

small business

Deli equipment with a side of value

• Training and service are keys to P.H.T. Systems' way of distributing rotisseries and more to grocery stores.

By TODD NELSON
Special to the Star Tribune

Chances are, your next order of chicken from a supermarket deli will come from a fryer or rotisserie installed by P.H.T. Systems Inc. of New Brighton.

The company, a specialty wholesale distributor of deli cooking and display equipment, supplies roughly 90 percent of the metro area's grocery stores, according to CEO and Chairman Jim Rimarcik, who founded the company in 1981.

It's a winning recipe, with clients that include Lunds and Byerly's, Kowalski's and every Cub store. Revenue reached \$25 million last year, Rimarcik said.

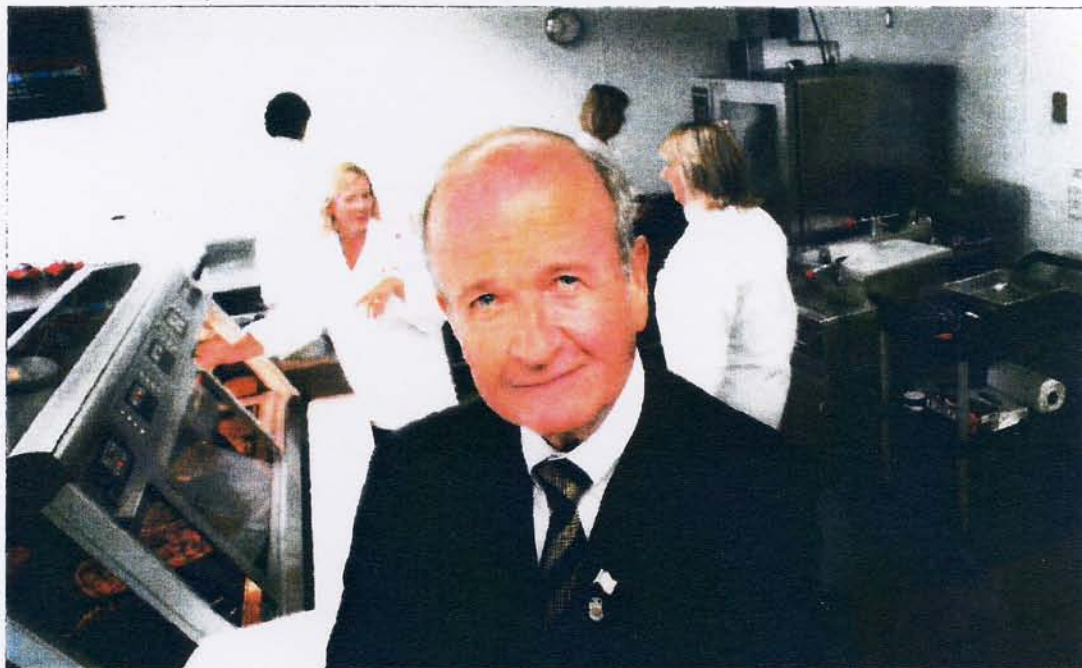
The company's staff of 23 is poised to double in the next 12 to 18 months as it outfits many of the 2,500 stores Supervalu acquired when it bought the Albertson's chain. That will mean opening offices in Chicago and on both coasts, while remodeling or moving into new space next year in New Brighton.

Revenue, rising at about 10 percent a year, will grow faster as the company expands and could double in five to eight years, said Rimarcik, who attributes the company's success to something more than simply moving pressure fryers and combination ovens.

"We're not selling stainless steel," Rimarcik said. "We're selling value. Everything we do is value-added, and to make sure they make a profit. If they don't make a profit in those delis, we're bankrupt."

For insight into how the company adds value, consider that order of deli chicken again. P.H.T. Systems didn't just sell and install the equipment that cooked it, or the hot case that kept it warm until you bought it. Rimarcik's trainers spent hours showing deli employees how to use and maintain the equipment, and how to cook the chicken, make a consistent product and keep it fresh, said Tracy Askwith, product manager for P.H.T. Systems.

"It's spendy stuff," said Rimarcik, of the U.S.-made equipment he offers, with fryers going for \$8,000 and combi ovens for \$12,000. "You're not getting half of your value out of it if you don't really know how to work it well."



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P.H.T. Systems Chairman and CEO Jim Rimarcik stood near a food display case at Annie's Deli, the company's test kitchen and also a working deli at the company's space in Rush Lake Business Park in New Brighton. Annie's serves lunch on weekdays.

The coating or spice rub that went on the chicken also came from P.H.T. Systems. The company sells 400,000 pounds of such supplies a month, with different blends for each grocery retailer. (The supplies are an important source of recurring revenue, accounting for about 25 percent of the annual total and 60 percent of profits.)

If equipment fails, service technicians are available around the clock. The company's "director of keeping promises," Renee Mattheisen, follows up to make sure a store is happy with its equipment and training.

The training the company provides helps make its equipment typically more expensive than similar lines competitors offer, Rimarcik said. But he won't cut back on service or switch to cheaper, imported equipment.

He also has turned down business he did not think was good for his company. One notable example was Wal-Mart. The retail giant, Rimarcik said, wanted him to skip the training and just drop equipment at metro area stores. "I said, 'No, we can't, you guys won't pay for value-added,'" Rimarcik said.

Rimarcik founded the company with \$70,000 in cash and \$200,000 in equipment from Henny Penny Corp.

He was ready to settle down after two hectic years in international operations for the cor-

poration, which he had joined from McDonald's Corp. Henny Penny needed someone to distribute its equipment from Minnesota. The company repaid Henny Penny within 18 months and has financed growth itself since.

Like all of the employees who work with customers, Askwith and Mattheisen were veterans of supermarket deli operations management when Rimarcik hired them. They know how to communicate with store employees, Rimarcik said, and they know better than to show up in business attire to show them how to fry chicken.

"I've never hired a salesperson," Rimarcik said. "I can teach anybody how to sell. I can't teach somebody 15 or 20 years of deli experience."

For that matter, he doesn't try to show stores how to run their delis without having his own. The company's space in Rush Lake Business Park includes Annie's Deli, an operating deli that serves lunch on weekdays and serves as a test kitchen and training site. His wife, Susan, suggested opening it; they named it for their daughter.

At 63, Rimarcik said he has no plans to leave the company but has begun looking into an employee stock ownership plan as part of his succession strategy. His employees earn above-market pay and get fully paid dental and medical cover-

P.H.T. SYSTEMS INC.

Business: Specialty wholesale distributor of ovens, rotisseries, fryers and other food service equipment to supermarket delis.

Founded: 1981

Headquarters: New Brighton

Employees: 23

Executives: Jim Rimarcik, chairman, CEO and founder

2006 revenue: \$25 million

Strategy: Managing growth into new territories, remodeling or moving into new headquarters here, developing employee stock ownership plan.

age and take part in profit-sharing and a 401(k) plan.

P.H.T. Systems' planned growth, as it expands to outfit thousands of Supervalu's newly acquired stores, will offer opportunities for employees.

"Our average employee tenure here is in excess of 10 years," Rimarcik said. "They're all in their late 30s to early 50s. They have a long time to work. If you don't grow, what's going to happen to them?"

Longtime customers said they were more than satisfied with Rimarcik and P.H.T.

"Jim's incapable of just selling equipment, even though on the surface his company looks like a vendor of deli-type equipment," said Mike Jutz, vice president of equipment and facilities at Jerry's Enterprises, which operates Cub, Jerry's Foods and other grocery stores.

Said Mike Edgett, senior project manager at Lund Food Holdings: "They're going to

make sure every dollar that you spend will be worthwhile in helping provide the kinds of products that our customers are looking for."

The expert says: P.H.T. Systems seemed to have much in common with the companies profiled in the book "Small Giants: Companies That Choose to Be Great Instead of Big," so we checked with the author and Inc. magazine editor-at-large Bo Burlingham for his thoughts.

"P.H.T. Systems is a great company by any meaningful measure of greatness," Burlingham said. "It is a Small Giant in every sense of the term. Companies like P.H.T. represent the best that capitalism has to offer and are a great role model for everyone else trying to build a company that makes a difference in the world."

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