

When a PR crisis strikes

What to say when the cameras are rolling, the microphones are switched on and the reporters are scribbling in their notebooks.

BY PHIL YACUBOSKI

JOE FASULA GOT THE BAD NEWS in a pre-dawn phone call, just a few weeks before Christmas 2004. His Aunt Rosie, the deli manager at his family's Gerrity's ShurSave Supermarkets in northeastern Pennsylvania, was on the line, describing a call she got from a staff member. The store in Moosic, Pa.—about five miles from Scranton and 102 miles from Philadelphia—was on fire.

Fasula, 31, vice president and co-owner of the nine-store chain, rushed to the store. A piece of wiring in a sign on in front of the store had caught fire, filling the place with smoke and destroying much of the merchandise inside. In

addition to firefighters and rescue personnel, Fasula had to contend with the newspaper reporters and TV news crews. The media wanted to know what had caused the fire and, more important, when the store would reopen.

As firefighters worked to extinguish the flames, the answer to the latter question was far from clear. The store ended up being closed for a month and a half, and Fasula estimates he lost about \$2 million in revenues. But the reporters' questions didn't faze Fasula, who remembered the old adage, "There's no such thing as bad publicity."

Fasula dreaded the thought of the store's regular customers forced to do their holiday food shopping elsewhere.

But intuitively, he knew he had to be forthright when speaking to the media. "That morning, there were reporters there," he says simply. "We were quick to assess what happened and then we went to talk to the reporters."

Since the fire, he says, business at the Moosic store is up 10%.

Fasula recalls telling the press that the fire had started in the electrical system and he didn't know how bad the damage was. The fire itself didn't reach the store, but the place had filled with smoke.

Staff from Pennsylvania's Department of Agriculture, which oversees food services, were also there that morning; they condemned the food, and everything had to be thrown away. Fasula remembers giving that news to reporters, too, to show the public that the company was being proactive in taking care of the problem and getting the store back open.

"My advice is to be as open and as frank as possible," says Fasula, who says his friendly relationship with the media has been a key to his success. He's often quoted in connection with

What to wear on TV

When you're being interviewed on television, what you're wearing may be just as important as what you're saying. "Viewers tend to make the assumption that if you don't look important, then you're not important," says Carol Rommell, a Florida-based communications consultant who works with television news anchors such as Leeza Gibbons and Fox News Channel's Molly Henneberg. Because 55% of your message is non-verbal, Rommel points out, looking good is important. Here's her advice:

Men

- A suit and tie with a white shirt is always safe. Colored shirts (not too dark) are also acceptable.
- Your suit coat should fit properly through the shoulders so the fabric lays smoothly.

- Darker colors tend to be more conservative and are clearly safer, but black could look too somber.

- Colorful ties are acceptable. Geometric designs should be the size of your thumb so they will be picked up by the camera.

Women

- A tailored look—structured and tighter through the midriff and waistline—is best.
- Straight-cut jackets and bulky fabrics tend to make you look bigger.
- Avoid pastels; they tend to wash out under the lights.
- Don't let jewelry be the message (unless you're selling it). Don't wear dangling jewelry that will create noise.
- Your earrings should be the size of a dime so the camera can see them.



When fire destroyed his store, Joe Fasula (at left with his mother, company president Joyce Fasula) had to face the media. The Scranton, Pa., *Times-Tribune* published the photo above.

450 clients are the New York Yankees and their owner, George Steinbrenner, and Fox News, owned by Rupert Murdoch. Recently, Rubenstein advised actor and comedian Michael Richards

food-related stories in the papers and on television. "Certainly you can't give out information that's proprietary, or information that's libelous," Fasula says, "but anything you can tell them, tell them."

Making yourself available

As Fasula's experience proves, the press can be your ally, even when you're in crisis mode. Your response when reporters come calling is critical.

"I always ask a client, 'What's your reputation worth?'" says crisis-management specialist Howard J. Rubenstein, president of Rubenstein Associates Inc., and chairman of Rubenstein Communications Inc., one of the largest public relations firms in the U.S. It's also a family business—Rubenstein's two sons, Richard and Steven, work with him in the firm's Manhattan office. Among the firm's more than

to apologize to African American activists Jesse Jackson and Al Sharpton for his racial rant in response to hecklers at a comedy club.

Negative publicity is rare, Rubenstein says, but you must be ready to deal with it if it occurs. "The first thing to do," he advises, "is to ask, 'what was the right thing to have done? Do we have to acknowledge we did something wrong?'"

Honesty is the best policy, Rubenstein says. "If you lie, it'll come back to haunt you." A business family facing a PR crisis should take pride in its past triumphs and close ranks, he notes. If a family squabble arises, Rubenstein's advice is simple: "Settle it privately, because you can take down the whole business with a small feud."

The open-communication policy should cross all business platforms, according to Rubenstein. "Talk to the bank, the people that are financing you," he recommends. "If you

have debt, don't ignore the people who are central to your business. Don't let them discover it through the back door or a whisper campaign. If you fall victim to that, you'll lose the connections that you must have in order to maintain a business."

And don't forget to communicate with your employees, Rubenstein adds. He suggests publishing a company newsletter to inform them of your long- and short-term goals. "The employees are often wondering, 'What's next?'" he says. "Sometimes they might have different ideas on how the company should run, but they should all have a common vision. That's all part of public relations."

You can generate your own good publicity by joining the board of a local hospital, sponsoring charity events or advertising in the local newspaper, Rubenstein notes. He encourages business owners to build relationships with reporters for the local media as well as trade publications. It's also essential to have a website, Rubenstein says.

How to prepare

Business owners should prepare for media interviews by practicing a concise description of their company and what's special about it. "They should be able to coherently explain who they are, what they do and what the guiding principles are," says Andrew Gully, a former reporter and

After a fire destroyed his, grocery store, Joe Fasula dreaded the thought of his customers shopping elsewhere. But he knew he had to tell the truth.

make sure yours is well-written and has correct contact information prominently displayed. Reporters and editors, he notes, "are always in a hurry, so make it easy to digest that information."

managing editor of the *Boston Herald* who's now a consultant with KHJ/Gully Strategic Communications in Massachusetts.

It's also a good idea, Gully says, to think about potential problems that could invite media scrutiny. "Give some thought as to what you would say if someone asked you about it," says Gully.

With the arrival of the Internet age, the media have moved away from traditional deadlines and now face a 24-hour-a-day news cycle, Gully notes. He suggests using it to your advantage. "Offer yourself up," Gully advises. "Radio talk shows have time to fill, as does cable access television."

If your company is hosting a special event, prepare a news release that grabs an editor's attention. Gully says to keep in mind that newsrooms get hundreds of news releases a week, so

Phil Yacuboski, a writer and media consultant based in northeastern Pennsylvania, spent nine years as a television news anchor and reporter. He's currently an instructor in the mass communications department at King's College in Wilkes-Barre, Pa.

FROM OUR ARTICLES LIBRARY

A restaurant rebounds from a salmonella outbreak

In 1996, a salmonella outbreak affecting more than 200 people was traced to one of five Duke Sandwich Shop locations owned by the Smart family in Greenville, S.C. It was the worst salmonella outbreak in South Carolina history, a state record that stood until 2005.

"Day after day, the local media chronicled the bad news," wrote reporter John Boyanoski in the Winter 2006 issue of *Family Business Magazine*. According to the *Greenville News*, nearly 600 people contacted the health department, and many guests who had gotten sick sued the restaurant. How did the company handle it?

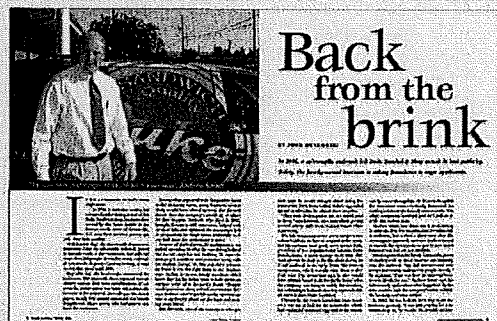
Richard Smart, then the company president, "brought flowers to sick customers, helped with medical bills and tightened the company's belt in preparation for rough times," Boyanoski wrote.

Smart, who died in 2002, "showed

compassion, which was the right thing to do," crisis-management consultant Steven Fink told *Family Business*. Ultimately, Boyanoski wrote, "the courts found that Duke Sandwich was not at fault for the salmonella, which had originated in tainted eggs sold to the restaurant by one of its suppliers. All 53 lawsuits against the restaurant were eventually dismissed."

The company, now run by Smart's son Andrew, recovered and is now selling franchises. "The business is stronger today than it ever was," Andrew Smart told Boyanoski.

To read the whole article, see our Articles Library at www.familybusinessmagazine.com.



THERE'S ENERGY IN CENTRAL PA HILLS

by Phil Yacuboski

Gas drilling operations normally take up 5 acres of land (Photo courtesy of Pa. Gas and Oil Association)

Several times a year, John Ward climbs to the top of his tree stand in rural Sullivan County hoping to get that trophy buck. This past summer as he looked over a carpet of ferns, he wondered what could lie beneath. If geologists are right, the new trophy could be natural gas.

IN THE LATE 1980S, JOHN WARD, OF GLEN LYON, ALONG WITH THREE OTHER HUNTING BUDDIES, SCOOPED UP MORE THAN 60 ACRES OF LAND NEAR DUSHORE, PA., TO USE FOR HUNTING. Years later, little did he realize that he could pay for the land by leasing the property for the exploration of natural gas.

"They knew the gas was here for a long time, but they didn't know how to get it out of the ground," said Ward, who saw an advertisement in a local newspaper about gas companies looking to lease property.

After doing some research, he began the negotiation process, only to get close to five times what was initially offered.

"That's when the land grab began," said Ward. He'll also get a royalty off whatever the company finds in the ground; that money will be split among the four landowners.

Striking it rich

And Ward is not alone. He jokes at the thought of being a 'gas baron,' but he, along with several of his hunting friends, all have leased property hoping to strike it rich. He said nearly 400 acres of nearby land is now up for exploration.

In recent years, geologists figured out how to drill into Marcellus shale, a vast stretch of rock reaching from Northeastern PA into New York State, and all the way back into Virginia. Some scientists say it could contain hundreds of trillions of cubic feet of natural

gas. Once the drilling begins, they are able to drill horizontally—something they've never been able to do, thus getting the shale's vast riches. The thicker the rock, the better; and experts say the rural mountains of Central Pennsylvania are ripe for searching.

There are three other similar shale deposits in Texas, Louisiana and Arkansas, where dwellers are looking, but none is the size of the stretch in Pennsylvania. Experts claim natural gas burns cleaner than coal and say its demand will increase in the next several years, mostly in the industrial sector of the economy. Now that companies are actively recruiting people to sign on with the hope of big bucks, landowners are cashing in.

"In Lycoming County last year, the leases were being offered at around \$200 an acre," said Dale Tice, an attorney with Greevy and Associates, a Williamsport law firm specializing in gas leases. "As the competition between the gas companies took off, the prices just skyrocketed." His firm has handled a number of leases in Susquehanna, Lycoming, Tioga, Sullivan, and Luzerne counties. Tice said it's now shifting to the center of the state.

What's underground?

Ward said he's been told by Chesapeake Energy, the company whom he signed with, that a drill could take up about 4 or 5 acres. Should they hit natural gas, they would place a well on his property.

Tice believes some landowners could get as much as \$2700 an acre, with a few that have done even better. Groups of landowners, he says, also get a better price.

"My impression is that when they drill, they're pretty likely to hit it," Tice added.

"The key thing is that we're still in the exploratory mode, but we don't have confirmation that the area is a good area to develop," said Louis D'Amico, executive director of Independent Oil and Gas Association of Pennsylvania, of Wexford, a non-profit trade association that's been active in natural gas exploration in Pennsylvania.

D'Amico is excited about the possibility of what's underground, but is cautious. "So far about \$2 billion has been spent on lease acquisitions," said D'Amico, "and I don't think there's been enough produc-



Property owners at a seminar in Clarks Summit, Pa., on negotiating with gas lease companies. (Photo by Kalim A. Bhatti, for Susquehanna Business Life magazine)



John Ward, of Glen Lyon, and three hunting buddies, owns more than 60 acres of land near Dushore, Pa. that could contain valuable amounts of natural gas.

tion sold out of the Marcellus shale in the state of PA to buy a pack of cigarettes. Therefore, a lot of us are scratching our heads and wondering what we've got so far."

He also acknowledged that companies are scooping up leases quickly, to the advantage of landowners.

"What happened was, it's like anything else, when the demand goes up, so does the price," said D'Amico.

What's the push?

But what's driving the big push for natural gas in Pennsylvania? Oil prices? Energy policy?

Experts like D'Amico and Tice say it's a

combination of it being the right time and drilling technology. And with thousands of leases being negotiated across the state, it's only expected to grow.

"Natural gas prices are high and there is an increasing demand for natural gas, to take the place of fuel oil where possible, and I really think that geologically, there is potential there," said D'Amico.

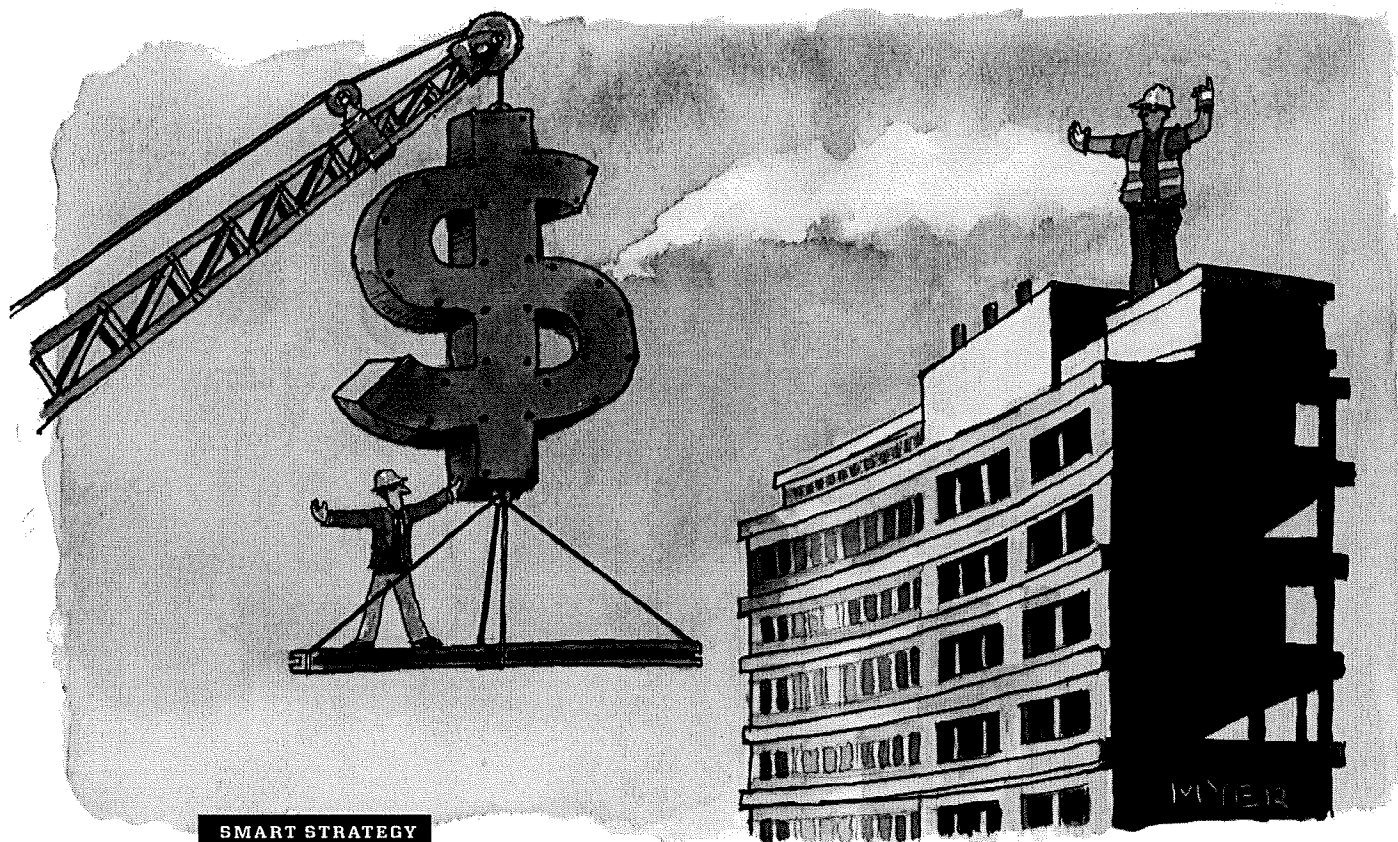
Regardless if the company Ward signed with finds anything beneath the land, he'll still enjoy the property to find that trophy buck.

"I'm hopeful. Very hopeful," said Ward. **SBL**

Phil Yacuboski is a freelance writer in Northeastern PA.

OWNER'S MANUAL

THE BUSINESS OF HOSPITALITY



SMART STRATEGY

» Let's Make a Deal

FINANCING TOOLS TO HELP GET YOUR PROJECT OFF THE GROUND **BY PHIL YACUBOSKI**

HOTEL FINANCING IS GETTING EASIER to come by in today's recovering economic climate, but that hasn't stopped many developers from taking creative approaches to funding their projects. "The landscape is radically different than it was at the peak of the markets in 2007, when lending was really promiscuous," says Bruce Batkin, CEO and co-founder of the New York-based Terra Capital Partners, of financing as of late. Batkin has handled approximately \$5 billion in acquisitions over his 30-year career.

Being heavily asset driven is something that Batkin has used creatively. He cites a recent project his firm completed in Manhattan that received about half of its funding from the bank. He says being able to show the bank his prior real estate success was a bonus. "The

bricks and mortar were good quality, the location was good, and it had a good track record," he says. "The loan was conservative relative to the value of the property."

That's been the case with many bank loans. Unlike office buildings and retail centers, hotels release their tenants every 24 hours, which means they can't be measured according to lease terms and rental rates—the normal variables lenders use to gauge the performance of a commercial property. Without these standard benchmarks, banks and other public lending institutions need to actually understand how a hotel operates in order to evaluate cash flows and accurately forecast performance—at least enough to determine how much debt a property can support. More often than not, debt estimates are modest. →



Hence the need for equity firms like Batkin's, which he describes as a "flexible lender" that often closes deals in as little as two weeks. "I like where lodging is at this point in time," Batkin says. "We're able to finance assets that are well below reproduction cost and we're able to help borrowers finance discounted payoffs of their existing mortgage debt." Batkin says in some cases, lending institutions are willing to take a significant writeoff for a good quality borrower that's able to step up quickly and close on the deal, thus helping a number of developers who are in good financial standing.

In addition to private equity, developers can also partner with their local municipalities to firm up their capital structure. "When the equity dollars don't make sense, it's helpful to have some sort of municipal participation," says Lisa Sexton, director of ORIX Corporation in

ground in municipals, and we're willing to give a borrower more credit for some type of municipal money than someone who doesn't fully understand would."

Overall, Sexton says in many cases it's not easy to work with a local government because you have to go through a number of approvals. But oftentimes it means the difference between a project getting done and not getting done.

Still others believe old-fashioned banking ways are still viable—with help from the federal government. "If you have a good track record and good history sometimes it doesn't matter," says Rodger Forni, co-founder and CEO of Pacific Inns in Portland. In his four-decade career, he's developed more than 120 hotels. In addition, he manages more than a dozen hotels for other owners and investment groups.

Forni says owners of many franchise

"If people are looking to build an 80-unit hotel and they don't have \$2.5 million sitting around it's going to be very difficult."

Dallas, Texas. "That can take many forms, including upfront cash subsidies or debt service guarantees or even a rebate of site-specific taxes. I think any of those three things can be extremely helpful."

When it comes to financing, Sexton says ORIX can provide the entire loan, such as it did recently with a 319-room dual-brand development that will be built in Redondo Beach, Calif. Three years ago, the city approved the \$59 million project that will include a Residence Inn by Marriott and a Hilton Garden Inn, offering to provide financial support and debt servicing through tax funds generated by two hotels. "I think it's an easier route to take," Sexton says. "From our perspective, we have a strong back-

properties are not looking to rehab older buildings; they'd rather build something new. "If people are looking to build an 80-unit hotel and they don't have \$2.5 million sitting around it's going to be very difficult," he says, because borrowers still need to have sufficient collateral and work with a reputable financing firm.

He cites the 504 Loan from the U.S. Small Business Administration as one of the best alternatives. The program is good for hotel construction because the primary functions of the loan are land acquisition, construction, and renovation. "It's a very viable option," Forni says. "There's been a lot of uncertainty in this economy, but there are still a lot of great locations out there that make sense." ☺



EXPLAINER

Credit Card Security

As many credit card issuers adopt plans to move forward with Europay, Mastercard, and Visa (EMV) payment processes in the United States, hoteliers will need to upgrade their point-of-sales (POS) systems to accommodate the shift. "The credit card we have out there today is a flawed product," says David Hogan, executive director of major accounts at Heartland Payment Systems. "EMV technology is a more secure form of credit card payment, where a value is actually changed every time that card is used. It's the next generation of what the credit card is going to look like."

Hotels that are due for a POS upgrade should switch to EMV-compatible machines that can read the unique microprocessor chip in each EMV card, Hogan recommends. Some of these machines feature near field communication technology for contactless payment options, where guests simply tap their card to make a transaction.

EMV payments are the wave of the future, Hogan says, and hotels that make the transition will drastically reduce the opportunities for credit card fraud and security breaches. "It is about protecting your brand," he says. "Nobody wants to see their company's name in the newspaper as the latest organization that's been breached. Plus, the cost associated with a breach can actually put small and mid-sized hoteliers out of business." —Dudre Wagon

○ FRESH INC

A NEW COMPANY CALLED CHARGERBACK has developed a software solution to improve the way hotels manage lost-and-found procedures. To avoid a piled-up purgatory of left-behind smartphone chargers, keys, and jewelry, hotel staff members can easily input found items and guests can self-report lost items using this Web-based system. Once an item is matched up, the software will automatically notify the customer via e-mail. The guest can securely enter his or her credit card information to cover the shipping, the hotel prints a label, and then the item is sent back home in a timely manner. Sounds much more effective than time-consuming manual procedures that don't always end with a happy customer.

Casinos Play a Winning Hand in Hotel Construction Rebound

Posted by: Phil Yacuboski in Featured, Finance, Market Reports May 28, 2014

As the hotel construction industry continues to rebound since the recession, casinos are playing a winning hand. Out of the 10 largest upcoming U.S. hotel construction projects, seven involve casinos. Resorts World Las Vegas ranks No. 1 on Reed Construction Data's top 10 list, which showcases what areas of the country are spending the most on hotel construction and what new projects are in the works. "It's not surprising, but most of these are resort destinations," said Bernie Markstein, chief economist for Reed Construction Data, a provider of business information to the construction industry.

The Nevada Gaming Commission recently approved Genting Group's proposal for Resorts World Las Vegas, which is located on an 87-acre parcel that was once home to the Stardust Resort and Casino. The \$4 billion Malaysian-themed casino resort will bring 3,000 hotel rooms to the Strip.

After the recession crippled the Las Vegas construction industry, activity finally began to pick up in 2013 with new projects breaking ground and stalled developments restarting. SBE broke ground on the 1,600-room SLS Las Vegas, a redevelopment of the old Sahara casino that will debut on Labor Day weekend, and Caesars Entertainment Corporation embarked on a \$185 million renovation of the former Bill's Gamblin' Hall, which reopened as The Cromwell on May 21. That growth continues to build in 2014, especially with construction set to begin this summer on Resorts World Las Vegas. "Las Vegas has come back and continues to come back after the boom and bust," Markstein said.

However, hotel construction activity isn't only on the rise in Las Vegas. Resorts World is planning a mixed-use casino development in Miami, which ranks No. 2 on Reed Construction's list, and MGM is close to breaking ground on a large luxury casino resort just outside Washington, D.C., at National Harbor (No. 6).

However, hotel construction activity isn't only on the rise in Las Vegas. Resorts World is planning a mixed-use casino development in Miami, which ranks No. 2 on Reed Construction's list, and MGM is close to breaking ground on a large luxury casino resort just outside Washington, D.C., at National Harbor (No. 6).

Mixed-use projects have become especially popular with developers who want to make the most out of available land and current lending practices. By combining convention space, hotel suites, residences, offices, restaurants, and retail, developers can create a sense of place and a true destination. "You see that in the multi-family market as well," Markstein said. "That's how you get these big projects." The casino industry is embracing the self-contained resort model, thus yielding larger-scale projects that will generate more money.

When it comes to number of projects, California, Florida, New York, and Pennsylvania are in the lead. According to Markstein, a combination of resort destination and business travel is driving the uptick in these locations. In Los Angeles, the Hyatt Regency Century Plaza Hotel (No. 3) will undergo an extensive renovation as part of a \$2 billion mixed-use redevelopment project. The developer plans to erect two 46-story residential towers behind the hotel, a 100,000-square-foot retail plaza, and more than 2 acres of public open space with fountains and courtyards.

In Philadelphia's Fishtown neighborhood, casino mogul Steve Wynn plans to build a destination casino and hotel complex on a 57-acre site along the Delaware River. The Wynn Philadelphia Hotel and Casino project ranks as the seventh largest U.S. hotel construction project.

As consumer confidence improves and unemployment rates continue to drop, people's desire to travel and demand for hotel rooms increases. "It was business travel that first began to lift the lodging industry when it began to recover in 2012 and that continues to be a force, but what continues to boost it is tourism," Markstein said. "As things have gotten better for most people, they want to travel."

While these factors continue to propel the hotel construction industry, developers can't take an "if you build it they will come" mentality. "You don't build something to be empty," Markstein said, "so the demand must be there."

Legislative Update: First Responders

- 07/11/17
 - Phil Yacuboski
-
-

Montpelier, VT (WorkersCompensation.com) - Vermont and Texas have made it easier for first responders to obtain workers' compensation benefits thanks to new laws.

"This is a job related injury and we felt it was the right thing to do," said Bradley Reed, president of the Professional Firefighters of Vermont.

Prior to this legislation, which also had the support of the Vermont Troopers Association, Vermont did cover some claims. In 2003, a state Supreme Court ruled against a Burlington firefighter who tried to collect workers' compensation. The court essentially said that the stress experienced by the first responder was part of the job.

"Those that worked in a high stress environment would never be able to recover a claim unless everybody else who experienced the same incident had the same reaction," Reed said.

The new legislation shifts the burden of proof to the employee, rather than the employer. The bill went into effect July 1.

In Texas, Governor Greg Abbott recently signed a similar bill that allows first responders to be eligible for workers' comp. Currently, first responders who have a mental illness must pay a large deductible; the new law provides help so they aren't stuck with the bill. It goes into effect September 1.

The new law is welcome news to Gary Kennedy, a retired Army veteran and a former Midland, Texas police officer who saw firsthand the stress and pressure of the job.

"It's something I've been trying to bring awareness to for years now," said Kennedy, who is now a pastor and founder of the group HEART (Healing Emotions Above Reason and Thought). The group works with first responders, veterans' groups and those suffering with PTSD. He said he suffered from it as a police officer.

"They just don't want to do it because they are too tough and they just don't want to get out there and ask for help," he said. "They are afraid in many cases because some of them may think they are weak or they may feel they will lose their job."

In Pennsylvania, it's possible to get workers' comp for first responders, but it can be difficult.

"The judicial decisions that came down long ago indicated that you have to show an abnormal working condition in order to qualify for any psychological disability under the workers' comp law," said Joseph Huttemann, a workers' compensation attorney with Martin Law in Philadelphia. "In a de facto way, it kind of disqualified first responders because the issue of whether its abnormal working condition or not is dependent on the job. And in the case of a first responder, an abnormal working condition is impossible to prove."

Huttemann cited a "suicide by police officer" case in Pennsylvania where a suspect threw themselves at a police car.

"That was deemed to be an abnormal working condition even for a police officer," he said. "It kind of opened the door," adding that in many cases, it's really up the judge. "I think that psychological claims are treated as second class citizens because it's difficult to prove and disprove," he said.