

# How Best Buy makes money recycling America's electronics

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Retailing giant Best Buy (NYSE: BBY) has seen its recycling take-back program grow from a costly gamble into a fast-growing business that's making a little bit of money. "It's profitable. But just barely," said [Leo Raudys, senior director of environmental sustainability at Best Buy](#). "People still don't believe it."

The skepticism comes from the fact that the program is not only free to consumers, but they can also drop off just about any kind of junk that runs or ran on electricity. A dead tube TV? Check. The cell phone you dunked? Of course. That leaky washing machine? Yep. Best Buy takes appliances, too.

So how does the company cover its costs and a bit more? I had the chance to catch up with Raudys last week during the [Sustainability Operations Summit](#) in New York City, where he spoke on a panel titled "Successfully Tackling Waste." Afterward, Raudys talked about how Best Buy turned the potentially thorny problem of collecting recycling into a self-subsidizing operation.

At its launch in 2009, the chain required consumers to buy a \$10 store card to drop off recycling. But last November, Best Buy dropped that fee.

Today, the program generates two streams of revenue. First, Best Buy takes a cut from its recycling partners. When truckloads of old TVs, PCs and dryers go to its processing partners, the plastic, gold, lead, nickel and other materials recovered from the dismantled waste is sold to be remade into new materials. And while volatile, the prices for all of these commodities have generally been heading up over the past few years, raising the share that comes back to Best

Buy. A very small percentage of the waste, Raudys estimates, ends up recovered and refurbished.

Secondly, Best Buy collects revenues from its partners: big, well-known electronics brands. “25 states have rules requiring that manufacturers recycle some share of what they sell every year,” Raudys said. “Our network can deliver efficiencies that [the electronics makers] can’t match, so they buy access to it.”

Best Buy has also been able improve its margins by steadily lowering the costs of collecting and transporting the consumer waste by improving workflows and boosting volumes, he said. Higher volumes of waste let Best Buy win more competitive rates from its recycling partners as well.

But does Best Buy see any extra sales from customers lured in by the recycling service? After all, when faced with roughly similar prices for a flat panel TV from a number of retailers, many customers would opt for the vendor who can take away the old set. The benefit of the program remains unclear, however. Raudys explained it’s difficult to identify sales that happened because of the recycling policy. “We see this as a service to our customers,” he said.

It could have been a costly, unsustainable service, though. “The program was projected to cost \$5 million to \$10 million in the first year,” Raudys said. “We didn’t know what we were getting into.” If costs stayed that high, he said, the program might’ve been scrapped.

The program’s most tangible overhead costs are labor and storage space, to process the waste at its stores. There’s also the cost to truck pallets to recycling sites. Less visible costs for Best Buy include auditing the processes of its recycling partners. Raudys said the company hires third-party inspectors to enforce a [corporate recycling policy](#) that aims to match or exceed state and federal guidelines. To avoid the export of hazardous materials to low-income countries, Best Buy’s program includes physical inspection of shipping containers and paper auditing.

E-waste handling practices remain a controversial challenge. Scrutiny of e-waste practices increased in the wake of embarrassing revelations -- [most famously a 2008 investigation by CBS’60 Minutes](#) program -- that exposed recyclers who were sending e-waste to be dumped or processed in primitive, dangerous methods.

Experts say the problem has improved but still persists. “At least half of the e-waste collected in the U.S. for so-called recycling is exported to Asia and Africa where it is often smashed, burned, dumped or processed in conditions that endanger the health of workers,” said Jim Puckett, executive director of Basel Action Network, an e-waste watchdog group.

Three partners handle Best Buy’s e-waste. In the western U.S. materials go to [Electronic Recyclers International](#) (ERI) in Fresno, California. In the Midwest, old gear flows to [Regency Technologies](#) in Cleveland, Ohio -- and in the East, [E Structures](#) in Baltimore, Maryland handles the e-waste. Appliance recycling is done by Regency and [Jaco Environmental](#) in Snohomish, Washington.

Puckett would like to see all of Best Buy’s e-waste handlers meet the e-Stewards certification, a program co-developed by BAN and other environmental groups. “Only e-Stewards is consistent with international agreements barring export of hazardous e-waste to developing countries and forbids using municipal landfills or incineration for hazardous e-waste,” he said.

Of Best Buy’s three e-waste handlers, only ERI is currently e-Steward certified. But all three meet the R2 code, an industry-backed standard.

In the absence of federal or state regulations for e-waste, Best Buy’s take-back program is one of only a small number of options available. Just 25 states have e-waste rules, [although Best Buy accepts recycling nationwide](#). “There are many places in the country where there are no alternatives,” according to Puckett.

The program’s growth, meanwhile, suggests there’s a big need. Since the program began, Raudys said, Best Buy has collected half-a-billion pounds of recycling, including both appliances and e-waste. And given that the volume of recycling is growing by 10-15 percent per year, Best Buy is likely [to hit its goal of 1 billion pounds of consumer goods](#) soon. Last year, some four million customers dropped off nearly 86-million pounds of electronics and 73-million pounds of appliances for recycling (see table, below).

### **Best Buy’s global recycling operations**

Recycling	U.S.	U.S.	U.S.	Canada	U.K.	Mexico	Totals
	FY'09	FY'10	FY'11	FY'11	FY'11	FY'11	FY'11
Volume of Electronics Recycled (in pounds)	29.9M	73.9M	82.9M	2.7M	35K	21K	85.7M
Volume of Appliances recycled or Reused (in pounds)	61.4M	65.8M	72M	n/a	n/a	n/a	72.8
Volume of Cardboard/Paper Recycled (in pounds)	46.1M	63M	78.6M	10.0M	916K	-	89.5M
Volume of Plastic Recycled (in pounds) <sup>1</sup>	778K	947K	3.5M	n/a	167K	n/a	3.7M
Volume of Metal Recycled (in pounds) <sup>2</sup>	212K	1.6M	1.9M	n/a	20K	n/a	1.9M

1. Plastic recycling is from store and distribution center recycling programs and does not include plastic recycled through the appliance or electronics recycling programs

2. Metal recycling is from project and store material only and does not include metal recycled through the appliance or electronics recycling program

Best Buy's efforts come against a backdrop of intensifying efforts to improve e-waste recycling nationwide. Last week, [Staples announced a deal with HP to take back](#) all sizes of computers, monitors, desktop printer/scanner/copier devices, handheld electronics and various other retired gizmos.

The number of recycling drop-off locations for consumers nationwide

grew to nearly 7,500 from just over 5,000 in 2011, according to the [First Annual Report](#) of the [eCycling Leadership Initiative](#) (ELI), a program created by the [Consumer Electronics Association](#), a consortium of major electronics manufacturers and retailers.

ELI participants arranged for the recycling of 460 million pounds of consumer electronics last year, a 53 percent increase over the 300 million pounds recycled in 2010. And the group is aiming to drive that figure to annual rate of 1 billion pounds by 2016.

*Photo of Best Buy store sign by Lynn Watson via Shutterstock.*

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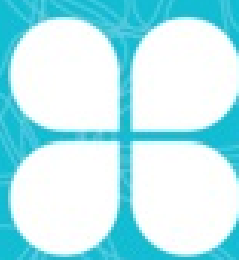


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