



## Marketing In The Face of Disaster

*Lessons Learned from Katrina*

By Lisa A. Rozycki



*It was business as usual at Postlethwaite & Netterville (P&N), Baton Rouge, LA (21 partners, 7 offices, 200 total staff) on Friday, August 29th, 2005, three days before the most devastating natural disaster in American history, Hurricane Katrina, made landfall on the Gulf Coast in Mississippi, Louisiana, and Alabama, having first made landfall in Florida on Thursday evening, August 28th.*

That day, the firm's Metairie office in the Greater New Orleans area, conducted a "2005 Technical Accounting Update" seminar at the Intercontinental Hotel on St. Charles Avenue, only a few blocks from the Superdome. The same seminar was scheduled for their Baton Rouge market, approximately 60 miles northwest of New Orleans, on Monday, August 29th.

"We were not really thinking hurricane," said Elizabeth Reed Scully, Marketing Manager. "It did not really change course until Friday afternoon."

Likewise, in the Mid City section of New Orleans on Canal Street, staff at Ericksen, Krentel & LaPorte, L.L.P. (EKL) (7 partners, 1 office, 40 total staff) were checking the Internet for updates on the projected path but thought this storm was like many other hurricanes projected for the Gulf Coast.

"This storm was no different," said Partner in Charge of Consulting, Kevin Neyrey. "We did not shut down the office early Friday because it was still far away and it was a little premature."

Geralyn Suhor, CPA, a sole practitioner with a home office in St. Bernard Parish and the 2005-2006 President of the New Orleans chapter of the Louisiana Society of CPAs, left with her children on Friday for a tennis tournament in Jackson, Mississippi.

By 5:00 p.m. CDT, the National Hurricane Center issued an advisory forecasting that Katrina would soon be a Category 3 storm and Louisiana Governor Kathleen Babineaux Blanco declared a state of emergency for the state of Louisiana.

By then, EKL's Managing Partner, James LaPorte, had sent an email to all employees that if the Louisiana Governor issued an evacuation order over the weekend, to follow her instructions but that it looked like he would see everyone back in the office on Monday. He reminded everyone to check in over the weekend for any broadcast voicemail from him in the event things changed.

Suhor had all of her computer files backed up on CDs in the event of disaster but neither she nor Neyrey took anything with them when they left for the weekend. All desktop computers, files, laptops and contact information were left behind.

Suhor could not get back to New Orleans on Saturday because at that point, 4:00 pm CDT, per Governor Blanco's order, "Contraflow" began, which reversed all traffic on inbound interstate lanes creating all outbound lanes and more room for evacuating vehicles.

"I tried to get a hotel room in Jackson but they were all taken," said Suhor. "At that point, I realized the gravity of the situation."

She ended up driving to her sister's house in Baton Rouge and arrived there on Sunday.

By 11:00 p.m. EDT, Saturday evening, the National Hurricane Center issued a warning suggesting that Katrina was moving in a western direction in an area that included New Orleans.



*Ericksen, Krentel & LaPorte's New Orleans office on Canal Street sustained extensive first floor water damage from Hurricane Katrina. The water line is visible just below the door handle to the office building that is marked by officials' spray paint indicating the building had been searched.*

By Sunday morning, Katrina was declared a Category 5 storm, the highest possible rating, and New Orleans mayor Ray Nagin ordered a mandatory evacuation of New Orleans.

That afternoon, Scully did her personal shopping for hurricane supplies for her family, then went into the Baton Rouge office that afternoon to start making cancellation phone calls to those who were registered for the Monday seminar.

Meanwhile, in New Orleans, her firm took a team of local employees from their IT department, other employees who could lift heavy objects, and a large truck to their Metairie office to move computer servers and key files to their Baton Rouge office. Clearly, those firms that had satellite offices were at an advantage in surviving this storm.

By Monday at 6:10 a.m. CDT, Katrina made landfall around Buras, Louisiana as a Category 4 storm, wreaking incredible physical destruction along its path, flooding the city of New Orleans, and eventually killing over 1,300 people.

### **Assessing The Damage**

P&N's Metairie office building contains a first floor parking garage and a second floor office. The parking garage sits approximately 3 to 4 feet off of street level. Water was a foot above the first floor parking garage level. Fortunately, the office had double pane windows and only one person's office sustained heavy damage. While the Metairie office survived the hurricane in relatively good shape, about a third of the firm's employees had severely damaged homes and were displaced.

EKL's 10,000 square foot, two-story office building had five feet of water on the first floor. That water sat in the building for three weeks after the storm. Electricity wasn't restored to the building for four months.

Suhor's home office was the worst hit room in the house and she lost most of the paper files for her practice. The back up CDs she made of her files were damaged by the chemicals in the water and were rendered useless. The hard drive on her computer wasn't salvageable either.

She could not get back to look at the damage until September 28 when residents were allowed to "look and leave." She used an axe to open the filing cabinet because the locks were swollen. She took what she could salvage back to her sister's house in suitcases and sat on the front lawn, first copying, then burning the files to rid of the stench.

EKL sent boxes of damaged files to Texas to be freeze-dried. They still came back full of mold so they had to be photocopied.

### **Transitioning Quickly to The Recovery Process**

As part of any disaster recovery plan, when emergency conditions subside, it's important for firm management to transition quickly to the recovery process. Internal and external communications must be coordinated and the general public and all clients must be reassured. Recovery marketing can't be accomplished until those things are well in progress. Additionally, it is important to remember that if the crisis involves your target audiences—employees, clients, media, referral sources, other offices, suppliers, vendors, and contractors—they need to recover from the initial shock of a crisis as well.

Employees will need to be contacted first thing. Without them, there is no firm. Where that contact information is located is also important. Is it in the flooded office or the building that burned to the ground? At a minimum, the contact information should include personal contact information, including home address, home phone, cell phone, and personal email address, as well as emergency contact information for all employees. This information must be updated frequently. Call chain responsibilities must be clearly spelled out and kept updated. Who will initiate the calls and how will the chain work? If the phone system is inoperable, then what will happen?

P&N's executive committee met very quickly after the storm. Managing Director, William Potter, and the managing partner of the Metairie office, Lonnie Stockwell, had ongoing communications between them. Their main concern was for employees and making sure they were accounted for.

The communications system was completely down in New Orleans after Hurricane Katrina. P&N rerouted the Metairie phone numbers to Baton Rouge. Cell phones became the next mode of communication and then they got overloaded. Even in Baton Rouge, a week after the storm, Scully still could not receive cell phone calls.

Text messaging became an important mode of firm communications for both P&N and EKL.

"Right after the storm, we let people know from the Metairie office that they were going to have continued employment after this time," said Scully. "There were a lot of rumors about employee layoffs at large companies in the New Orleans area. Not here because we addressed it at our firm very quickly," said Scully.

By the end of the first week, they had found all of their employees.

EKL's partners were scattered all over the state. Initially, through text messaging and then landlines, they reached each other and scheduled a meeting in Baton Rouge about ten days after the storm at the hotel where MP James LaPorte had evacuated.

EKL reached approximately 70% of their employees by the time they held their initial recovery process meeting in Baton Rouge.

The number one order of business for EKL was to determine what they were going to do about opening their office. They decided to look for office space in Baton Rouge, as did a number of other professional service firms, however, they did not find anything suitable due to the demand for office space in that city.

They did find about 1500 square feet of office space in Gonzales, LA, approximately 50 miles northwest of New Orleans. The firm helped employees find apartments near the temporary office in Gonzales for those that wanted to stay. They kept everyone on the payroll for the two weeks they spent setting up a temporary office.

"Once we opened the temporary office, anyone that could come back to work, was put back on the payroll," said Neyrey. "We could not afford to continue paying those that could not come back to work."

"I will tell you that the firm was very compassionate in its approach to employees," said Scully. "It made you feel very good about where you worked. We gave people a couple of weeks to get their lives straightened out and then report in. We also gave no-interest loans to those that needed them."

P&N had a lot of people staying with Baton Rouge employees, in hotels, and also secured apartments for some of their employees. Temporary workspace in Baton Rouge was set up for all Metairie employees in all available office space including the firm's training room.

Suhor's initial thought was to get a job with another firm but as she ran into clients on trips back to the clean up, she realized how much she was needed.

She found a two-year-old client list in an old desk and a list of receivables. Between the two, she put a mailing list together and drafted a letter to her clients. About half of them contacted her through the letter with new contact information.

“Because the New Orleans chapter had put on continuing education for CPAs, I felt I was the best prepared to help my clients,” said Suhor. “That was a turning point.”

### **Coordinating External Communications**

In the recovery process, all clients and the public must be reassured. Partners and managers must practice full information disclosure with the public, the media, and clients. Internet sites should be coordinated and updated with timely and accurate information.

One of the first things EKL accomplished was posting their partners’ cell phone and email addresses with a message about their physical address in Gonzales, LA on their web site. The message stated that the partners were committed to bringing the firm back to New Orleans.

“Each partner took time to reach out to their clients with email and by cell phone to see what their situations were and what their plans were,” said Neyrey.

Employees must be instructed that, in event of a disaster, they are not to discuss the business impact externally until they are provided with appropriate answers. It is important that other questions that emerge are referred to a firm spokesperson.

When asked about the business impact of the disaster, Scully said that the firm is still evaluating it because some deadlines were pushed back into March of this year. Her Managing Partner’s answer is, “Short term skeptical and long term optimistic.”

“Overall, our firm has recovered very well,” said Scully.

### **Recovery Marketing**

“We knew it was going to be a while before work became available,” said Neyrey. “We had to be as creative as we could in finding it.”

Through two consultants that the firm uses, EKL was connected with other CPA firms across the country to see if they needed CPAs on a temporary contract basis. EKL found a firm in Los Angeles that needed five tax accountants for five weeks. EKL put them on a plane to Los Angeles and was able to charge the L.A. firm their standard hourly rates because of market differences. They also sent three CPAs to Atlanta to work on a large litigation project for a firm.

“They were paying us weekly so that we had some cash flow,” said Neyrey. “That was a challenge in itself because not one of us had checkbooks.”

Finding or reallocating financial resources will most likely be necessary to implement recovery marketing. EKL had to locate their banking officers and establish a line of credit.

“If it weren’t for the partners I have and good staff who made sacrifices to hold this firm together—getting on a plane to L.A. and Atlanta and commuting two hours each way to Gonzales—we would not have made it,” said Neyrey.

Many business owners do not know how to compute losses when filing an insurance claim under their business interruption policy; this is an area where EKL was ready to provide counsel.

With the help of their consultants, Neyrey contacted eight of the largest insurance companies in the country with a letter pitching their services and a Katrina Survivor t-shirt.

For the first time in his career, Neyrey has had to turn down work because of the demand for business interruption claims, casualty loss calculations associated with individual tax returns, and traditional consulting services.

Now, he says, "Marketing is the last thing we are thinking about."

EKL's marketing coordinator resided in one of the hardest hit areas and chose not to return to the firm.

"One of her biggest challenges was how to communicate that we had the ability, were up and running, and could help clients if they needed it," said Scully. "We spent a lot of time strategizing on a tasteful way to tell people that we could help after such devastation."

Some of the Louisiana business publications became online communications because they were not able to print. The popularity of the online publications grew as people sought information on the recovery efforts.

"We went back into Metairie and communicated that our doors were open," said Scully. A lot of the print publications were just coming back online. Probably into December, there was concern as to how they were handling their circulation, how they were reaching their subscribers."

P&N went on to help clients with data recovery, from very sophisticated computer systems to "mom and pop" operations.

Suhor purchased signs and placed them on lawns of clients she reconnected with after the storm. That has resulted in reconnecting with old clients as well as new individual and corporate clients.

"I did see some accounting firms putting up signs in St. Bernard Parish," said Suhor. "That is when I knew I had to do something."

### **Recruiting Even More Difficult**

Staffing is an issue for these Louisiana firms.

Eventually, P&N lost six employees who chose to move on for various personal reasons. EKL lost ten employees due to the storm and has since hired five others.

They are not attracting recruits from out of town and some of the local universities have shut down so there is a shortage of accounting graduates. Neyrey has hired non-CPA professionals from private industry whose positions were lost as a result of the storm. They have also recruited part-time help and allowed employees to work from home.

Suhor now has two family members working for her on a part-time basis.

### **Lesson Learned—Have A Plan!**

What was missing for many firms was not only having an updated disaster recovery plan, but one that addressed the issue of how quickly employees would be connected not only to their computer data, but also to phones, e-mails, and a physical location from which they could do their work.

The challenge for the future is to find ways to protect firm information, no matter where it's stored and no matter how it's used and to find ways to make sure employees stay connected to electronic files, no matter what the interruption.

Suhor now has information scanned into a computer at a different location. She is also saving files to the Internet so she can access them wherever she goes.

EKL now has a disaster recovery plan in place and is moving towards becoming a paperless office.

P&N had an emergency plan and the whole experience has made them place an even greater value on their computer system.

“There is no shortcoming having all those backups and having those computer people accessible,” said Scully.

There are still many issues in the post Katrina environment with infrastructure and employees but these three firms are moving forward.

Neyrey sums it all up by saying, “It’s been a wild ride.”

“It has been a great, great learning process,” said Suhor.

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