

# Expansion-minded in Wichita

**L**ike many oil change professionals, Corey Lubbers of Lubbers Quick Lube in Wichita, Kans., was initially skeptical of rerefined engine oil. But after three years of being a fully integrated link in Universal Lubricants' closed-loop system — which hauls away his used oil and brings it back reborn as top-quality engine oil — he now has nothing but positive things to say about the process.

"We've got a tank that can hold upwards of 1,000 gallons of used oil at any given time, and Universal collects about 250 gallons of it every Tuesday," Lubbers (pronounced lubers) told this visitor from *Lubes'n'Greases*. "When there's no waste to dispose of and be liable for, we save time, we make more money, and we're happy."

Lubbers' patrons are content as well, he added. Once car owners agree to be serviced with Universal's Eco Ultra motor oil made from



refined base oil, he says they tend to continue asking for it on subsequent services.

"We tell our customers about the whole closed loop — that we get that same [drained] oil coming back to us as this beautiful, clear, Group II-quality product," Lubbers went on. "Customers are happy to hear that rerefined oil contributes to less reliance on foreign crude, less emissions and less waste, and they're willing to pay the small premium for it."

Although branded rerefined oil is a relatively new phenomenon in the retail market, Universal Lubricants believes that more converts like Lubbers and his cus-

tomers are ready to favor it. Established in Wichita in 1929, Universal was known for decades as a Kansas-centric blender and distributor of passenger car, commercial and industrial lubes for industries such as construction, trucking, agriculture and mining. It was founded by and saw three generations of the Maloney family in executive positions, before they sold their stake to private-equity investment firm Pegasus Capital Advisors in 2006.

The Wichita-based company has been in the used oil game since the mid-1990s, and the new owners invested further in that business. Its 575-barrel-per-day rerefined





*Driver Pete Klaus picks up used oil (far left) which will become Group II+ base oil at the Wichita rerefinery shown here. (Photos: Universal Lubricants)*

ery, designed and licensed by Chemical Engineering Partners, opened at Universal's headquarters in August 2009. Fed by a used oil collection network stretching across the Central states, the plant reached full operation in 2011. In the short time since, say company officials — who still include Maloney family members — it has seen tremendous success.

While it's not the largest rerefiner in the United States (that would be Safety-Kleen, at 11 times the size), Universal Lubricants certainly is unique, according to Michael B. Maloney Jr., director of government accounts and strategic sales. What sets this company apart from the rest is that it truly operates a closed-loop system with its partners. It collects their used oil — around 40 million gallons of it a year — and uses wiped-film evaporation to rerefine much of it into two grades of API Group II+ base



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stocks (110 and 250N). While some of this base oil is sold to other blenders, most is used to make finished lubricants in-house, which then go back to the same network of companies from which Universal collected.

The relationship Universal has with the aptly named Lubbers



Jan Horsfall

clearly illustrates its strengths and vision for the future, pointed out Rick Palmore, vice president of sales. Local, close connections with customers underpin its reputation as a mainstay for lubricants in the Midwest.

At the same time, the Wichita refinery is now processing 12 million gallons of used oil per year and continually looking for more opportunities to add to its closed-loop system. The trick, Palmore concedes, is to maintain the close relationships at all touch points of the loop, even as the concentric loops ripple outward and become geographically more diverse. Already, Universal has 430 employees in 16 states, and 36 locations.

The company earned its name with its Dyna-Plex line of heavy-duty engine oils, greases, antifreeze and other fluids, and while its traditional heavy-duty business remains still strong, Eco Ultra, the re-refined brand, is considered the poster child for Universal's future.

Universal has for some time been a very branding-focused company, and its newly appointed CEO Jan Horsfall fits the bill. Besides

a 12-year stint at Valvoline early in his career, Horsfall brought experience in start-ups and tech companies

when he joined Universal as chief marketing officer in fall 2012. This summer, he was named to the top post, replacing John Wesley, another Valvoline alum that Pegasus had tapped in 2011.

Welcoming *Lubes'n'Greases* to Wichita, Horsfall recalled that one of his first moves at Universal was to rebrand the company's re-refined base stock as EcoClear. "It's not your father's Group II base oil," he said. "I come from a branding and marketing background, and I wanted there to be more pride about what's coming out of the back end of this refinery. Our process of re-refining used oil accounts for as much as 89 percent less energy than refining from virgin, and releases up to 65 percent less harmful emissions into the environment. This was one more way to put an exclamation point around it."

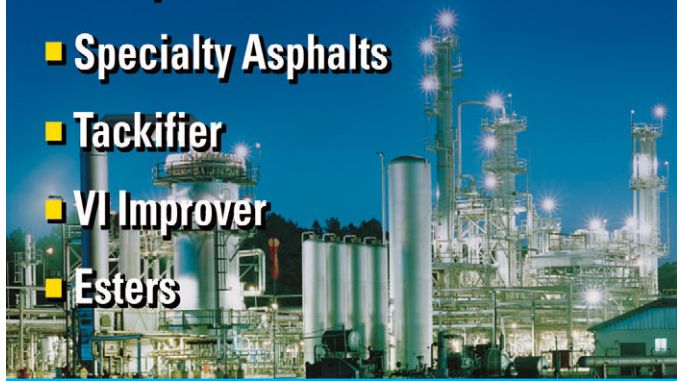
Of the whole portfolio, he is most excited about Eco Ultra finished lubricants. It answers a need, especially for customers who are pressed to reduce their environmental footprint.

"What's really driving the Eco Ultra product line for us are shareholder referendums that pop up every quarter," he remarked. "We've picked up one of the top three rental car companies in the U.S., a top-three airline company in the U.S., and one of

*Continued on page 42*

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*Quality control analyst Sam Abrams, in the lab in Wichita.*



*Continued from page 40*

the nation's top transport companies. It's attached to the fact that they want to provide answers to those shareholder referendums that are putting the pressure on finding an environmentally focused solution."

Horsfall noted that he has taken the helm at a time when the company is flush with sales in its lubricant distribution business, too. "Every facet of business on the new-oil side is growing," he said, pointing to branded products Universal distributes for Valvoline, Castrol Industrial, Service Pro, Ford, Daubert Chemical and others. "Our new-oil sales are up 40 percent versus a year ago — and that's in a flat-to-declining market."

When asked how the company is procuring new opportunities, Horsfall didn't hesitate. "The only way you get new business is by going out and stealing it." While a lot of large truck fleets are serviced by oil majors, he believes that Universal's heritage is its edge on the competition. "Our sales team is most proud of the relationships

built over a long period of time with that Midwest work ethic — firm handshakes, going to people's graduations and weddings," he said. "It's also what makes us different from other companies that purport to be closed loop. We're the only ones to have that feet-on-the-street sales force that actually does create new opportunities."

To support this team, Horsfall sees a lot of room to pick up the pace by plugging in new technology. "We were doing over 10,000 transactions a month — and if you trip up on one side of the loop, you affect the rest of the loop," he said. The company now is implementing a new business intelligence system, a fully digital document flow system, and customer relationship management software, all to allow the closed loop to flow more rapidly.

Also imperative is the need to train employees and educate customers more efficiently. "[Universal] used to be a regional blender and distributor, and now we're picking up national

*Continued on page 44*



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*Continued from page 42*

accounts,” Horsfall said.

“We’re about to do a test with one of the largest retailers in the country that includes 85 locations, and 300 or 400 associates.”

Business of that size is something relatively new to the company, “but we don’t have any choice on the training front, because we’re picking up larger customers than we’ve ever had, and you can’t go body-to-body to train them,” he continued. “Universal likes to go in, train, and shake hands. We want to retain that, but we also have to enable growth.”

He envisions more technology-driven tools, such as webinars for employees. Or, for customers such as the “soccer mom” getting a drive-through oil change, it might be a 90-second commercial viewed on an iPad handed in to her vehicle by the quick-lube operator.

“We want to be a company that operates at a much faster speed than big oil. Where the bigger guys are slower, we want to innovate,” Horsfall continued. “We are thinking a lot about what is happening with smart phones and devices and how we can take advantage of that.” Coming next: Quick Response (QR) codes for its trucking-fleet customers that will give drivers instant access to their vehicles’ service history and lab reports. This idea came from a fleet operator who pointed out that all of his drivers now have smart phones. “If you’re not careful, you get suckered into thinking this industry is so traditional that modern devices aren’t even being used,” Horsfall said.

“Well, that’s not the case.”

Rerefinery manager Brent Frahm noted that Universal is aiming to expand geographically, and possibly could build a second rerefinery. It has a suitable plot of land that is situated close to its collection partners, an active engineering contract with CEP, and even blueprints. It expects to hang a “sold out” sign on the Wichita rerefinery’s base stocks in coming years, because by then it will need all the rerefined output for its own products. For now though, the company is keeping a close eye on the base oil market to determine if another rerefinery is actually needed.

“We want to eat up the rest of the collected product we’re picking up in the Midwest,” Horsfall commented. “Once we get to that point, we can start talking about the economics of putting in that second rerefinery. Our strategy all along is to not build these huge monsters, but to build a small-size rerefinery so that we don’t need to be begging and borrowing for every gallon of used oil in our footprint.”

As Universal makes strides to expand, everyone at the company seems to be in agreement that it mustn’t forget its past. “When I got here, I didn’t realize how deep our customer relationships were. That’s a good feeling because you can’t go out and buy that, you can’t just create that by bringing in tools or technology or new people — it’s kind of buried inside the culture of Universal,” Horsfall said. ■