

DISASTER RECOVERY CASE STUDY

HOW ONE BUSINESS RESHAPED ITSELF
FOLLOWING A DISASTER

CPA
AUSTRALIA



Dennison County Caravan Park Mulwala was totally flattened by a tornado on 21 March, 2013. That disaster prompted the owners, Deb and Craig O'Callaghan, to change the direction of their business. They now run a successful resort cum cabin park called DC on The Lake.

The tornado, a category F3 tornado with winds between 250 to 300 kilometres per hour, lasted only five minutes but caused considerable localised damage in north-east Victoria. Co-owner Deb O'Callaghan was at her home at the park when the tornado struck at approximately 7.30pm.

Deb says that the first thing she did was dial 000, to be immediately asked; "police, ambulance, fire brigade?".

Deb remembers thinking – well, I don't need the police or ambulance (at that stage she was unaware of any injured persons) and so she thought - I have gas bottles everywhere, so, maybe the fire brigade.

What she really needed was the State Emergency Service (SES), but, "who knows the SES number off the top of their head?" Deb asks. It was the beginning of a long and at times arduous journey to rebuild a totally new business.

Deb and Craig bought the park in 2005, moving from their farm to experience a new lifestyle that would allow them to spend more time with their children. Situated on Lake Mulwala, the caravan park was very popular as only one of three on the water at that time. By 2013, the park was full of caravans with attached annexes and cabins. The financial position of the business was great, and they had a A\$2 million debt that was fully serviced. They were full 365 days a year and profitable, with little work to be done. No bookings were needed as the tenants came and went as they pleased and were responsible for their property. The catch was that the park had been there for decades and most of the caravans and annexes were close to 30 years old.

Then one day, they had no park, but they still had a A\$2 million debt.

The tornado was in March and the park was closed by Department of Public Works with no access until August. The Department cleaned up 50 per cent of park that was asbestos affected, leaving Deb and Craig with the other 50 per cent to clean up after August in time for reopening by the Christmas peak. Within a week of the tornado they decided to change the business model.

First and foremost, Deb says; "It was the business interruption insurance payout that saved us, not our property insurance - we are still fighting over that. We were insured for A\$700,000. There is the take home message - insure your income. We had to supply monthly reports on how we were travelling, so our accountant, who was over with us within a day or two of the tornado, said he would like to deal directly with the insurance company for us. It was a godsend because I was never going to be able to do what they wanted done - I wouldn't have been able to manage the jargon and what they wanted."

They were lucky in that they didn't lose their business records as the office was not damaged.

Deb went on to say that “the first week was hell. It was hot and we were out there trying to clean up and work out what we were going to do. We took photos of every site, then my brother came down from Northern New South Wales and he is experienced in this area and he knew how to make the site safe, and he walked along every road in the park videoing everything.

There was a lot of advice - not necessarily all good although the professional advice was good - Workcare came and they were great. EPA (Environmental Protection Agency), all sorts of government bodies came out and this is when we started to lose control. We had to have police presence as Workcare had deemed the site unsafe, however our 150 customers had personal property on site that they wanted to retrieve and of course blamed us for not being able to access the park.

With the help of the SES we were able to allow owners to be escorted to their property to retrieve any property - some of their caravans were under three other caravans. In the end it was every man and his dog going through and we made everyone sign a disclaimer. We lost our home, we had nowhere to live. We had half a dozen permanent residents that had to be put in emergency accommodation.”

It was within that first week that Deb and Craig also started thinking about changing their business model. When asked had they thought about changing the caravan park to a cabin park before the tornado, the answer was a resounding “no”.

So, what prompted them to change their business model given the park had been financially viable before the tornado?

Deb remembers that they “were in a severe state of shock, but we thought if we are going to put all this energy in to it, will we fill it with 30-year-old caravans and cabins? It was an old park with old caravans, old annexes. We couldn’t see the sense in rebuilding something old. We can build new and in ten years’ time it will still be new. We hadn’t thought of our new business model at all until after the tornado - it was the reality check that made us decide we had to do something different”.

When asked about doing some market research for their new business model, Deb said; “we did, and we felt that the only way we could make it work was to have a point of difference to everyone else. We always said we are not going to be another big4 [an Australian caravan park company], we already have one of those, so we had to find a niche market and decided to go for more up market.”

So, their first week following the disaster was filled with clean-up, a lot of tears, butchers’ paper and planning.

With a large debt in place and obviously very little security left, their bank requested that a business plan be prepared. Their bank was supportive and said they would help were they could. However, in July the bank closed all their local branch, and the Denison County account was moved to 300 kilometres away to Melbourne with someone they didn’t know.

It was at this time they tried to go locally to other banks but were deemed too big a risk for any other bank, so they were on shaky ground. In the end their existing bank stood by them, however they were out of contract in the November. The contract was not renewed - it just went month by month and was only formally refinanced a few years ago. No one would refinance until they had a certain number of cabins built but they never missed a bank repayment.

By the end of the first month, they had the bare bones of a plan and that's when they started talking to cabin builders and had surveyors start to work out the layout. Deb says they worked quickly but then they never thought they would be closed that long either.

"I don't think a quick decision is better after a disaster. However, before the tornado, I knew my competition, I had good relationships with many of them. I knew what they charged, and I also knew that when we reopened, we would have to increase our site fees. I knew that we would have to have a point of difference," says Deb.

They went to Melbourne and Bendigo in central Victoria looking at cabins, however they decided they wanted to keep the money they spent on the redevelopment local. They started talking to local manufacturers and trades people. They had a plan but were not 100 per cent certain it was going to work. But they knew reopening as they were before the disaster wouldn't work either.

There was an extreme backlash from their existing tenants to the new business model. This was one of the more difficult issues they had to manage.

"Customers that we had initially wanted to come back, didn't fit our new business model, so they were extremely angry which led to plenty of backlash on social media channels. It was abusive and nasty, so we chose to get someone else to manage these, so we didn't see what was going on and not distracted by this".

The customers sued for fees that had been paid in advance and were successful.

For the clean-up, according to the tenants contract they were all supposed to have their own insurance, however it was discovered that at least 50 per cent didn't, so the park was left with a larger than expected clean-up bill.

The journey was not easy even though they had business interruption insurance. "There was still extreme financial stress every day until we re-opened. The rebuild, the people that did the clean-up - a lot of the property that wasn't damaged by the tornado was damaged by the clean-up. All the power heads, which I had documented and photographed following the tornado - the electrician had as well, by the time we had access back to the park, they were damaged."

Funding the new business model was very strategic Deb says, “We never borrowed any more money to run the park. We funded the rebuild with the cabin sales - we didn’t want to borrow anymore; the debt was too large already with the uncertainty on the new business model. The funding decision was quite strategic - if we sold 150 cabins and portioned the profits to the loan, we would have paid off the majority of the loan. It didn’t work that way, as we have since put in a pool, and other upgrades to the park with the proceeds from the cabin sales.”

When they re-opened in December 2013, they had two new rental cabins, one rebuilt after tornado and approximately 25 cabins that had been able to be repaired. And 20 sites with a little bit of grass for caravans.

By early in 2019, they had 26 rental cabins, 35 holiday cabins, another 5 under construction and 48 powered sites for caravans. The powered sites were not part of the original plan however Deb says, “what we thought was area for further cabins, is now for caravans. This was initially going to be just the cash flow part of the park, but it has turned into a business within its own right. This also gives us diversity within the business - which we didn’t have before.”

Building a new business model often requires new business skills. Deb notes that during the six years since the tornado, both her and Craig have had to upskill in many areas; “I have been at the park for 13½ years so I am not a new kid on the block, but since the reopening, I have developed a whole new skill set myself. Before, I didn’t have staff, didn’t have to clean cabins, didn’t have to take bookings. We were full 365 days of the year, so we didn’t need a marketing strategy. Now, we have two full time managers, full time receptionist, full time housekeeper, three casual cleaners. We have had to project manage the upgrades - we put in a camp kitchen this year, a playground, all abilities facilities, all abilities pool, playground and cabin.”

In 2018 DC on the Lake won the general excellence business awards for the Federation Shire, they were a gold medallist in Murray Regional Tourism awards, were finalist in the state awards, and were Discovery Top Parks Innovation award and marketers of the year award. 2018 was a dream year where everything had finally come together.

Deb is adamant that there is life beyond the disaster, and it can be good, “It was a controversial decision that we made purely because we would be broke if we had stayed with the original business model. One year on it wasn’t good, two years on it wasn’t good and three years it might have been ok but six years on the controversial decision we made not to rebuild the business as it was, was right. We followed our gut and six years on we were right and probably have the best park in town.”

“In 2019, when some customers were leaving, we did the usual and ask how was your stay, did you enjoy yourself and they answered: “We just love staying at your resort”. I looked at Craig and said, “We have a resort!”