Results

WEC Executive Roundtable, Hosted by The Dow Chemical Company April 26, 2017, Horgen (Zurich), Switzerland

"Collaboration for Achieving Circular Economy Business Solutions"

Transitioning to the Circular Economy is a potential business opportunity examined by governments and civil society alike. Although not a new concept, multiple factors motivate its examination, including declining access to natural resources and virgin materials, new opportunities for value chain alignment through digitization, and evolving consumer behavior.

The Roundtable goal was to identify business solutions from the Circular Economy through extended product cycles, remanufacturing and the Sharing Economy. In addition, it sought to illustrate how diverse industry sectors are integrating business planning with the Circular Economy, and to reveal new collaboration strategies and skills for transitioning the Circular Economy to market scale.

Participants:
The Roundtable provided a highly interactive discussion among 33 senior level sustainability experts from seven industries and six countries; 79% were from global companies (66% of which were WEC members), while 9% came from NGO/ think tanks, and 9% from consulting firms.

Host
Dow Europe: Lorraine Francourt, Director, EH&S & Sustainability, Product & Compliance

Moderators
AkzoNobel: Dick Bartelse (recently retired)
Ecologic Institute: R. Andreas Kraemer
Remondis: Ansgar Fendel
Dow Chemical: Eunice Heath
WEC: Terry F. Yosie

Speakers
Accenture Strategy: Balkan Cetinkaya
Advancing Sustainability: Chris Tuppen
Filippa K: Elin Larsson
HP Inc.: John Ortiz
ING Group: Gerald Naber
LafargeHolcim: Bernard Mathieu
Philips Lighting: Anton Brummelhuis
Ricoh Europe: Philip Hawkins
Siemens: Ralf Pfitzner
Uetliberg Partners: Guido De Wit

Major Points of Discussion:

(1) While there continues to be a lack of clarity about the Circular Economy concept, knowledge is not the principal obstacle to progress. Rather, the principal challenges reside from such factors as outdated business models; undervalued natural resources; lacking incentives around extending product life cycles, re-use and re-manufacturing; defining optimum obsolescence; and developing targets and metrics for the avoided use of energy, resources, and materials over the life cycle and for avoided future emissions and waste generation.

(2) **Refurbishing used products** is a growing business practice in many industries, being enabled by digitization as well as today's customers' acceptance of recycled materials. However, avoiding landfilling is not always the best solution, e.g. when recycling centres are remote or when the environmental impact is not favourable due to high energy intensity. Selected companies are considering the option of added segmentation of waste/resources streams but are challenged by the growing use of composite materials and the restrictions upon recycling and recovery declared by the Basel Convention.

(3) **Collaboration is a major challenge**: the time lag between production and a product's end-of-life after several years often leads to insufficient collaboration between producers and waste-collectors/ remanufacturers during the product design phase. Furthermore, to leverage the full potential of refurbishing and recycling, better incentives to return used products are needed, as well as more creativity and willingness to commercialize used products. While the IT industry has already created successful brands with refurbished products, e.g. the fashion industry is experiencing special market challenges. Better acceptance of re-used and recycled products is advancing in more industries, thus developing markets and reducing cost through scale.

(4) **A key to engaging and collaborating with consumers** is building trust, simplifying the business offering (e.g. consistent messages across all brands) and understanding the motivations of why people wish to engage in the Circular Economy so that desired consumer behaviour is integrated with their values. Many consumers ask for an easy way to contribute, with little time-effort and at no cost, but most importantly upon a belief that their action serves a cause and is being implemented in the expected way. Similarly, companies state that they achieve better solutions by making value chains more transparent and by adopting common goals. Currently, however, collaboration with consumers is uneven throughout most industries, and building awareness has its limitations.

(5) **Developing service models that parallel the sale of products is emerging as an innovative, and disruptive, business model, commonly referred to as the Sharing Economy.** The lighting and IT industries, for example, have in parts already succeeded in implementing service contracts that benefit customers while maintaining the product value in their own system, including precious materials, specialty chemicals and other substances. Furthermore, these models provide the opportunity to continuously reduce costs by replacing products with the next, more efficient product generation. Making use of digitization in logistics and other value chain functions creates additional opportunities for cost savings and differentiation. Other industries such as automobile, manufacturing, hospitality and lodging, construction, energy, pharmaceutical, retail and fashion industries are also experimenting with similar concepts. A key opportunity for companies is to build new business models around unique product and service ecosystems across their value chains that competitors will have difficulties in challenging.