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Kahiki's new owners continue to simplify operations, implement cost-savings programs and change the Gahanna company's manufacturing methods



Among Kahiki's products is a new line, Kahiki Naturals. The products don't have preservatives or artificial additives and are lower in sodium than similar products.

Cooking up a profitable strategy

By **Monique Curat**
THE COLUMBUS DISPATCH

Kahiki Foods Inc. is one of the largest Asian frozen food manufacturers in the country and is a brand beloved by local customers, many of whom patronized the former restaurant bearing that name. One thing the Gahanna company wasn't, though, was profitable.

That's beginning to change. Kahiki has simplified operations and implemented cost-savings programs, adjustments that began before the company recently changed ownership. The company was acquired and taken private in May by Abarta Inc. of Pittsburgh, allowing it to eliminate costs associated with being a publicly held company, such as retaining lawyers and auditors.

"Now, we've lowered the break-even bar significantly," by hundreds of thousands of dollars per month, said Tim Tsao, Kahiki's vice president of sales and marketing.

The strategy has included streamlining the company's customer and product base, and changing its manufacturing methods.

Previously, Kahiki sought out any kind of customer, including food-service companies and delis. Last year, Kahiki decided to concentrate on grocery stores and warehouse chains, such as Sam's Club. The company has reduced its product offerings from 156 to 60.

Kahiki, which employs 133 people, also began using so-called lean manufacturing techniques that emphasize reducing waste and tightening

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Employees package meals at the plant in Gahanna. Kahiki takes orders and then makes the food, rather than making the food and then trying to sell it.



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production. For example, Kahiki used to manufacture its products, then sell them. Now, that process has been reversed — selling before manufacturing.

“It really was a radical shift in mind-set,” Tsao said.

Kahiki, with \$30 million in annual sales, has decreased production costs by 3.5 percent. The company also has been winning new accounts, including 20 in the past year.

Food-related businesses adopted lean manufacturing later than the automotive and aerospace industries, “but (they’re) certainly observing great benefits,” said Peter Ward, an Ohio State University professor and director of OSU’s Center for Operational Excellence.

For example, Ward said, food traditionally has been prepared in large batches, but lean manufacturing allows preparation in smaller quantities, which can lead to a greater variety of offerings.

Other industry trends are working in Kahiki’s favor. Ethnic-food restaurants con-

tinue to grow in popularity, which usually is “reflected in supermarkets a step later,” said Warren Thayer, editorial director of *Refrigerated & Frozen Foods Retailer*, an industry publication.

Kahiki thinks its new product line with a healthful focus, called Kahiki Naturals, will be an area of growth. The products don’t have preservatives or artificial additives, are lower in sodium than similar products in the marketplace and are “minimally processed,” according to the company.

In fact, Kahiki’s move into natural foods was one thing that attracted the leaders of Abarta, said John Bitzer, president and chief executive.

The entire food industry is headed in that direction, Bitzer said. “We want to be part of that trend.”

Abarta’s acquisition of Kahiki was an effort to diversify. The private holding company is involved in newspaper publishing, oil and gas exploration and development, and soft-drink bottling. Because of the bottling business, Abarta thought food was a logical expansion, Bitzer said.

Abarta’s acquisition of Kahiki is “really providing the company with growth capital,” Bitzer said. His company has committed up to \$6 million over two years to improve the plant and buy equipment.

“We can help them grow.”
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