

The background features three overlapping circles with concentric lines. A vertical white line runs through the center of the first circle on the left. The text is centered within this circle.

CIRCULAR DESIGN FORUM

Circular, **together!**

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Please do not share it outside your organization.



Circular Business Models Knowledge stream

Session report out. 31 August 2023

Hosted by [oneUp](#)

Supported by [Studio Schop & Versuni](#)

**CIRCULAR
DESIGN
FORUM**

The Team



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Goals of this session

The goal

In this session, our objective was to discuss the latest best practices, proven processes, and effective methodologies of Circular Business Model Innovation.

Through the exploration of "Three Dilemmas in Circular Business Models," showcasing case studies from Versuni and oneUp, as well as engaging in group discussions, our goal was to provide our audience with tangible case studies and harness their expertise to collaboratively address the circular business model innovation dilemmas.

The impact

Innovating circular business models is tough, but we simplified it by providing a clear step-by-step method to minimize risks and a practical roadmap. We also shared real-world case studies to show that a systemic approach can create desirable, feasible and viable circular business models. We hope the insights in this report will boost understanding and accelerate circular business model innovation.

Session Setup

Gaining the Circular Business Model Advantage

How to engage in the innovation opportunity of our time

The session had six parts, including an introduction and conclusion, and lasted for 2.5 hours. We conducted it entirely online to ensure a consistent experience for our 35+ attendees.

During the session, we discussed the approach to circular business model innovation, engaged in group discussions to address circular business model challenges, and presented real-life circular business model examples to provide a concrete conclusion to our session.

Session Agenda

- 15.30-15.40 **Welcome** and intro words (Martine, Sofie)
- 15.40-16.00 **oneUp approach** to circular business model innovation
- 16.00-16.15 **Group discussion** in break out rooms
- 16.15-16.45 **Versuni case**, Circular business models in home appliances
- 16.45-17.15 **Fashion case**, Circular venture to maximise clothes utilisation
- 17.15-17.30 **Closing**

The solution

If the circular economy is the blueprint for reducing emissions, then circular business models are the instruction manuals for creating new value.

39%
Potential reduction in global emissions from transitioning to a circular economy.*

7/10
Customers want to adopt circular practices.**

\$1t+
Potential annual global material cost savings from transitioning to circular business models.***

*Circularity Gap Report 2021
**Capgemini Circular economy for a sustainable future report
***McL. Green Report 2021

12

Martine de Haan (guest)

Vincenzo (Guest)

R. LHV, MITC48, 18, 524, 80...

Noelle Garcia (Guest)

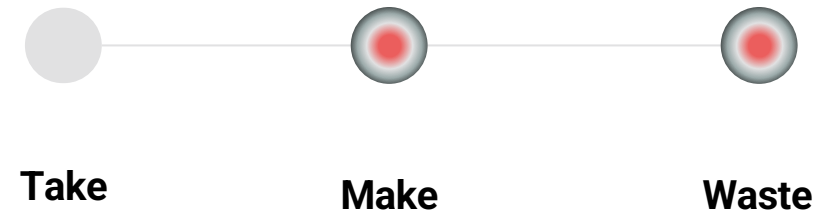
Tim de Paater

Janardan

YW +28

The Problem

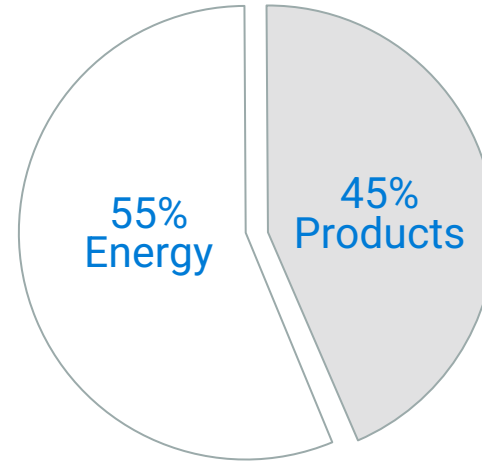
We now need 1.75x earths to provide enough resources to sustain our \$94 trillion global economy, Why? **Because we waste 91% of the material we produce and consume globally.**



The Insight

This waste is the often overlooked half of global emissions. Each year some €2.4 trillion worth of material in FMCG - 80% of the material value - is thrown away and never recovered.

TOTAL CURRENT EMISSIONS*



The circular economy directly addresses the elimination of emissions from waste, while creating new economic and social value.

The net zero conversation usually revolves around the 55% of global emissions coming from energy. But the other 45% comes from the products we create e.g. food, steel and textiles, which most businesses have more control over.

*Ellen MacArthur Foundation

The Solution

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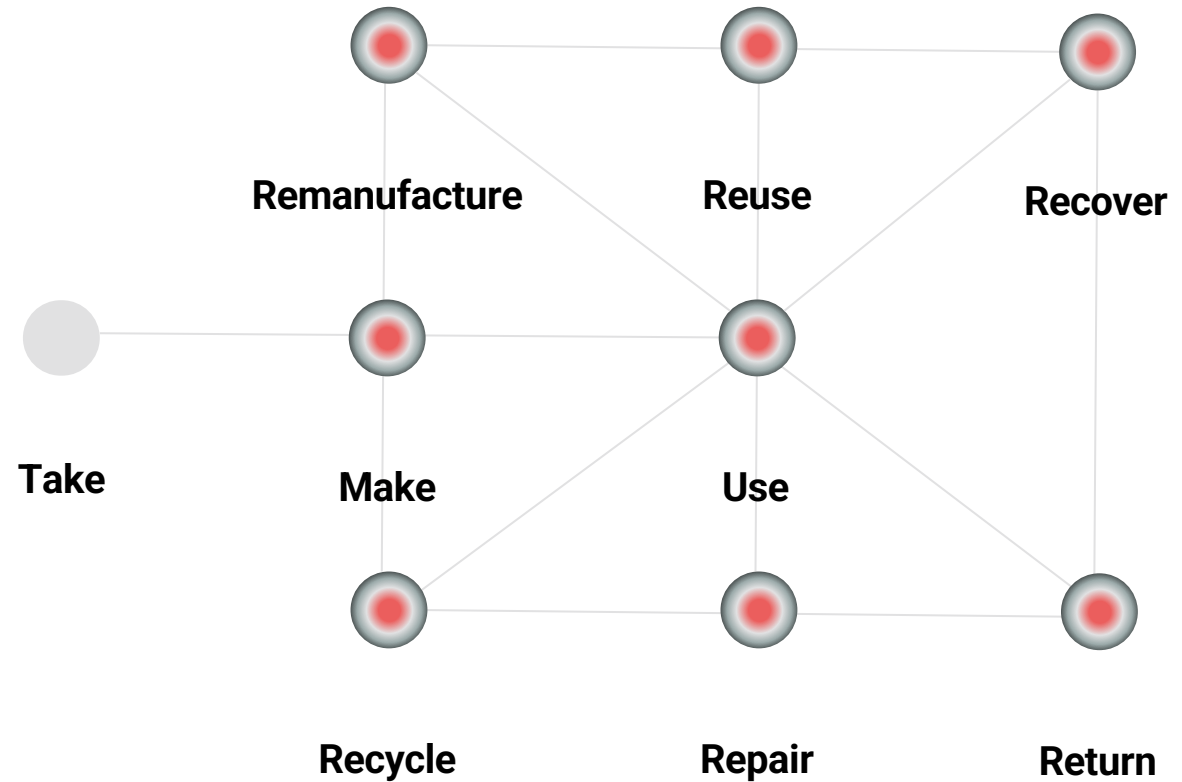
*Circularity Gap Report 2021

**Capgemini Circular economy for a sustainable future report

***DHL group Report 2021

The HOW

Circular business models empower business' to **eliminate waste while creating new value.**



The FUTURE

And there's a **\$4.5 trillion** prize for those companies that seize the opportunity



Food

A circular economy for food could reduce the sector's greenhouse gas emissions by 49%, with annual benefits worth USD \$2+ trillion possible by 2050.



Finance

Funds with circular economy as a sole or partial investment focus on average performed 5.0 percentage points better than their benchmarks. Since 2020 assets managed in these funds have increased from USD 0.3 billion to over USD 2 billion.

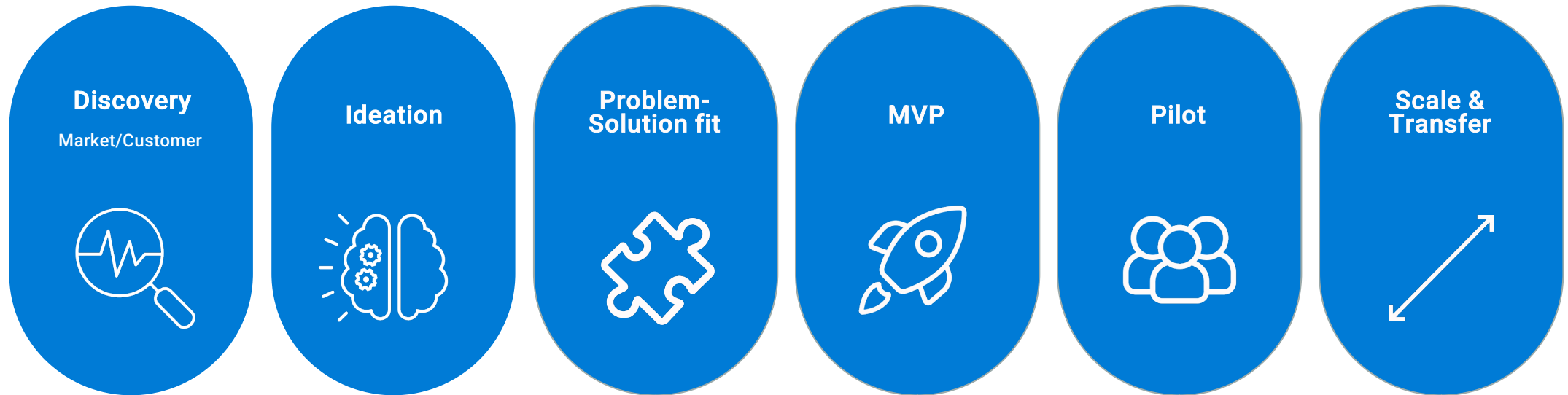


Fashion

Circular business models for fashion which allow companies to make revenue without making new clothes. could be worth USD 700 billion by 2030, making up 23% of the global fashion market.

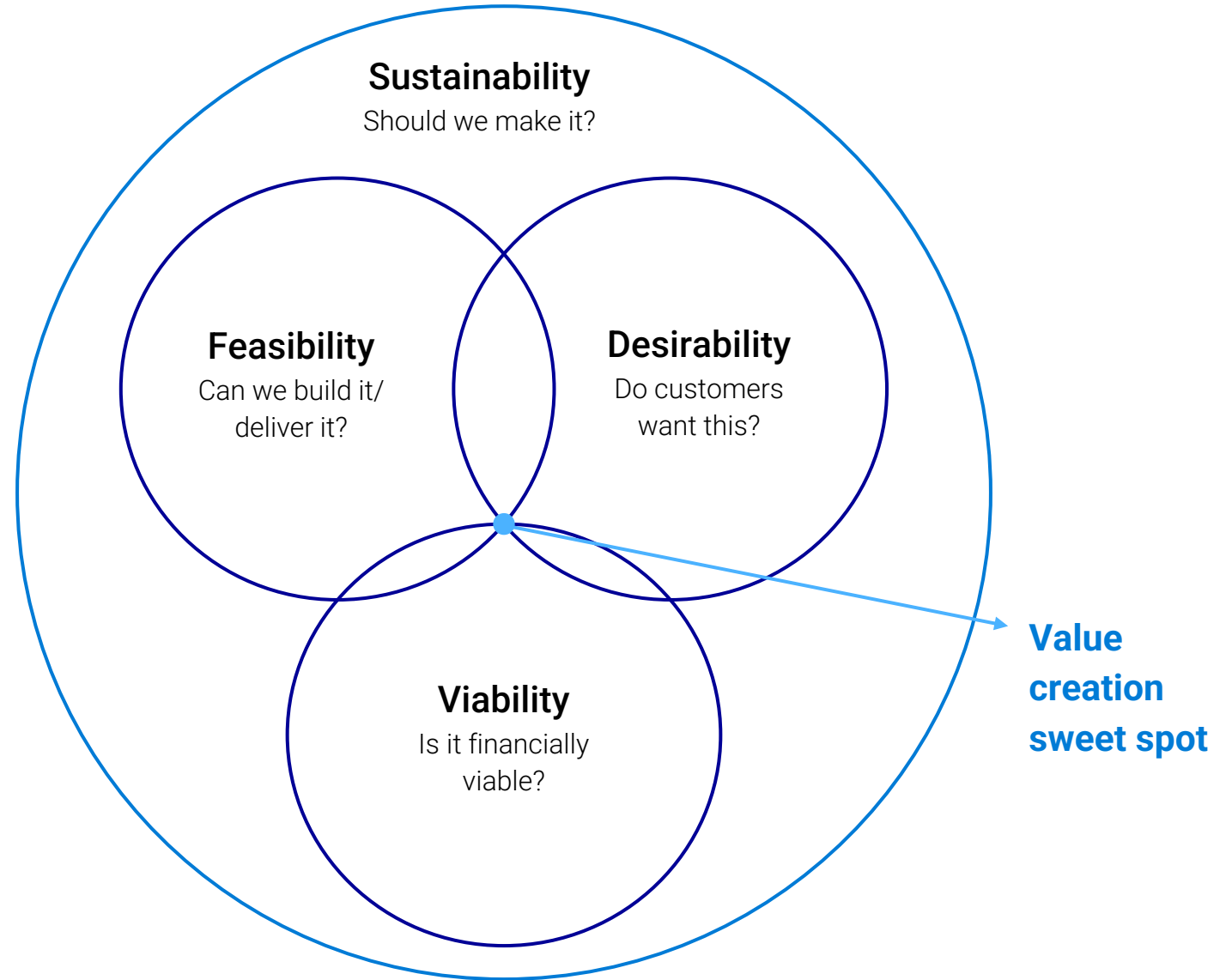
\$1M QUESTION. Is there a blueprint for building (successful) circular business models?

Over the years, we've learned what the ideal building blocks for successful **business model innovation** are and that it adds a lot of value to **circular products**.



Innovation process is about:

Data-driven decisions, risk reduction, actionable learnings, qualitative and quantitative **experiments and assumptions validation.**



How can **circular business model innovation process** help overcome major **circular economy dilemmas**?

DILEMMA 1

Bridging the Say-Do Gap

DILEMMA 2

Doing well vs Doing good

DILEMMA 3

To Scale or not to Scale

DILEMMA 1

Bridging the Say-Do Gap

Reducing my environmental impact from fashion overconsumption

VS

Having new clothes for each occasion, without spending too much \$\$ and/or cluttering my closet

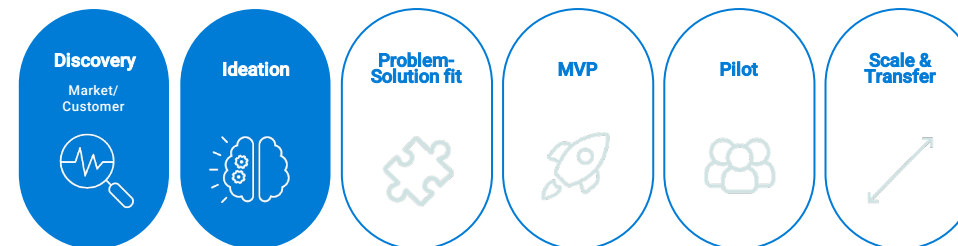
The Say-Do gap in people's attitude towards circularity
Globally 72% agrees that if people do not act now to combat climate change, they will be failing future generations.

But are people prepared to act?

How to overcome the Say-Do gap?

Build things that solve real pain for potential customers.
Even if it is a circular product or service.

You can do this in the first two steps of the process.





Is there a problem worth solving?

The **Discovery** phase entails uncovering and exploring problems and opportunities worth tackling.

Discovery for circularity is guided by **system thinking**. Essentially, exploring the connections between different actors in the companies' ecosystem and where the company can make impact. You can use similar tools to regular discovery while using the ecosystem map as a basis for you research.

Key research areas

Consumer/Customers

Discover the problems worth solving. Define personas / target audience / early adopters, who have the problem/ need and are actively trying to solve it. Describe customer insights.

Competition

Define the existing and potential competitors and run the competitors / playing field analysis.

Context

Describe key Market trends. Run Ecosystem mapping. E.g. is your project in the highly regulated area? Make sure to include any possible legislation learnings. Are you focusing on the futuremakers? Make sure to analyse any relevant culture trends.

Company/Client

Fill in Stakeholder Mapping and run subject-matter experts / stakeholders interviews to understand the internal context of your project. E.g. what earlier/ related activities were already executed in the company?

DILEMMA 1

Bridging the Say-Do Gap

EXAMPLE



DILEMMA 2

Doing well vs Doing good

**Circularity = Less consumption =
Less profit, right?**

**How to balance the positive impact
and still generate profit?**

Changing to circular practices has more **commercial benefits** than companies might think.



Cost reduction



Reduce Supply Risk



Maintain Right to Win



Attract and retain talent



Compliance with emerging
regulation

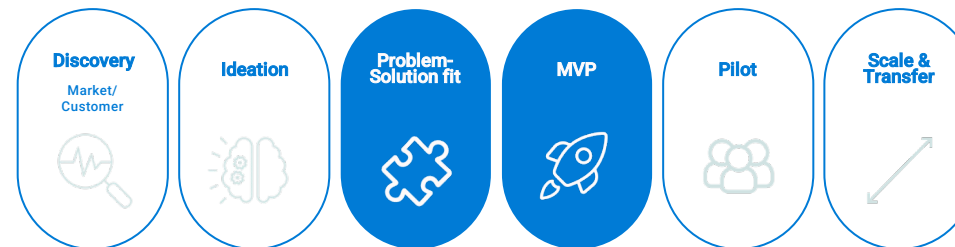


Retain and acquire customer

How to solve the doing well vs doing good dilemma?

We de-risk business models in a structured way by generating learnings via research and experiments.

You can do this in the 3rd and 4th steps of the process.



→ THE SESSION

Problem-Solution
fit

MVP

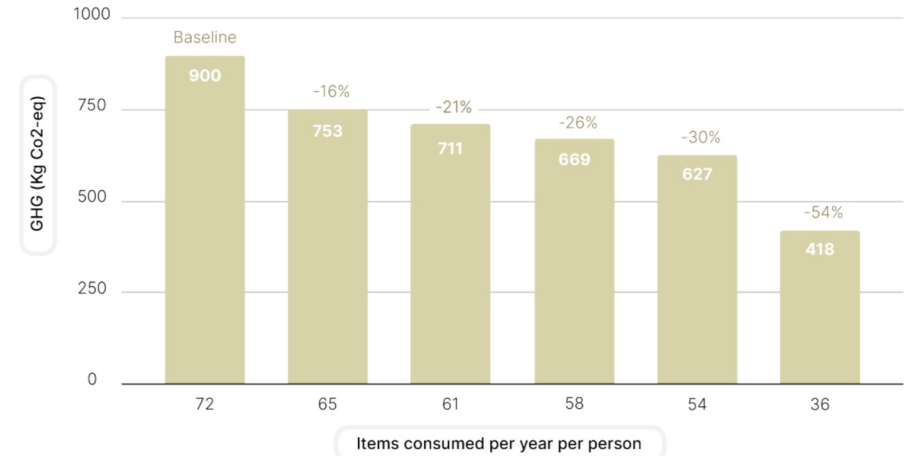
De-risk your business model

Prove that your solution solves the problem, that customers are willing to pay for, and supply chain is willing to change for. Treat your circular business case same way as financial business case.

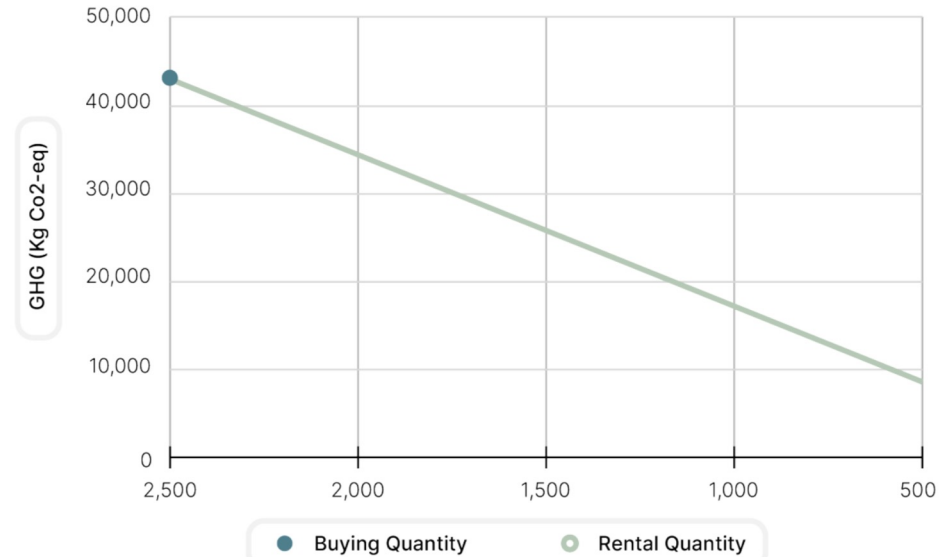
How to measure Doing Good part?

We use **business cases** for the market size and growth predictions. And we keep coming up with the ways to measure the **circularity business case**.

GHG emissions (Cradle-Cradle) reduction potential due to possible change in buying habit



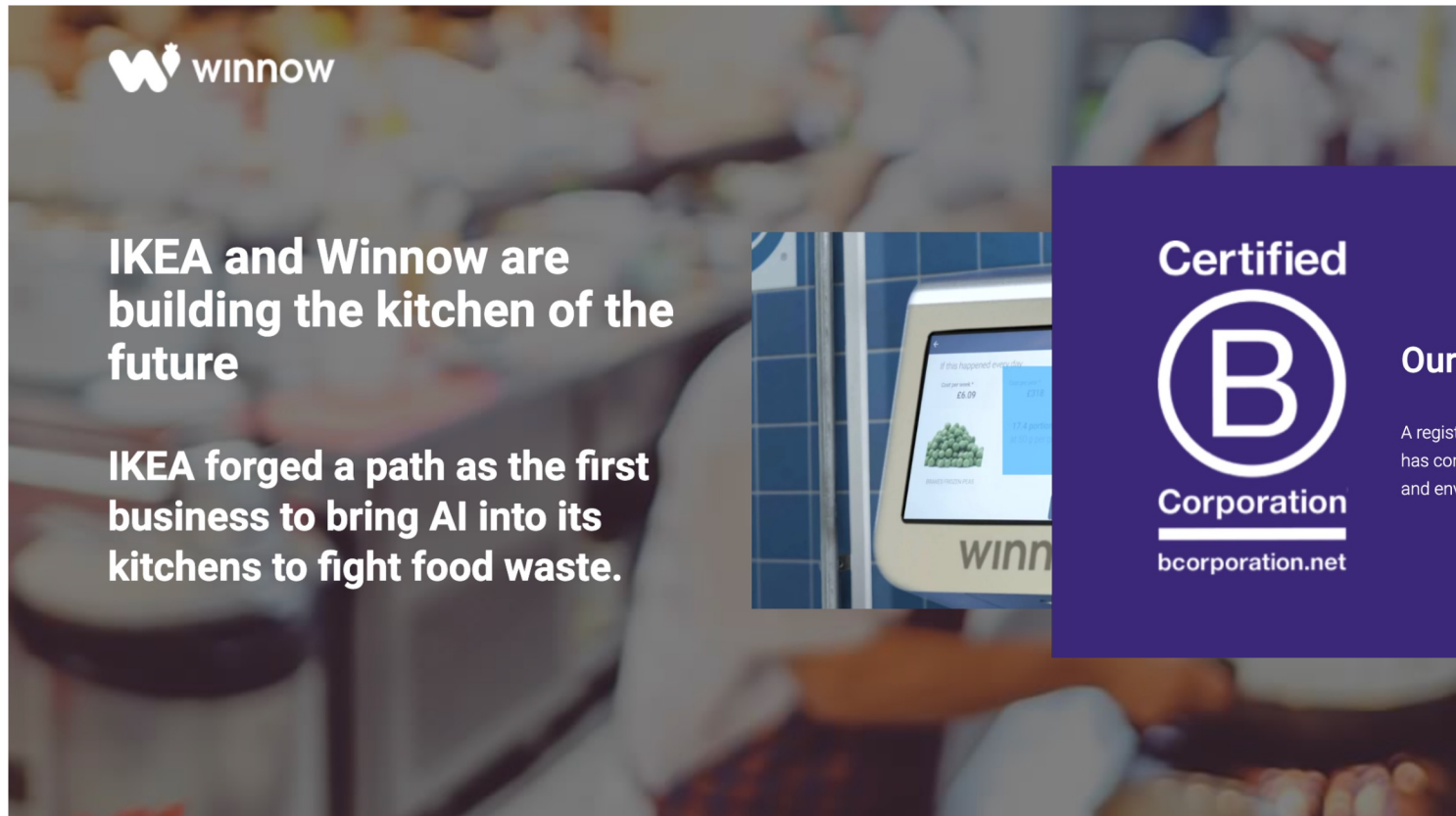
Change of GHG emissions based on quantity reduction in rental programs



DILEMMA 2

Doing well vs Doing good

EXAMPLE



IKEA and Winnow are building the kitchen of the future

IKEA forged a path as the first business to bring AI into its kitchens to fight food waste.

Certified



Corporation

bcorporation.net

Our impact

A registered B corporation since 2017, Winnow has committed to the highest standards of social and environmental performance.

36m

Meals saved / year

61,000

Tonnes of CO2e prevented / year

\$42m

Saved / year

67

Countries

→ THE SESSION

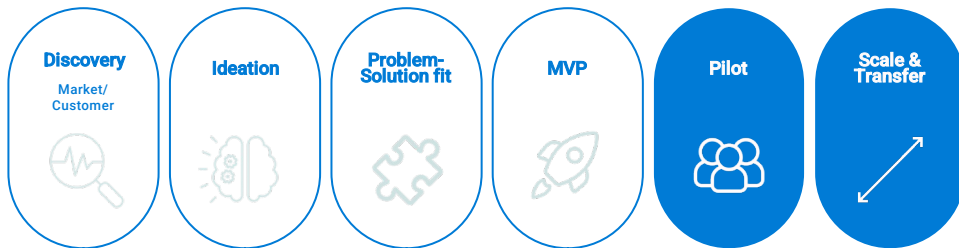
DILEMMA 3

To Scale or not to Scale

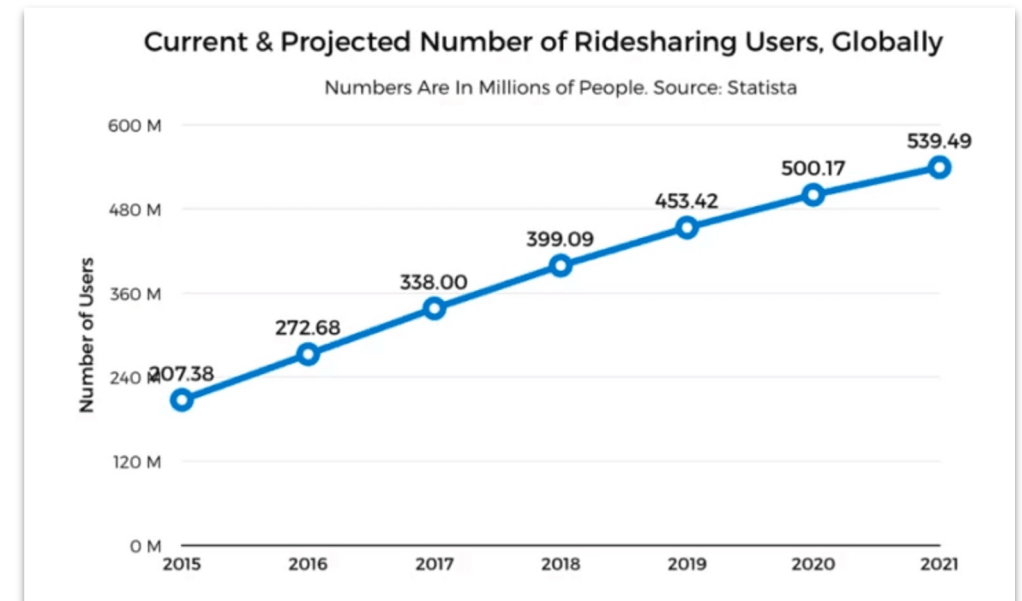
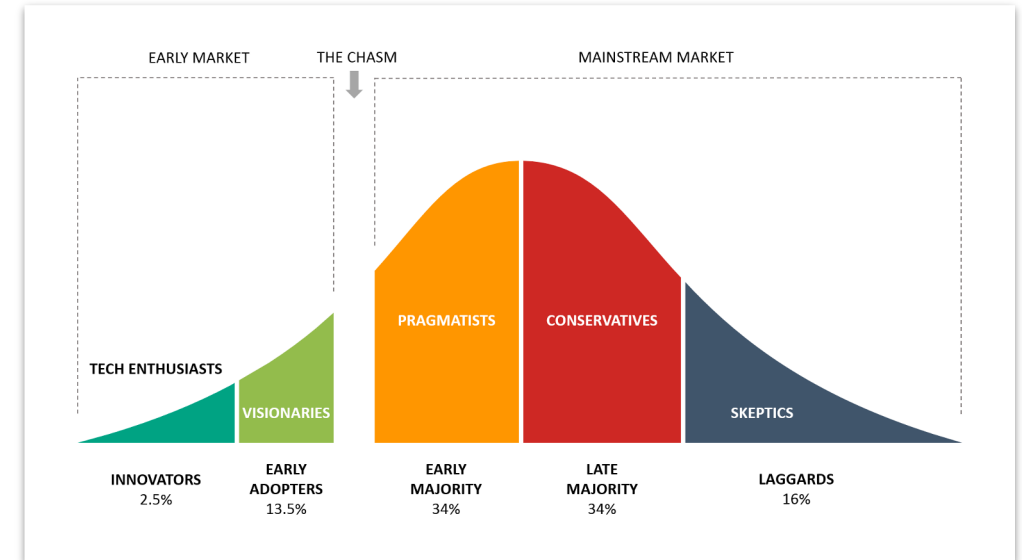
Can circular business models scale?

Prove that the solution delivers value to many customers, both in terms of acquiring /activating them and retaining them.

You can do this in the last two steps of the process.



[Source](#)



Hosted by [oneUp](#)

“Every company and every industry will be transformed by the transition to a net-zero world. The question is, will you lead, or will you be led?”

Larry Fink, BlackRock CEO



Refurbishment Sustainability
Development Manager

Malva Groothuis
Versuni

Case Study 1 - Versuni

Circular business models in home appliances

A strong circularity strategy will be a necessity in the future while creating a competitive advantage now

1. Retailers **prioritize** circularity
2. Competitors are **speeding up** in their transition
3. Laws **enforce** action
4. Financing becomes **easier & cheaper**
5. It's a **unique** opportunity to drive customer loyalty

**“Doing well can go together
with doing good”**

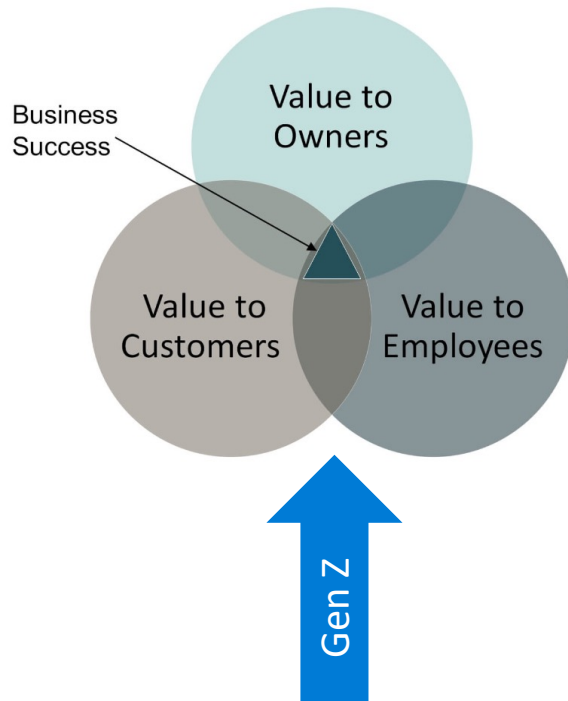
F. Sijbesma, former CEO DSM
(+400% share value '07-'17)



Case Study 1 - Versuni

Circular business models in home appliances

Consumers, employees & investors increasingly **expect** it



Sustainability content leads to **14,5%** conversion rate uplift

Circularity leads to increased **touchpoints** Which helps branded messaging, word of mouth & **loyalty**

High ESG performers were rewarded with **valuation multiples** that were **3%-19%** higher.

No focus on sustainability leads to **~6%** missed revenue opportunity

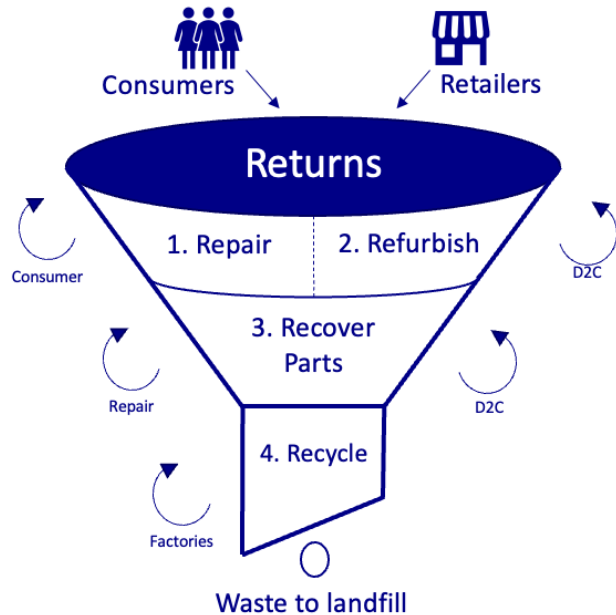
Sustainable financing becomes **the standard.** Other financing options will be **more expensive.**

58% of employees are **more engaged** when making a sustainable impact.

Case Study 1 - Versuni

Circular business models in home appliances

We stand out with our **Refurbishment activities. Best in class but not vocal enough.**

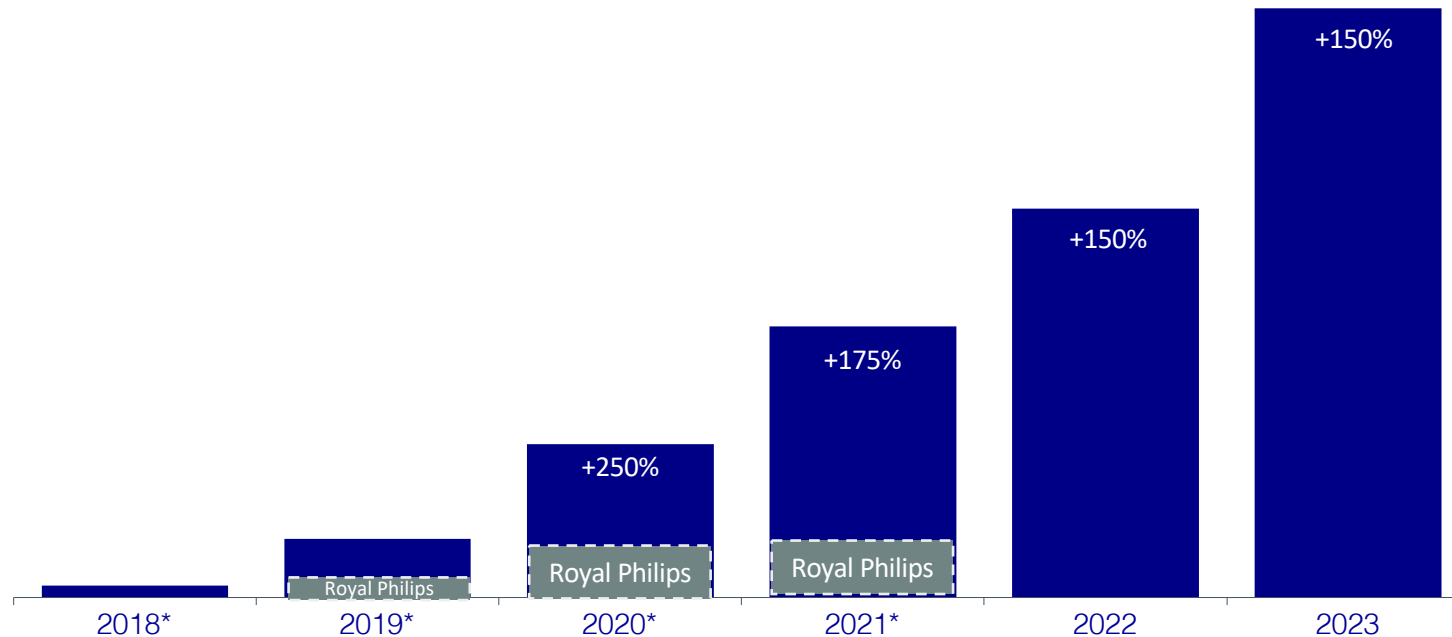


Cycle	Today	Position	Next step
1. Repair	Products repaired in warranty	Follower	<ol style="list-style-type: none"> Design for repair & refurb Out of warranty repair
2. Refurb	EU: 134.000 kg waste saved in '22 (32K products)	Ahead	Global expansion
3. Recover parts	~20% of parts used for repair are harvested	On par	Re-distribute & re-sell harvested parts
4. Recycle	Factory recycling in Brazil & WEEE in EU	On par	<ol style="list-style-type: none"> Take back model in other markets Recycling capabilities worldwide

Case Study 1 - Versuni

Circular business models in home appliances

Refurb in numbers



134.000 KG
of materials saved in 2022

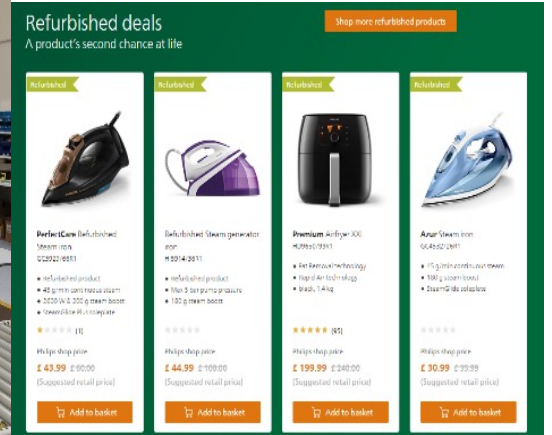
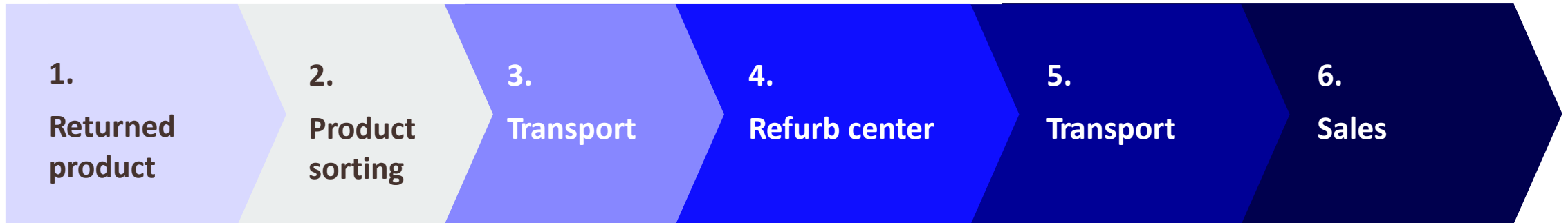
125.000 Philips
products sold since 2018

Satisfaction (refurb NPS) at
the same level & sometimes
exceeding new products

Case Study 1 - Versuni

Circular business models in home appliances

Refurbishment flow



Case Study 1 - Versuni

Circular business models in home appliances

Focus of Refurb Marketing Mix on waste reduction, Direct to Consumer, competitiveness & guaranteed quality.



Case Study 1 - Versuni

Circular business models in home appliances

Two key (internal) topics to drive buy-in & success

Cannibalization

Margin calculation



Venture Builder
Chiara Schlösser
oneUp

Case Study 2 - oneUp

Circular venture to maximise clothing utilisation

Challenge 1

A big problem can lead...

+400% more clothes are produced now compared to 20 years ago

30% of the world's apparel is never sold

7 - 10 times is the average people wear an item

>50% of the clothes in our wardrobe are not worn

>1% less than 1% of used clothing is recycled into new garments

17 billion items are returned every year worldwide

Example

...to a very broad scope

ASK

Create a new sustainable business model for a global fashion brand.

THE CHALLENGE

- Too broad subject - sustainability
- Tried, tested (and failed) circular business models

OUR SOLUTION

- Identify reasons of failure
- Create ecosystem map
- Set the right assessment criteria

Case Study 2 - oneUp

Circular venture to maximise clothing utilisation

Challenge 2

Create a circular business model...

“When I’m buying items, sustainability will not be the deciding factor”

“I don’t buy recycled items, it keeps breaking”

“I try to do the right thing, for the right price”

“When I have the time, I’ll be more sustainable”

“I’m missing product range and offer for sustainable fashion”

Example

...for consumers unwilling to change

ASK

Create clear consumer benefits around sustainability so consumers willingly change their behaviour

THE CHALLENGE

- Consumers don’t want to compromise
- Sustainability is sometimes viewed negatively

OUR SOLUTION

- Match garment lifecycle with user journey
- Create focus areas with a high pain to solve
- Sustainability as a side effect

Case Study 2 - oneUp

Circular venture to maximise clothing utilisation

KEY INSIGHTS

We chose the persona **without a high desire for a circular business model.**

1

Not looking for sustainable fashion

they feel that other features such as being trendy, the price, or quality is more important than their clothes being sustainable.

2

Belief that fashion brands carry the main responsibility

they feel that they can't make a big enough of an impact themselves and that fashion brands are responsible for a sustainable supply chain.

3

Spending a lot of time searching for fashion

they are putting in a lot of effort to find the right items. They are facing challenges in getting the right style, fit and size.

Case Study 2 - oneUp

Circular venture to maximise clothing utilisation

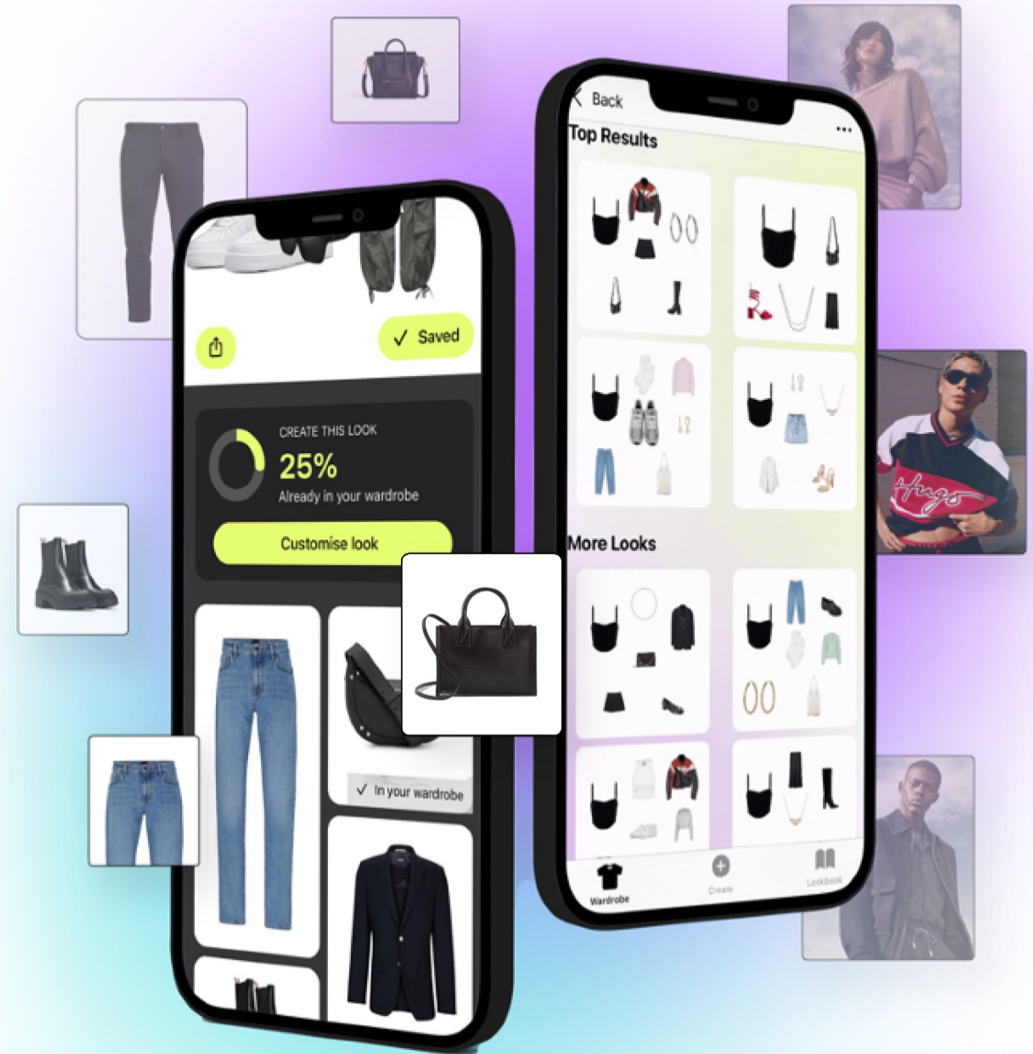
OUR SOLUTION

RE:STYLE

Mission

Help the **mindless shopper** make more conscious use of what they own and how they shop.

- Personalized look suggestions
- Upload own wardrobe
- Customize looks
- Access the Fashion Library
- Think Before You Buy



Case Study 2 - oneUp

Circular venture to maximise clothing utilisation

Challenge 3

A solution that encourages degrowth...

“I would buy **more expensive clothes** because now I’d know whether they match my wardrobe”



Example

...and high commercial growth targets.

ASK

Convince the CEO of a global fashion company to invest in a brand-agnostic platform that wants people to buy less

THE CHALLENGE

- High commercial growth targets
- Advertising other brands' products
- Encourage people to use what they own

OUR SOLUTION

- Address a new target audience for the brand
- Find revenue streams decoupled from resources
- Build a convincing business case

Case Study 2 - oneUp

Circular venture to maximise clothing utilisation

Challenge 4

Risk short-term negative feedback loop...

Example

...to reach potential long-term impact.

ASK

Ensure our solution does not have any negative feedback loops that might lead to a negative sustainable impact

THE CHALLENGE

- User wants & needs
- Short term vs long term effect
- Complexity of measuring impact

OUR SOLUTION

- Redirect and minimize but not avoid
- Many people doing a little bit better
- We haven't solved it (yet)

If the circular economy is the blueprint for reducing emissions, then circular business models are the instruction manuals for creating new value.

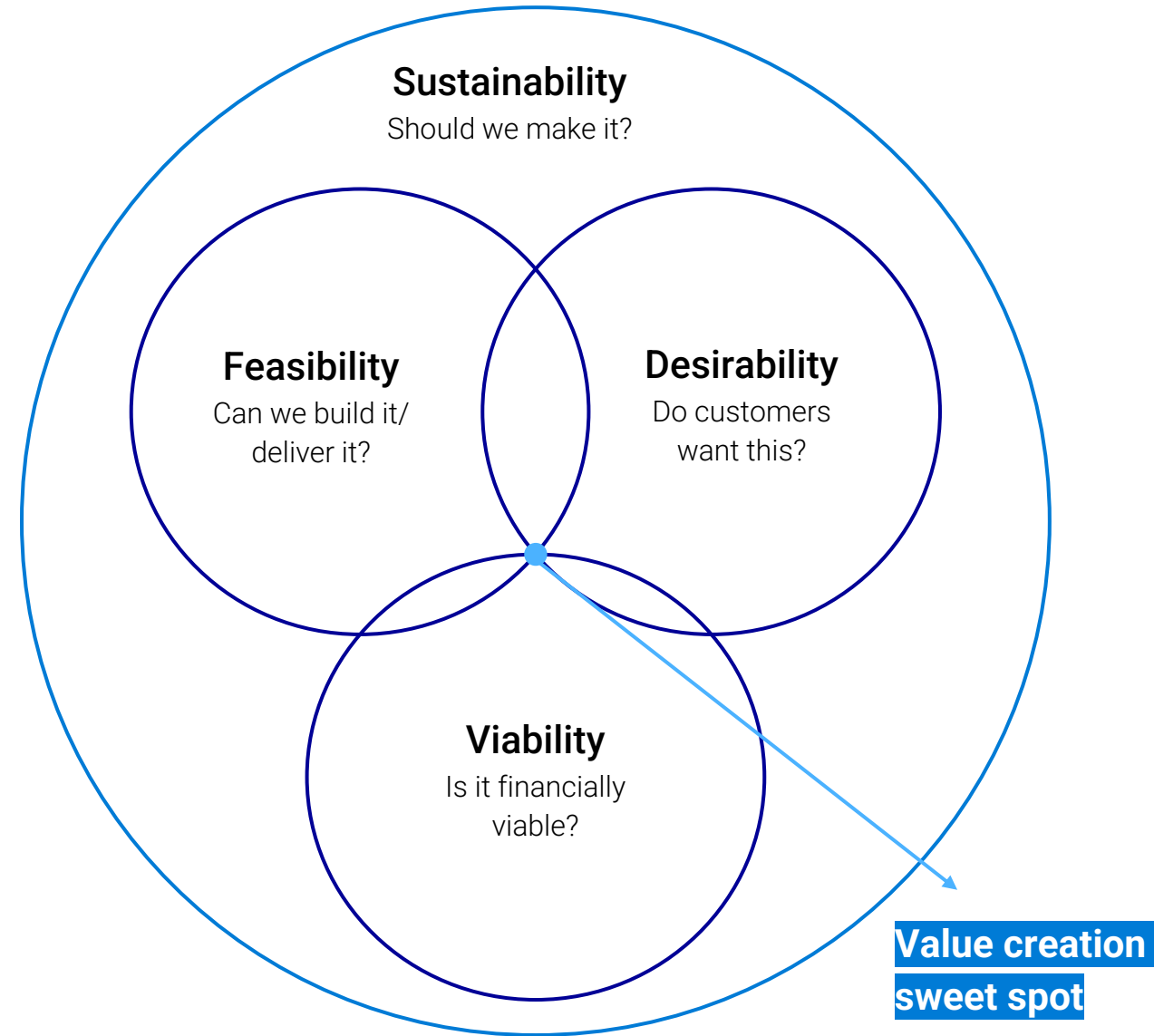
- Circular business models offer significant potential for companies. Embracing these business models not only benefits the planet but also serves as a pathway to business prosperity.
- While there's no one-size-fits-all solution, many businesses are actively exploring and learning from their efforts. It's imperative to **accelerate the pace of learning** and leverage successful case studies.
- Common challenges confront various companies in the realm of circular business. Among these challenges is **the issue of cannibalization, initial revenue reduction, and the frequent need for collaboration with industry competitors.**

What's next?

In this session, we have discussed a high-over process for circular business models. In the next sessions and meetings, we would like to answer the remaining questions by going through the **details of this approach and discussing the challenges faced further**. We also would like to dedicate a session for innovation/impact accounting for circular business models.

What do we recommend for the readers?

From instruction manual to action: Put the circular business models into practice. Feel free to reach out if you'd like to discuss this topic further or organize a session to bring your challenges to a wider group.



→ THE NEXT STEP

If you have questions, reach out to us



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