INSIGHTS FOR ENTREPRENEURS

How SMEs can lead the transition to a waste free world

TRANSFORM, an impact accelerator led by Unilever, the UK's Foreign, Commonwealth & Development Office (FCDO) and EY, funds and supports 78 enterprises of which 18 focus on waste, ranging from those that focus on technical innovations, to enterprises that improve the livelihoods and working conditions of informal waste-collectors.

TRANSFORM has looked at how enterprises achieved results across their sector and has identified lessons for other entrepreneurs seeking to innovate and create more circular solutions in the waste economy.

The five enterprises operate in India, Indonesia, Nigeria, and Kenya, and represent a range of regions, maturity, and components of the waste supply chain impacted.

They shared seven key insights on how to make the most out of waste and repurpose existing byproducts as an opportunity for growth while responding to different sets of business challenges.

Find out more

Collaboration is key to scaling social enterprises. Learn more about the successful programmes that other enterprises and funders have delivered together. Read more stories here.

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7 KEY INSIGHTS

INSIGHT 1

Ensuring a sufficient and reliable supply of recyclable waste (for example, plastic like PET*) helps sustain operations. With low margins, unpredictable prices from offtakers, (those who buy waste) and a lack of control over input prices, enterprises must rely on large volumes of waste to keep a business going in this sector. From creating franchise models to forming partnerships with waste collectors, there are many ways enterprises can deliver these waste volumes.

INSIGHT 2

Reducing reliance on prices set by offtakers positively affects profit margins. Enterprises need to be better able to challenge and/or forecast how much they can charge for baled plastic. Many enterprises choose to pay above-market prices to their waste collectors, as well as providing other benefits. However, this increases enterprises' input costs, and most offtakers won't cover these extra costs. By scaling and providing a significant volume of waste to the offtake market, enterprises can negotiate prices set by offtakers. Franchise models can increase quantities of waste so that they have more liquidity to balance out the unpredictable offtake prices.

INSIGHT 3

Moving higher up the plastics value-chain increases enterprise financial value. Profit margins improve for enterprises that choose to go higher up the value chain, for example, creating flakes, pellets or products for end-users. To produce products for end-users, enterprises must ensure they have significant capital investment and technical knowledge. They can also engage and influence final buyers (such as FMCG companies or construction companies).

**Please see our glossary on pg. 2 for more info.*

INSIGHT 4

Diversifying income streams and widening waste-supplier networks and offtake clients offers more opportunities. Most enterprises in the waste sector recycle PET plastic but the PET market is highly competitive as the value chain is well established and PET is already seen as valuable waste. Enterprises can explore less established markets (for example, other materials such as HDPE, LDPE, and MLP) which come with greater risks but potentially greater rewards.

INSIGHT 5

Using technology can create efficiencies in a margin-poor industry. All enterprises that tested a technical fix or solution found increases in efficiencies. This includes the use of cloud software, tech platforms to create more efficient logistics, and apps to help connect waste producers to enterprises.

INSIGHT 6

Building trust with the existing, informal waste management sector helps sustain operations. The informal waste sector is largely wary of outsiders and new market entrants. Enterprises can work with waste collectors and aggregators to build and sustain trust, to ensure existing waste workers benefit and to guarantee steady volumes of waste for their operations.

INSIGHT 7

Incentivising/educating on at-source segregation has many benefits. Asking waste producers to pay attention to their waste and segregate at source requires a behaviour change, because they are not accustomed to considering their waste and there is currently no incentive for them to segregate it. Creating an education program or incentive system to promote quality segregation behaviour results in higher volumes of good quality waste, lower segregation costs, greater margins, and less waste going to landfills.

WASTE ECONOMY GLOSSARY

SMEs: Small- and medium-sized enterprises.

Offtakers: Entities or businesses that purchase plastic materials or products from manufacturers or suppliers. Final offtakers include businesses such as Unilever, IKEA, and large construction companies.

Waste collectors: Informal workers who collect, sort and sell materials for recycling or reuse.

PET: Polyethylene terephthalate (PET) is a type of polyester. It is a clear, strong, and lightweight plastic commonly used for many household products.

HDPE: High-density polyethylene (HDPE) is a plastic known for its strength-to-density ratio. It is commonly used in packaging, piping, and construction materials.

LDPE: Low-density polyethylene (LDPE) is a plastic known for its flexibility, transparency, and resistance to moisture. LDPE is commonly used in packaging materials such as plastic bags, shrink wrap, and squeeze bottles.

MLP: Multi-layered plastic (MLP) is a material that has at least one layer of plastic. It is the type of plastic most commonly used for packing food items such as chips and biscuits

We **TRANSFORM** Lives

ENTERPRISE CASE STUDIES

These enterprises supported by TRANSFORM have catalysed environmental, social, and business results, showing that social enterprises working to repurpose waste have the potential to deliver meaningful results at scale, assuming adequate and timely funding and technical support.

Disrupting and successfully reimagining the supply chain

By building trust with four waste collector entrepreneurs, Hasiru Dala Innovations created a business model that supports the entrepreneurial qualities of the waste collectors, such as supporting them with negotiating contracts with bulk waste providers, and helping these entrepreneurs create more employment as small businesses.

Recognising the need for large quantities of good quality waste, Wecyclers chose to incentivise segregation behaviour. By paying for clean, segregated waste, Wecyclers created a system where they can access good quality, waste while also creating value for the collectors, households, small shops etc. This disruption has successfully created more reliable quantities of plastics arriving at Material Recovery Facilities (MRFs) and better segregation behaviours, so less waste goes to landfill, helping these entrepreneurs create more employment as small businesses.


Wecyclers


Hasiru Dala

Providing jobs and reliable income, with a focus on women

One waste provider for Wecyclers has been selling plastic waste to them since 2018. In just one week this seller made 150,000 Naira. Using the money she made with Wecyclers, she sent her last child to high school, bought a small piece of land and built a shop on there. She has also encouraged her friends to make money from selling plastic and remarked that the bins are empty with more plastic going back into the packaging supply chain.

Diverting waste from landfill

In just six months, between October 2021 and March 2022, Waste4Change (W4C) has diverted 574,937 kg of plastic waste (recyclable and un-recyclable) from landfill. Throughout 2022 W4C processed over 8,000 tonnes of plastic waste.

Waste4Change

TRANSFORM is an impact accelerator that unites corporates, donors, investors and academics to support visionary enterprises across Africa, Asia and beyond. Together, we test and scale new solutions that tackle environmental challenges, improve health and wellbeing, and build inclusive economies.

Combining grant funding, business insight and research, TRANSFORM is advancing the development of innovative business models to help solve global challenges. It was established in 2015 and is led by Unilever, the UK's Foreign, Commonwealth and Development Office, and EY.