

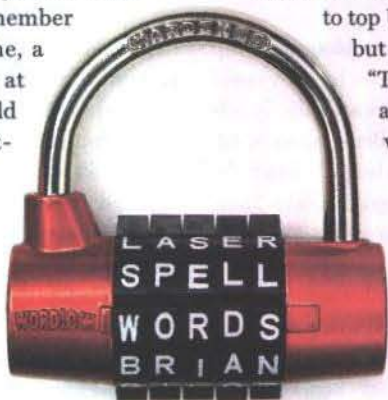
Letters of the Law

A startup struggles to protect its innovative padlock technology.

■ By Malika Zouhali-Worrall

SOME NEW TECHNOLOGIES ARE ALMOST absurdly simple—and just as easy to pirate. That's what Todd Basche discovered when he asked himself why padlocks use digits rather than letters. Surely a code word would be easier to remember than a number. Basche, a former vice president at Apple, found century-old patents for alphabet-based locks. But most described a device with 26 characters on each wheel, which was too unwieldy to manufacture.

Basche patented



a lock with 10 characters per wheel and a computer algorithm that told him which letters should go where to create the maximum number of words—estimated to be in the thousands. He tried licensing the idea to top U.S. lock manufacturers, but they weren't interested. "They owned the market and saw no need to innovate," Basche says.

Two years ago Basche and his wife, Rahn, decided to muscle their way into the

Spell It Out: The Wordlock uses 10 characters on each wheel.

\$300 million U.S. padlock market. They founded a Santa Clara, Calif. company, Wordlock, to design and make padlocks for school lockers and bicycles. By mid-2008, Wordlock had seen its distribution network grow from zero to 10,000 stores across the U.S., including Kmart, Sears, Target and Walgreens.

The Basches are cagey about sales figures, but retailers say Wordlock's business is brisk. Walgreens, which accounts for more than half of the stores, says it is selling more than 2,000 locks a month at \$10 apiece. "Wordlock is something new and exciting in a category that really doesn't have a lot of innovation," says Mark Delaney, an analyst with market research firm NPD.

The price of that innovation: eternal vigilance. Basche estimates he has spent \$200,000 creating and defending patents and trademarks. Recently he sent cease-and-desist letters to two companies that began marketing a similar product. (The letters did the trick.) The Basches plan to launch eight more letter-based lock products in 2009—and hope that imitators will have a hard time keeping up. □

New Spin on Vinyl

A record store prospers by blending old and new technologies.

■ By Jonathan Blum

LIKE MANY MUSIC RETAILERS, NATHANIEL Bernier was getting squeezed. His store, Wild Rufus Records, in the seaside town of Camden, Maine, was selling fewer CDs. It was suffering as a result of the music industry's broader woes—CD sales nationwide were down a steep 17.5% last year. To make matters worse, the local Wal-Mart was beefing up its music section and drawing customers away.

So Bernier, 35, came up with a solution that married convenience with cool. He decided to focus on selling old-school technology—vinyl records—bundled with pass codes that allow

customers to download MP3 versions of the same songs when they get home. For audiophiles, it's the best of both worlds: the rich, analog sound of vinyl for home listening and a digital version they can take anywhere.

A few labels, such as First World Records and Saddle Creek, had begun experimenting with these hybrid vinyl-MP3 packages. Bernier was attracted by the profit margin: A Ben Folds Five hybrid set, for example, retails at \$24, a substantial markup on the \$15 Bernier pays for it. "I sell what makes people happy," he says. "They're going to want that experience no matter what the economy does."

The hybrids delighted the store's iPod-toting customers, who associate vinyl with popular DJs—and can't find it at Wal-Mart. In 2008 more than 40% of Bernier's sales came from vinyl and hybrid packages. His



Sound Idea: Some retailers are selling these vinyl-MP3 packages at a 60% markup.

vinyl sales alone were up 100% over 2006. (National vinyl sales were up 46% in the same period, according to the Recording Industry Association of America.) "CDs are an outdated mode of digital storage," explains music blogger Josh Madell. "Vinyl seems to be a lasting format." □

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