preparation because they see little return. "They take the ostrich approach," he says. "It's the same reason people don't get mammograms and colonoscopies." But, "Every dollar invested in crisis preparation averts \$7 in losses."

Despite gaps, the number of companies launching or beefing up hurricane plans has doubled this year, he estimates. Since last year, more than 60% of large businesses have audited their backup power needs, and 75% have budgeted funds to prepare for disasters, Survey.com found in an April survey for Emerson.

Keeping the lights on

Partly as a result, generator sales are now a year-round, rather than seasonal, business, says Mike Carr, manager for No. 3 supplier Generac. Revenue at Generac distributor Waukesha-Pearce is up 500% this year, says sales chief Ken Welsh.

Driving the surge are companies such as Southeast grocer Publix. Its Florida stores had to throw out nearly \$100 million in perishable foods the past two hurricane seasons as their standard backup generators were inadequate to power freezers. This year, Publix is spending \$100 million on 400 high-powered generators for its most vulnerable outlets in Florida, Georgia and South Carolina. "Customers don't want to see empty shelves," says Publix's Maria Brous.

Chevron is shelling out about \$2 million to wire the 52 Chevron and Texaco gas stations it owns in the Gulf for generators, which it plans to rent for up to \$4,500 a week. Power outages at stations in the region contributed to gasoline shortages last year.

Companies are also focusing more intently on disaster recovery. Big corporations have always backed up their data but now are copying records more frequently. Many small firms are setting up off-site centers for the first time, says IDC analyst Laura DuBois.

Sales of IBM's "hurricane pack"— which provides data-hosting for small businesses and lets them access e-mail on the Web for about \$1,000 a month — are up about 65% this year, says Michael Riegel, who manages the services.

Market Street Mortgage of Clearwater, Fla., spent \$15,000, and will pay about \$5,000 a year, on a Neverfail system that replicates its data at a second site. Previously, it relied on backup tapes that could take hours or days to restore. "Each hour we're down is millions in lost loan production," says Charlie Pelton, chief information officer.

A similar system was purchased by New Orleans law firm Stone Pigman Walther Wittmann, which couldn't retrieve updated court documents after Hurricane Katrina. "You don't want to go to court half-cocked," says firm information technology director Janine Sylvas.

Satellite communications systems have also become essentials for many businesses since last year's hurricanes downed millions of phone lines and left cellphone service spotty at best. GMPCS' hurricane-related sales are up fivefold, Van Wagner says.

New Orleans news radio station WWL bought a \$7,000 satellite system for its mobile studio so it can broadcast and take listener calls "under any condition," says chief engineer Joe Pullet.

The *South Florida Sun-Sentinel* in Fort Lauderdale recently bought several dozen satellite phones, mostly for reporters and photographers. "We know people rely on us for information in the aftermath of a disaster," says newspaper spokesman Kevin Courtney.

More basic commodities are also in demand. Ready-to-eat meal sales have doubled this year, says HeaterMeals President Tim Zimmerman. Corporations are stocking up, but consumers are the main drivers. "A lot of people last year depended on (government) agencies," he says. "They're now saying, 'I'm going to prepare myself.' "

Cingular Wireless bought 12,000 ready-made meals for workers who might be summoned to restore hobbled networks.

Scramble for shutters

The crush is leading to runs on some items. As homeowners scamper to protect their windows, aluminum-shutter installers are backed up as much as 50 weeks. Home Depot "is placing orders every half hour of every day," says Dave Zajac, president of Weather Guard Building Products, a shutter maker. There are spot shortages in some stores, he says.

Some companies are responding to backlogs for contracting services after last year's storms. National supplier Simon Roofing ensures priority service after a hurricane for a base annual price of \$550.

In New Orleans, building contractor Drew Herrington recently launched Hurricane Guy, which provides a range of services to the city's storm-weary residents. He'll customize shutters, copy key documents, make hotel reservations, plot evacuation routes, board up the house prestorm and even consult with insurance companies. All for a cool \$5,000 annual fee *before* hurricane season. Herrington has 25 customers and is signing them up at a rate of two a week.

"I have yet to have somebody say it's too expensive," Herrington says. "It's peace of mind."

Yet for companies in the trenches of hurricane season, preparation doesn't just mean a shopping spree. It's also about fortifying infrastructure and readying crucial systems. Some examples:

•**Oil companies.** Katrina shut down facilities producing 70% of the oil in the Gulf of Mexico, and some remain closed. The industry is making offshore drilling platforms about 45% stronger, says the government's Minerals Management Service. Chevron is raising wiring at its gas pipeline terminals to dodge floods and adding bracing to platforms. Valero's refineries have moved electric motors higher.

•**Retailers.** Home Depot and Lowe's are overstocking commodities such as plywood, flashlights and shutters. Home Depot has added a computerized system to track deliveries to hurricane-stricken areas and a weather system that predicts a storm's wind speeds so lumber and roofing materials are rushed to areas likely to be hit hardest. "We're the first provider of emergency products," says division President Paul Raines. "We have to have rapid response."

•**Utilities.** BellSouth last year had trouble entering restricted areas to fix phone lines, especially in New Orleans, as it was forced to seek authorization from dozens of local authorities. This year, the company is working with federal officials on a national certification for better access so it can restore service more quickly, says Vice President Bill Smith.

Wireless carriers are turbocharging their networks. Verizon Wireless is setting up mobile cell sites and fuel trucks near hurricane-prone areas and building microwave links that can route calls if networks are down.

Perhaps no one is under as harsh a glare as Florida Power & Light. The utility was battered by seven hurricanes in 15 months that downed 25,000, or 2%, of its utility poles. Wilma knocked out power for 3.2 million customers. It was criticized for buying inexpensive poles and skimping on inspections.

This year, FP&L is assessing all 750,000 poles in hurricane-damaged areas, adding bracing and new wires where

needed. In key areas, such as hospitals, it's strengthening poles to sustain 150-mph winds — the highest standard used by any utility — and clearing tree limbs. It's encouraging municipalities to move wires underground by offering to pay 25% of the cost.

"We can never make our system hurricane-proof," says Mike Spoor, FP&L director of distribution system performance. "But we certainly expect our customers will be experiencing fewer outages."

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