LEISURE, HOSPITALITY AND RETAIL INDUSTRY CLUSTER

Overview

In November 2012, the Department of Labor reported the highest number of jobs lost due to Hurricane Sandy were in leisure and hospitality.[1] Due to the proximity of many businesses in that cluster to coastal areas that may be more vulnerable to natural disasters, Business Continuity can be essential for survival. Some facts regarding the Leisure, Hospitality, and Retail cluster[2:]

- Leisure, Hospitality, and Retail is the state's third largest industry sector
- In 2011, total tourism demand in the State of New Jersey tallied nearly $38 billion.

- The tourism industry directly supports 318,500 jobs in New Jersey and sustains more than 500,000 jobs including indirect and induced impacts.
- Sandy hit during the time of year that historically sees lower tourism demand, allowing for a rebuilding period before the 2013 summer season.
- Tourism spans nearly a dozen sectors including lodging, recreation, retail, real estate, commercial airlines, food & beverage, car rental, taxi services, travel agencies, and others.

Business Continuity Overview for the Leisure, Hospitality and Retail Cluster

Business Continuity is the creation of a plan to resume critical business processes after a disruption. Having a plan in place before a disruption, and practicing the plan, will enable a business to resume critical processes much more swiftly, efficiently and cost-effectively than an improvised response. According to FEMA, 75 percent of businesses that do not have BCPs fail within three years of a natural disaster[3].

[1]http://lwd.dol.state.nj.us/labor/lwdhome/press/2012/20121115_Unemployment.html
[2]http://www.visitnj.org/sites/visitnj.org/files/2012-03-nj-gov-conference-oxford.pdf
[3] http://www.usfa.fema.gov/pdf/efop/efo47103.pdf

Common risks and potential actions to reduce those risks for Leisure, Hospitality and Retail companies are identified below:

Risk	Potential Protective action
Denial of access to facilities	• Continuously update status on social media sites, website, and the press to let customers and employees know the current status and plans to resume operations
Denial of access to key transaction and information systems (e.g. computer systems, credit card machines)	• Develop manual transaction processes to work with financial institutions and customers. • Establish robust off-site data replication of key information systems and databases • Acquire alternative communication methods to support continued operation and acceptance of funds.
Staffing deficiencies (access challenges, surge requirements, staff unavailable)	• Invest the time to ensure staff are appropriately cross-trained and experienced in carrying out any key aspect of your business
Loss of customers/foot traffic	• Keep status of business updated on social media and the business' website, inform local media that the business survived the event, and is either open or will open within a realistic timeframe. • Ask regular customers for email addresses in advance in order to reach out to them once a disaster occurs and share both recovery and sales initiatives • If the location is no longer accessible, search for a temporary location nearby and publicize that address.
Loss of customer confidence	• Keep status of business updated on social media and the business' website; • Inform local media that your business survived the event. • Reach out to current customers via email blasts and courtesy calls (if possible). • If the location is no longer accessible, search for a temporary location nearby and publicize that address.
Vandalism and/or theft	• Develop plans with local law enforcement and emergency management to maintain security during a prolonged absence. • Invest in remotely accessed security and surveillance equipment.
Physical damage	• Develop contact lists of construction contractors, roofers, plumbers, landlords, building management etc. who can reliably respond to physical damage.

More information on business continuity can be found at these sources:

- FEMA Preparedness for Businesses
- SBA Disaster Planning
- FEMA: Ready.gov
- Red Cross Ready Rating
- Institute for Business and Home Safety

Many advanced manufacturing businesses will likely need a more complex BCP; examples of such BCPs can be found in the following links:

- IBHS Decision Track
- IBHS Advanced Tack Resources
- IBHS Supply Chain
- IBHS Logistics
- IBHS Incident Management and Crisis Communication
- IBHS Vulnerability Assessment
- IBHS Financial Controls and Resiliency
- IBHS Employee Awareness, Training, and Exercises

A reliable Business Continuity Plan (BCP) should be developed using a systematic, orderly approach. The questions below include processes any BCP should address.

Key Questions	How to proceed
What are our most critical processes?	Think of processes that are customer-facing, employee-facing or facilitate cash-flow.
Who performs these processes?	Create an employee call tree or employee accountability and notification system.
What do they need to perform these processes?	Create a list of critical tools, supplies, data sources, etc.
Where can the people who perform our critical processes work if our business-as-usual facility is unavailable?	If possible enable employees to work from home, put in place an agreement with similar businesses to reciprocally provide emergency workspace, create a list of local realtors who have appropriate space to lease.
How well do you and your employees know your plan?	Have all involved walk through the steps of the plan in a tabletop exercise. Identify gaps in the plan and fix them. Document fixes. Do this annually and this basic plan will be kept up-to-date and will improve over time.

Hazard Mitigation for the Leisure, Hospitality and Retail Industry Cluster

Hazard Mitigation is the assessment of the hazards that are most likely to strike a particular business type or location, and the creation of a plan to lessen the effect of those hazards before they strike.[4] The most common example of hazard mitigation is a fire alarm: the vast majority of all construction is vulnerable to fire, and advance warning of a fire hugely diminishes the risk of loss of life or property. Each business should plan for the hazards they are most likely to face for example, a business in the Midwest is not likely to experience storm surge from a hurricane, so hurricane mitigation should be a lesser priority. Hazard mitigation is distinct from business continuity planning; hazard mitigation activities are undertaken before a disruption to physically reduce the effect or damage on the business. Hazard mitigation tools and resources are available from the following link to FEMA.

For the Leisure, Hospitality, and Retail Industry Cluster, mitigation to prevent excessive closure, especially during the high-traffic spring and summer months, is recognized as critical. Fire and water damage can be prevented through periodic safety audits and careful facilities planning using fireproofing, proper drainage, and other proven techniques. Power interruptions can be minimized with an Uninterrupted Power Source and backup generator for critical equipment and operations. The following links provide information on implementing hazard mitigation.

- Additional Mitigation Programs and Activities for your Home
- Additional Mitigation Programs and Activities for your Business
- FEMA Region II

Examples of Potential Hazards	Examples of Mitigation Actions
Flooding	• Build with flood damage resistant materials: http://www.fema.gov/media-library-data/20130726-1503-20490-6330/fema15.pdf • Raise electrical system components: http://www.ready.gov/floods • Anchor fuel tanks • Install sewer backflow valves • Elevate buildings in low lying areas • Consider utilizing the National Flood Insurance Program (NFIP): http://www.fema.gov/national-flood-insurance-program
Loss of Power	• Invest in and regularly test an emergency generator: http://www.emd.wa.gov/preparedness/GeneratorSafety.shtml • Have battery-operated light sources on hand, keep stock of batteries: http://www.ready.gov/blackouts • Invest in an Uninterruptible Power Supply (UPS): http://www.energystar.gov/index.cfm?c=new_specs.uninterruptible_power_supplies, http://en.wikipedia.org/wiki/Uninterruptible_power_supply • Plug computer and electronic equipment into surge protectors: http://www.disastersafety.org/blog/surge-protector-and-power-strip-know-the-important-difference/ • Unplug any sensitive electronic equipment in advance of severe storms

Hazard Mitigation continued:

Examples of Potential Hazards	Examples of Mitigation Actions
Strong Winds	• Utilize Exterior Insulation and Finish System (EIFS): http://www.fema.gov/media-library-data/20130726-1627-20490-4852/how2027_eifs_walls_4_11.pdf • Elevate items in house/business that could flood; bring in items from outdoors that could become projectiles: http://www.ready.gov/severe-weather • Protect windows and doors with covers: http://www.ohsep.louisiana.gov/factsheets/avoidingwinddamage.pdf • Reinforce or replace garage/loading doors • Secure metal siding and metal roofs • Secure built-up and single-ply roofs • Secure composition shingle roofs • Brace gable end roof framing
Fire	• Eliminate electrical outlet overloads: http://www.usfa.fema.gov/citizens/home_fire_prev/ • Test smoke detectors regularly: http://www.ready.gov/fires • Replace long-term use of extension cords with permanent wiring • Replace broken or frayed electrical cords • All employees now how and where to shut off electrical power • Separate incompatible materials (flammables and corrosives): http://www.lbl.gov/ehs/chsp/html/storage.shtml • Keep flammables in approved safety containers: https://www.osha.gov/dte/library/flammable_liquids/flammable_liquids.html • Use flammable liquids only in well-ventilated areas

Insurance Considerations Specific to the Leisure, Hospitality and Retail Industry Cluster

Two types of business specifically useful for Business Owners to utilize are Property Insurance and Business Interruption Insurance. Property insurance compensates for property necessary in daily operations if lost or damaged. Business Interruption insurance is insurance that covers the loss of income resulting from damage that disrupts the normal operation of the business. Business owners should review their insurance policy at least yearly for any changes or updates needed to their policies. For example, new equipment and facility upgrades that are not itemized in last year's policies may be added.

Businesses can purchase bundled coverage, like the Commercial Package Policy (CPP). The CPP combines Commercial Liability and Commercial Property and some additional policies designed for specific industries such as Leisure, Hospitality, and Retail businesses. The Commercial Package Policy provides both property and liability coverage but has more flexibility to tailor the insurance coverage to the specific needs of a business.

Commercial Property Insurance (CPI) provides coverage for any building owned or leased, including improvements and permanent fixtures and equipment, business property on premises and personal property of others in the 'care, custody or control' of the company. This last clause – property of others – is what makes CPI important for the Leisure, Hospitality and Retail industry to consider. For example, an art gallery that offers paintings on consignment would want to ensure their Commercial Property Insurance policy covers art owned by others that is lost or stolen.

The National Flood Insurance Program (NFIP)[5] was created by Congress in response to increasing costs of floods, primarily due to disasters. At the time NFIP was enacted,

Common Questions to Ask an Insurance Provider

Firms should have an annual insurance policy review with their providers. Included below are some common questions to ask during those reviews:

1. Which perils are or are not covered under the current policy?

2. What insurance regulation changes are coming in the next year?

3. What increases in coverage should be considered?

4. What is the provider's biggest concern with current insurance coverage?

5. Are there any additional options?

6. Are there any incentives or benefits available to businesses that have undertaken mitigation or continuity activities?

[5] http://www.fema.gov/national-flood-insurance-program

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flood insurance was not readily available or affordable through the private insurance market. Congress agreed to subsidize the cost of the insurance so premiums would be affordable. NFIP was recently changed, and the following links provide critical information on the program and those changes.

- Flood Insurance Issues in Recovery
- National Flood Insurance Program and Reforms
- National Flood Insurance Program
- Building Higher

Questions Specific to the
Leisure, Hospitality and Retail Industry Cluster to Ask an
Insurance Provider[6]

1. What occupancy and Average Daily Rate (ADR) did the hotel expect to realize during the period of loss? Will that match the expected revenues had the loss not occurred?

2. Are the projected occupancy and ADR reimbursements supported by occupancy trends in the specific market? This information may be available from authoritative sources, such as Smith Travel Research, which tracks and reports occupancy and ADR for a competitive set of hotels in the geographic area.

3. What is needed to adequately document canceled reservations, including conferences, events, and other reservations? (If bookings prior to the loss are higher than bookings a year ago, that may indicate that the trend would have continued in the coming year.)

[6] http://www.irmi.com/expert/articles/2010/speer09-commercial-property-insurance-business-interruption.aspx