

Karen Zelnick:

Being a founder is synonymous with facing rejection. What separates successful startups from the rest are founders who know how to work through that rejection. But how do you keep saying yes when the world is telling you to stop? Join us in today's conversation with Ryan Smith, Founder and CEO of Recyclops and investor Kurt Roberts as we bring you both sides of a Perfect Pitch.

Karen Zelnick:

Perfect Pitch is a podcast from Kickstart that reveals the minds of both investors and entrepreneurs throughout a startup's journey. I'm your host, Karen Zelnick. Ryan and Kurt, thank you so much for being here today.

Ryan Smith:

Thanks for having me. I'm excited to be here.

Curt Roberts:

Thank you, Karen. Looking forward to it, as always.

Karen Zelnick:

Before we jump into the discussion, I want to tell everybody a little bit about you. Ryan, you are the Founder and CEO of Recyclops, which, for those who don't know, is an amazing company that leverages technology to bring recycling to communities that don't normally have access to it. Thank you from Mother Earth and the rest of us. In 2020, you join the ranks of Forbes 30 Under 30. Bringing it back to Kickstart ties, you were a partner for Campus Founders Fund, which is a student run venture fund, powered by Kickstart, that's focused on empowering student entrepreneurs. Is there anything else you'd like listeners to know about you?

Ryan Smith:

I would actually say that I was on the inaugural Campus Founders Fund class. We were the first group to do it. So that was a lot of fun, and it was fun to get it connected to venture capital and to Kickstart early and to learn a lot of lessons. It's one of the best-kept secrets, Campus Founders Fund, and I know they don't want it to be a secret.

Karen Zelnick:

I was like, "Help us make it not a secret, Ryan."

Ryan Smith:

I know. I was really good at making it not a secret when I was there.

Karen Zelnick:

Awesome. Well, so glad to have you here today. And Kurt, so great to have you on the show. As always, we'll have a link to your bio in our show notes, and I'd love for you to tell listeners something that they don't yet know about you.

Curt Roberts:

I have had 16 surgeries.

Karen Zelnick:

Oh my goodness.

Curt Roberts:

Yeah. These are resulting from living a relatively high wear-and-tear life, combined with a very interesting set of genes given to me by my parents. Hopefully, there won't be too many more, but we'll see.

Karen Zelnick:

Yeah, hopefully 16's it, actually,

Curt Roberts:

I am doubting it will be, but-

Karen Zelnick:

Oh no.

Ryan Smith:

There's no way that that's it. You're going to have back surgery when you're old. You're going to get knee replacements. [inaudible 00:02:18]

Curt Roberts:

Dude, I've already had spinal surgery twice. Hopefully, there won't be any more of those.

Ryan Smith:

Hopefully, no more of those. Both of my parents have had spinal surgeries, and no fun.

Curt Roberts:

Not fun.

Karen Zelnick:

Well, thank you for being here today. It's going to be great.

Curt Roberts:

Karen, I've got a question for you.

Karen Zelnick:

Oh, no. What is it?

Curt Roberts:

What is an incredibly interesting thing about you that no one would suspect?

Karen Zelnick:

I'm missing a rib. I had to have a rib taken out. That was one of my major surgeries. So that I find to be a little interesting. Maybe not quite interesting or very interesting, but I'm missing a rib.

Curt Roberts:

I think that's pretty interesting.

Karen Zelnick:

Yeah.

Ryan Smith:

That is interesting.

Karen Zelnick:

We can get into it. We can all get into our surgeries. That's the next podcast.

Curt Roberts:

That's right.

Karen Zelnick:

Stay tuned, listeners. That'd be great.

Karen Zelnick:

Ryan, let's dive right into the discussion now. Ryan, you were working on Recyclops while you were part of Campus Founders Fund in 2014. Can you tell us about your first inspiration for the company?

Ryan Smith:

My very first inspiration was I moved into an apartment complex. I had lived on campus my freshman year. I'd then taken a couple years off and moved to Russia and then came back. When I came back, I bought a Sprite or something on campus. I was going to BYU, and BYU didn't sell Coke at the time. So I know that it was probably a Sprite, which is so crazy to me. It's like, "What the heck? Who doesn't sell Coca-Cola?"

Ryan Smith:

But anyways, I finished it when I got home, and I looked and I was like, "Oh, we don't have a recycling bin in our apartment. Okay. So we all just go take it out to the dumpster." I got out to the dumpster, and there was no recycling dumpster. And I was like, "What?"

Ryan Smith:

That was the first time that I had any exposure to not having access. Man, I'm in an educated college town. I'm in the United States of America. When I was in Russia, they didn't have recycling. That was not shocking to me. But when I was in Provo, Utah, that was shocking to me. I started poking my head around. I'd go on dates, and before the date, I'd poke my head in the dumpster enclosure before I go to pick them up. And it's like, "Nope, no recycling." I can't.

Ryan Smith:

This is a big problem. That was actually 2011. I actually called my dad in 2011. My dad works in physical facilities. He actually manages a recycling operation. Since he actually has a good amount of exposure to this industry, so I was like, "Okay, I'm going to call my dad."

Ryan Smith:

"Dad, I'm going to start a recycling business." And he said, "Don't do it." And I was like, "Okay."

Ryan Smith:

That was 2011. It took a couple more years for me to get past that initial don't do it. 2013 is when I started working on Recyclops, and 2014 is when we got our first revenue.

Karen Zelnick:

That's amazing. You were a student at the time, so being an involved student and a founder must have really stretched you to your limits. How did you manage both?

Ryan Smith:

I was obviously doing school, had another job. I was teaching Russian to old people, people in their fifties, sixties, seventies. So that's, I don't know, getting up... I'd say the younger half of that isn't old. I super enjoyed that. But I literally just did everything.

Ryan Smith:

One of the things I did is that I took school really slow. I started college in 2008. I didn't graduate from college until 2016. I think part of it is just making it happen and just saying, "Hey, I'm going to do this," and taking advantage of what you had.

Ryan Smith:

I remember one time I was like, "Okay, I need to talk to off-campus housing." They have an off-campus housing guide that walks through amenities. And I was like, "What if they listed recycling as an amenity there? It would have apartment complexes thinking about the fact that they don't recycle." So I'm going, "Okay, I'm going to go talk to the off-campus housing office." And I go there, and I'm like, "Hey, I'm a student. I wanted to see if could talk to someone here." And they were like, "Oh, sorry, everyone's actually at the landlord conference today." And I was like, "Landlord conference?"

Karen Zelnick:

You're like, "Which building is that in?"

Ryan Smith:

"Where is this landlord conference?" "Oh, it's just in the conference center." And I was like, "Okay, well I guess I'm not going to any classes today." And I snuck in there and just ate free food. I went up to the guy who was the director of everything and said like, "Yo, I'm a student. I'm starting this business. Could I talk to everyone about that on stage?" And he was like, "No, I can't have you promote your business on stage." I was like, "Okay, what can I do?" And he was like, "Well, I'll let you talk about recycling and tell everyone that there are options for recycling at apartments. And then if they want to come talk to you can talk about your business." And I was like, "Deal."

Ryan Smith:

We actually got our very first Recyclops contract as a result of going to a housing fair where landlords are selling housing to students. I was going and selling recycling to landlords, because they were all in one room. It's taking advantage of what was there, and starting small and working our way up.

Karen Zelnick:

Well, that's a lot of hustle. It's really impressive, especially the fact that you got stage time at a previously-organized conference the day of by just showing up. That's amazing.

Karen Zelnick:

Kurt, because Recyclops was founded while Ryan was part of Campus Founders Fund, obviously it was natural and easy for Kickstart to become involved. I would love to know, specifically, what excited you about the company?

Curt Roberts:

When the company was founded, Ryan just went through the timeline, 2013, 2014. We were not an investor in the company, and it actually took until 2020 before Kickstart ultimately decided to put some money into it.

Curt Roberts:

I think what Ryan was seeing early was a pretty strong desire on the part of consumers to participate in recycling because of a desire to do the right thing for the planet. But also the market for recycled goods and the raw materials for recycled goods at one point in and around the Great Recession was really, really strong. I'm sure Ryan will talk about this later, but it also went through a period where it was really, really challenging, and things like cardboard and other raw materials from recycling were not being shipped around the world like they had been done previously. It took some time, I think, for us as Kickstart to get comfortable with the idea that Ryan was onto a sustainable opportunity here, particularly in the United States where we don't have the strongest legacy for taking this seriously as it's done in many other parts of the world.

Ryan Smith:

One thing I'll add is that we actually had our first money from Kickstart come in from Campus Founders Fund. Obviously when I was a partner at Campus Founders Fund, conflict of interest, couldn't do that. And then later my wife was actually a partner at Campus Founders Fund. But once neither of us were at campus Founders Fund, I had graduated, but she was still a student in I think it was 2018, and that's when we had our first \$20,000 come in from Kickstart. It was fun to have that be a part of my journey and have Kickstart be a part of the journey, really my entrepreneurial journey from the very beginning, and then helped me, I think, be more successful and get to the point where we're now doing pretty dang well.

Curt Roberts:

Yes, you are.

Karen Zelnick:

I would say, "Yeah, I'd say," and we're going to get to that in a little bit.

Karen Zelnick:

I do want to talk a little bit more about student entrepreneurs. Kurt, what's your take on students who choose to balance their college studies while founding a company? Both are very demanding. Ryan has done it very well. What are your thoughts on student entrepreneurship?

Curt Roberts:

I'm a bit conflicted on this, to be honest. I write a regular column for Utah Business magazine. One of the columns that I wrote several months ago, that turned out to be somewhat controversial from the comments that I got back on it, was this idea that side hustles can be problematic and that the person who chooses to have a second job, if you want to call it that, in addition to their primary vocation, whether that's to be a student or in a professional career, that that comes with consequences.

Curt Roberts:

I think what Ryan has already said in describing his journey to get through college is that he accepted those consequences and that it took him, as a result, a couple years longer to graduate than it otherwise would. I think as long as the student who's deciding to start a business recognizes that there's no free lunch and that they're willing to put the time and effort required to really start the business, knowing that there will be some cost that gets paid for that, then I'm all for it. Where I think it becomes challenging is when a student wants to start a business, puts the time and energy into starting a business, and perhaps makes the assumption that that won't come at any cost, either to personal health or to their success in school.

Curt Roberts:

So go into it with your eyes wide open, and as long as you do that, I think it's great. We've supported this for some time through Campus Founders Fund. Honestly, a few of our very best investments have come through that program, including Pura, which is one of the most successful Kickstart companies we've ever funded. That was originally a Campus Founders Fund investment.

Curt Roberts:

I would be disingenuous if I said that we wouldn't ever want to see students making this choice. It's just you have to know that it comes at a price, and as long as you do that with your eyes open, I think it can be a great choice.

Karen Zelnick:

I love the perspective of choosing that imbalance. Ryan, were you about to say something?

Ryan Smith:

Yeah. I wanted to highlight what you said and just say that I got my degree at BYU in the Business Strategy program, which was a really tough program to get into. I think part of the reason why I got into it was because I had started a business and was able to leverage that into some good things for my education. But I literally graduated bottom of my class, straight up bottom of my class. I was cool with that. I was bottom of-

Karen Zelnick:

You were fine with that sacrifice.

Ryan Smith:

Bottom of my class in a really good program. It wasn't hard to be at the bottom, frankly. Every once in a while I go and speak on campus, and I have them read that as my bio. Ryan graduated bottom of his class. My mom doesn't think it's funny, but everyone else does.

Karen Zelnick:

Also too, in addition to being a student entrepreneur, you're in the segment of social entrepreneurship, which has an added component. For those who might not know, what does it mean to be a social entrepreneur?

Ryan Smith:

Yeah. As I look at social entrepreneurship, there's an emphasis on doing good. I feel really strongly that businesses have a, not just an ability, but a responsibility to do good in the world. It's been cool to see the impact that we can make as a company beyond job creation and all of these things that are huge impact, that every company has, that is great for the world, but going a step further.

Karen Zelnick:

Thank you. Kurt, you see so many companies a year. What are the benefits you see to social entrepreneurship

Curt Roberts:

Companies that have a clear sense of mission, not just mission in the sense that they've been able to distill what they're about into a statement of some sort, but a mission that really resonates in people's hearts and souls, have a very distinctive advantage in recruiting. It's almost unfair in some ways to the companies that don't have that. And it's not easy to do across a wide range of business types and segments and sectors. But those that have it attract talent, especially in the current market, disproportionately successfully, has been my observation.

Curt Roberts:

Other things that I see as being advantageous of this though also are related to, I think, a macro trend throughout the world relating to consumer attitudes and business attitudes around businesses that are either exploitative or that have a mission that perhaps is not grounded in doing good. We're steering our money elsewhere. It's very clear to me that we are directing, as consumers and businesses, money toward companies that are doing good while they're conducting business. That is a trend that I think is going to continue.

Curt Roberts:

There's not just an advantage in talent, but there's also an advantage I think in attracting the money from people's and business's pocketbooks, because that's the way we want to spend. We're seeing that, I think, throughout the world now, that corporate social responsibility and a willingness to operate within parameters that do good by the world is something that's not just a nice thing to say, but it also is a significant advantage at present, I think.

Ryan Smith:

And on the retention side, we haven't had someone quit in months, months and months.

Karen Zelnick:

Especially during this great exodus we're seeing, of people quitting. That's great.

Ryan Smith:

Yeah. We've had a lot of people quit their other jobs and join us, because they want to do something that's good.

Karen Zelnick:

Kurt, so obviously you don't want to force a social entrepreneurship angle to a company, and there are some companies that it just isn't a natural fit. What are the challenges that you see that come along with being a social entrepreneur?

Curt Roberts:

I don't think there have to be. I think there was an attitude that prevailed, that's long since gone, that if this was a primary or a significant piece of a company's mission, that would come at the cost of the success of the business, either in margins or lack of focus of the leadership team or some other consequence that would be negative to a business outcome. I think there is the possibility, depending upon how a leadership team approaches it, that it could become a bit of a distraction if the business itself is not directed at social good. But if the business is directed at social good, then it's a natural side benefit, because the problem is being solved through the business itself that has social good as an outcome. Then there's no compromise whatsoever. It's when businesses try to make something up that goes along with the business, that they're clearly just trying to check a box, is where it can become a problem. And I think consumers see through that when it's there.

Karen Zelnick:

So authenticity is very important.

Curt Roberts:

Absolutely.

Karen Zelnick:

You had mentioned earlier that when Recyclops was founded, the market for recycling material was at a peak and giving the company an ideal tailwind. Ryan, I'd like to hear from you. How has the market fared since then?

Ryan Smith:

When I first started Recyclops, we were making most of our money from service revenue, but we were making some of the money from commodity revenue, selling recyclables. But over time, as I looked at the market, I saw some opportunities to make a shift and say, "Hey, if we focus more on commodity revenue and narrow our scope a little bit, let's say we offered a cardboard only recycling program, we don't have to deal with sorting, we don't have to do anything. We can get top dollar for that cardboard."

Ryan Smith:

We built a whole system around that and shifted away from this service revenue play into a commodity revenue play. It was awesome for a couple years. We were selling cardboard for \$120 a ton. And then literally just a couple months later, almost overnight, literally, I got a call and said, "Hey, prices just dropped to \$20 a ton."

Ryan Smith:

This was not a normal fluctuation. This was lower than they'd ever been. We'd looked at the market and said, "Okay, what's the lowest it's ever been? Can we sustain the business at that level?" And it's like, "It's going to be tough. There's challenges. We'll have to make some tweaks. But yes."

Ryan Smith:

This was not that. This was way lower than that. What happened is we had a 6x decrease in revenue, and all of our expenses stayed the same. That was really tough. It happened because a lot of the recycling in the United States was going abroad, most of it to China, and China said, "Hey, we don't want to be the world's dump."

Ryan Smith:

This was a good move for the earth, a good move for China, a good move for the United States in the long term. In the short term, it sure sucked. I'm Googling bankruptcy in incognito mode, because I'm like, "I don't want anyone to know about this." I'm like, "What do we do? What do we do?"

Ryan Smith:

I did not know that I was capable as an adult to sob like a child, but I am. I am capable of that. It was like, "Okay, I'm either going to go bankrupt with no personal debt, or I'm going to go bankrupt with all of my credit cards maxed out and me applying for new credit cards so I can get more credit that I can max out. And maybe I'll survive."

Ryan Smith:

That's what I did. I was selling plasma, got on food stamps. But I love the thought that creativity loves constraint. When this all happened, I was forced to look at my business differently and identify what was working, what wasn't, what could we change, and shifted our business into what our business is today during that time.

Ryan Smith:

Our first investor was University Venture Fund and Jim Sorenson, and they put money into Recyclops, and we were able to make it happen. Then we got the technology commercialization and implementation. It was a grant from the state that was focused on job creation and technology. It was a game changer for us. I remember driving down the freeway when I got the email from TCIP and having to pull over because I couldn't control my emotions, because it felt like we had a lifeline, and we were going to survive. Not only did we survive, but we've thrived.

Ryan Smith:

Just one thing to mention. I want to shout out to my wife, because Abby has been super involved in Recyclops from the beginning. She was in high school when the housing crisis happened, and her dad's a CPA, has his own practice, and went from doing very well to struggling very quickly. She felt the burden of that on her family. Being married to an entrepreneur was not the easiest thing for her and has given so much both emotionally and intellectually. She's added tons of value. I would be remiss to not mention her as we talk about the challenges and the sacrifice that went into starting this business.

Karen Zelnick:

That's another good point. Another good thing to highlight is the necessary support system that founders need, not just professionally, but personally, too. So thank you for highlighting that and so lucky that you have her. That's so amazing.

Karen Zelnick:

I do think we do need to talk about the fact that the decision to keep going with Recyclops, that was the right decision for you and for the company, and now it's thriving, and that's great. But there are some times where the company is doomed to fail in an unsupportive market. Kurt, how can a founder know whether they should keep their nose with the grindstone, whether they should keep making those unbelievable sacrifices, or call it and walk away?

Curt Roberts:

I think the best way to do that is to pay attention to whether the signals that are coming back are fundamentally telling you that the market you thought existed was not there, or that your solution to the problem is just misplaced or misdirected, or whether what's really happening is that you just need patience to keep going in the journey of product market fit. I think in Ryan's case, what made this work was not just his strong belief in the mission of what Recyclops is doing, but it was also, I think, based on a fundamental understanding that recycling might go through its ups and downs, but that as an overall trend globally, that it would continue to strengthen and that if he could keep working his way through the pain of those down periods of the cycle, that ultimately it would pay off.

Curt Roberts:

It's never easy in the moment, when you're trying to interpret the signals you're getting back from the market. But I think having a basic belief, in this case that recycling was here to stay, that it would only become a larger part of the way we handle waste in the world, gave Ryan more conviction to keep going. Is that right, Ryan?

Ryan Smith:

Yeah, definitely. I think looking at the macro trends, looking at, hey, sustainability initiatives aren't going anywhere., Recycling is a big piece of that, that's not going

anywhere. And then looking at our business and saying that, "Hey, we're onto something. This is working. This is working in a small way. And it has the potential to work in a big way. And the only way to get it there is to sacrifice." There was no doubt in my mind that we were onto something.

Karen Zelnick:

And it is going to be big. So clearly there's a light at the end of the tunnel. Things are going well. Let's tell our listeners a little bit about it. How's it going, Ryan?

Ryan Smith:

We leveraged the gig economy to bring sustainability and circular economy solutions, primarily recycling, to communities that don't have it. In the United States, that's a big market. There's 34 million single-family homes that fit in that category, where the city doesn't provide them recycling, and then 16 million apartment homes, so 50 million households, that's 38% of homes in the US. We're now in 20 states doing this and servicing tens of thousands of homes. Hopefully soon, that's hundreds of thousands.

Ryan Smith:

It's almost felt like we were a little bit early when it came to timing. But that little bit early gave us time to learn some lessons so that when the timing was right, we were ready to go. And it feels like timing is right and just getting better. We're cruising. Still lots of things, challenges, problems, things to learn, ups and downs, but it's good.

Karen Zelnick:

It's so exciting to hear that progress. Really excited for you, and we just want to end, we ask everybody this question, what's an effective practice that you've implemented in your work or personal life that you think has had a great impact on your success?

Ryan Smith:

I would say this concept of embracing constraint and saying that, "Okay, there's a lot of constraints that are coming in, and I can look at these constraints, and I can use that as a driving force to help me problem solve. Or I can use it to drive me into the ground and into the grave." It's been fascinating because we've been less capital constrained as we've brought on venture. And so we've said, "Okay, how do we keep that edge? How do we force that creativity? How do we make sure that we're leveraging constraint and looking at it as an advantage in my personal life and not as a hurdle?"

Karen Zelnick:

I love that insight. And Kurt, what are your thoughts on that? How have you seen that benefit Ryan with Recyclops?

Curt Roberts:

One of the questions we consistently ask when we are evaluating companies for investment is exactly how much money the company actually needs and what they will accomplish with it. We have a strong bias as a fund to try to help companies not over-raise. That's tough in the current environment. There is so much money in venture that many founders are raising it because they can, not because they should. When there are competing term sheets, and when syndicates are expanding, and let's say, a company thinks it needs a couple of million dollars, and it ultimately ends up raising four because there's so much demand, oftentimes that's the wrong decision because abundance oftentimes leads to waste.

Curt Roberts:

I've made the argument before in writing, and I really do fundamentally believe it, that scarcity is a virtue. It forces decision making that really focuses on the most important things. While it can feel painful at the time, and I think in Ryan's case, it probably had a little, well, definitely had too much scarcity for a good chunk of time there, that mentality makes for great companies and great founders.

Karen Zelnick:

Thank you both for the insights that you've shared, especially at the discussion at the end about reframing your perception of constraints. I think that's really important. Thank you both for being here today and for the insights you've shared during this discussion.

Ryan Smith:

Yeah. Thanks for having me.

Curt Roberts:

Thank you, Karen.

Karen Zelnick:

And of course, thank you for listening, as we dive deep into what it takes to create the Perfect Pitch. If you want to learn more about our investor, Kurt Roberts, from Kickstart or our founder, Ryan Smith, and his amazing team at Recyclops, we'll have a link to the company and a longer bio in our show notes at kickstartfund.com.

Karen Zelnick:

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Ryan Smith:

Oh, got a little visitor.

Ryan's kid:

This transcript was exported on May 02, 2022 - view latest version [here](#).

Santa's here.

Ryan Smith:

Santa's here?

Ryan's kid:

Uh-huh (affirmative).

Ryan Smith:

Awesome. Our Santa's here. Awesome. I'll have to come check it out in a minute. Love you, honey. Can you close the door, please?

Ryan's kid:

I will.

Ryan Smith:

Okay. Don't come in again. Okay?

Ryan's kid:

I won't.

Ryan Smith:

Love you.