

## CREATIVE 'TRASH TO CASH' STRATEGY: A CASE STUDY OF ITC LIMITED

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### ABSTRACT:

Creating riches out of rags, and moving from an abysmally low level to an epitomic height is dream of every entrepreneur. Business houses have a vision of refurbishing and recycling waste so as to reduce their cost of production and do relative less damage to the society. This responsible and behemothic task of a mutual synergistic and symbiotic relationship between different parties has been achieved by the Indian Business Conglomerate – ITC Limited. The present case study discusses the initiative 'WOW' (Wealth out of Waste) launched by ITC in 2007, which was initially started as a pilot project in Hyderabad. The project which was started at a small level is now soaring high in the sky, with being recognized and appreciated both at national and international levels. WOW was launched by the company to inculcate the habit of segregating waste and increasing the level of recycling garbage; and in less than a decade's time it is benefitting all the stakeholders of the company – the municipality, government, environmental agencies, common man, as well as the company employees and the books of accounts. The case discusses in detail the WOW project, its etymology and the strategic benefits it has brought to the company.

*"ITC believes that its aspiration to create enduring value for the nation provides the motive force to sustain growing shareholder value".*

*- Y C Deveshwar, Chairman, ITC Limited*

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**INTRODUCTION:**

Trash/Waste is normally an unwanted, useless & excess of anything. According to Pongrácz et al (2004) “Things with well-defined Purpose, and acceptable Performance, but their users failed to use them for the intended Purpose.

According to statistics from the United Nation, the world's urban population has increased from about 38% in 1975 to almost 50% in 2007 and will rise further to approximately 70% by 2050. With the fast growing megacities in developing countries it is necessary to urgently reassess entrenched systems of waste management. Limited financial resources occurring frequently in line with an unstable economic situation require know-how, flexibility and creativity.

India, although being the second largest nation within the world, accounting for nearly 18% of world's human population, however it doesn't have enough resources or adequate systems to treat its solid wastes. The per capita waste generation rate in India has increased from 0.44 kg/day in 2001 to 0.5 kg/day in 2011, fuelled by onset of industrialization and dynamical lifestyles. Urban growth and increase in per capita waste generation have resulted 50% increase within the waste generated by Indian cities within only a decade since 2001. Fifty three cities in India with a million plus population, which together generate 31.5 million tons per year of solid waste at a per capita waste generation rate of 500 grams/day. Such a steep increase in waste generation within a decade has severed the stress on all accessible natural, infrastructural and budgetary resources. Inefficient management, utilization and disposal of this solid waste is an obvious cause for the degradation of environment in India. Improper disposal of this waste generated leads to spread of communicable diseases, causes obnoxious conditions, pollutes all vital components of living environment (air, water & soil) and spoils the bio sphere as a whole. More than 91% of the solid waste collected formally is land filled on open lands and dumps. It is estimated that about 2% of the uncollected wastes and about 10% of the collected solid waste is openly burnt releasing 22,000 tons of pollutants including carbon monoxide, carcinogenic hydro carbons, particulate matter, nitrogen oxides and sulfur dioxide. The Energy Research Institute estimates that 1400 sq. km. of land would be required by 2047 for municipal waste.

But, there is well known idiom that Trash is Cash. Out of all the waste generated in Indian metros, it is estimated that about 30% is recyclable, comprising paper, plastics, metal and glass. Recycling has emerged as the solely viable answer to satisfy the challenge of disposing waste in an eco-friendly approach. This can enable the overall load on landfills to be reduced to

10,500 Tons per day in Indian metros by simple steps taken by all the responsible citizens for source segregation of recyclables.

### **ABOUT THE COMPANY – ITC LIMITED:**

ITC Limited, formerly named as Imperial Tobacco Company is one of India's oldest private sector companies. Formulated on 24<sup>th</sup> August, 2010 as Imperial Tobacco Company of India Limited, its name was later changed to Indian Tobacco Company (in 1970), and then to I.T.C. Limited (in 1974). Eventually, on September 2001, the company was named as 'ITC Limited', as it is known now. The giant Indian conglomerate is headquartered in Kolkata, West Bengal, and has a market capitalization of US \$ 45 billion and a turnover of US \$ 7 billion (2012-2013). The company employs around 25000 people, and is spread across 60 different locations in the country.

ITC has its wingspan spread across five different segments - Fast Moving Consumer Goods (FMCG), Hotels, Paperboards & Packaging, Agri Business & Information Technology. Under all these segments, it produces products and services which are widely accepted and recognized all across the world. Some of the important brands produced by the company are – John Players, Wills Lifestyle, ITC Hotels, Kitchens of India, Fiama Di Wills, Essenza Di Wills, Vivel, Sunfeast, Classmate, Mangaldeep and many more. This growth, across multiple sectors has been rated by A C Neilson Report to be the fastest among consumer goods companies operating in India. Such a diversified presence in varied business sectors and industries is driven by a strategy to pursue many growth drivers and be one of the biggest and most successful companies across the world. As per its present product portfolio, the company has won many accolades and honors. ITC is one of the eight Indian companies to be a part of the Forbes A-List for 2004, featuring 400 of “the world's best big companies”. Forbes magazine has also honored ITC to be a part of ‘World's most reputable companies’, and Asia's ‘Fab 50’. Business Today has included it in the list of ‘India's most valuable companies’. A study conducted by Brand Finance, and published by The Economic Times ranks ITC in the list of ‘India's 10 most valuable (Company) Brands.

The business conglomerate ITC claims that it is the only company, of comparable dimension, in the world to be thinking and implementing about environmental sustainability. It follows the tripartite approach of being carbon positive, water positive and solid waste recycling positive.

Out of the various initiatives it has taken in the same direction a few key ones are e chaupal, green hotels, use of renewable energy and green recycling.

### **THE WONDERFUL INITIATIVE ‘WOW’:**

*ITC's wealth out of waste (WoW) programme shows how a simple habit change can significantly benefit the company, the society and the country.*

*-N. MADHAVAN*

The unfolding of the story of the creative and strategic movement launched by ITC Limited is an illustration of being a responsible corporate entity, committed to a symbiotic positive development of the company, as well as the society at large. A recycling programme, started by ITC's Paperboards and Specialty Papers Division, in association with Ramky group, a pioneer in waste management, has reached such a high level that it is proving to be strategically beneficial for all the parties involved, leaving aside the multitude of cash generation it is bringing for the company. It is an internationally recognized initiative (by Bureau of International Recycling). The recycling programme WOW – ‘wealth out of waste’ is a project that aims to inculcate the habit of recycling among school children, housewives, corporate employees, general public and industries and business enterprises and reduce the garbage load by at least 15-25% through source segregation and responsible waste disposal. As per the latest statistics, over 3 million citizens, 500,000 school children, 350 corporates, 1000 commercial establishments and 200 industries are actively involved with WOW; and the programme which started with one district is now operational in many states, including Hyderabad, Chennai, Bangalore, Cochin, Bhadrachalam, Coimbatore & Madurai.

The vision path of ITC Limited, extends its commitment beyond books of accounts, technology, and efficient processes employed. It extends to a transformational approach of mutually beneficial initiatives to take up the issues of efficient waste management, source segregation of waste and recycling to households, schools and corporate bodies. All of it, taking the organization closer to the dream of a cleaner and greener tomorrow. Let us understand the programme by putting forward a few facts – Out of the total garbage generated in Indian metropolitan cities (35,000 MT), it is estimated that about 30% is recyclable, comprising paper, plastics, metal and glass. But in reality, hardly 10% of it is recycled. For paper mills, waste paper

is a key raw material. To fulfill the demand of 630 paper mills in India, around 4.6 million tonne of paper is imported from the Western nations at a cost of \$750 million (Rs 3750 crore). And shockingly, out of the 8.5 million tonne paper consumed annually in the country, only 1.4 million tonne gets recycled back. A great part of it (1.5 times of what we import) remains wasted by being permanently lost in the landfills. Appropriate financial calculations show that this mismanagement leads to a colossal waste leading to huge losses. This coupled with the fact that waste paper recovery level in India is poor (14% as against 70% in US and Europe) makes the situation grave. The same stands true for other waste materials like metals and plastics. To respond to the grim situation, ITC, in collaboration with Ramky industries, India's largest waste management company launched the WOW project, involving people at all levels. The project worked like this – In a chosen locality, ITC provided every household with trash bags, to pull all the solid waste. This included all kinds of waste – paper, plastic, metal etc. However, the kitchen waste and the other wet waste was to be kept separately for disposal by the regular municipal authorities. The WOW team would visit the localities once in 10-15 days and collect the trash bags constituting of segregated solid waste. Suitable payments were also done to the concerned households for giving recyclable waste. Paper was taken @Rs4/Kg, while plastic and other metals @ Rs2/kg. The garbage collected was transported to the junkyard, where it was segregated and sent for reuse. The paper waste was sent to ITC's processing plant, and the other material was also sent to suitable places. This project, which started at a small test scale is now spread to 15 municipalities in Andhra Pradesh, and to around 10 states in South India, including Chennai, Madurai, Coimbatore, Bengaluru and Cochin. Even corporate houses are a part of this project. 30 IT companies in Bangalore are participating in it regularly. With the regular participation of 165 employees, waste collection has touched 600 tonne per month.

From a mere collection rate of 10 MT of recyclables, the WOW project has now swelled it to over 4000 MT/month. Participation details include over 3 million citizens, 500,000 school children, 350 corporates, over 1,000 commercial establishments and about 200 industries who are supporting WOW across South India. This in turn helps augment green cover, conserve scarce natural resources and make the environment clean and healthy. The initiative has also created livelihood opportunities for over 4,000 underprivileged people.

### **STRATEGIC BENEFITS:**

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Indexed & Listed at: Ulrich's Periodicals Directory ©, U.S.A., Open J-Gate, India as well as in Cabell's Directories of Publishing Opportunities, U.S.A.

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The much talked about project of ITC Limited is a boon in the present situational circumstances. It is concerned with thinking with a long term strategic and innovative perspective and finding out a solution to deal with the ever increasing and camouflaged problem of waste management. Apart from helping the organization in direct financial terms, the project is having many secondary and spillover benefits which act as another blessing for all the shareholders involved. Generating 'wealth out of waste' is a perfect illustration of ITC's triple bottom line philosophy. The 3Ps – people, planet and profit are all taken into consideration with this approach of the organization. It acts as a guiding force for sustainable development to take place in a harmonious manner. It deals with economic viability, social responsibility and environmental concern from the corporate perspective.

Discussing the strategic benefits out of the project, it may be seen that there many umpteen beneficiaries – government, municipal authorities, environment, customers, policy makers etc. To start with, environment is the biggest beneficiary. Recycling and segregation of solid waste prevents wastage of both renewable and non renewable resources. Multiple resources (air, water, land, trees) which may be used in the production of these resources are also saved. To quote a figure - every tonne of recycled paper prevents 17 trees from falling and saves about 7,000 gallons of water, which would have been used in its maintenance. This indirectly means more greenery and improved rainfall. A lot of other natural resources are also saved in the production of plastics, steel, aluminum and copper.

The government and the policy makers have also been influenced substantially by results of the project. As a result of the small pilot project (launched in Hyderabad in 2007), the Andhra Pradesh government wants the company to roll out the programme across the entire state. Even the neighboring states have shown keen interest for the same; Chennai corporation for instance has asked the company to start similar operations in two localities of its city. Funds have also been released by the Ministry of Urban Development under the 'Jawaharla Nehru National Urban Renewal Mission' so as to replicate the WOW model in 52 municipalities across the country. This will not only benefit the organization, but will be a win – win situation for all the parties involved – the environment, waste management agencies, policy makers and the company. The public has been equally involved by participating actively and following the instructions of the WOW team. The common man is also a beneficiary as he is happy to get

money from the waste that he normally throws away. The streets are clean and the Resident Welfare Agencies are actively participating in it.

The municipal corporations have taken a major share of pie in terms of the strategic benefits the projects brings to the stakeholders. Segregation and recycling of waste has made the task of these authorities easier as now there is less garbage around. Drains are prevented from being choked, which has led to better sanitation and fewer diseases. The NIMBY syndrome has also been done away with. The 'Not In My Backyard' syndrome arose when due to fast filling up of landfills, it was getting difficult for the authorities to identify a new site for garbage disposal. Implementation of the WOW project led to a 30% reduction in garbage, which solved the problem to a large extent. In financial terms, this has led to a saving of about Rs 3 crore per month, amounting up to Rs 36 crore annually. The scrap dealers and ragpickers also have something to gain here. By means of this project, they have been given employment, and have been included in the WOW team, thus ending the little resistance and hostility at the beginning of the project. Every area of 50,000 houses requires employment of 50 indirect labours, and the ragpickers and scrap dealers were given an opportunity to be a part of the same. Another jewel in the crown is ITC's collaboration with Indian Paper Mills Association. Considering the humongous benefits of the project, both financial and strategic, ITC is working with IPMA to get other paper mills to take up this initiative. Over all there are multiple benefits being offered by the ITC initiative.

### **STRATEGIC CONCEPTS:**

**Zero Waste Concept:** It is a philosophy that encourages the redesign of resource life cycles so that all products are reused. Zero Waste is a goal that is ethical, economical, efficient and visionary, to guide people in changing their lifestyles and practices to emulate sustainable natural cycles, where all discarded materials are designed to become resources for others to use. It encompasses more than eliminating waste through recycling and reuse, it focuses on restructuring production and distribution systems to reduce waste.

**Cradle-to-cradle:** It focuses on designing industrial systems so that materials flow in closed loop cycles, meaning that waste is minimized, and waste products can be recycled and reused.

Cradle-to-cradle simply goes beyond dealing with issues of waste after it has been created, by addressing problems at the source and by re-defining problems by focusing on design.

**Reduce-Reuse-Recycle Approach:** It focuses on creating societal value by serving through competitively superior value propositions, by preserving and replenishing the environment and by innovating strategies that maximize sustainable livelihood creation.

### **CONCLUSION:**

Waste is a crisis of our own doing. Waste generation and waste reduction reflect many complex economic and social factors. It is becoming more and more difficult to just run faster, catch up and solve the problem. Long-term, viable solutions require action at every level – personal, corporate and government. It must start with acceptance of responsibility for waste, whether as consumers or manufacturers. It requires a co-ordinated series of legislative measures, research funding and public education, and the development of public-private partnerships that can bring additional technical and financial resources and innovative solutions. The only solution to waste management includes the waste hierarchy "3 Rs" reduce, reuse, and recycle.

### **QUESTIONS FOR DISCUSSION:**

Based on the study of the 'WOW case' of ITC Limited, the following questions may be discussed:

1. Is the WOW strategy in line with the organization's mission? Comment.
2. What strategic rethinking and redesign lies behind the WOW initiative of ITC limited?
3. According to you would WOW and similar such initiatives be sustainable for the organization in the long run?
4. What are the other possible green initiatives that may be followed by the company keeping in view its product portfolio?

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