

Building a business in the environmental sector

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BRADLEY HOWARD, ENDAVA HOST (BH): Hello, I'm Bradley Howard, and I'm happy to welcome you back to the latest episode of Tech Reimagined. Today's topic is building a business in the environmental sector, and here with us to discuss this today is Co-Founder, President and Owner of MeCycle, Mark Manley. A neat tech startup that helps people recycle more effectively. Hello, Mark. How are you today?

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MARK MANLEY, FOUNDER & CEO AT MECYCLE (MM): Hi, Bradley. I'm doing great. Thanks for having me, really thrilled to be here.

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BH: Well, really looking forward to this one today. Can you tell us a bit more about yourself and your background?

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MM: Sure. So, I'm originally from Canada. I grew up there and I moved to the US about 20 years ago and live just outside New York. I've spent much of my career in the clean tech and sustainability sector and really working a lot on utility scale solar and wind project finance. But now I've kind of shifted over to recycling, so excited about that.

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BH: Where did the idea for the company, for MeCycle come from?

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MM: So, recently we moved close to the water and so taking daily walks along the ocean and just noticed after storms and so on a lot of plastic washed up on the beaches, and it really disturbed us and was really surprising, actually. So I'm kind of entrepreneurial and always looking at business ideas or thinking about business ideas and dug in and did a lot of research on recycling and found, in fact, kind of how broken it is.

I'll just give you an example. 72% of plastic and 54% of aluminum is not recycled in the US, so it ends up in landfills mostly, but also the oceans. So compared to other nations in the world, that's really, really terrible statistics. So, we thought we could innovate and make it work better.

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BH: Wow. Well, I'm really looking forward to more about some of the intricate details around that. So, what are the challenges about building a startup in the environmental sector? You mentioned clean tech before. I know you've also got a bit of a background in solar energy as well, so can you give us a bit of an overview?

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MM: So, I think the biggest challenge is that solutions to environmental problems ultimately require some infrastructure and physical changes. So as a startup, traditional startup financing often looks at high margin, low capital businesses, and when you're solving environmental problems, you have to build energy infrastructure, or you have to build out electrical charging for EVs.

In the case of materials management and waste management, you still have to pick up materials. If you're going to prevent things from ending up in places they shouldn't, you still got to pick them up and kind of bring them back into that circular economy. So, that requires a level of infrastructure and investment and we're trying to make it certainly more efficient and improve on logistics and improve on people's understanding, but there's still that kind of a capital intensity there. So, I'd say that's kind of a tougher nugget to crack for a startup is that level of financial investment.

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BH: Do you find it easier getting financial investment for an environmental-based organization, or are you still seen as non-traditional so it's a bit harder to get that funding?

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MM: I think most businesses or most ventures, and I have a background in the finance world, so I can appreciate where investors come from, they're really looking at economic returns. So that sort of has to be the first and foremost part of the business model, but if there's an environmental benefit, that's really great and it sort of opens up some more doors.

I think there's also a level of public private partnership that can help as well. There is definitely a public benefit to doing the right thing for the environment and that helps society, in particular recycling. Obviously municipalities kind of have a mandate there too, so that's another sort of avenue for funding for us and revenue as well.

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BH: What about when it comes to hiring people into the organization as well, is it easier to attract people to an environmental company or do you have the same challenges as other companies?

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MM: Definitely is I would say easier. When you have a mission, and our mission is to keep recycled materials from ending up in landfills and oceans, it's a pretty noble mission, people just resonate to that and they like the idea of that. So, it really helps get people interested in what you're doing and excited about it. So, I mean, we're not a Wall Street firm with giant six figure salaries and things like that, so obviously, again, back to money, right? People care about that, but we really do inspire people though.

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BH: When it comes to growth marketing, essentially you're trying to encourage more consumers and users of materials to recycle more of it. We'll go into more detail about the condition it needs to be in and so forth, but you're trying to get more people to download your app, which then encourages more behavior. So when it comes to growth marketing, can you share anything about what your strategy is like inside the environmental sector?

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MM: So, I think a lot of businesses that promise sort of an environmental benefit do so very often with a premium cost. When I go buy organic milk or produce, it's always more expensive, right? That's kind of normal, but that takes a lot of time to build up that understanding and appreciate the value for consumers.

I think for us, and just pulling a little on my experience from the energy business and a little analogy with solar energy, one of the reasons solar has become so successful really all over the world is that for utilities and consumers to go build solar, it's both economically beneficial, so it's cheaper, but it has that embedded environmental benefit as well.

That's what we're trying to do with MeCycle in our digital solution is have an in-home presence, bring a lot of value to consumers. Recycling the right way is not that convenient currently, and with MeCycle we hope to make it more convenient, but also value to brands that we're helping recapture their materials.

So again, analogy from the energy business, we call it a value stack. We kind of stack these small incremental values together to create one large chunk of value that actually is really worthwhile for us as a business, as a profit-seeking business, but also brings these environmental benefits and other benefits to consumers and to brands.

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BH: Can you take us through how a user will download the app? Do you call them users, customers? They're not really customers, but how do you refer to the people that use your app?

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MM: Well, we call them MeCyclers, but just more common vernacular, we'd say users. They are customers, we want to have that sort of appreciation and customer experience that all startups want to develop, but the nice thing about MeCycle is that we don't charge anybody for our service, or we don't charge our users for our service, we don't take a credit card, because we're operating within this deposit infrastructure.

So when consumers go buy beverages in the stores, they pay usually five cents, some states it's a 10 cent deposit, and so that creates this economic sort of environment that we can work with. Today, a lot of people just essentially throw that deposit value out, they put it in their curbside bins and it doesn't get recycled right. So, we're leveraging the value in those deposits.

We charge a small pickup fee and that helps cover our costs, but the consumer doesn't have to pay anything and they're actually left with value even after those pickup costs. Then they can donate that to local charities, which we really encourage to do. But yeah, we try to have a really good customer experience. Our app is built to be really friendly and engaging, it helps, as I kind of mentioned earlier, eliminate confusion about how to recycle.

Which even within one town, there are kids at home, they have to do recycling one way and then they go to school, because it's a different commercial system, they have to recycle a different way and it's terribly confusing. Because we're a digital app, we can kind of update the rules for whatever jurisdiction you happen to be in. So, that's part of our customer value proposition.

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BH: Right, okay. So for the benefit of the listeners who are listening to this podcast, they sign up for an app, then you send them a bag and they put the deposit items, the bottles and cans, et cetera, into that bag, and then you come and collect it. How often do you collect it?

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MM: On the app, they can tell us when their bag is full, so it's on an as-needed basis. One of the things in the industry is they pick up air and we're trying not to do that,



we're trying to be as efficient as possible. So we can either tell just when a bag is getting full, if they're scanning all their items, but if they're not scanning because they want to just donate those, they just have to in the app schedule a pickup and then we'll come get their bag.

Yeah, it's really simple. The app is available in iOS and Android. People download it and they can order a bag as well on the app, and then just everything's sort of explained within the app as well.

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BH: Right, okay. Then you collect the bag of deposit items and then do you source it out and then send it onto the bottling company or reprocessing company? How does that work?

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MM: Yeah, so in the two schemes of recycling in the US, there's this curbside where everything's mixed up and then there's the return system. So in the return system, the materials are separated, the PET plastic the plastic bottles are made of, and then aluminum and glass, so the three materials that you get in that return system.

So, we try to separate it into those three different materials and as we grow and expand, we may end up sorting that by brand as well, but it first goes to a middle man company that sorts it out. Coke gets their stuff and Pepsi gets their stuff, and Budweiser gets their stuff and that's how that works. That really kind of creates that circular loop.

The other nice thing about that approach is because it's kept separate and clean, the FDA, the Food and Drug Administration in the US has sort of acknowledged that that material is good enough to be used again for food grade packaging. The stuff that goes into curbside is so contaminated that it gets downcycled into carpets and sweaters and things like that, but it can't really be used for food again.

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BH: Right. Can I just play that back so I fully understand? So, basically yours is of a sufficient clean quality that literally the bottles can be reused again by their original CPG company or the original manufacturer for want a better word. Whereas when we recycle in our normal recycling bins, then that just needs to be broken down and reused, remade into something else that just happens to use glass or plastic or whatever.

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MM: Yeah, exactly. Yep.

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BH: Wow, that's amazing. How do you encourage more people to sign up for the app?

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MM: We're doing the traditional things like social media. We're a little bit like a household service like any other, maybe like lawn care or something like that, and so we're doing traditional mail campaigns as well. We're experimenting with that, we're trying to see how that works, but word of mouth is certainly important.

We're starting to see a really effective way, and we really like this is that we're working with schools, because kids love to do the right thing. They're learning about recycling, they're learning about the environment, they don't use a lot of bottles, but in the high school they go to get pizza and hot dogs and things like that and might bring a bottle

back. So, we're putting our MeCycle bins into schools and trying to expand into colleges as well and collecting the items there.

But the great thing there is that they go home and they tell their parents about this great program that they've got at school, and then they can order it as well for home. In the schools, we take the deposit value and we push that towards extracurricular activities like school plays or sports events, things like that. So, we call it the new bake sale, right? So I don't know if you do those in the UK, but here they bake cupcakes and sell them and use those to raise funds for activities.

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BH: We've seen enough US movies to understand exactly what a bake sale is. So, do you see there coming a time when you can almost advise packaging brands and CPG companies with their ESG or environmental, social and governance goals by making it easier for their own customers to recycle?

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MM: Yeah, absolutely. I think CPG companies sort of believe their customers recycle and they look at aggregate data and they probably do some studies, but I think it's really hard for them to measure and show, yes, this is kind of how much recycling our customers are recycling.

So with MeCycle, because we're scanning every UPC code of an item, we know exactly what kind of consumption is. Even when customers donate those items, we go and scan those UPC codes. So we have, A, some really good consumption data, which is interesting from a marketing value perspective, but we know the materials and we know the brands that are getting recycled, so we can certainly help on the measurement metrics for those brands.

One of my philosophies has always been that environmental benefits and business benefits have to go hand-in-hand, and you can't solve environmental problems if it doesn't work for business. I think more and more businesses, particularly with ESG goals, are finding, look, you have to sort of respect the environment and understand the social and government's issues as well. So, we're getting to a really great point, I think, in society and how things are working where both sides are really recognizing that and working together.

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BH: I think it comes back to your point about electric vehicles earlier, isn't it, that it needs to be frictionless, it needs to be really easy and of a similar cost to end consumers before they'll take on environmental awareness and do good.

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MM: Yeah, and that's one of the things. Certain jurisdictions with deposit programs have really high recycling rates, but New York and Connecticut have been traditionally very, very low on how much, even though we have a deposit system, is actually getting returned. It's kind of why we're focusing on those markets. To be honest, they're both pretty affluent states, particularly around New York City, and convenience is really, really important, right?

America loves their convenience, and so it's not easy to return your bottles kind of in the normal state of affairs, you have to gather them up and take them back to a store and one by one put them in a machine, or go to what are called redemption centers, which are far and few between and they're messy and dirty and not pleasant places to be. So with MeCycle, we make it super convenient for people. They get a bag at home,



they fill it up and we'll come pick it up for them, so it kind of rolls right into the American psyche and how people are used to doing things.

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BH: Well, thank you so much, Mark. It's been great to have you on Tech Reimagined and answer some of the big questions around building a business in the environmental sector. To all of our listeners, hope you've enjoyed today's episode of Tech Reimagined and thanks very much for listening.

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