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U-CHANGE LOCK INDUSTRIES, INC.

READY FOR TAKE-OFF

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 Industries, Inc., did not have

a better "mousetrap". The U-Change lock cylinder may well revolutionize the lock industry. It was strictly small time until 1982, however, 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 you lose a key or have to fire an employee, all you do to change the lock is 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 1,024 different ways depending upon the specific key used. These keys cannot be duplicated at a key shop because blanks are not available, thus providing another built-in security factor. Duplicates must be requested through the company.

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 those friends.

Bill J. Dillard was 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 more than \$350,000 over the next six years to develop the cylinder from concept to salable product.

"Things got off to a rocky start," explains Bill D. Dillard, his son and the present chief executive officer of U-Change Lock Industries, Inc. "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 sank 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."

Bill J. Dillard had every reason to be optimistic. With his engineering background he expected to be able to perfect the product in one year. Then he would retire from Western Electric and devote himself full time to his new company.

In the fall of 1982, however, Bill J. Dillard had a near fatal stroke and remained in a coma for several weeks. "On paper I was the vice-president of the company," says Bill D. Dillard, the elder son. "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, I had to decide whether to rescue the company or let it sink. Our output then was three thousand

cylinders a year with three employees - one front office girl and two machine operators."

"I saw that I had to do two things at once to effect a turnaround: 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 D. 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 his distant vision deteriorated in his senior year and he knew he would not be able to become a professional pilot, he turned to business. He got his master's 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, St. Louis, as a contract negotiator. "I would go down on the factory floor and do my own time and motion studies. I asked questions of everyone: 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 returned to Oklahoma City to

attend law school and start his own government contract consulting business. In the meantime, his younger brother, E. Jay Dillard, 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 two 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 says. 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 had to come up with a new marketing plan 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 our 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 simultaneously from the ground up."

To maximize his efforts, Myers targeted the big national chain stores that would benefit the most from installing the product. He would go to a prospective client, the president of the company or the head of the security department, and say - here is what you need. The client would agree - yes, I need it, but how do I get it?

Dillard and Myers enlisted the help of ALOA, the Associated Locksmiths of America. At first there was some anxiety on the part of locksmiths who feared that the new product would put them out of business. "Now that they understand 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 regional contract. He agrees to install the product and be available for twenty-four hour service as company headquarters arranges.

"When Russ signed up our first national customer, we were still signing up our locksmiths so we had to go region by region

as we put our service structure in place," explains Dillard.

One of their first national clients was The Limited, a group of women's retail specialty stores. The T.G.& Y. chain, as well as Winn Dixie and Big Bear supermarkets are also satisfied customers.

What will it cost a store to convert to the U-Change lock system? "Although our initial installation cost is slightly higher than for regular locks, we have our product priced so that you recoup your investment after the first rekey," Dillard says.

A national chain with 2,000 stores and with four to six cylinders per store may spend around \$500,000 for initial installation, around \$100 per lock. "But the initial cost becomes a reduction in operating expense from that time on, so a company has a financial incentive to go with our system," Dillard says.

"We are also preparing a software program that will help national companies plan how to rotate their additional keys among all of their stores without compromising security. This will decrease their costs because they will not have to keep as many different keys on hand."

With all systems now go, Dillard sees two explosive growth periods ahead. In 1989 their full service line will be ready

which will include a lock system for all interior doors as well as master key capability for the whole system. By 1992, the company hopes to bring all manufacturing processes together in-house.

Projected sales for 1988 are one million. Dillard plans to double production and sales for each of the next five years, reaching ten million in sales by 1992. "I tell you, we are really having fun," Dillard grins.

Dillard and Myers have bigger and better plans already in place to fuel that expected growth. They plan to expand into electronic security systems. They plan to be able to offer complete security services to companies in a few years. "We want to be the major player in the industry when our patents start to run out in seventeen years," Dillard says.

"Our next move with our full service line in place will be into the apartment, hotel-motel, and college markets," Dillard says. "Colleges are already interested. Do you realize how many dormitories are out there?"

For such a small company, U-Change Locks has already done some exciting things. "We developed our own tuition assistance program because we could not afford to hire the technical graduates we needed at the high starting salaries they were able to command. I went to all of the area colleges and asked the

deans to pinpoint their best freshman students. Then we offered those students a part time job and financial help during their schooling if they would commit to us for a period of time after graduation , just as the Air Force helped me. Some of them eventually move on to bigger and better things but in the meantime we get quality workers - machinists, accountants, and computer specialists, for example."

The oil states are still in trouble. Oklahoma continues to have a rough time. Everyone else is still cutting back, but U-Change Lock Industries, Inc., is 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 it is all falling into place."

Dillard runs his business the way he runs his life: ethically. "When a person applies for a job with our company, we acquaint him with the standards by which we operate. We will not tolerate any double dealing here. Customer satisfaction is our focus and we cannot attain that if we can't be trusted."

Dillard thinks that American business gets a bad press. " I

have never met a successful person who got that way 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."

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