



# Waste Management Inc.

## Strategy Analysis Report

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## **Executive Summary**

Waste Management (WM) is the largest North American-based waste collection company with 55% of its revenue coming from its collection services, and the remaining from landfill sites, transfer stations and recycling services. Their key challenge is that they have been facing slow growth in their mature industry. An external analysis was conducted to see how the rivals, customers, and industry competition have changed over time. An internal analysis was also conducted to see what resources WM can leverage to solve their key challenge. Several guiding policies were taken into account to analyze the impact on various stakeholders, WM's long-term competitive advantage, and its revenue CAGR. The alternatives that drew the most positive responses from stakeholders were chosen to be implemented as part of the strategy.

To address the challenge of slow growth, our proposed strategies for WM are to expand into the two fastest growing segments: medical and residential waste industries. The medical industry was chosen due its prominent growth prospects driven by an ageing North American population. The medical market is highly fragmented, allowing WM to gain a sustained competitive advantage, whereas, the residential market was chosen for its prominence in fast growing States. WM has the ability to shift their resources towards the residential market, giving them a competitive advantage.

An implementation plan was also developed to execute both of these strategies. The plan consists of key actionable steps over the next 2 years that WM can follow to increase their profitability. The plan was broken up into three phases. The first phase is pre-expansion, the second is perpetually execution and the third is post-expansion, to continually capture value. This plan can create sustained competitive advantage by (1) creating an ecosystem of long-term contracts, (2) expanding customer base, and (3) maintaining a sustainable source of revenue.

## Company Summary

Waste Management (WM) has emerged as the leader in the North American Waste Collection and Treatment industry. WM offers collection services which involve picking up and transporting waste and recyclable materials from where it was generated to various processing destinations such as transfer stations, material recovery facilities (MRF), disposal sites, and landfill gas-to-energy facilities. WM has seen slow growth and a high-profit margin in its maturing industry. WM controls most of the waste collection across residential, commercial, and industrial sectors in North America, comprising 25%, 41%, and 30% of their revenues, respectively (Waste Management, 2020).

WM is operating in an industry that is highly competitive, capital intensive, and has many barriers to entry including strict regulations. Overtime, WM has adapted itself to address climate change through sustainable initiatives such as gas-to-energy landfills, solar power grids, smart fleets, and innovative recycling technologies. Focus on stewardship, social impact within communities, and sustainable technology has helped shape the company's brand as an environmentally-aware industry leader.

In 2020, WM completed acquisition of Miller Sanitation LLC for \$3.9M and Advanced Disposal Services Inc. for \$4.6B and entered a definitive agreement with GLC Environmental Inc. The two acquisitions enriched WM's product portfolio and customer base. Miller Sanitation acquisition was projected to "add 2,500 residential and 500 commercial customers in Southwest and Central Minnesota". (*West Central Tribune*, 2020) Meanwhile, Advanced Disposal Services Inc. was acquired to add a brand new product to WM's portfolio: non-hazardous waste processing. During the COVID-19 pandemic, WM has proved its resiliency by continuing to provide essential services with their network size (Waste Management Inc., *8K Report*, 2020).

## Waste Management's Key Strategic Challenge

WM is facing slower growth than most of its competitors. Currently, their revenue growth is 1.3% annually (WM Investor Relations, 2020), whereas their two closest competitors Republic Services Group (RSG) and Waste Connections Inc (WCN) are growing at 3.2% and 21.2%, respectively. (Daly, 2020). The competitors are performing better as they are involved in faster growing segments of the waste collection industry (Daly, 2020). On the other hand, WM is involved in slower segments like Retail and Office waste collection, both of which have declined from the COVID-19 pandemic. Additionally, WM has been unable to predict customer demand due to their lack of R&D. Furthermore, the competitors are involved in more acquisition activity than WM, as RSG spent \$290M from 2015 to 2019, WCN spent \$4.1B in 2016 and WM is only focused on acquiring smaller players (Daly, 2020). The challenge is further diagnosed with an internal and external analysis of the industry.

## External Analysis

### *ASF Model*

An external analysis of the North American waste collection industry will be performed using the *Adaptable Synthetic Field* (ASF) model (**Exhibit 1**). The model analyzes the network of an industry (Farjoun, 16) and the first component are the industry players.

There are a few *rivals* that have most of the market share: WM (21.5%), RSG (17.2%), and WCN (7.2%), in sum these players comprise 46.2% of the market (Daly, 2020). All of these competitors utilize a low cost strategy. RSG is large and vertically integrated with 74% of revenue coming from collection services, and they operate in the US. They focus on high growth segments, such as residential, which account for 22.4% of their business (Daly, 2020). As a result, their 5-year revenue cumulative annual growth rate (CAGR) is 3.2%. WCN is also large

and vertically integrated and their main source of revenue is through waste collections and they have been growing inorganically and their 5-year revenue CAGR is 21.2%. The focal firm, WM is vertically integrated and the largest competitor. However, their 5-year revenue CAGR is near the low end of comparable companies at 1.3% (Daly, 2020).

When analyzing the *customers* of the industry, they can be divided into two main segments: residential waste collection (42.4% of the market) and non-residential waste collection (22.9% of the market). Residential includes curbside trash pickup, that is brought to transfer stations, and is loaded into landfills. Population growth is the main driver of the residential segment. There is also non-residential collection which includes industrial and business pickup. This includes waste generated from wholesale trade, retail trade, healthcare, food services, consumer products, public administration, construction and manufacturing (Daly, 2020). Most of these segments have slowed down drastically from the COVID-19 pandemic, as most businesses have temporarily shut down.

Most of the industry's *suppliers* are manufacturers and their supplies are capital intensive. First off, there are plastic manufacturers that produce the waste collection containers. Then there are the forklift and conveyor manufacturers. Vehicle manufacturers are also important, as they produce collection pickup vehicles and dump trucks. Most of these suppliers are first tier, and directly support the waste collection activities. However, there are also second tier supplies, which provide raw materials including iron, steel and aluminum manufacturers. Additionally, machinery maintenance and heavy equipment repair suppliers are very important to keep the equipment operational (Daly, 2020).

The risk of *substitutes* entering the industry is relatively low. Since the barriers of entry in the industry are high, it is unlikely new entrants will gain significant market share. These include

long-term collection contracts with municipal governments and high capital requirements. However, there is a risk of disruptive technology substituting traditional collection processes such as robotics and automated collection services (Daly, 2020).

When analyzing the industry's *complements*, a very large one is the ownership of assets. Most of the large players in the industry are focused on vertical integration, through acquiring equipment and landfill sites to increase their margins. This can be extended to sewage treatment and recycling facilities. But vertical integration is only a temporary source of competitive advantage and can be easily imitated by established competitors. Local municipalities are also important complements, as they provide the necessary contracts for those assets which make it profitable for industry operators.

The ASF model can be extended to include the *competitive and cooperative landscape* (Farjoun, 16). The competition in the industry is high and has been increasing. The external competition in the industry includes counties and municipalities that provide waste collection services themselves, as they are often tax-exempt and can mandate the disposal of waste. There is also competition for resources, as most large players are looking to vertically integrate finite land, buildings and infrastructure. Historically, there has been a price war between competitors. More recently, companies have been competing on the degree of sustainability, which has caused many to adopt greener technology.

*Cooperators* would include industries that are producing the waste. These industries drive profits for the waste collection companies, primarily in the non-residential segment. These cooperators would include plastic, iron, steel, and aluminum manufacturers. These industries cooperate with the industry's players by helping produce waste which needs to be collected.

A useful extension to the ASF framework is incorporating *non market actors*. An important one is the municipal government, as it can affect both entire industries and groups and the advantages of specific firms (Farjoun, 23). This is certainly true as governments have pushed for greater demand for recycling services. This has increased profitability for industry players in the recycling segment. They have also been moving towards increased privatization, which has increased the demand for collection services.

### *Industry Life Cycle Model*

The *industry life cycle model* characterizes industry development into distinct stages caused by changes in supply and demand patterns (**Exhibit 2**). Consequently, an industry's structure and capabilities change in order to succeed (Farjoun, 24).

The first phase is the *introduction*, marked by high uncertainty as firms try to focus on viable products and services (Farjoun, 25). The industry began in Europe in the mid-1800s, arising from health concerns. As a result, organized waste disposal in Europe was established in 1846.

The *growth* phase is marked by increased flows of customers into the market (Farjoun, 25). This occurred in the early 1900s in North America. Due to the invention of motor vehicles, it created garbage pickup trucks. Growth of organized waste collection boomed post WW2, as there was increased production of disposable consumer goods and many privatized companies emerged as a result. This was accompanied by the rapid population increase from the Baby Boomers generation. This led to the normalization of organized waste collection in North America.

The *shakeout* phase is marked by a decline in industry growth (Farjoun, 25). This occurs when there is an excess of supply in the market which leads to greater consolidation and high

concentration (Farjoun, 25). This stage was in the 2000s, as a price war emerged among competitors (Exhibit 2). High levels of consolidation also took place as companies began to acquire minor players. All of the three largest players acquired established companies in the 2010s.

The industry is currently in the *maturity* stage (Exhibit 2). This is when industry growth declines and only a few large firms remain (Farjoun, 25). It is projected that the industry will only grow at an annualized rate of 1.4% of the next 10 years. The industry is dominated by a few industry players including WM, RSG, and WCN and there are well-defined service and market segments. There is also a very slow level of technological change. Industry demand is driven by repeat purchases, often by governments and businesses, which is typical of the maturity stage (Farjoun, 25). The large players in this industry are still growing and have not rolled into the decline phase, yet.

### **Internal Analysis**

The resource-based view (VRIO model) is used to conduct an internal analysis for WM. **(Exhibit 3)** The least desirable competitive advantage of this model is “comparative parity” (Farjoun, 2020, 11). Vertical integration is considered to be its competitive parity as even though it helps WM expand its customer base, identify new demands and offset competition threats, it is a common feature due to the nature of this industry. As there is little product differentiation within this industry, companies are required to grow inorganically and acquire smaller parts of its value chain. This strategic move allows companies to have more routes, landfills, equipment and human resources to expand its services. However, any company with sufficient sources of funding can perform acquisitions if synergies are recognized.



WM's resources such as strong cash position, brand awareness and partnership programs provide *temporary competitive advantages* as they are only *valuable* and *rare* (Farjoun, 12). The strong cash position (\$703M as of September 2020) allows the company to perform any acquisitions at an ease, operate smoothly and avoid bankruptcy possibilities. This is not an inimitable resource as WM's two major competitors (Republic Services Group and Waste Connections) also have sufficient cash balance (\$406.4M and \$859.1M respectively as of September 2020, S&P CapitalIQ). Similarly, WM's partnership programs are its temporary competitive advantage as they strengthen WM's marketing strategies, advertise their products and promote the image of being a customer-centric organization. However, competitors can develop similar programs as they grow in size and product offerings. Another temporary competitive advantage is WM's brand awareness and reputation. It positions itself as the largest waste management company in North America and a reliable brand due to its expertise, long history and a wide range of products such as recycling, processing non-hazardous waste and in-plant waste. However, given that the company's development was due to its history of vertical acquisitions instead of product differentiation, WM's brand awareness is not a sustainable competitive advantage.

The most important factor to any company is sustainable competitive advantage, which must be valuable, rare, inimitable and organized (Farjoun, 12). WM's intensive capital system allows WM to enhance economies of scale and leverage a multitude of cost savings throughout the value chain (**Exhibit 3**). Another sustainable competitive advantage is its human capital like their leadership team and high-skilled workers. WM's employees have intangible and tacit knowledge that is difficult to be imitated by other organizations. By nurturing its sustainable

competitive advantages, WM will continue to position itself as a reliable company to its customers while prioritizing more important resources.

### **Analyzing alternatives through Stakeholder Mapping**

There are multiple strategic options that Waste Management can establish to amplify its presence in a slow-growth industry. WM can assess the position and attitude of its various stakeholders towards each of these alternatives through the *stakeholder mapping* framework (Farjoun, 16). One of the alternatives for WM is to continue to grow inorganically by expanding its vertical integration and acquiring smaller parts of its value chain. This option is most likely to impact stakeholders such as rivals, customers, suppliers, local municipalities, employees, and environmental groups. Therefore, WM should evaluate their potential responses if it decides to move forward with this alternative. WM serves the disposal needs in North America by utilizing the most advanced engineering, construction and monitoring procedures (Waste Management, 2020). Although 55% of their revenue comes from the collection services, it also serves its customers by offering landfill, transfer, waste-to-energy and in-plant services, along with recycling and other related services (Statista, 2020). Also, vertical integration allows WM to enhance its supplier base by continuing to maintain partnerships with minority, women-owned and service-disabled veteran business enterprises through the Coupa Supplier Portal, a paperless initiative managed fully through e-invoicing (Waste Management, 2020). Since local municipalities also support WM's strategy due to the sustainable nature of the services provided, they would be inclined to maintain contracts with them. This option would also allow its employees to have their careers established with their employer of choice as well as positively influence environmental groups by complying with the regulatory requirements surrounding

environmental issues. Through this *customized move*, Waste Management can take necessary steps to innovate its processes which can successfully increase its revenue streams (Farjoun, 18). Even though expanding its vertically integrated space would help WM differentiate itself from small companies and new entrants. However, it does not provide sustained competitive advantage when it comes to competing with its main rivals such as Republic Services Group (RSG) and Waste Connections Inc. (WCN) who possess a better chance for long-term growth. Not only have they also positioned themselves as large vertically integrated players but have also been highly aggressive with acquisitions, thus making it hard for Waste Management to increase its revenue CAGR comparatively.

Waste Management could also grow inorganically through *horizontal integration* by continuing large scale acquisitions of other waste operators. This option evaluates the anticipated responses from stakeholders such as rivals, investors, customers, regulatory authorities, employees and management. Recently, Waste Management acquired Advanced Disposal for \$4.9B in a deal for about \$34 per share which presents the most significant consolidation in the waste industry (Rosengren, 2020). Waste Management can also form a strategic alliance with its rival, Republic Services which would further expand its market share by 17.3% in the industry (Daly, 2020). This *broad-based move* would bring ramifications for other players in the industry, heighten entry barriers, and eventually aid WM to deal with external forces in the industry (Farjoun, 17). The leading asset network along with the potential revenue growth that comes from this move would encourage investors to take any risks in order to gain potential rewards as well as take advantage of WM's strategic flexibility (Waste Management, 2020). Additionally, Waste Management's customer base would also amplify given the deal with Advanced Disposal added an estimated 3 million new residential, commercial, and industrial customers for WM

across 16 states (Rosengren, 2020). This option would likely increase growth quicker given Waste Management's strong cash position and consistent cash flows, but would not result in sustained competitive advantage. This long-term growth can be hindered by heavy regulations and low globalization in the industry. The acquisitions can only be completed following approval from the US Department of Justice and Federal Trade Commission. Therefore, considering Waste Management recently acquired a business, the process to seek approval for other acquisitions would extend the acquisition process even further, resulting in the regulatory authorities to oppose this move in the near future. Furthermore, it would require lots of efforts to ensure a seamless transition for employees and management during the process of merging the businesses together, perhaps resulting in internal resistance and organizational conflicts.

Thirdly, WM can establish a *customized strategy* targeting its fully-vertically integrated space (Farjoun, 7). Capitalizing on this advantage, it can expand into other residential areas in the fastest-growing states in North America. This alternative would impact several stakeholders such as rivals, residents, homeowners' associations, suppliers, local government, investors, and environmental groups. Given the increase in residential waste volume amidst the pandemic and the expected population growth in the next few years, this brings a potential opportunity for Waste Management to increase its revenue CAGR. Local governments would be willing to establish collection contracts considering people are choosing to move away from urban areas due to the Work From Home movement, emphasizing the importance of waste collection services in every community (Daly, 2020). Additionally, its suppliers would also benefit from the 3.5% annual revenue growth rate by forming long-term contracts and agreeing to more stable and predictable arrangements (Daly, 2020). Waste Management offers a variety of tailored services that fit the budgetary and environmental needs of its residents. Therefore, residents

would be able to use the services including but not limited to residential curbside pickup, recycling pickup, and yard waste pickup (Waste Management, 2020). Apart from offering many services, Waste Management also provides convenience with online services like account management and bill paying, versatility through extra pickups, and reliability through efficient and safe procedures. As a result, it would build mutually good relationships with Homeowners' Associations (Waste Management, 2020). Through this expansion, Waste Management would also gain the support from environmental groups due to its expertise, experience, and passion in implementing a wide range of sustainable, advanced, customized, and cost-saving solutions, eventually leading to the creation of sustainable communities (Waste Management, 2020). Additionally, investors would also optimistically perceive this opportunity, as it leverages the industry and strengthens its already existing advantage consisting of its size and network. Therefore, positive announcements like these would likely increase Waste Management's market share, thus increasing its CAGR as well.

Lastly, Waste Management could consider securing new partnerships with companies in growing industries such as Healthcare. This alternative positively affects stakeholders such as hospitals, employees, suppliers, investors, and environmental groups. By 2050, one in four people living in North America would be aged 65 or over (United Nations, 2019). This provides an opportunity for Waste Management to establish long-term contracts with hospitals, clinics, and outpatient facilities to help reduce costs while protecting their brand and reputation (Waste Management, 2020). The only major competitor in this segment would be Stericycle Inc. with a 5-year revenue CAGR of 5.7% (Stericycle, 2020). However, Waste Management can leverage its already established contracts and networks with its supplier base to increase its existing 5% revenue stream from medical waste disposal services (Waste Management, 2020). Waste

Management has an advantage of successfully aggregating all the data related to hazardous waste as well as providing valid healthcare information and training portal to manage safety data sheets and train staff (Waste Management, 2020). As a result, its suppliers would be willing to continue making product commitments. Additionally, it maintains a reputation for ethical practices and regulatory-compliant environmental solutions such as advanced autoclave treatment and access to emergent technologies for all types of medical waste which would result in high trust and support from environmental groups (Waste Management, 2020). The expansion into the healthcare industry would provide excellent benefits to its employees who can utilize their *resource stocks* such as their knowledge, trust relationships, and experience to foster the culture of “people first” and innovation (Waste Management, 2020) (Farjoun, 12). Given the Medical Waste Disposal Services Industry would grow to \$4.1 billion by 2024, investors would be willing to invest more due to the predictable revenue growth (Daly, 2020). Another *customized strategy* like this would create and strengthen competitive advantage by increasing differentiation as well as revenue CAGR.

**Exhibit 4** summarizes the four guiding policies and demonstrates how each one affects Waste Management’s stakeholders. Alternative 1 focuses on improving its operational feasibility, while alternative 2 increases its revenue CAGR. On the other hand, alternative 3 and 4 are less imitable, create stronger stakeholder bonds and are more focused on not only sustaining its competitive advantage but also on increasing its market share, which should be WM’s broad strategy focus.

### **Analysing the chosen alternatives with the Five Questions relevant to Entry**

*Who is entering?*

Reiterating the ‘who’ in question, the entrant, Waste Management Inc., is a profitable, established firm and its key challenge is overcoming a slow growth rate in a mature industry. As an incumbent in the waste disposal industry, the two viable alternatives we propose for Waste Management Inc. to move forward with are - First, to further expand into residential regions in the United States that specifically have a rapidly growing population, and second, to diversify into the ‘Healthcare Waste Disposal’ segment where it would enter a similar environment but as a new entrant.

### *Why enter?*

Examining the elements of a sustained competitive advantage, change and discontinuities in the industry (**Exhibit 5**) suggest that WM can take advantage of the ‘Work From Home’ trend that has unfolded due to the pandemic and which is likely to continue into the future (*Global Workplace Analytics*, 2020). Currently, WM’s revenue collection from residential subscriptions is just 7% (Daly, 2020). Residential waste comprises 42.4% of the Waste Collection Services industry, which is projected to grow at an annualized 3.5% in revenue to \$230.5 billion over the five years to 2025 (Daly, 2020). Since WM is highly vertically integrated and has the largest network of landfills in the US, it can move quickly enough to secure long-term contracts. This move would create a competitive advantage over its competitors that can consequently stimulate growth and increase value capture in the Waste Collection Industry.

Simultaneously, WM should formulate a strategy to capture value in an adjacent growing segment, Healthcare Waste Disposal. The concentration in the Medical Waste Disposal industry is low, with Stericycle Inc. holding the largest market share (34.9%), and the rest of the industry being highly fragmented with minor players that each hold no more than 5% (Daly, 2020). Additionally, considering a global trend of ageing population, the need for healthcare will

increase in the coming decades (United Nations, 2020). As a complement to the Healthcare industry, the medical waste disposal industry is projected to grow at 1.4% to \$55.3 billion over the five years by 2025 (Daly, 2020). Entering this segment early would help create a sustained advantage over the coming years. Being a highly vertically integrated firm, WM is in a strong position to provide competitive cost-leadership and overcome entry barriers by relying on its existing equipment, networks of processing facilities, knowledge of cost-control, and human capital to develop technologies required to dispose of medical waste.

#### *How to enter?*

In order to rapidly move into regions with high population growth, WM should immediately start to leverage its existing government relationships to win more contracts. WM should continue focusing on the top line, increasing market leadership, and offering competitive prices for its services. Another change in the industry is the political climate which will see a strong shift towards pro-climate policies with the new central government coming to power next year (Eilperin & Linskey, 2020). This would likely cascade down to the local governments that would put more emphasis on creating sustainable communities for the future. This creates a ripe opportunity for WM to lobby for more regional contracts with the municipalities and influence homeowner's associations or other regional authorities by leveraging its sustainability services. WM can help design sustainable and cost-saving solutions for communities through its vast technical knowledge, and promoting platforms like its "Enspire Tool", their trademarked sustainability reporting platform that could be used to measure a community, city, or state's environmental footprint (Waste Management, 2020).

To move into the Healthcare segment, WM should stay with the *mode of self-development* (Farjoun, 9). It would be valuable to use this move to develop their firm's own



inimitable and valuable knowledge in medical waste disposal and safe handling of hazardous waste. WM could consider acquisitions some years down the lane after gaining more experience in the Medical Waste Disposal Industry, or consider expanding into other geographical markets as globalization in the industry is low (IBIS World, 2020). WM's entry into the healthcare waste segment can be viewed as a *strategic process of network overlap* as it can superimpose its pre-existing ecosystem of internal resources (pickup trucks, waste processing facilities, technical knowledge of its employees) and external resources (formal and informal connections with the local governments, business associations) onto the overlapping network of Medical Waste Disposal (Farjoun, 12). The only major player in the industry, Stericycle Inc., has a history of being ruled as guilty party in lawsuits over imposing illegal price increases on individual customers and federal and state governments (Antell, 2016) (BLB&G, 2018). In view of this, WM can emphasize on its brand reliability, reputation, and history of valuing its various stakeholders while marketing to healthcare providers for contracts.

Analysing the *key threats to sustained competitive advantage* (Farjoun, 10), the threat of new entrants is low due to the highly capital intensive nature of the industry, and it is unlikely that even established firms will be able to imitate the unique ecosystem that WM has built over the years. However, threats to sustained competitive advantage could arise from other areas of substitution (by disruptive technology like robotics and automation), and extended rivalry (Counties and municipalities that maintain their own waste collection and disposal operations) (Exhibit 5). To address these threats, WM should consider investing more heavily into innovative research, and seek partnerships or offer consulting services to municipalities that maintain their own waste disposal system. Internally, WM's history shows a continued commitment to sustainable technology, social impact, and environmental stewardship (Waste Management,

2020). This will translate into high employee morale and motivation to face changes and bigger challenges that would come when the two chosen strategic moves are executed.

*Where to enter?*

WM should focus its efforts to expand into the top states with high population growth rates, including Idaho (4.1%), Utah (3.8%), Washington (3.5%), Nevada (3.5%), and Florida (3.3%) (World Population Review, 2020). For Medical Waste Disposal, WM should target hospitals in areas they are already well established in (take advantage of pre-existing knowledge of routes, local governments, etc.) and then move on to newer hospitals in areas of high population growth.

*When to enter?*

The timing is ripe for WM to expand into other residential regions over the next year before other industry rivals take advantage of the opportunity. As a *second mover* in the Medical Waste Disposal segment, WM should move as aggressively as possible while industry concentration is still low, as other rivals in general Waste Disposal Services (such as Waste Connections Inc.) have the capacity to consider a similar move.

## **Implementation Plan**

One of the proposed strategies for WM is to expand into fast-growing states with residential markets. This is a two-year plan, including a pre-expansion period to completely integrate into fast-growing residential areas such as Idaho, Utah and Washington. The first step, which is a one-time expense, aims at identifying the future expansion states, negotiating contracts and making sure WM is equipped in terms of human resources and machineries.

**(Exhibit 6)** This is the most important step of the entire process as there are multiple risks to take into account. Afterwards, phase two, consisting of collecting and processing waste, will be a

perpetual process since this is WM's current service. Lastly, the post-expansion process that includes equipment maintenance and contract terms revision, will occur annually.

The second strategy is to increase services and product offerings within the healthcare sector. Similarly, the pre-expansion process will start by identifying and securing contracts with potential customers; WM should start by targeting hospitals in the areas it is already well-established in, and then expanding to hospitals in regions of high population growth. Then, WM should purchase highly-specialized equipment before applying for the permits to process medical waste. The staff handling medical waste should be highly-trained before moving into phase 2. Phase 2 is the service offering period where WM will perform medical waste collection **(Exhibit 6)**. Phase 3 including contract revision and equipment maintenance is applicable to both strategies. For both strategies, WM should conduct yearly customer surveys to evaluate customer preferences, predicting new trends and make the necessary improvements.

### **Risks and Mitigations**

There are five potential risks that WM may face when pursuing the proposed strategies. Subsequently, mitigation solutions have been provided. The first risk posed to WM is potential capacity issues and an inability to meet demand; there is a low probability of this happening. If WM's equipment is operating over capacity due to the growth in population and/or healthcare, it could cause collection issues. This can be mitigated with frequent customer surveys, to see if the volume of waste is increased throughout the life of the contract.

Another risk is clients not renewing their short-term contracts in the Residential and Healthcare space. There is a medium probability of this risk materializing. This could be as a result of a price war with other competitors. This risk can be mitigated with the use of a 5-year

contract with low initial rates to undercut competitors, but with staged price increases throughout the life of the contract.

Another risk WM may face is a price war between smaller competitors that specialize in a local market WM is entering. There is a high probability of this risk happening, as it is prone to mature industries. This risk can be overcome by utilizing WM's extensive vertical integration and staff as well as by offering customized services that competitors cannot. This can include customized pickup times, large garbage containers, quicker pickups, and on-call pickups.

Additionally, a risk that has a high probability of occurring is increased regulations from the Federal, State and/or Municipal governments. This may include a specific mandate to reduce the volumes of waste collection and increase the volume of recycling. This can be mitigated by having WM incorporate a mandatory increased recycling volume into their contracts.

The most prevalent risk is new entrants entering similarly high profitability sectors like Residential and Healthcare. This is highly likely to occur, and can erode WM's market share. A mitigation strategy would be to hire a dedicated team of researchers, to analyze consumer trends and how competitors are adapting their strategy. This risk could also be mitigated with the use of long-term contracts that would prohibit new entrants.

### **Potential Outcomes**

The desired outcome for WM is to increase their level of profit growth, by using the cash they have on hand to invest in the two strategies previously mentioned. For the 3rd Quarter of 2020, total company volumes declined 5.0% (WM Investor Relations). This is cause for concern as WM has been consistently underperforming the industry.

However, WM has \$2,207M in cash and cash equivalents on hand (WM Investor Relations, 2020). We believe that part of this cash can be invested into our proposed strategies in

order to increase the growth rate. If WM's expansion is a success, there will be a positive ROI generated on the cash invested. They will also be able to increase their market share within the key residential markets mentioned previously. There should also be an increase in the growth of their total collection volumes during the post-expansion phase. Since WM has much of the existing resources, it is best to allocate them away from declining sectors and towards Residential and Healthcare. They are at a great time and cost advantage as most competitors would have to start from scratch. Since the market is large, it has the ability to materially affect profits. If the proposed strategies do not succeed, WM will continue their current trajectory. This would entail a further decline in Waste Collection volumes and continued profit contraction.

## **Conclusion**

WM is faced by strategic challenges and has been underperforming the broader North American Waste Collection industry. After an analysis of their external environment, it is known there are a few dominant players and the industry is in the mature phase of its life cycle. After performing an internal analysis to identify WM's weaknesses, it was determined their core issue is slow growth. Alternative growth prospects were examined with an emphasis on their stakeholder impact. The two best strategies are to expand into fast-growing states and to penetrate the Healthcare market. These strategies will lead WM to have a sustained competitive advantage as well as an increased revenue CAGR. An implementation plan was devised over the course of the next 2 years with actionable steps, accompanying risks and mitigations and potential outcomes. Overall, these strategies stand to increase WM's competitive advantage greatly.

## Appendices

Exhibit 1: ASF Model: North American Waste Collection Industry

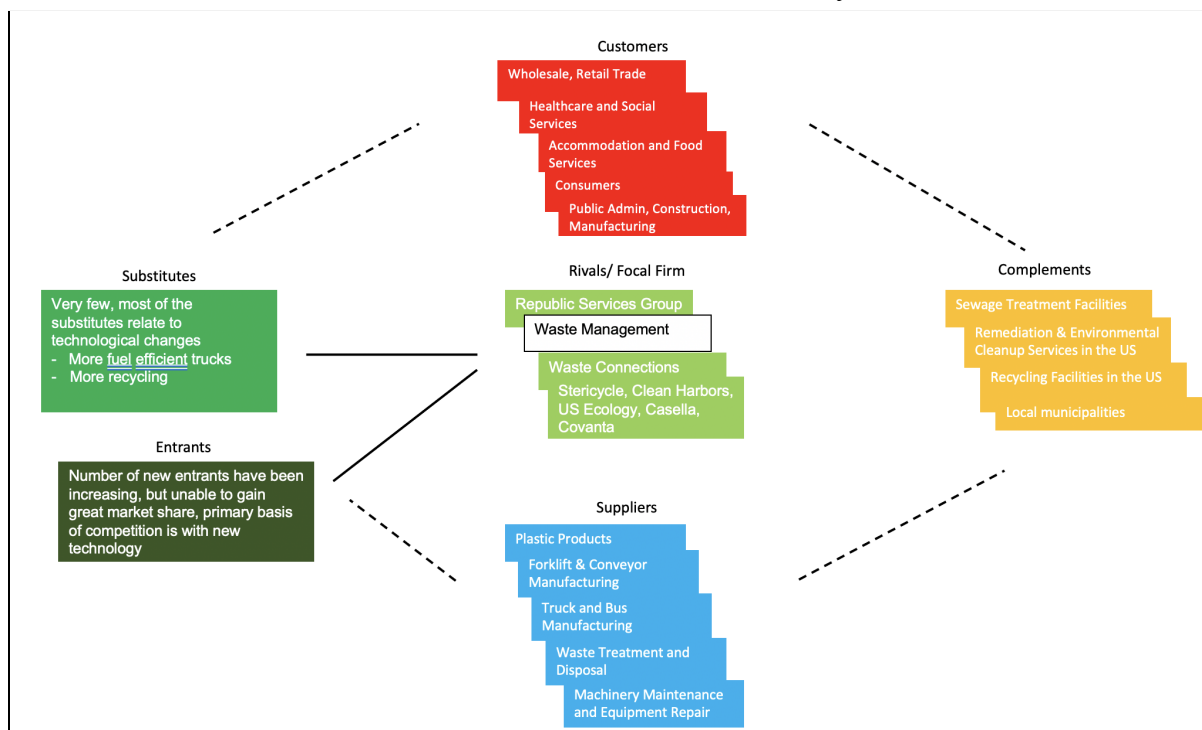


Exhibit 2: Industry Life Cycle Model: North American Waste Collection Industry

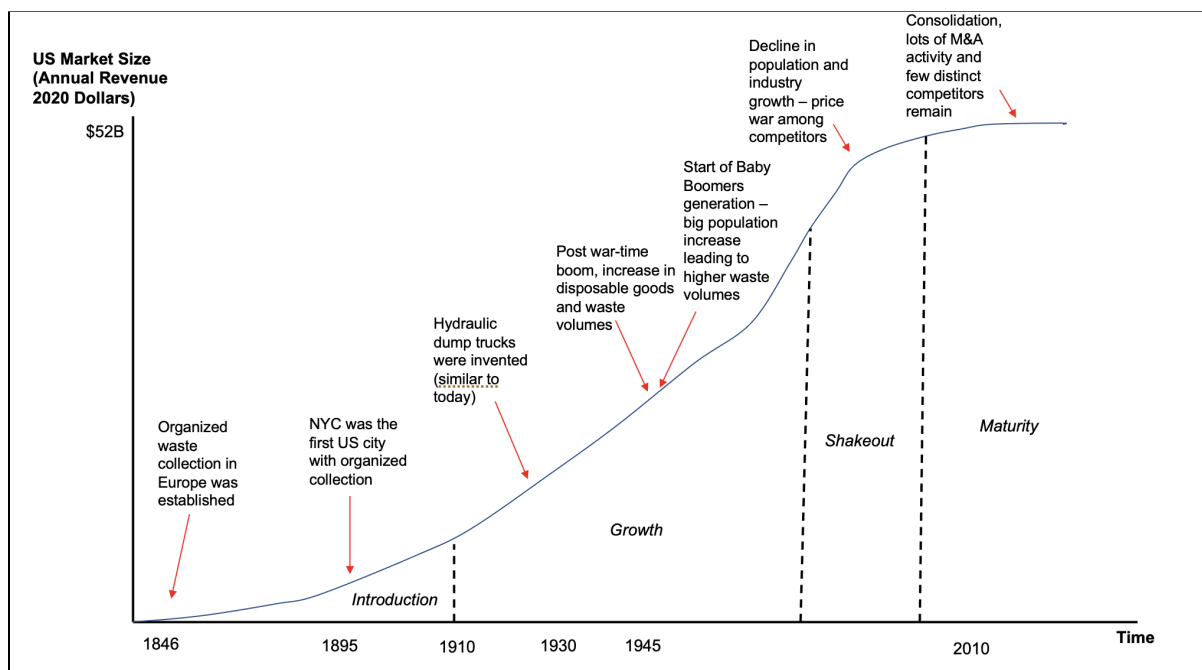


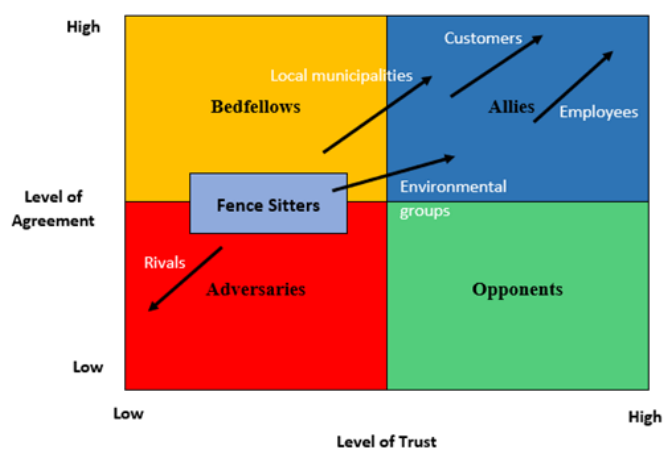
Exhibit 3: VRIO: North American Waste Collection Industry

Resources	Valuable	Rare	Inimitable	Organization	Competitive Advantage
Vertical Integration - Acquisitions of companies to offer and/or scrutinize new products	Offset threat of competition + exploit growth opportunities.  Assist customers in minimizing the amount of waste they generate, identifying recycling opportunities, determining the most efficient means available for waste collection	N	N	N	Competitive Parity
Tacit knowledge from human capital – Highly skilled workforce through successful training and learning programs.	Y	Y	Y	Y	Sustained Competitive Advantage
Capital intensity - owned or operated 244 solid waste landfills and five secure hazardous waste landfills in North America; 302 transfer stations in North America; 8,924 natural gas trucks and 145 natural gas fueling facilities; automation of activities)	Y  Intense supply chains increase economies of scale; leverage a multitude of cost savings up and down the value chain	Y	Y	Y	Sustained Competitive Advantage
Brand awareness – largest market share in the North America, positioned as a reliable, customer-centric brand	Y	Y	N	N	Temporary Competitive Advantage
Strong financials – High liquidity, strong cash balance, debt to equity ratio = 1.3 - normal compared to competitors; historical total returns higher than S&P 500 and the Dow Jones Index; high returns on CAPEX)	Y  Help the company to perform acquisitions with an ease and focus on developments	Y	N	Y	Temporary Competitive Advantage

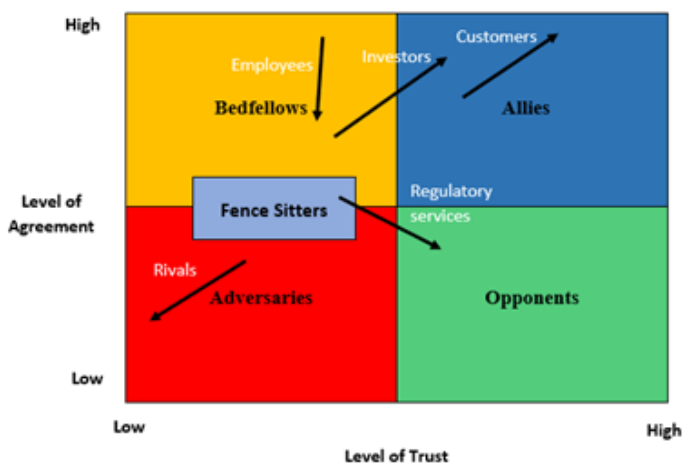
	(technology on recycling)				
Partnership programs with customers - Strategic Business Solutions (“WMSBS”) organization, works with customers whose locations span the U.S. and Canada); Energy and Environmental Services (“EES”) organization offers various services such as construction and remediation, fly ash disposals, in-plant services and consulting services; Renewable Fuels Standards (“RFS”) program that promotes the production and use of renewable transportation fuels	Y  Increase brand image and marketing	Y	N	N	Temporary Competitive Advantage

#### Exhibit 4: Stakeholder Mapping - Guiding Policies

##### 4.1: Guiding Policy #1 → Expanding Vertical Integration

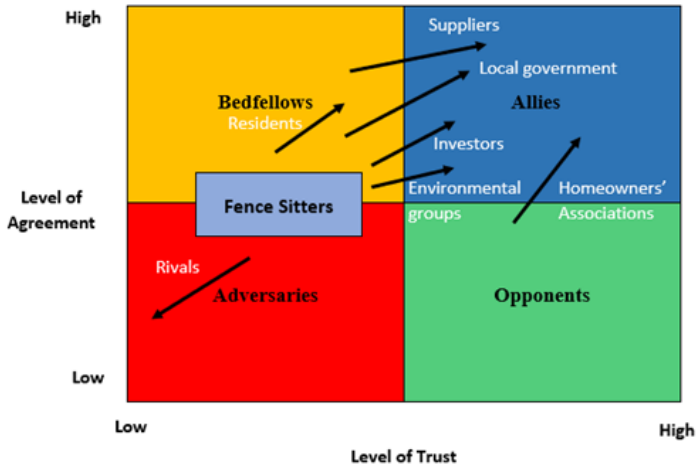


##### 4.2: Guiding Policy #2 → Continue large scale acquisitions

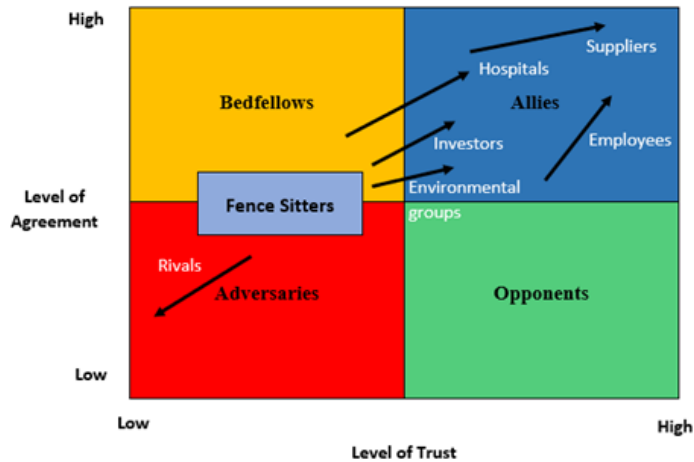




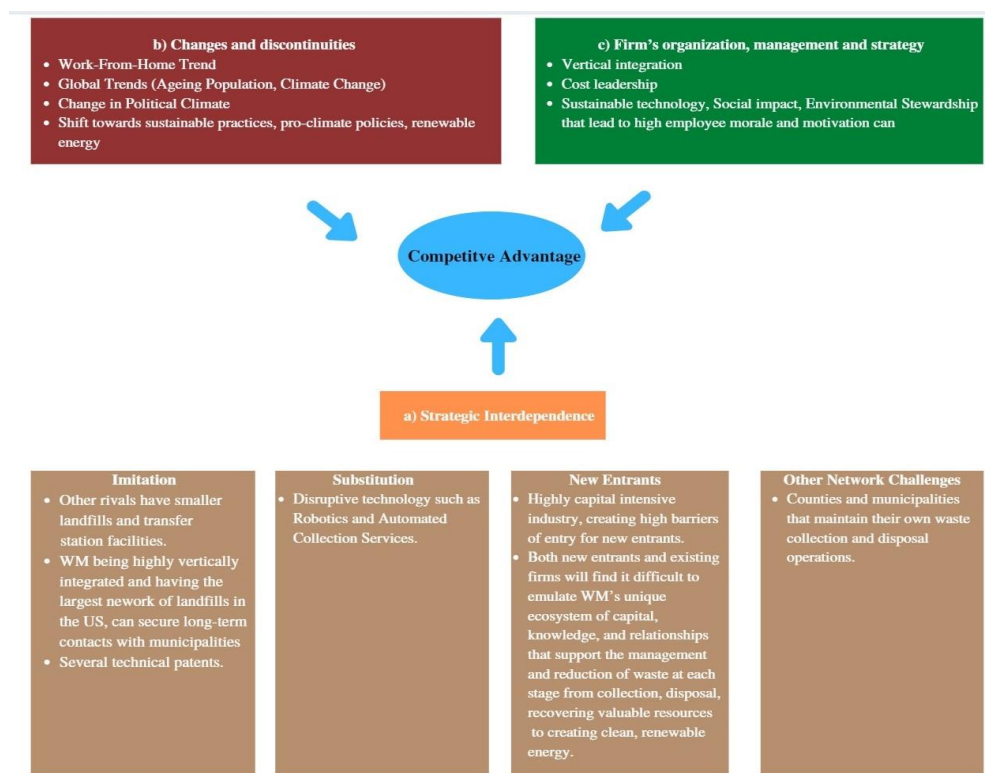
#### 4.3: Guiding Policy #3 → Expand into residential markets



#### 4.4: Guiding Policy #4 → Secure new partnerships in the Healthcare Industry



### Exhibit 5: Key Elements and Threats to creating a sustainable Competitive Advantage



## Exhibit 6: 2-Year Implementation Plan

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