

STONES RIVER RECYCLING SERVICE

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Jason Dietz and David Talley were looking to make a difference, and make a little money at the same time. They didn't know much about the industry when they decided to start a recycling business in Murfreesboro, TN., but with a bootstrapper's mentality they decided to wade in anyway. What followed was a wild ride with an easy start that went turbo with the fall of a large competitor. Could these two musicians-at-heart really build a successful recycling business?

THE IDEA

Jason Dietz was a musician seeking to make a go of his band in Murfreesboro, TN. To earn steady money, he was working as an administrator of a facility for at-risk youth. He enjoyed this work – making a difference in the lives of young people - but didn't relish the stress or the low pay. When his wife suggested that he likely could make similar or better money in other industries with less stress, Jason soon shifted to the restaurant industry. A vegan of 25 years, Jason quickly noticed how much recycling was done by the restaurant where he worked. He considered how little recycling he did in his own life and was convicted to do better. His search for recycling services in Murfreesboro, a city of 150,000 people, revealed only one company – All-in-One Recycling (AOR). To his dismay, the on-line reviews for this company were far less than stellar. This caused Jason to ask himself “How hard could it be to do recycling well?” He ran the idea by David Talley, a bandmate and former coworker at the youth facility. Both of them liked the idea of doing something for the greater good (recycling) while being able to make a living for themselves. Thus, Stones River Recycling Service (SRRS) was born in September of 2016.

BUSINESS MODEL

The company began as a sole proprietorship under Jason's name. The two pooled \$2000 as start-up funds. Neither Jason nor David had any prior experience in this industry, but they saw it as similar to starting and marketing a band - they believed they just needed some awareness. They put up flyers in local grocery stores and hardware stores and set up a Facebook page and a website. They soon began to attract customers. They reasoned the community's unhappiness with AOR was

working in their favor as homeowners were hungry for a reliable service to help them recycle.

They looked at what they felt AOR was doing incorrectly and fashioned SRRS to be the opposite. Customer service and responsiveness were the biggest problems for AOR, so Jason and David built their company around those concepts. Where AOR provided a 90-gallon container and collected every two weeks, SRRS would provide an 18-gallon tote and collect every week. They reasoned that the smaller container would be easier for customers to handle, and it came with the bonus of being much cheaper than a 90-gallon container since the 18-gallon tote could be purchased at Wal-Mart for about \$3 compared to nearly \$100 for a 90-gallon container. They felt the weekly collection schedule would be easier for customers to remember, and they made their collection days the same as the local trash collection schedule so their customers could put out their recycling the same day as their trash and not have to remember two different days. AOR had a schedule that was separate from the local trash collection schedule for many of its customers.

AOR had large industrial trash trucks with a robotic arm to lift the container. These trucks could cost up to \$350,000. AOR's problems began when they were unable to keep their trucks out of the shop and on the road. Jason and David decided to use a 14-foot trailer pulled behind Jason's minivan to collect the recycling, thus improving reliability (if something happened to the van, they could just get another vehicle to pull the trailer) and keeping the costs to only gasoline and depreciation on the van. They would pull up to the customer's home where the container would be at the curb, empty the tote into the trailer and return the tote to the customer's house. They would sort the recycling themselves and bring it to local recycling collection centers. A local property owner let them use an area behind a restaurant he owned as a sorting area.

They eventually investigated selling the collected materials themselves, but the level of detail and expense needed to properly do this was beyond what they wanted to do. They met with several investors to study the idea but decided it made more sense for this small business to make its revenue from customer fees.

OPEN FOR BUSINESS

They began in October of 2016 with about 30 customers and quickly grew to about 80 customers by the end of the year. SRRS charged \$144 for a year of recycling, or \$14 a month, slightly cheaper than what AOR charged. Jason and David viewed SRRS as much as a service to the community as it was a for-profit business and purposed to run it that way.

One week in they realized that taking the sorted material to a collection center was going to be way too much for them to do on top of collecting and sorting. They contracted with a local waste management company that also processed and baled recycled materials. This company provided an 8-yard dumpster with weekly pick-up for approximately \$200 a month. Jason and David were not thrilled with this expense but saw no other option.

Things went smoothly in the early days and Jason and David were able to pay their bills while enjoying their entrepreneurial journey. They contracted with a local web designer who souped up their website and maintained it for \$50 a month. In 2017 they were adding about 10-12 customers a month through their limited marketing efforts and a growing word-of-mouth from their satisfied customers, many of whom had been former AOR customers. These customers were telling their friends about this new recycling service that was reliable and run by two local guys. Jason and David spent their days collecting recycling in the van and evenings behind the restaurant sorting what was collected. They collected six days a week, following the local trash collection schedule of Monday through Saturday.

In 2018 SRRS was incorporated as an S-Corp. Jason and David had learned more about organization forms by then and wanted the liability protection and tax advantages afforded from incorporating. Jason was listed as the President and David as Vice President.

GROWTH

In November of 2017, AOR's problems came to a head. Many customers' recycling was not being collected and the company had stopped responding to customer emails and phone calls. They eventually would go out of business. This became very public through social media as well as local media. On social media, many posters recommended SRRS as an alternative to AOR, and the floodgates opened! SRRS went from 12 requests a month for new service to 30 a day.

While obviously fantastic from a revenue perspective, this growth surge brought with it issues for SRRS, beginning with getting containers to the new customers. Jason and David remembered their pledge to be different from AOR and thus were very careful to keep open the lines of communication. They found a wholesale supplier of containers since the local Wal-Mart couldn't keep up with the needed amount. This lowered costs but put a delay on when new customers could be serviced. Jason and David kept communicating with their new customers about the timing for container delivery and by early 2018 were able to on-board all the new customers.

Because many of their customers were former AOR customers, the size of the tote became an issue. Customers who were used to a 90-gallon container on wheels did not feel satisfied with an 18-gallon tote that they had to carry. SRRS needed a new container. Jason and David went to Wal-Mart to look at what was available and settled on a 45-gallon rolling container. They got the customer service number off the container's sticker and called the company. They made arrangements to purchase 200 bins, the smallest number the company would sell in a batch. The containers were about \$20 each after all shipping and taxes. The container company needed to ship to a location with a loading dock, something SRRS did not have. Jason and David brainstormed that one of their commercial customers might be willing to help, and they were right. A customer with a loading dock allowed them to have the containers shipped there and then SRRS would pick them up.

Jason and David quickly realized that the scope of SRRS had now grown beyond a two-man show, so they set about hiring employees. They hired 5 people for driving/collecting and sorting. They tried to hire people who would share their vision of the good that recycling does for the world and see it as more than just a job, but they were not always successful. They hired only on a part-time basis but paid \$12-15 an hour.

SRRS also had grown beyond just the trailer behind the minivan. Prior to AOR's collapse, Jason and David purchased a white Ford cargo van for \$10,000 to add a second route in the fall of 2017. When the rapid growth hit, they added a 10-foot white panel truck and a 16-foot white panel truck in the spring of 2018. The total price for both panel trucks was approximately \$24,000. Now that they had a fleet, they were deciding how to identify each truck on the key tag, and they decided that the cargo van would be Whitey Ford (a Hall of Fame pitcher for the New York Yankees in the '50s and 60's), the 10-foot truck would be Betty White, and the 16-foot truck would be Barry White. These names quickly became part of the culture of SRRS as the vehicles were always referred to as Whitey, Betty, and Barry. Everyone had a favorite and employees would feel bad if Betty, for example, had a flat tire! It wasn't just "The truck has a flat.", it was "Poor Betty has a flat tire!"

Jason and David contemplated putting the company name on the sides of the panel trucks. The main reason was for visibility and security for customers and their neighbors. They didn't want people wondering why this large white truck was slowly driving through their neighborhood. The advertising benefits were not the main concern as the flow of new customers following AOR's closure continued. The cost to wrap the trucks (approximately \$2000 per truck) was a deterrent, as was the missed pick-up time while each truck would be in the shop to get wrapped. The decision was made to not wrap the trucks. One incident made Jason and David especially happy with this decision. One of their drivers suffered a minor personal

meltdown at a convenience store, to the point that the police were called. SRRS was not connected to the incident since the truck did not bear the company name.

The tremendous growth also caused problems in the sorting arena. With the additional customers, the amount collected obviously grew as well. This created the need for more dumpsters behind the restaurant and the need for them to be emptied more often. Eventually they had four 8-yard dumpsters that needed to be emptied multiple times a week. The raising and lowering of the dumpsters began to cause ruts in the restaurant's asphalt, to the point that the owner decided this was no longer a workable situation. However, he put Jason in touch with a local serial entrepreneur who, appreciating what SRRS was doing, offered them use of two units in a self-storage facility he owned as well as use of an adjacent large gravel area he owned next to the storage facility. This became the new sorting facility for SRRS. The rent for the space was \$1000 a month. Although it had no electricity or running water, the unit allowed sorting to be done inside on poor weather days, and the gravel lot provided an overflow area as well as ample space for the dumpsters. A problem became an opportunity and SRRS was no longer sorting recyclables behind a restaurant.

It became difficult to get to every customer in the week, even with all the new vehicles, so Jason and David decided to add a night shift, rather than buying more vehicles. As was their way, they aggressively communicated this move with their customers. They appealed to customers to place their recycling on the curb the evening before their scheduled date as it might be collected in the wee hours. This communication also allowed customers to not be surprised in the middle of the night when a large, white truck stopped in front of their house! Jason was one of the night shift's first drivers, a job he continued to enjoy throughout his tenure at SRRS. The founder driving the night shift certainly sent a message of community and "we all work together to get the job done" through the SRRS culture.

COMFORT LEVEL

By 2019 Jason and David had ridden the growth wave and were coasting at a more manageable level of growth. They had well over 3000 customers and still were adding customers but there no longer were growing pains. The new customers were fit seamlessly into existing routes. Existing customers understood procedures and customer complaints were minimal. They had raised their price to \$18 a month or \$200 a year and they had 10 dumpsters that were emptied 3 times a week. Their main issues were hiring and keeping good employees, and relatedly, keeping tabs on the route drivers. By the end of 2019 they had 15 employees. David had cycled off the route-driving to oversee the office and financial side. Jason still enjoyed the peace and quiet of driving the night shift.

By the end of 2019, both Jason and David were starting to feel a growing pull back to their music days. Jason had a full in-home studio that he had envisioned himself and David using to produce other artists. Both also had kept their hand in the band scene. However, both were very proud of what they had built with SRRS and didn't want to see it dissipate. They felt they had three options: 1) continue on their growth track and keep growing the business with hopes that they could transition out of the day-to-day in the near future; 2) seek out investors to expand the business so they could transition out of the day-to-day more quickly; 3) sell the business. To explore the third option, Jason did an internet search for "How to sell my business." He learned that the process was expedited by having an agent, and after researching agents in the middle Tennessee area he contacted one in Nashville.

Jason and David were faced with, arguably, their biggest decision yet. Which of the three options should they pursue? Which was best for SRRS? Which was best for them and their desire to put more time and effort into their music passion? Could one decision accomplish both objectives?

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