



Ken Papa, as Vice President and CFO of a company his grandfather founded, has seen a lot of change in the refrigeration industry during the past two and a half decades.

REFRIGERATION RULES

Michigan's Top "Ice Guy" Stays Proactive in a Reactive Business

by Elaine Rogers

Keeping things cool is the name of the game for Ken Papa, who has spent two-and-a-half decades guiding restaurants and other commercial clients through the ups and downs of maintaining icy conditions where and when they need it—24 hours a day.

Whether the project involves ice machines, walk-in coolers or attractive refrigerated display cases, Papa says the small business his grandfather launched and ran out of a family garage in 1952—Papa's Refrigeration Service Co.—is the Greater Detroit region's go-to source for installations large and small, as well as for maintenance and replacement services.

Safeguarding perishables isn't a particularly glamorous business, Papa admits, and it might not be top-of-mind for most customers of places where crowds dine daily. Restaurant patrons are more likely to focus on the menus, ambiance and decor of their favorite dining spots, while individuals purchasing meals and refrigerated snacks at locations ranging from hospitals to convenience stores usually have other things on their minds. But Papa says refrigeration is an essential key to the success of these businesses—and often it is their biggest operational expense.

Especially for restaurants, the importance of a proper and efficient refrigeration system cannot be overstated, as a

maintenance problem like a broken compressor in a walk-in cooler can be disastrously expensive. Reliability usually tops aesthetics in a commercial kitchen setting, Papa adds, since even a day without the ability to keep food appropriately cooled or frozen translates to large-scale losses.

"We're not talking about something small like \$100 to \$200 of lost food, we're talking about thousands of dollars for some of these restaurants," he explains, adding that the cost of setting up these commercial-grade systems is also significant.

"A home refrigerator can run anywhere from \$300 for a small fridge to thousands of dollars," Papa says. "But,



Office and service department staffers are in high demand at Papa's Refrigeration Service Co., the go-to source for keep-it-cold commercial installations in the Greater Detroit area.



This year, Gregory Papa, who has been President of his dad's company since 1999, is retiring. He joined the company fresh out of high school and worked alongside his father, and later, his nephew, Ken Papa, throughout his career.

in a restaurant, refrigeration systems start out at thousands of dollars and can cost even tens or hundreds of thousands, depending on the size of the equipment and performance requirements for the space."

FROM REACTIVE TO PROACTIVE

The refrigeration business used to be primarily a reactive field, Michigan's top "ice guy" says. As such, his employees are still immediately responsive when an emergency call comes in—with 24-hour maintenance crews ready to fix problems on an ASAP basis.

However, he notes that in recent years an increase in the number of retailers who want to sell refrigerated items has led to a new aspect of the business: maintenance. Now, many of Papa's customers have service agreements and rely on these refrigeration experts to visit several times a year for maintenance checks and "to pinpoint problems that might exist down the road," notes Papa.

As equipment ages, he explains, customers benefit from understanding the operational nuances of cooling systems and planning ahead for equipment replacements instead of

simply reacting to equipment meltdowns, where customers often become panicked when faced with huge repair bills or new installation costs.

For example, he says, as a refrigeration system edges toward the end of its lifecycle and the refrigerants used become unavailable, business owners need to consider their next steps and plan for the costs of replacement because, "just like a car, you're going to have a problem down the road."

Continuing the analogy, he says: "If the car runs on gas, you want to make sure the car is going to have the gas it needs 10 years from now. But, more importantly, if the tires aren't going to be available and you blow a tire, then you're in a world of hurt."

AN INDUSTRY IN FLUX

Given rampant changes in the industry, courtesy of the Environmental Protection Agency's (EPA's) ever-shifting regulations pertaining to ozone-damaging refrigerants, Papa and his staff spend a lot of time educating others about which coolants they can—and can't—keep using.

"The dilemma with more regulations and an ongoing phase-out of various refrigerants is that the stuff [customers] had in the past gets harder to replace," Papa says, noting that cooling equipment becomes obsolete as the refrigerants they were designed to use become unavailable. "There are some common parts, but if you have a major failure, and especially, something like a refrigerator leak, you're kind of handcuffed in what you can do."



Ken Papa tracks service calls, installs and vehicle locations from the company's home office in Warren, Mich.



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Company technician George Bailey works on a rooftop HVAC system installation.



This is a conversation that Papa and his folks have with customers daily—usually multiple times. He says businesses that don't have regular maintenance agreements and, resultantly, regular contact with field technicians, are frequently surprised by the new regulations and are unclear about how the changes may impact their businesses.

"So, as ENERGY STAR and EPA regulations change, we find we have to bring a lot of our customers into the modern day," Papa says. "Sure, we can always get things up and

running and get [our customers] temporary refrigeration, but ultimately they have to be ready for the changes that are coming."

CLIMBING COSTS & "STICKER SHOCK"

Beyond the high expense of commercial-sized coolers and the ongoing costs of maintenance checks and repairs, Papa says the refrigeration industry is reeling from "sky-rocketing" refrigerant costs.

"Because of the regulations, the costs of certain refrigerant products

have doubled and tripled in the last two to three years," he says. "And now the most common refrigerant—R-22—is being phased out." He adds that refrigerants being phased out are significantly more expensive compared to other refrigerants on the market.

"It gets very pricey," Papa says, noting that R-22 pricing in the Michigan and northwest Ohio markets is up to \$85 a pound for his company's non-maintenance customers and \$70 a pound for maintenance customers. That compares to \$35 and \$30, respectively, for new refrigerants on the market, R-410A and R-404A.

In the U.S., hydrochlorofluorocarbons (HCFCs) are ozone-depleting substances that are closely regulated by the EPA. The most common HCFC in use today is HCFC-22 or R-22, a refrigerant used in existing air conditioners and refrigeration equipment. The EPA is in the process of phasing out the production and import of R-22 by 2020.

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**Ken Papa, Vice President and CFO,
Papa's Refrigeration Service Co.**



Papa Refrigeration Service Co. maintains a fleet of 10 service vans and three maintenance vehicles with crews available 24/7 to handle refrigeration emergencies and help restaurants and other commercial clients keep their perishables safe.

The impact of this feels particularly harsh, Papa says, because restaurants and food service businesses use refrigerants in such high quantities. He explains that R-22 is sold by the pound, and while one pound is plenty to power a home fridge, a walk-in cooler at a restaurant would require 10.

COOLERS ON EVERY CORNER

Another change in the refrigeration field involves a new and growing segment that Papa says caught him by surprise about five years ago. Restaurants were once the primary mainstay of his company's business, but now, he says, "every retailer imaginable has a requirement for refrigeration," and often on a massive scale.

"If you walk into a CVS or a Rite Aid or a Walgreens, they have refrigeration units now, with mostly pop, but also eggs and other perishable items. Now we've gotten into setting those systems up," he explains. "It's like everybody's trying to follow the Walmarts of the world."

The major players in this business segment are gas stations and convenience stores, he adds, which are often franchise operations with individual owners who are highly motivated to invest in ENERGY STAR appliances to help keep costs down. Representing major manufacturers like Kolpak, Nor-Lake, Master-Bilt and others, Papa's frequently handles installations for this new niche market, often putting in 10 to 20 large, glass-doored display units with LED lights and other bells and whistles.

"This section of the market kind of helped us refine our ENERGY STAR knowledge to advise [customers] on how to be energy-wise. They want these display units to be energy-efficient and aesthetically pleasing, whereas, most restaurants don't worry very much about where the refrigerator is or what it looks like. They might be interested in the energy efficiency, but appearance-wise, a cooler is a cooler to them."

ICE IS NICE

Another unexpected boon for companies like Papa's Refrigeration Service is the ice machine market. In settings ranging from grocery stores to hotels, Papa says "everybody has an ice machine."

Even in residences, he notes that "all the new fancy refrigerators have automatic ice machines and water dispensers." On a much larger scale, however, the popularity of fountain drinks in restaurants, hospitals and gas stations—and everywhere in between—has created a booming ice machine market.

And, fortunately, Papa says his company is well-situated to install and service the equipment from companies like Hoshizaki America, Manitowoc Ice and Scotsman Ice Systems.



Dispatchers Kevin Kryszak (foreground) and John Whaley man the phones, handling service requests, large and small, at the home office.



George Bailey and Max Sambrook put the finishing touches on a rooftop HVAC installation.

"[Our business has] become the biggest [ice machine] contractor in Michigan for selling these and other major brands," he says. "From a contractor standpoint, we do more service work for the major ice machine brands than almost anybody else in the country. It's another niche market for us."

ALL IN THE FAMILY

Papa doesn't spend too much time reflecting on what's ahead for his company. With 30 employees—many of them long-term—and 10 service vans and three maintenance vehicles, he's busy just keeping the wheels of commerce churning.

Company President, Gregory Papa, has been an integral part of that process. Gregory, who is Ken's uncle and long-time business partner, is planning to retire this year—closing out a career that started in 1971. As the youngest boy of seven siblings, he went to work right after high school at what was then his father's company (who was Ken's grandfather). At the time, it was a small home-based business involving Gregory, his father plus just two other employees and two service trucks. He inherited the business in 1999 and has run it with Ken (who joined the staff in 1994) ever since.

Meanwhile, Ken has two daughters who, like himself when he was younger, have logged summers working at the family business and have become familiar with various parts of the business operation. His eldest has

graduated from college but he says her interest in the air conditioning business isn't very high at this point.

"Of course, we all know things change," he adds, noting that as a youth he didn't envision himself making a career in the family business either. "Right now, they don't realize the value of what's here. They don't know that dad's business is a full-fledged corporation. They just see it as dad being a mechanic or something. So, maybe someone will figure that out one of these days." 🐼

Author Bio: Elaine Rogers is a longtime freelance writer in Dallas-Fort Worth, Texas. To view more of her work, visit her website at www.splendidlysaid.com.



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