



Creative Disruption

## Rewarded For Recycling

Lillian Zhao, 12.23.08, 12:00 AM EST

What's the reward for recycling? How about groceries?

*Q. What is RecycleBank?*

A. RecycleBank helps municipalities dramatically increase recycling by rewarding households for the amount they recycle. We do that by providing every household with a recycling container. This container is embedded with a chip that is read by the mechanical arm retrofitted onto the city's recycling truck. In this way, we identify which households recycle and how much. Households can then log onto our Web site and see each week how much they recycled and how many points they have earned—similar to looking at a bank statement. Points can be redeemed at over 400 local and national stores.

Our Web site also shows how many trees and gallons of oil were saved by recycling. In short, households benefit because they are rewarded for recycling, municipalities benefit because they pay less to landfills and our reward partners benefit because they get access to tremendous in-home advertising from us.

*Q. Are there other players who benefit from your service?*

A. First, recycling companies get increased material supplies. They are long-time players in this space and we want them to see us as a phenomenal innovation that can help grow their business. So we create a lot of value for the recycling companies and they in turn promote our expansion in their areas. Second, we create value for a number of consumer products companies, for instance, **COCA-COLA** (nyse: [KO](#) - [news](#) - [people](#) ), by keeping plastic, aluminum and cardboard for manufacturing and packaging out of landfills and allowing them to be put back into the manufacturing supply chain. Third, there is value created for the environment on multiple levels. The power of RecycleBank is that we create value for multiple constituents.

*Q. How does RecycleBank itself benefit? How do you make money?*

A. Municipalities pay us a cut of the savings we generate by diverting waste from the landfill. For instance, if municipalities are currently sending 100,000 tons of waste to the landfill per year at \$70 per ton, and we are able to get people to recycle and divert half of this waste stream, it results in a savings of \$3.5 million. Our fees come out of these savings. We sign long-time contracts and benchmark against the time when we start. We also generate revenues through advertising from people coming onto our Web site looking to redeem their points. There are a number of advertising opportunities that we are able to pursue.

*Q. How do you measure RecycleBank's impact and success?*

A. We measure impact by how much we are able to increase recycling, which directly determines our profit. If we were able to increase recycling, we get paid by the municipalities. Also as recycling increases, we reward people with points, and as they come to our Web site to redeem their points, we can monetize that by selling ads on our Web site.

So revenues depend on our ability to increase recycling, and we have been very successful at that. To date, we have saved 574,935 trees (measured by tonnage of paper recycled) and 38,405,690 gallons of oil (measured by pounds of plastic, aluminum, and glass recycled). In terms of growth, we will be providing services in 15 states by the first quarter of 2009.

*Q. Have competitors emerged?*

A. Not yet, but I am sure there will be competition at some point in the future. That's the American way. At the end of the day we've got to be the best at what we do. Our goal is not to worry when competition is coming; our goal is to provide great service and to pursue an aggressive growth plan that recognizes the importance of economies of scale.

*Q. How do you plan to grow and where?*

A. We grow in two ways. One is our current [customer base](#). Someone told me very early on: "If you are really as good as you think you are, people should say it for you." So our No. 1 focus is to provide great service to our customers. And when you provide great service, you get great references. The second way we grow is by building our staff. We are trying to find great people to get out there and sell and deploy our service. Geographically, we started in the mid-Atlantic region, but by January 2009 we will be expanding service to other states such as Ohio, [South Dakota](#), Minnesota, Texas, Nebraska and Florida.

*Q. How did you test some of the key assumptions behind your idea?*

A. We launched our pilot program in two neighborhoods in Philadelphia: a lower-income neighborhood and an upper-income neighborhood. My biggest learning was that I expected RecycleBank to be really popular with kids, but instead it was the parents who were getting online and redeeming the points because we had very valuable reward partners, such as supermarkets and pharmacies. Another key lesson was how long the sales cycle can be when selling to governments. However, the pilot program worked, and it worked in a big way. Everyone in the city wanted to participate. This led to learning how to deal with demand. We did not have the capital or the staff to grow. We still had operational issues that we had to test and work out. I had to learn how to scale properly.

*Q. In the face of the current economic slowdown, do you think households will recycle more, or do you anticipate people buying fewer products and thus recycling less in absolute terms?*

A. I think it depends on the state of our business. In growth mode, I think the economic slowdown is potentially helpful to our business, because we put on average an annual \$400 worth of points into peoples' pockets that they can spend. If we were already at our peak, then a bad economy is bad for anybody. But we are in growth mode, and we do not feel the situation has an impact on our business model right now. Six months from now, a year from now, that's a different story. But today, we are continuing with our plan to grow.

*Q. What vision is guiding RecycleBank?*

A. Today we are recognized for revolutionizing the way people view recycling. Long-term, my goal is to revolutionize the way people and companies view consumption. When people go and buy something today, they view it as a linear process: 'I buy it, I use it and I throw it in the garbage.' I want people to view consumption as cyclical: 'I buy something, I use it, I recycle it and I get rewarded for the value I have created by making sure it got recycled, then I go back and buy something else (that was manufactured from recycled material).'

If you own a home and you buy something during the week, I want RecycleBank to service you. My vision is to service as many homes as possible, to keep material out of the landfill and to make sure companies are manufacturing using only recycled content. And at the center of it all is teaching consumers to view consumption as cyclical, not linear.