

# CRAIN'S

C H I C A G O B U S I N E S S

## Looking for cool customers

Backed by Vienna chief, fridge effort heating up

By JAMES B. ARNDORFER

A local manufacturer is hot to expand its presence in the refrigeration industry, and a longtime Chicago-area executive turned investor is helping to stoke the fire.

XDX Innovative Refrigeration, a 4-year-old Arlington Heights company, is selling an energy-efficient valve designed to keep commercial refrigerators running colder and cheaper. So far, its customers range from leading equipment maker Carrier Corp. in Connecticut to California utility PG&E Corp. to vendors at the Chicago International Produce Market, who sell perishables to grocers and restaurateurs.

Meanwhile, Chicago's Commonwealth Edison Co. has been telling commercial customers looking to reduce electricity bills about the product.

Encouraged by these successes, XDX, which was launched with the help of James Eisenberg, a longtime executive at Vienna Sausage Manufacturing Co., is hoping to boost sales this year as much as sixfold, to \$3 million.

"Interest is very high," says Mr. Eisenberg, 72, who is chairman of XDX as well as chairman emeritus of Chicago-based Vienna. "En-



**Cooler kings:** James Eisenberg, right, and David Wightman are investing in a new technology that could light a fire under the commercial refrigerator market.

ergy is a hot-button issue."

To turn interest into sales, however, XDX will have to overcome the weak economy's chilling effect on busi-

ness spending. Executives are focused on controlling costs and leery of investing in new equipment, particularly new technology.

"That's the first thing getting cut out of a budget," says David Wightman, CEO of XDX and inventor of the valve. The weak economy "is

very definitely a substantial challenge.”

Restaurants, one of XDX's target markets, whacked equipment spending last year, says Joseph Pawlak, a principal at Chicago-based food consultancy Technomic Inc. Sales in the \$8-billion food-service equipment industry slipped 2% to 4% in 2002.

Still, XDX, which is planning to roll out a valve for air-conditioning units this year, believes it can make headway in this forbidding environment. It built up its marketing effort last year, boosting its salesforce to six from just one person, and now sells the valve through about 85 wholesalers, compared with seven at the beginning of 2002. It also sells the component to 20 equipment manufacturers, including Carrier, a unit of Connecticut-based United Technologies Corp.

#### Curbing flow of coolant, cash

XDX is pitching the valve—which costs \$300 to \$1,500, depending on the size of the refrigeration unit, and can be retrofitted into existing systems—as a way of controlling expenses.

It works by regulating the flow of coolant so it moves more efficiently through the evaporator of a refrigerator. By keeping the coolant moving—instead of pooling at

the bottom of the coils, as it otherwise would—the valve helps keep the temperature constant, retain moisture and reduce or eliminate frost buildup.

“Everybody in the food-service area has a real problem holding (temperature) consistently,” Mr. Eisenberg says.

Refrigerators that run more efficiently use less energy and keep perishables fresh longer, cutting electricity bills and waste.

Although companies are scrutinizing purchases more carefully, cost-saving products are still in demand, says Jon Hauptman, vice-presi-

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dent at Willard Bishop Consulting Ltd., a Barrington-based grocery industry consulting firm.

“If the technology or equipment can show a strong return, there's still a strong market for it,” Mr. Hauptman says.

Mr. Wightman says electricity savings alone can bring a return on investment in the product within eight to

24 months.

Customers who have installed the product say it has worked as advertised.

Michigan-based Kmart Corp. installed the valves in coolers at a California store last year and saw an improvement in performance “right off the bat,” says David Agar, the discount retailer's national refrigeration manager. Kilo-watt-per-hour usage “went down about 30%.”

Kmart's plans to buy more valves were derailed by its Chapter 11 bankruptcy filing last January.

T&J Meat Packing Inc. installed the valves in a 4,000-square-foot system last year and now is in the process of putting them into its remaining 16,000 square feet of refrigerated space. While it's too early to tell how much it's saving on electricity, the meatpacker is able to keep its meat two to three days longer, says Steve Lilovich, manager of the Chicago Heights-based company.

“I'm getting a lot more shelf life out of my product,” he says.

#### Meeting expectations

These are the kinds of results that Mr. Eisenberg—a nearly-half-century Vienna veteran who knows firsthand the importance of refrigeration—hoped for when he decided to back Mr. Wightman

four years ago. At the time, Mr. Wightman was a consultant who operated some of Vienna's refrigeration units.

XDX was launched as a joint venture between Mr. Wightman and Vienna. In 2000, Mr. Eisenberg bought out Vienna's stake; he and a handful of investors have poured about \$6 million into the company.

After spending most of the first two years on research and development, XDX saw its sales effort boosted in 2001 when it sold valves to PG&E Corp. as part of California's state-funded effort to reduce energy consumption. The valves went in at nearly 20 sites, including some wineries, and represented a “substantial” portion of the company's \$1.5 million in sales that year, Mr. Wightman says.

Sales dropped to \$500,000 last year as California's energy crisis subsided and XDX focused on building its marketing effort and attracting capital.

With a sales machine in place, the company hopes this year will turn out better. To succeed, though, it will have to persuade cautious managers to take a chance.

“The minute anyone fears for their job security,” says Mr. Wightman, “they stop taking risks.”



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