



TerraCycle: Turning Trash into Cash

Introduction¹

In 2002, during his freshman year at Princeton University, Tom Szaky fulfilled what many college students consider to be a rite of passage: he took a road trip. But unlike most college road trips, this one would change the course of Tom's life.

It all started with a box filled with soil, food scraps, and lots of worms. It belonged to the friend he was visiting in Canada, who used the nutrient-rich soil from his worm box to fertilize his houseplants. The process was simple: feed garbage to worms, get a great plant fertilizer.

After seeing this process first-hand, Tom, who had started four businesses before his 18th birthday, began to brainstorm with Jon Beyer, a Princeton classmate. If worm poop was great for plants, why couldn't they sell it to everyone in North America? After all, the multibillion-dollar fertilizer market had yet to see a major organic player and there certainly wasn't any shortage of garbage in the world. So Tom did what any other logical person would do: he dropped out of Princeton University, borrowed \$20,000 from family and friends, and focused on developing a viable worm poop business.

Five years later, things were going better than Tom could have dreamed. By the spring of 2007, TerraCycle's sales had grown to \$3 million. The company more than doubled sales in 2008, and was on track to meet its projection of \$10 million in sales for 2009.

As TerraCycle grew, Tom had a lot to think about. What did the future hold for his fledgling worm poop business?

The History²

The summer following their freshman year, Tom and Jon purchased a worm-composting machine and, with Princeton University's blessing, fed large quantities of dining hall garbage to thousands of red wiggler worms. Two months later, all they had to show for their efforts was an empty bank account and a mountain of organic vermicompost. It looked like TerraCycle may have been nothing more than a summer fling.

Published by GlobalLens, a division of The William Davidson Institute at the University of Michigan.



©2010 William Davidson Institute. This case was prepared by Cynthia Koenig and Steve Kurz under the supervision of Professor Stuart Hart. It is intended to serve as a basis for class discussion rather than to illustrate the effective or ineffective handling of an administrative situation. We would like to acknowledge the support of the Green Chemistry Institute in the preparation of this case.