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## U-CHANGE LOCK SYSTEMS

### READY FOR TAKE-OFF

Written and Photographed by June Grayson

As a graduate of the United States Air Force Academy, Bill Dillard planned to make flying his career. When his distant vision suddenly deteriorated, he needed new goals. He found a worthy challenge in his father's business - a turnaround situation. Now he hopes that sales and profits are ready to soar.

If you were brought up to believe the old adage, Build A Better Mousetrap and the World Will Beat A Path To Your Door, forget it! Great ideas are a dime a dozen. If you don't have the right marketing plan to put into play, your idea may go nowhere.

It is not that U-Change Lock Systems did not have a better "mousetrap". The U-Change lock cylinder may well revolutionize the lock industry. But it was strictly small time until 1982, with yearly sales of \$100,000. Dillard has spent the last seven years forging a new sales and service structure that he confidently expects will make his company a major player in the security industry by the 21st century.

What makes the U-Change lock cylinder unique is that you can rekey it without calling a technician. You can do it yourself in seconds and you don't need to take anything out of the door. This makes it ideal for large retail chain stores that traditionally have high employee turnover.

If someone loses a key or if you have to fire an employee, here is all you do to change the lock: 1) put the present key in the lock, 2) insert the change tool into its slit above the keyhole, 3) remove the present key and replace it with the desired new key while the change tool is in place, and 4) remove the change tool. The lock is now set for the new key.

The change tool makes this easy and speedy conversion possible by lifting the cylinder's adjustable tumblers away from the key. When the new key is inserted and the change tool

removed, the tumblers fall into place and conform to the pattern of the new key.

The lock can be changed 1,000 ways depending upon the specific key used. But if an owner needs a duplicate key, he must request it through U-Change headquarters. These keys cannot be duplicated at a key shop because blanks are not available, this providing another built-in security factor.

Lewis J. Hill, a working locksmith of Oklahoma City, invented the concept and obtained the first patent in 1970. Hill and several friends took flying lessons from the same flight instructor at Wiley Post Airport. Hill needed business partners. His friends wanted to make money. Dillard's father was one of these friends.

The elder Dillard, also named Bill (Bill J.) was then an engineering associate at Western Electric. Originally, he was only a minor player in the new business. The investors formed two corporations, one for manufacturing and one for marketing. They spent over \$350,000 over the next six years to develop the cylinder from concept to salable product.

"Things got off to a rocky start," says the son. "With the benefit of 20/20 hindsight, we now realize that the money spent on marketing could have been better spent to get the bugs out of

the product. When the cylinders started to come back because of defects, the two companies blamed each other."

Eventually, fortunes and spirits sunk so low that all that the owners wanted to do was to get out under any circumstances. "When my father realized that the business could go by default, he borrowed \$100,000 and bought both companies himself in 1981. Lewis Hill retains his original patent and the present company pays him royalties. A few of the original partners remain as passive investors. The elder Dillard had high hopes for his new company. He gave himself one year to perfect the product. His engineering background was what the company needed at that time. Then he planned to retire from Western Electric and devote himself full time to his new company.

But in the fall of 1982, the elder Dillard had a near fatal stroke. He remained in a coma for several weeks. "On paper I was the vice-president of the company," continues Bill D. Dillard, the elder son and present CEO. "Although I had attended some board and stockholder meetings, I had no day-to-day knowledge of company operations. When it became obvious that my father would not be able to function any time soon, it was up to me. I either had to rescue the company or let it sink. Our output then was three thousand cylinders a year with one front

office girl and two machine operators."

"I saw that I had to do two things at once if there was any hope of rescuing the company: develop a sales program and increase production," continues Dillard. "As it turns out, these are the same two things I have attended to for the last seven years."

If Bill Dillard had known that he would have to take over the company, he could not have prepared himself any better. As a graduate of the United States Air Force Academy, he had engineering and technical training. When he knew he could not become a pilot, he turned to a business track. He got his masters' degree in one year at the Air Force Institute of Technology, Dayton, Ohio, studying logistics management. He planned to buy aircraft for the government.

He worked next at McDonnell Douglas-Douglas, St. Louis, as a contract negotiator. "I would go down on the factory floor and count the motions it took to make something. I would time the machines. I would ask questions: why do you do it this way instead of that way? I got an education you cannot get in a college classroom."

In 1982, fortuitously, he moved back to Oklahoma City to

attend law school and start his own consulting business to companies that wanted to secure government contracts. In the meantime his younger brother had earned his degree in mechanical engineering.

When the father's disability continued, the company passed to the control of the children by means of a family trust. The company still had a unique product with great potential and now it had new officers with business and technical skills. But there was still no marketing plan or distribution system to get the product to the customers they knew were out there.

"Then one of those great things happened that some people call fate or coincidence," Dillard continues. Dillard does not believe in fate. "I prefer to think that the good Lord just sent me the help I needed when I needed it the most." Russ Myers, a high school friend and kindred spirit, and with years of national sales experience, moved back to Oklahoma City and asked to join the company. He would have to come up with a new approach for selling the product pretty darn quick.

Usually locks are sold through distributors who then sell them to building contractors, locksmiths, and retail outlets. "The U-Change lock cannot be sold that way," explains Dillard. "Not only are you buying this lock and the key that goes with it,

but you are buying a lifetime system. We literally had to build our customer base and our installation and service base at the same time."

Myers would go to a prospective client and say - here is what you need. The client would agree, yes, I need it, but how to do I get it?

Dillard enlisted the help of the staff of ALOA, the Associated Locksmiths of America. At first there was some anxiety on the part of locksmiths who wondered if this new product would put them out of business. " Now that they understand that there is money to make and plenty of business for everyone, we have no trouble signing up locksmiths," Dillard says.

The company looks for a locksmith already well established in commercial and industrial work and offers him an exclusive contract for his geographical area. He will install the product and be available for twenty-four hour service calls.

" Our continuing focus has always been customer satisfaction," Dillard says. "I am convinced that if we treat them right we will have a customer for life. If we promise them something we always deliver and we explain any problems that come up. Once they get a feel for our systems they really love it and

we have never had a customer withdraw after the initial sign-up."

What will it cost a store to convert to the U-Change lock system? Dillard says, "A national chain with 2,000 stores and with four to six cylinders per store may spend around \$500,000 initially, around \$100 per lock. Each store will probably start out with at least one extra set of keys. We are working on a computer software program now so that keys can be automatically exchanged among stores in a system. This will provide more security as well as save the company money."

One of the first clients to buy into the U-Change Lock System was the Limited Group, with more than two thousand stores in the nation's shopping malls. Winn Dixie-Davis Grocery Stores and TGIF are other satisfied customers. "You have to realize that a cost of \$500,000 becomes a reduction in operating expense from that time on, so a company has financial incentive to go with our system," says Dillard.

In 1989, U-Change It plans to be able to offer for the first time a full product system, including locks for all interior doors, and master keys. With all systems now go, Dillard expects 1989 to be the first year of explosive growth for the company. Projected sales for 1988 are expected to reach one million and



the plan is to double production and sales for the next five years, reaching ten million in sales by 1992. "I tell you," Dillard grins, "we are really having fun!"

The oil belt is still in trouble. Oklahoma continues to have a tough time. Everyone else is still cutting back. But the U-Change Lock Company is growing and doing great. "Everyone asks me how we do it," Dillard says. "We have a good idea. We have a good product. We have good people. I could not do this by myself. I truly feel that I have been prepared for this specific job, other people have been prepared, and that is all fits together."

For such a small company, U-Change Locks has already done some unusual and exciting things. "We already have a tuition assistance program. We could not afford to recruit the technical graduates we needed at the high starting salaries they were able to command. So I recruited them when they were just starting out as freshman. I went to all of the vocational schools and asked the deans to point out their best students. Then we offered them our plan, just as the Air Force made my education possible. We help them with their schooling, they w\work part time for us, and we ask them to commit to us for a period of time after

graduation. Some of them move on to bigger and better things, but in the meantime we get quality workers - machinists, accountants, and computer specialists, for example."

Dillard and Myers have bigger and better plans on the books to fuel the explosive growth they expect to take place. "As soon as our full service line is ready, we plan to move into the apartment, hotel-motel, and college markets," Dillard says. "Do you know how many dormitories are out there? We can penetrate that market efficiently by attending their yearly association meetings. Our lock will sell itself. There is no competition out there. Our plan is to be fully entrenched in the security business by the next century. We will go into electronic security and security services. We want to be the major player in the industry when our patents start to run out."

Dillard runs his business the way he runs his life - ethically. "When a person applies for a job with our company, we acquaint him the standards by which we run the company. We will not tolerate any double dealing at U-Change. I think it is the exception to find a successful person who does it by cheating people. It might be easier to get away with that for awhile in a bigger company, but I am still convinced that ultimately it does not work. What is right is right. It is just good business to

be good."