

Circular business models in context & experimentation

Copenhagen 29 November 2018

Nancy Bocken

Professor in sustainable business management and practice - for a transition to low-carbon and resource efficient economies



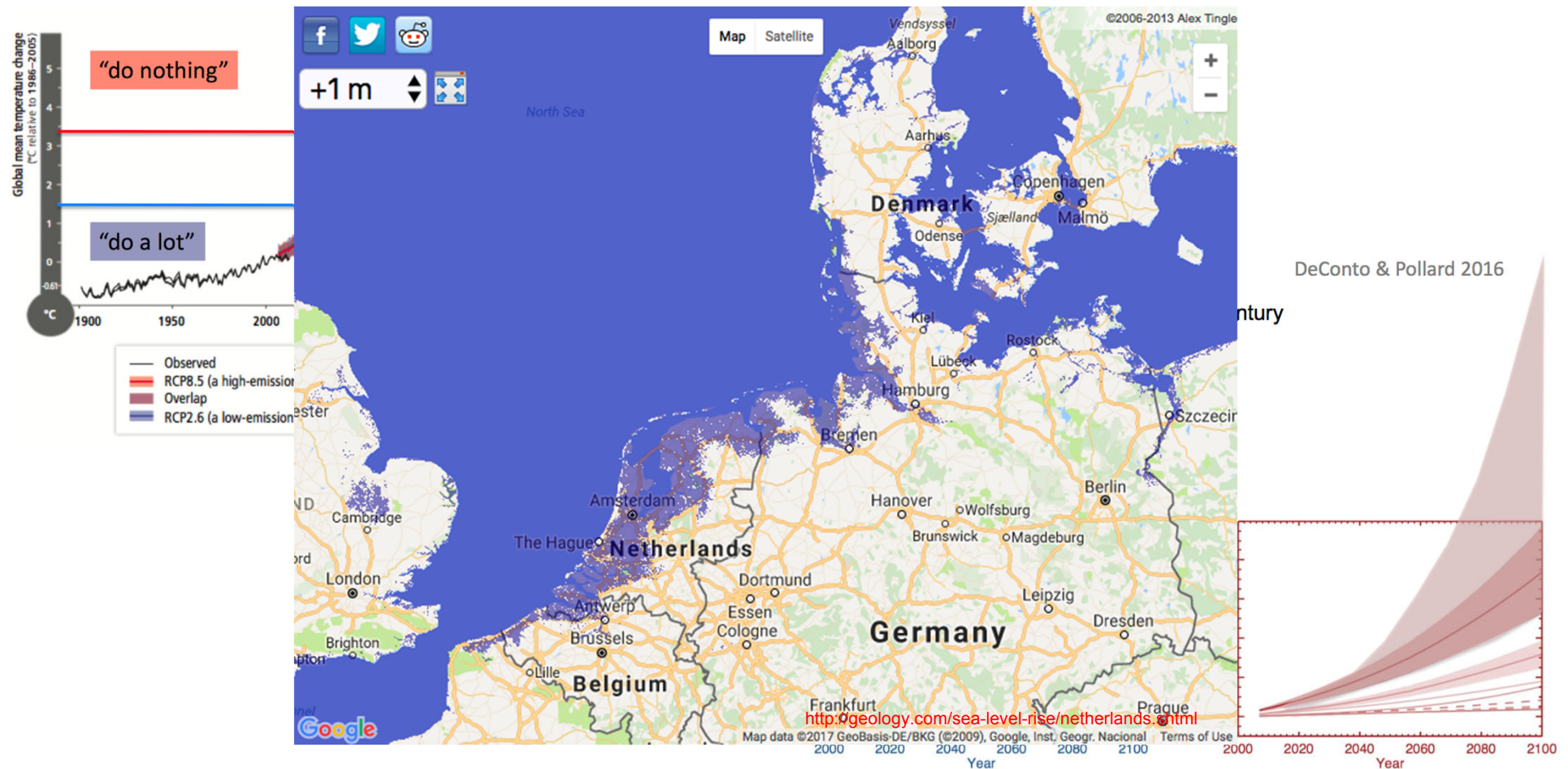
Topics for today

- Circular Economy: why and what (brief)
- Circular business models
- Product design and value chain perspective
- Customer perspective
- Implementation
- Business experimentation
- Ecologies of Business Models experimentation

Circular Economy: Why and what?

Societal challenges

Risks of future climate change



Source climate graphs: Emily Shuckburgh (2017) Presentation at CISL, Cambridge UK

Up to 70 cm

Up to 2 m

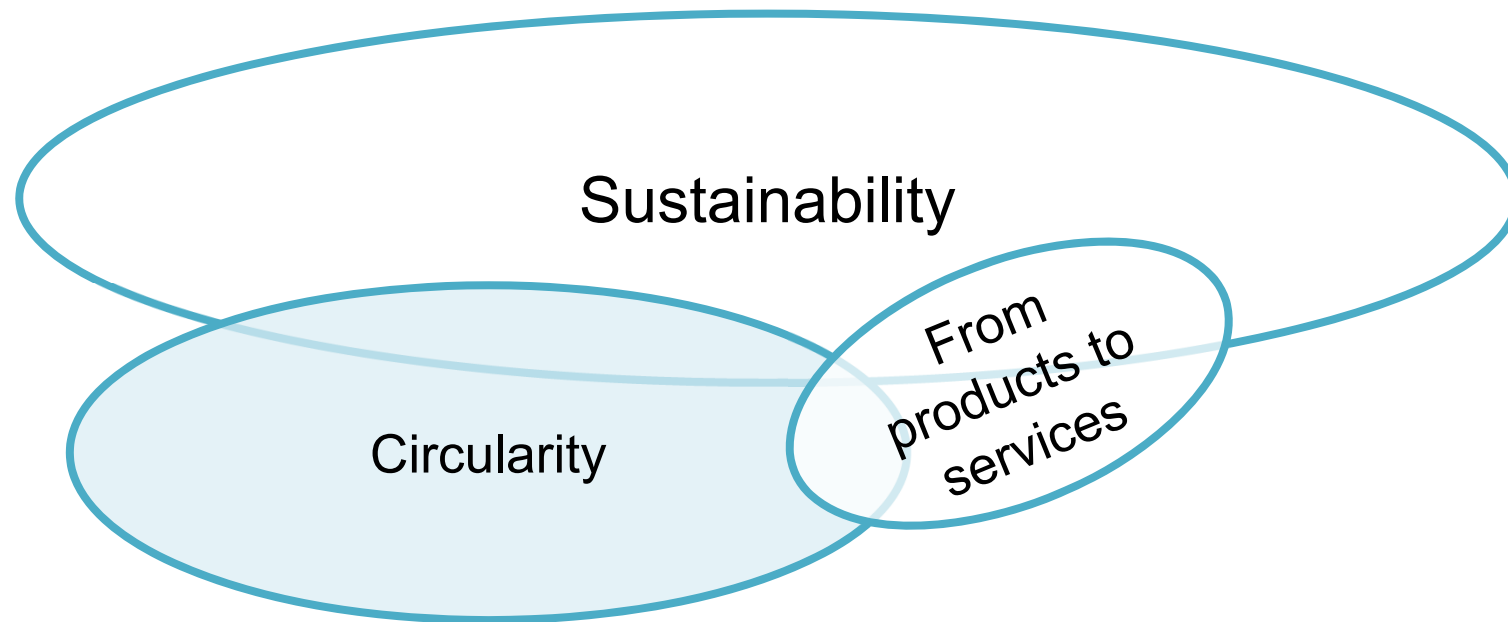


The Linear Economy

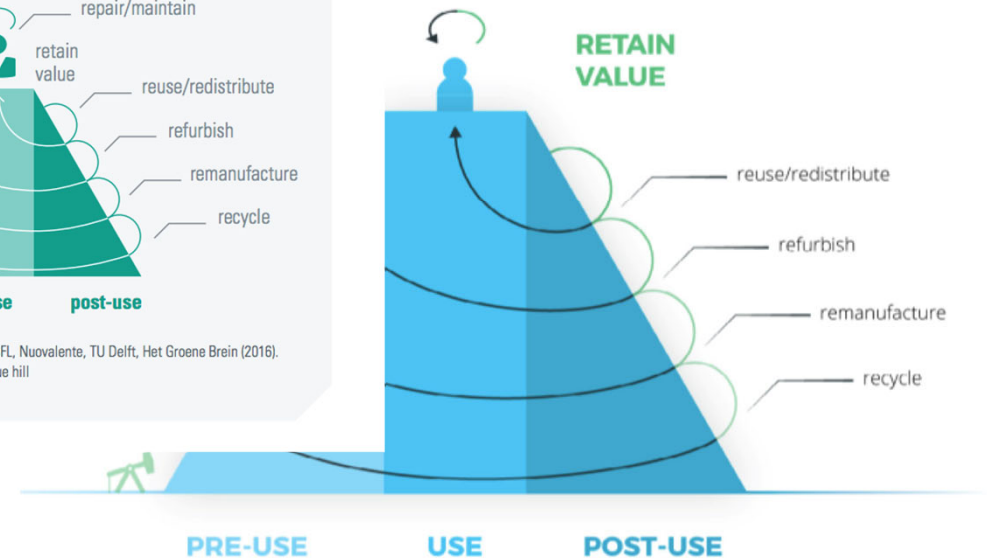
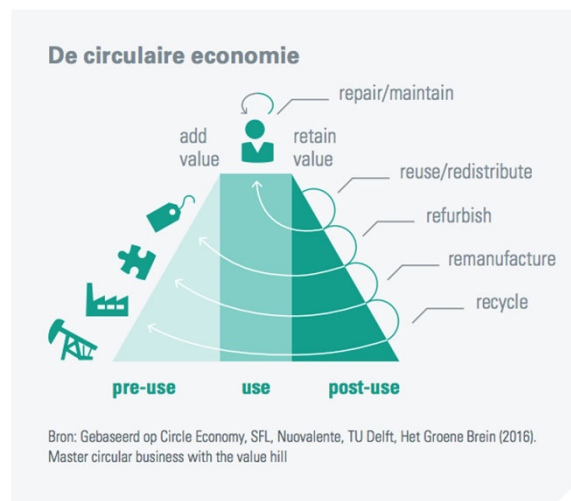
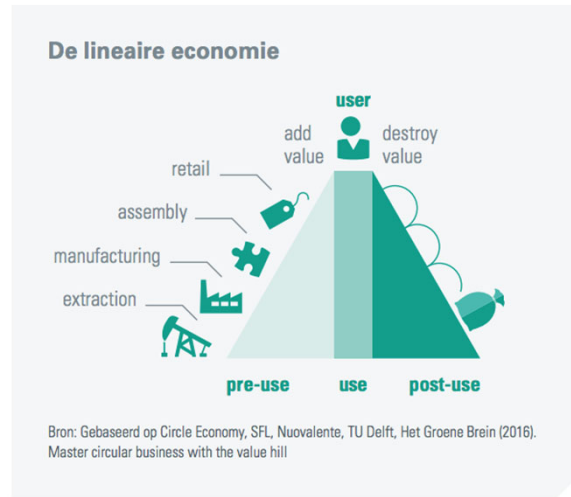
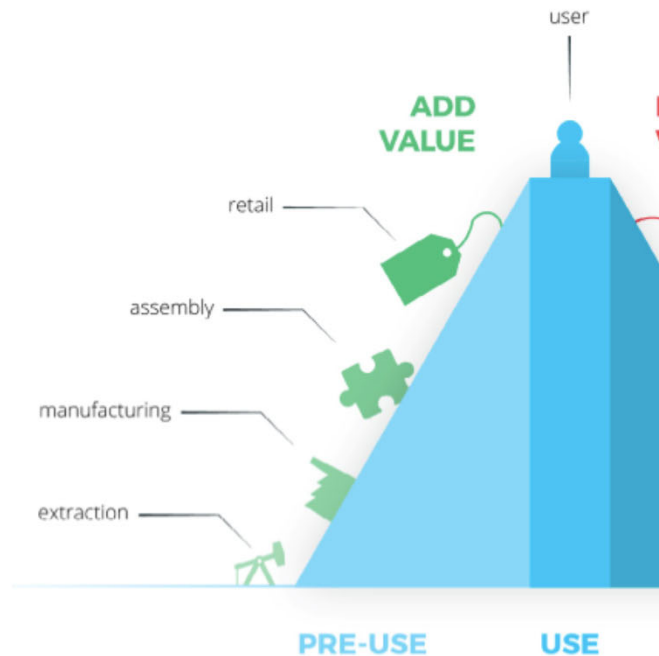
Inefficient system to manage resources

1. Dependent on high turn-over of products and fast-paced consumption
2. Decreasing product lifetimes and high waste creation
3. Loss of value embedded in product (economic, environmental, user value), e.g. in unused functioning products, repairable products, reusable components, recyclable materials

Circular Economy & Sustainability



The Value Hill



Value Hill source. Achterberg, E., Hinfelaar, J., Bocken, N.M.P. 2016. Master circular business models with the Value Hill. White paper, September 2016

Slowing (resource) consumption: Key strategy in a Circular Economy

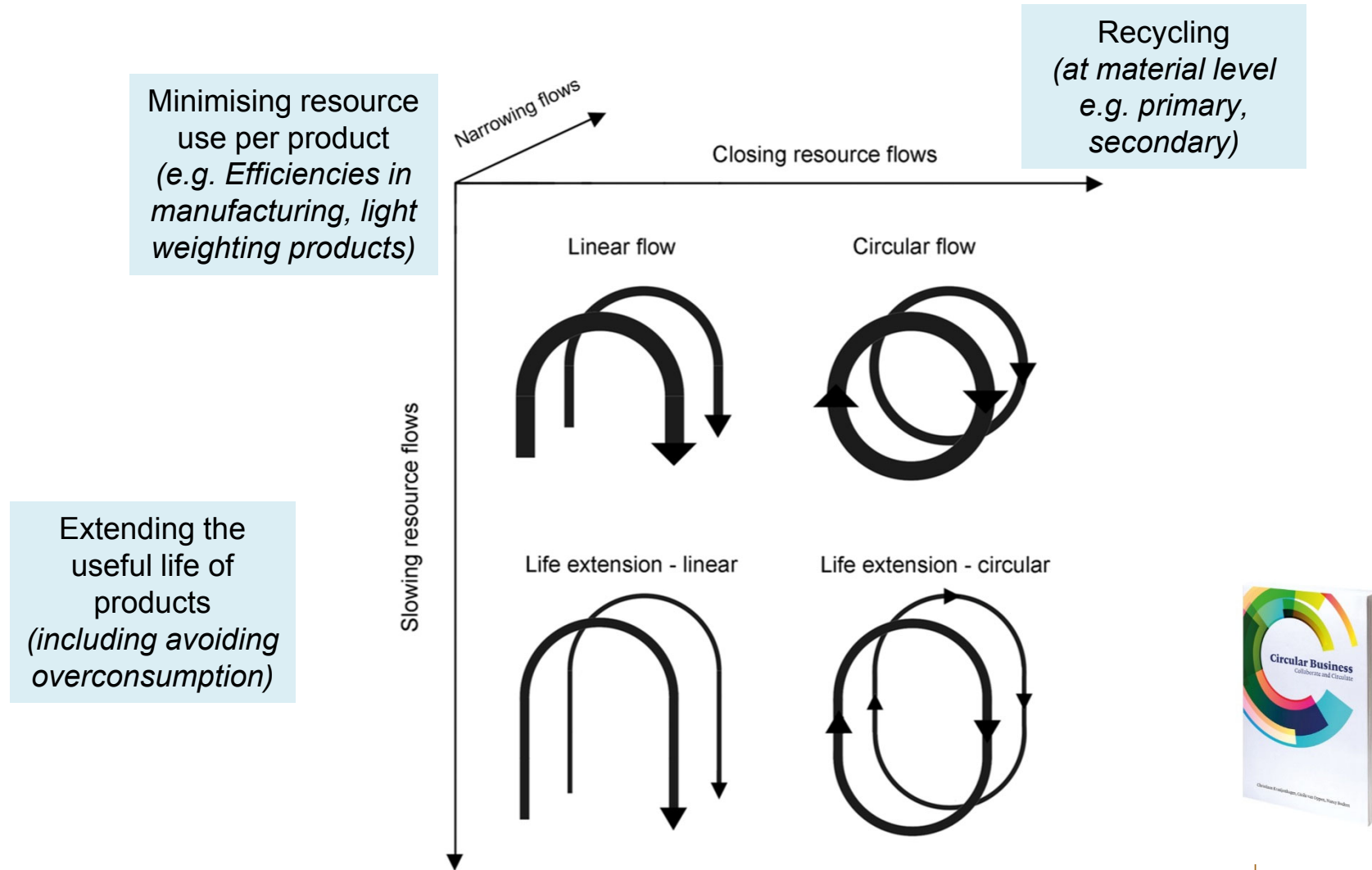
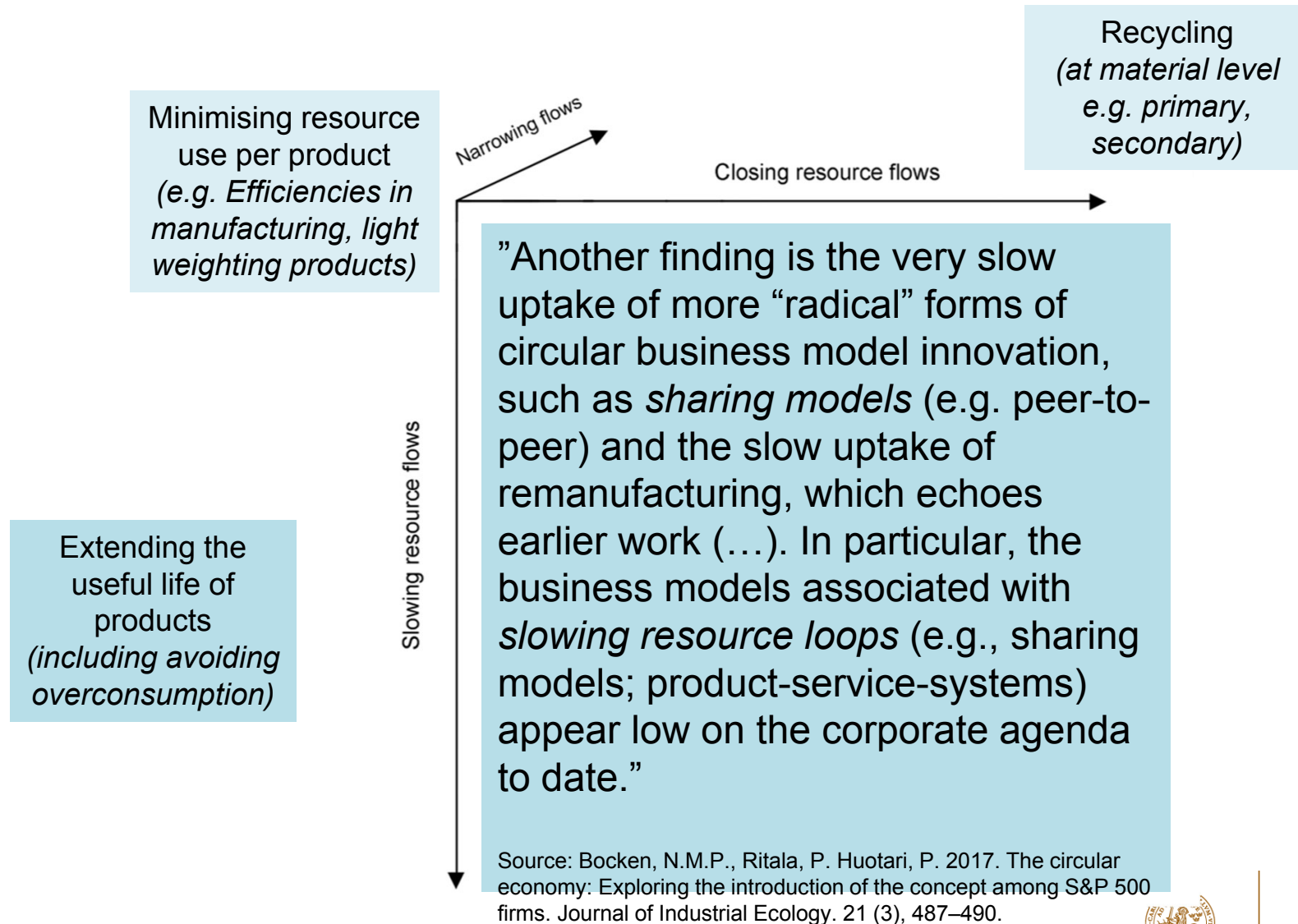
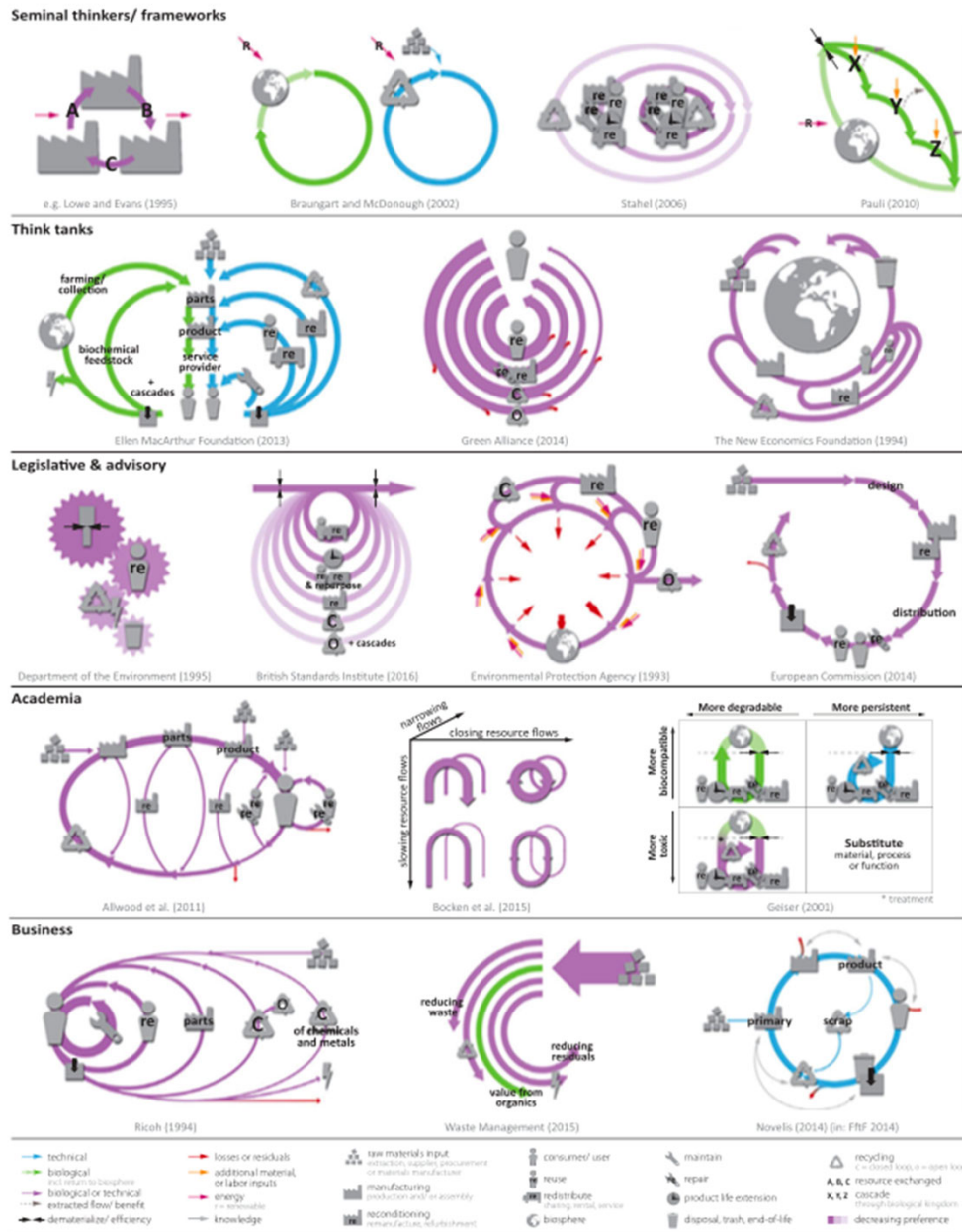


Figure: Circular Economy framework. Source: Bocken, N.M.P., de Pauw, I., van der Grinten, B., Bakker, C. 2016. Product design and business model strategies for a circular economy. J. Industrial & Production Engineering, 32 (1), 67-81.
+ Kraaijenhagen et al. 2016. Circular Business. Available at: www.circularcollaboration.com

Slowing (resource) consumption: Key strategy in a Circular Economy



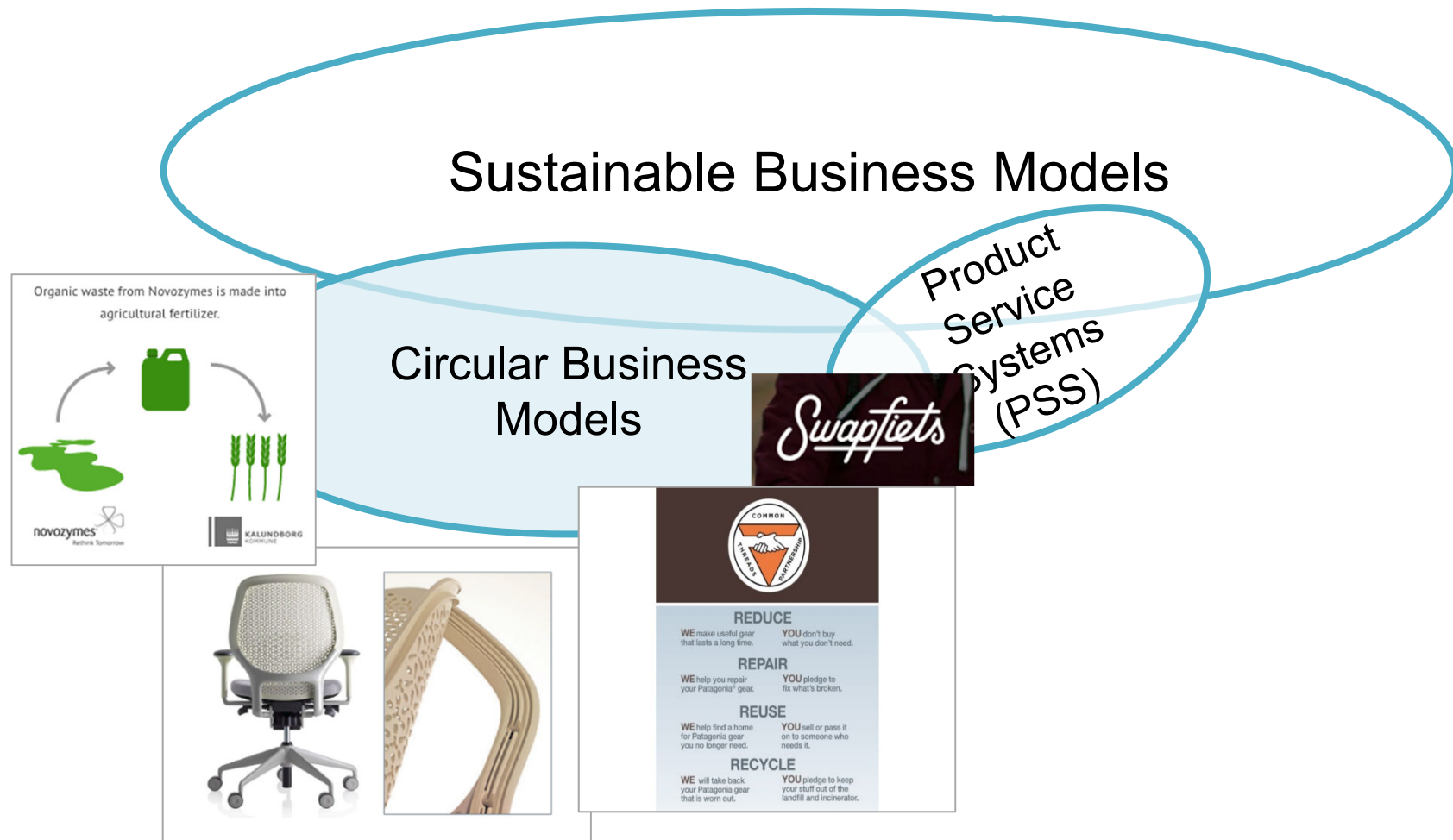


Resource flows & loops

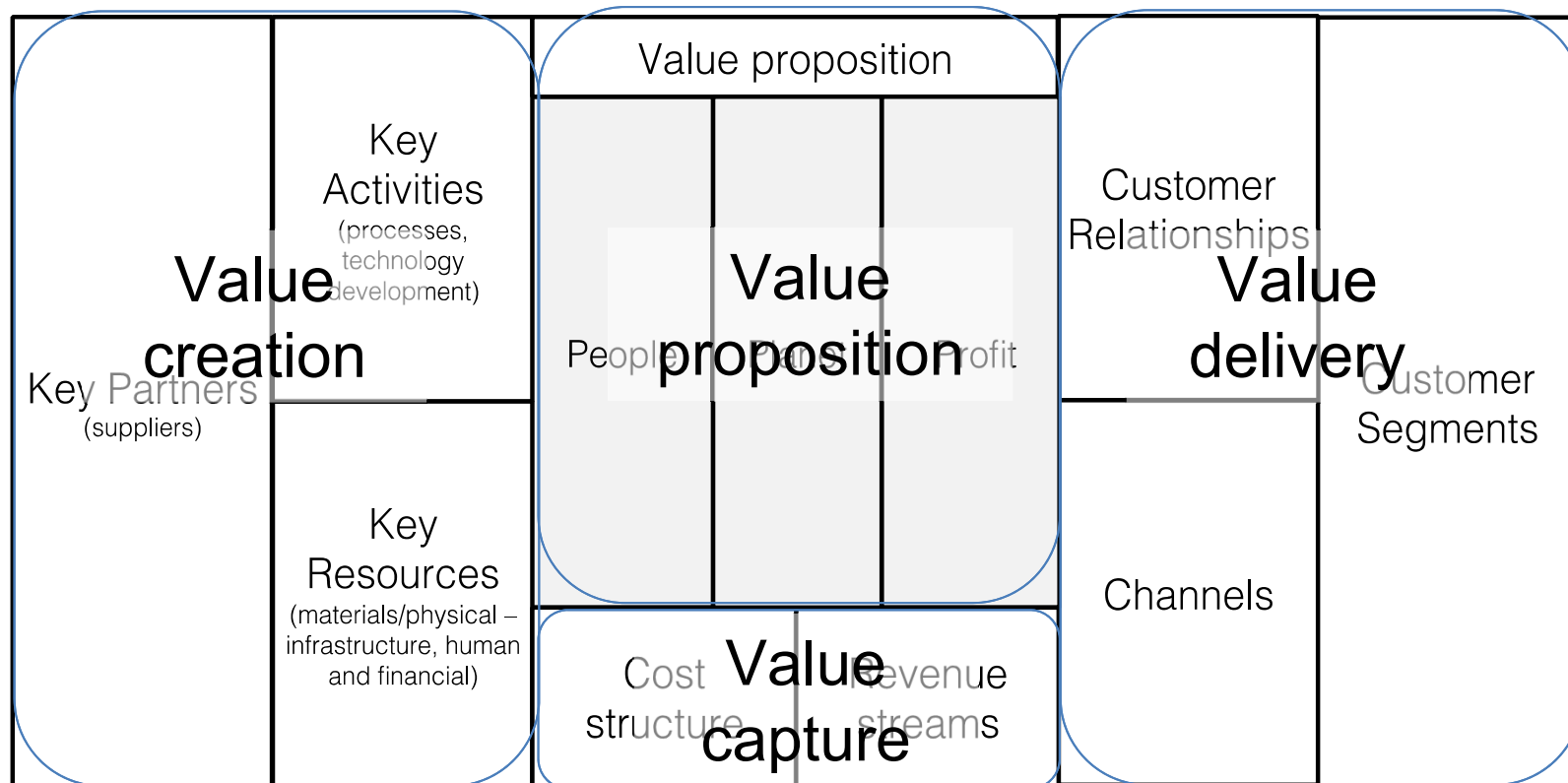
Figure: selection of interpretations of waste and resource management frameworks. Source: Blomsma, F., Brennan, G. 2017. The Emergence of Circular Economy J. Industrial Ecology , 21 (3).

Circular Business Models

Circular Business Models



Sustainable business models



Adapted from:
www.businessmodelgeneration.com

Sustainable business models

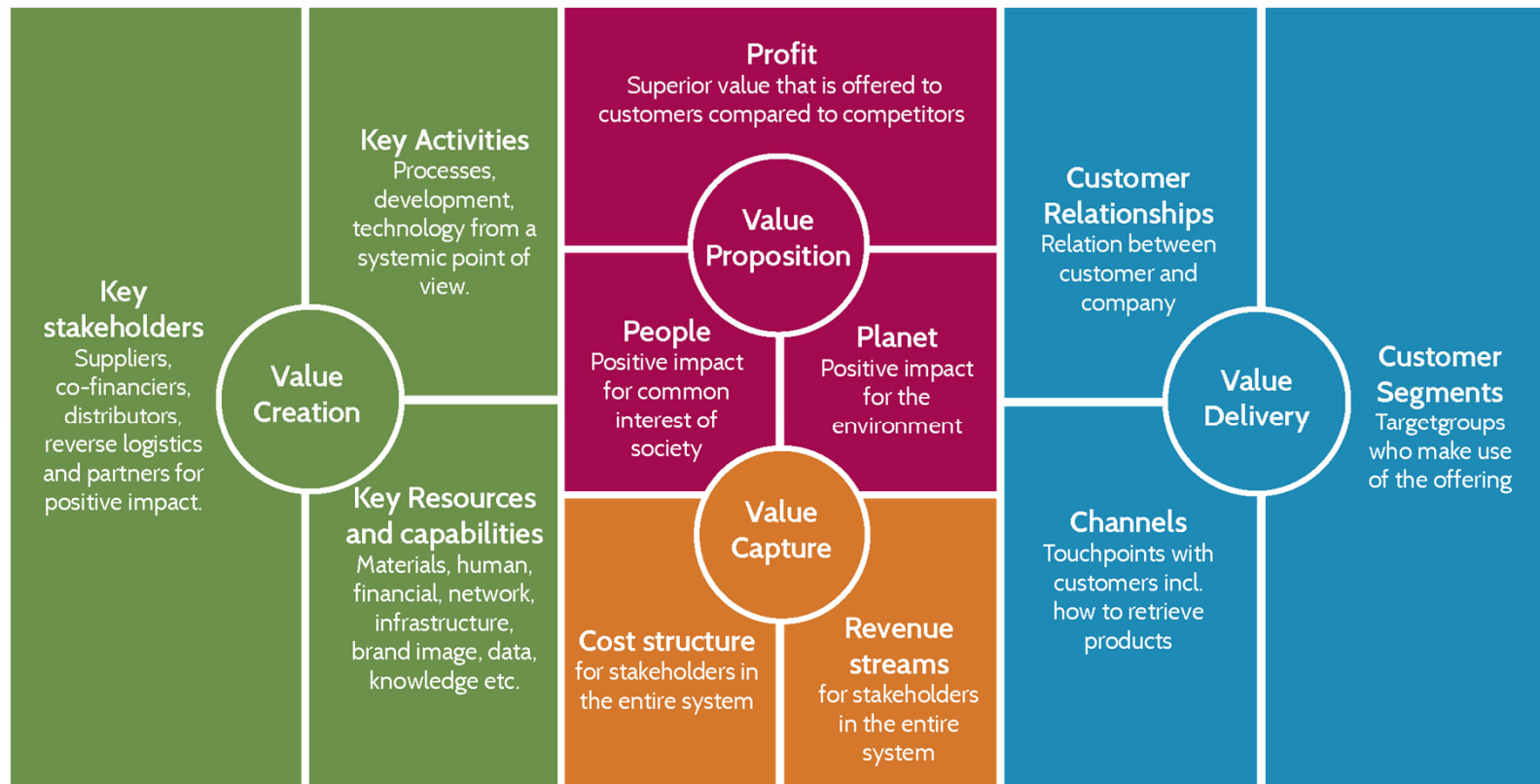
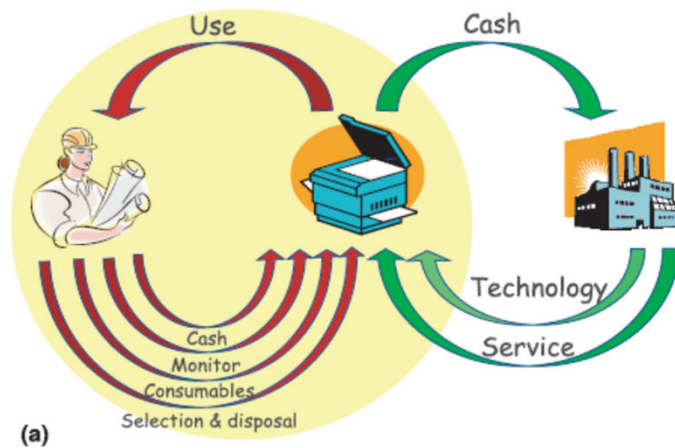
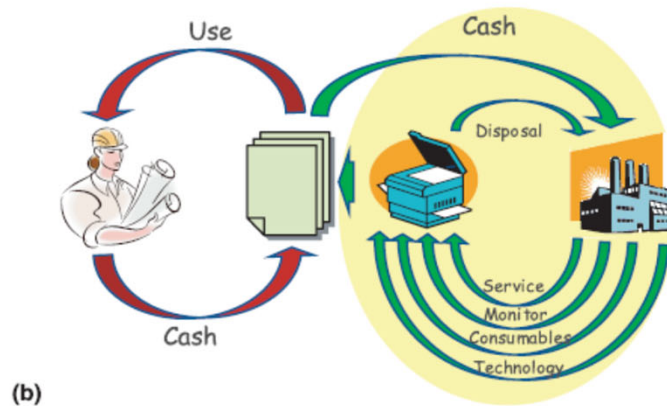


Figure: Sustainable Business Model Canvas. Source: Bocken, N.M.P. 2015. Conceptual framework for shared value creation based on value mapping, Global Cleaner Production Conference, Sitges, Barcelona, 1-4 November 2015 based on Osterwalder & Pigneur - businessmodelgeneration.com.

From products to services



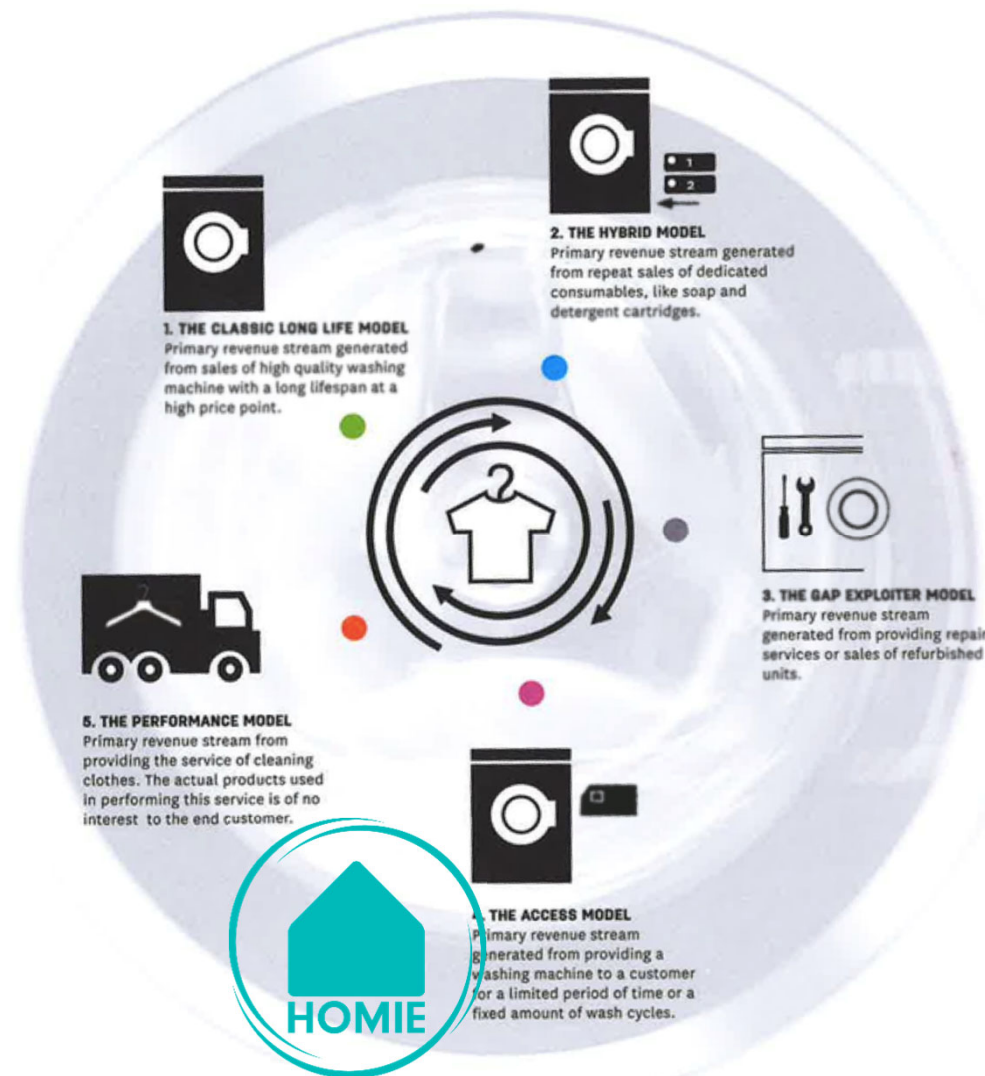
(a) Traditional purchase of photocopier;



(b) purchase of a document management capability

(Baines, et al, 2007)

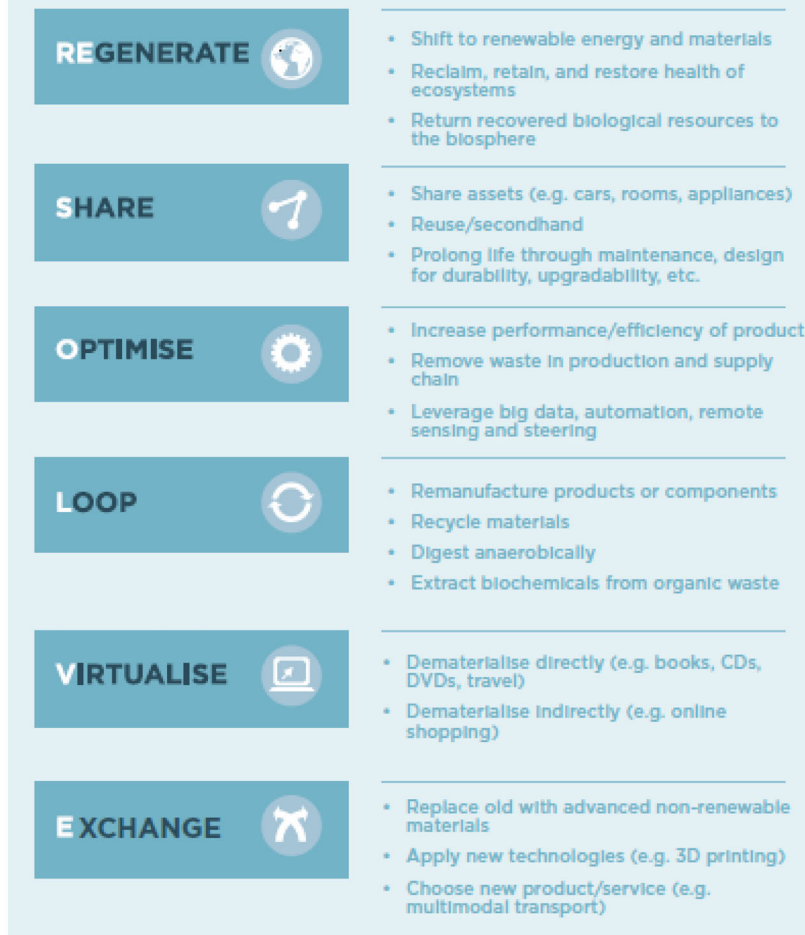
Products that Last framework



Source: Bakker, C.A., den Hollander, M.C., van Hinte, E., Zijlstra, Y., 2014. Products that Last - Product Design for Circular Business Models. TU Delft Library, Delft.
HOMIE: www.homiepayperuse.com

ReSOLVE Framework

FIGURE 2: RESOLVE FRAMEWORK



Examples (Lewandowski, 2016)

Energy recovery
Chemicals leasing

--

Maintenance and repair
PSS

--

Produce on demand
PSS

--

Remanufacture
Upcycle

--

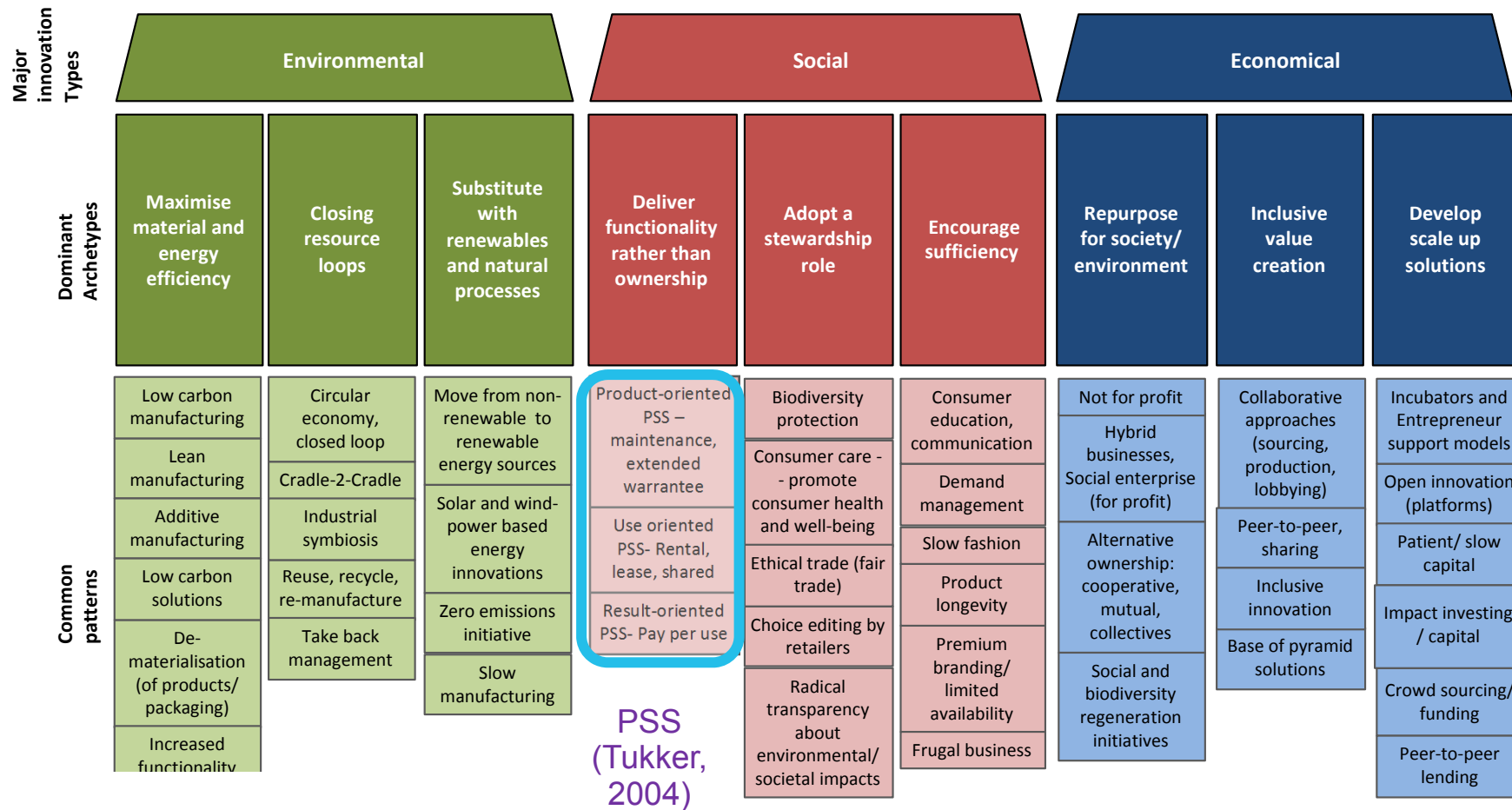
Dematerialised services

--

New technology

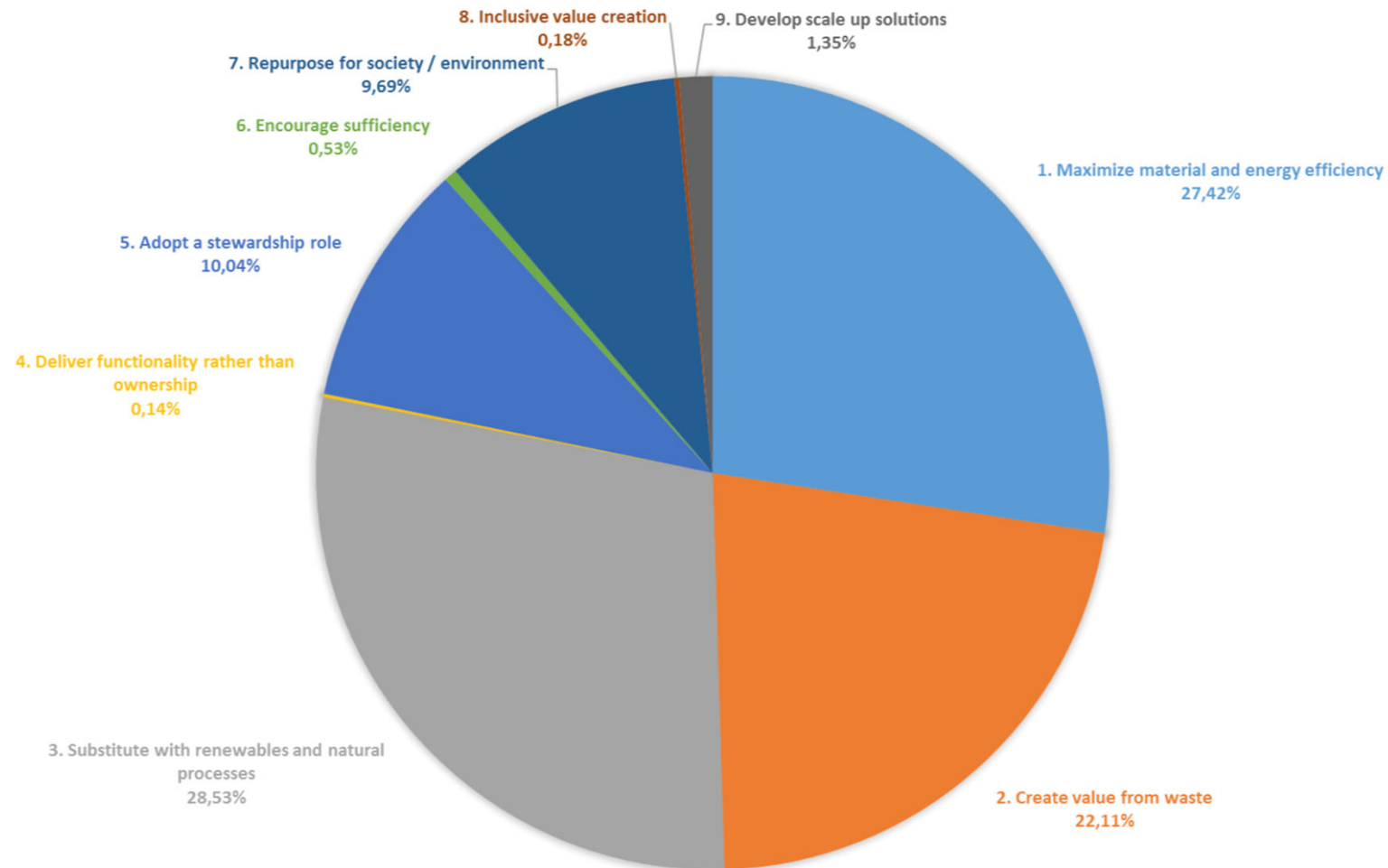
Sources: Ellen MacArthur Foundation. Toolkit for policymakers:
https://www.ellenmacarthurfoundation.org/assets/downloads/government/20150924_Key_Exhibits_Policy_toolkit.pdf
 Lewandowski. 2016. Designing the Business Models for Circular Economy—Towards the Conceptual Framework. Sustainability 2016, 8, 43; doi:10.3390/su8010043

Sustainable business cases & archetypes



Source: Bocken, N., Short, S., Rana, P., Evans, S. 2014. A literature and practice review to develop Sustainable Business Model Archetypes. Journal of Cleaner Production, 65, 42–56
 &
 Ritala, P., Huotari, P., Bocken, N., Albareda, L., Puumalainen, K. Sustainable business model adoption among S&P 500 firms: A longitudinal content analysis study. Journal of Cleaner Production

What happens in practice (S&P 500 study - sample of 101 firms)



Source:

Ritala, P., Huotari, P., Bocken, N., Albareda, L., Puumalainen, K. Sustainable business model adoption among S&P 500 firms: A longitudinal content analysis study. Journal of Cleaner Production

Circular business model archetypes

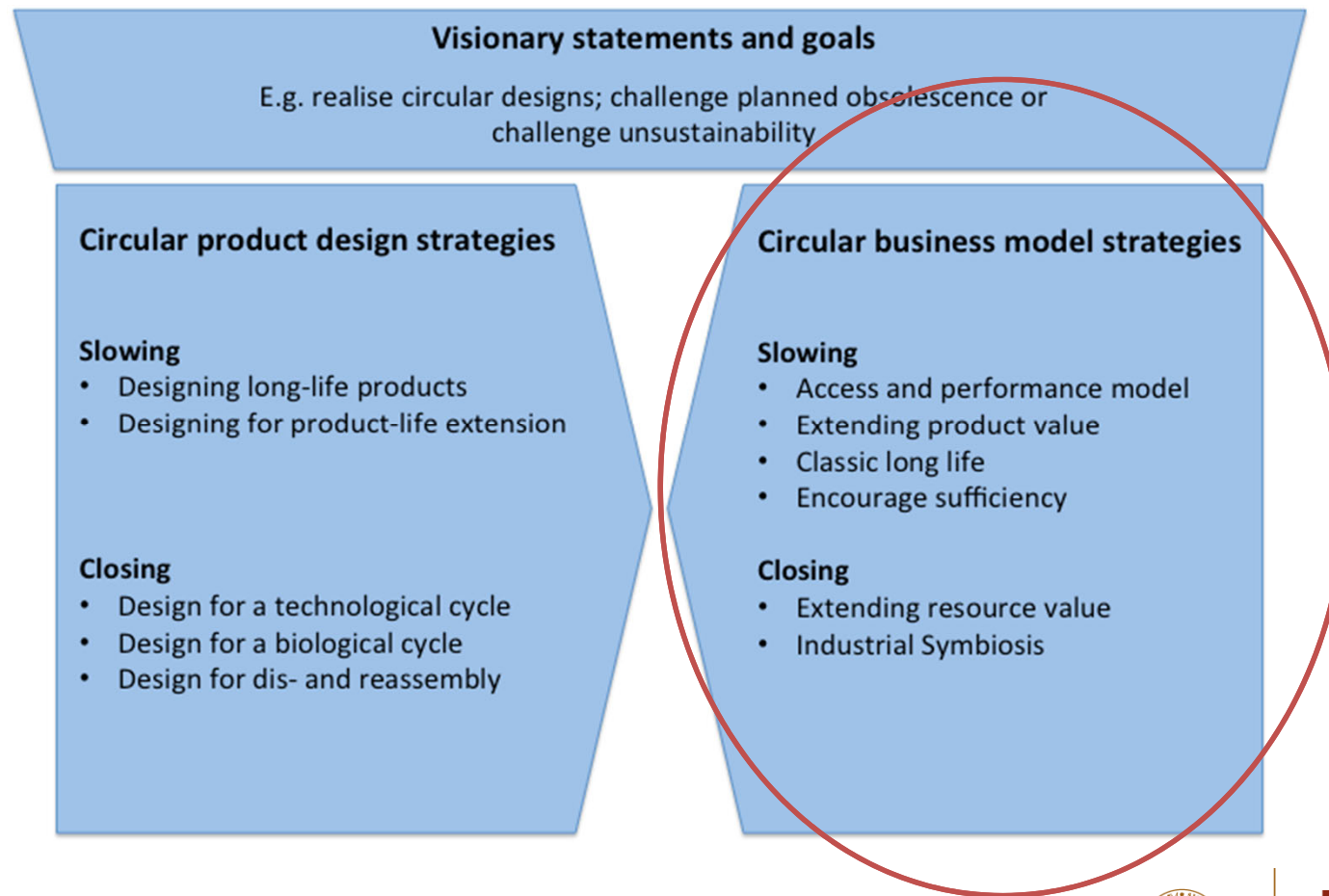


Figure: Circular strategies. Source: Bocken, N.M.P., de Pauw, I., van der Grinten, B., Bakker, C. 2016. Product design and business model strategies for a circular economy. J. Industrial & Production Engineering, 32 (1), 67-81.

Slowing resource loops



VITSOE

**DON'T BUY
THIS JACKET**




Slow Food®



**Campina pays producers to not
produce milk**



Source: Vitsoe, Patagonia,
RTL news, Slowfood and
Bugaboo websites



iiiee
THE INTERNATIONAL INSTITUTE FOR
INDUSTRIAL ENVIRONMENTAL ECONOMICS

Closing resource loops

Net-Works™

NIKE GRIND.



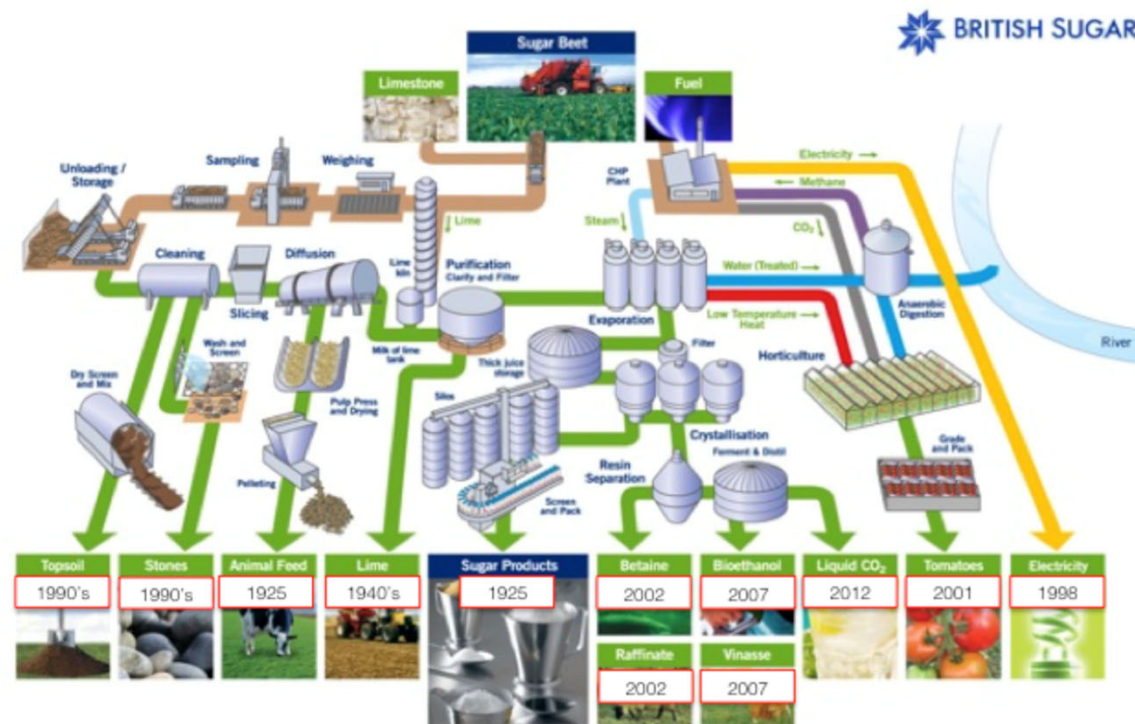
ReBlend



Source: NetWorks , RAW for the
Oceans, Nike Grind, GRO, ReBlend,
GrowUp and TU Delft Plakkies
websites



Closing resource loops




Wissington site: See www.britishsugar.com

Sources:

Short et al. (2014) From Refining Sugar to Growing Tomatoes. Industrial Ecology and Business Model Evolution, Journal of Industrial Ecology

Kraaijenhagen, C., Van Oppen, C., Bocken, N., 2016. Circular business. Collaborate & Circulate. Circular Collaboration, Amersfoort, The Netherlands. Available at circularcollaboration.com

Closing resource loops

SUGAR		CO-PRODUCTS	
Bulk granulated	220kt	Animal feed	140,000 tonnes
Bulk liquid	50kt	Betaine	6,000 tonnes
Liquid blends	10kt	Bioethanol	55,000 tonnes
Granulated bags	100kt	CO2	40,000 tonnes
Caster bags	40kt	Electricity	500,000 MWh
		LimeX	120,000 tonnes
		Tomatoes	15,000 tonnes
		TOPSOIL	150,000 tonnes
		Aggregate	9,000 tonnes

Everything is transformed into sustainable products

Sources:

Short et al. (2014) From Refining Sugar to Growing Tomatoes. Industrial Ecology and Business Model Evolution, Journal of Industrial Ecology

Kraaijenhagen, C., Van Oppen, C., Bocken, N., 2016. Circular business. Collaborate & Circulate. Circular Collaboration, Amersfoort, The Netherlands. Available at circularcollaboration.com



Closing and slowing resource loops

COMMON THREADS INITIATIVE

REDUCE

WE make useful gear that lasts a long time
YOU don't buy what you don't need

REPAIR

WE help you repair your Patagonia gear
YOU pledge to fix what's broken

REUSE

WE help find a home for Patagonia gear
you no longer need
YOU sell or pass it on*

RECYCLE

WE will take back your Patagonia gear
that is worn out
YOU pledge to keep your stuff out of
the landfill and incinerator



REIMAGINE

TOGETHER we reimagine a world where we take
only what nature can replace

patagonia
patagonia.com



MUD JEANS®

**LEASE A JEANS OR BUY A JEANS
RETURN THEM WHEN WORN OUT
WE RECYCLE
ALL MATERIALS**



auping

Source: Patagonia, Mud
Jeans, Auping, Orange
box, and Kyocera
websites



iiiee
THE INTERNATIONAL INSTITUTE FOR
INDUSTRIAL ENVIRONMENTAL ECONOMICS

Product design and value chain perspective

Multiple perspectives

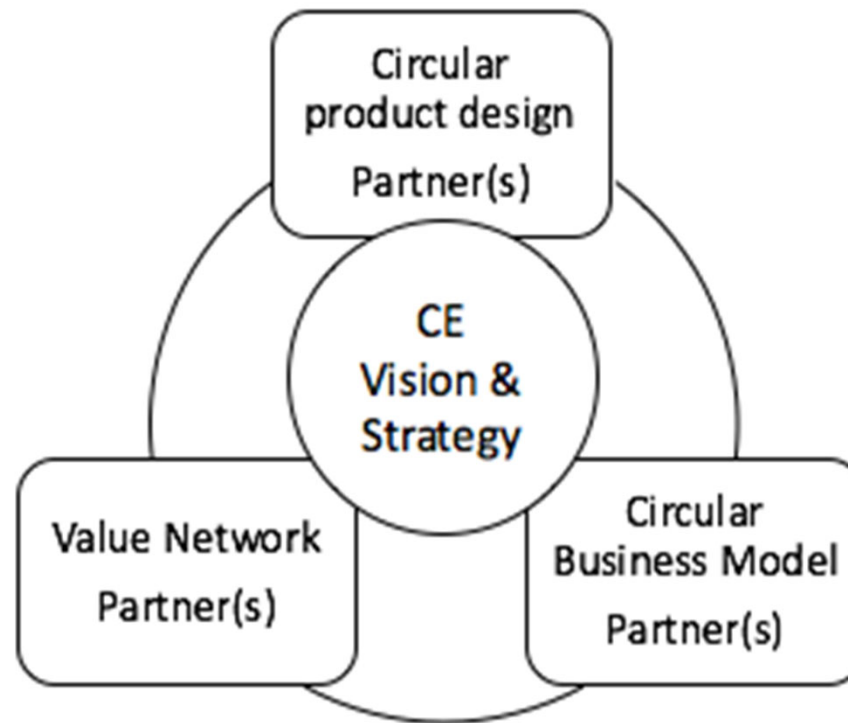


Figure: Conceptual framework for assessment of collaborative partners for circular product/service development Brown, P.D., Bocken, N.M.P., Balkenende, A.R. 2018. Towards understanding collaboration within Circular Business Models. Book chapter in 'Sustainable Business Models: Promise, Principles, Practice'

Circular product design strategies

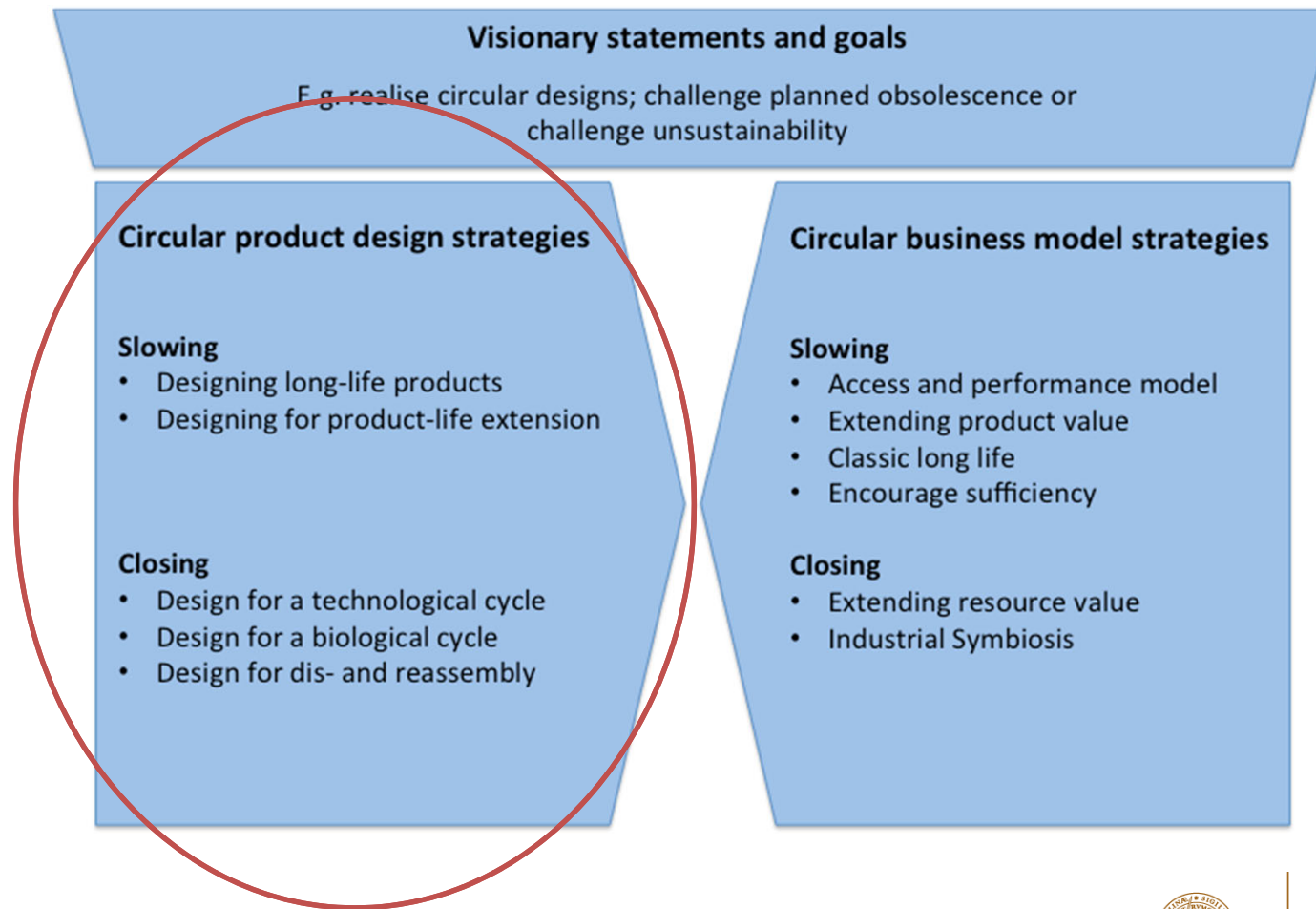


Figure: Circular strategies. Source: Bocken, N.M.P., de Pauw, I., van der Grinten, B., Bakker, C. 2016. Product design and business model strategies for a circular economy. J. Industrial & Production Engineering, 32 (1), 67-81.

Circular strategies

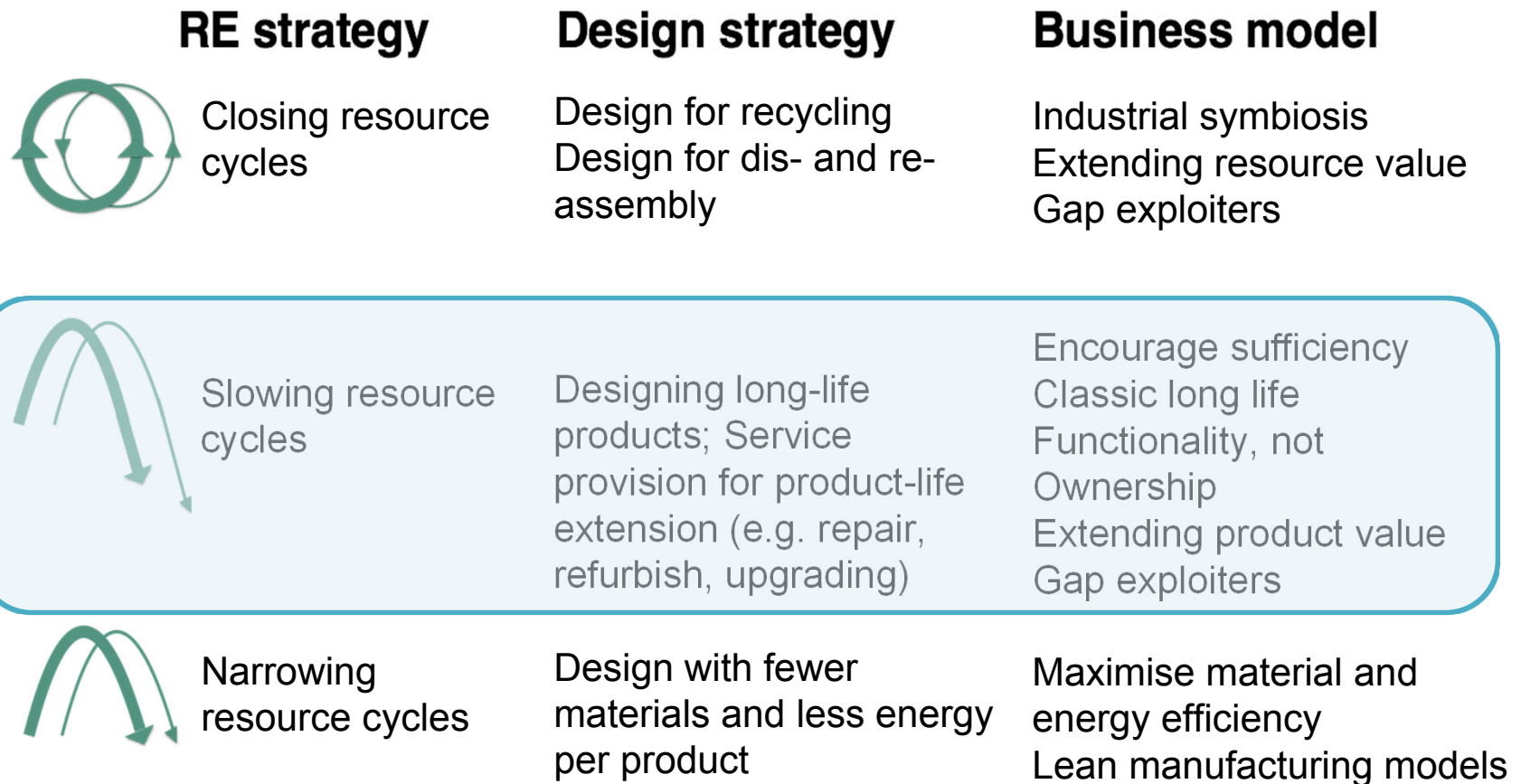
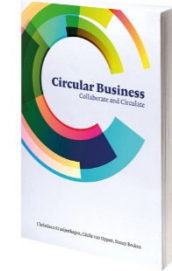
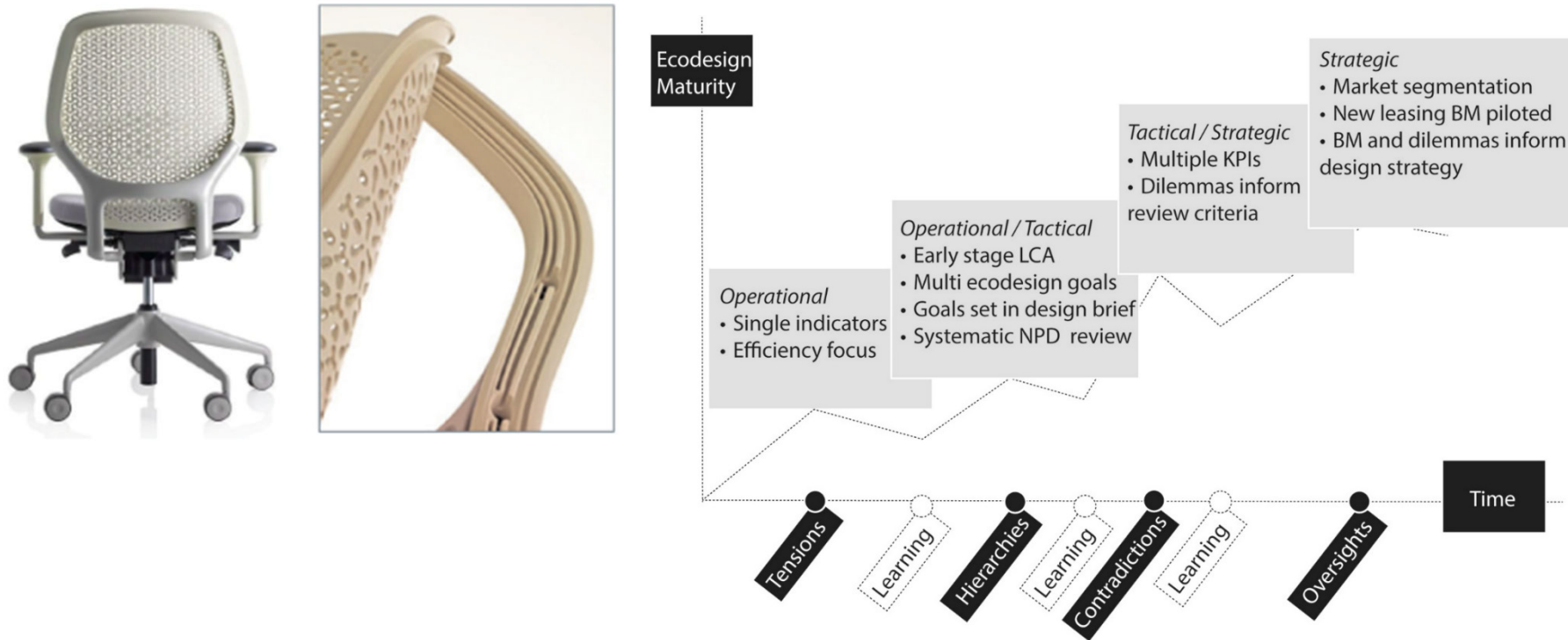


Figure: Circular strategies. Sources: Kraaijenhagen et al. 2016. Circular Business. Available at: circularcollaboration.com
Bocken, N.M.P., de Pauw, I., van der Grinten, B., Bakker, C. 2016. Product design and business model strategies for a circular economy. J. Industrial & Production Engineering, 32 (1), 67-81.

Circular product strategies: Orangebox



Figures: See: Prendeville, S., O'Connor, F., Bocken, N., Bakker, C. 2017. Uncovering ecodesign dilemmas: A path to business model innovation. Journal of Cleaner Production, 143, 1327-1399

Circular product strategies: Philips



Environment: Reduce material use up to 80%
Cost: Price at 60-85% of the new system price

Figure: Philips HealthCare. www.remanufacturing.eu

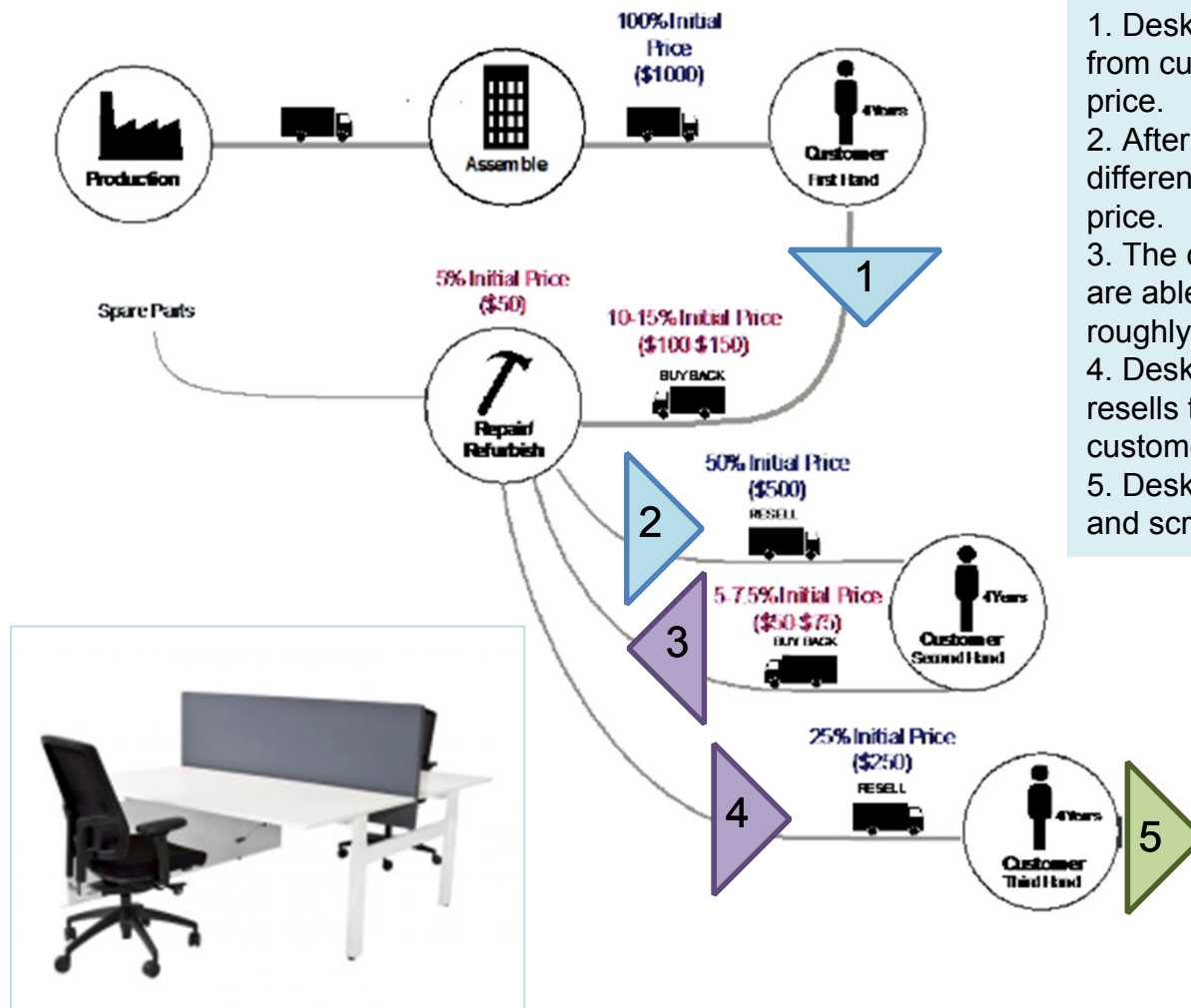
Circular value chains?

Mazuma Mobile is an online mobile phone reuse and recycling service allowing consumers to unlock the cash value of their mobile phones, offering same day payments. Collected handsets are refurbished by an external partner where necessary and then sold to partners in emerging markets, insurance dealers and retailers in UK.



Sources:
<https://www.ellenmacarthurfoundation.org/circular-economy/building-blocks>
<https://www.ellenmacarthurfoundation.org/case-studies>

Circular value chains



1. Desko buys newly manufactured products back from customers at roughly 10% of the product's initial price.
2. After in-house remanufacturing desks are sold to a different market segment at roughly 50% of the initial price.
3. The customers of these remanufactured products are able to sell the desks back to Desko after use at roughly 5% of the product's initial price.
4. Desko remanufactures the desks once more and resells the product for the last time to a third customer segment at 25% of the original price.
5. Desko offers a free take-back for these customers and scraps the desks for parts.

Sources:
<https://www.remanufacturing.eu/case-studies/desko-office-desks/>

Customer perspective

Circular offers and long product life

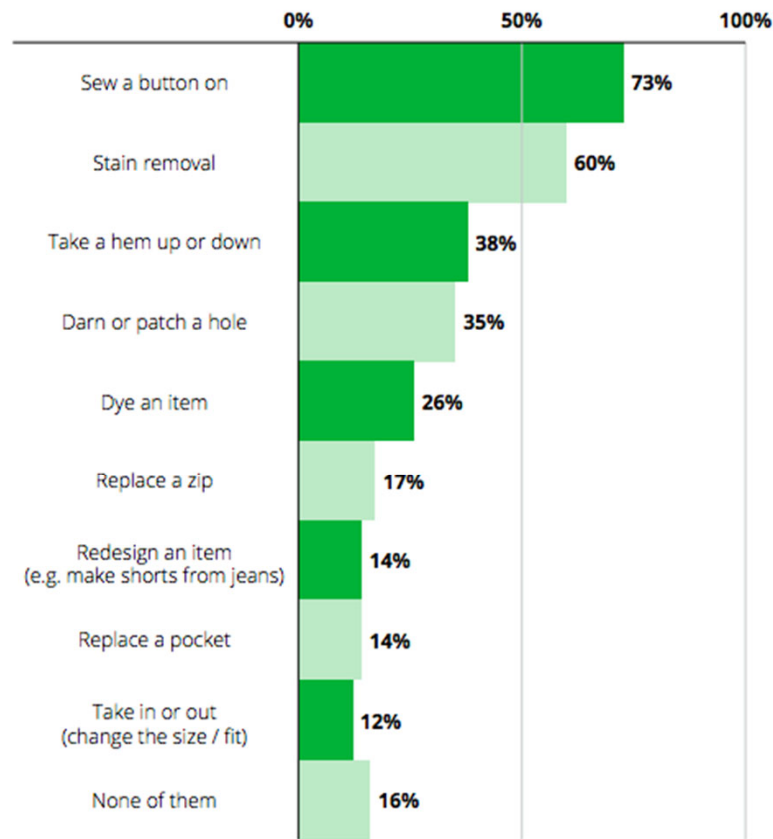


Figure 13: Shows the % of people that felt confident to perform repairs and alterations'

Base: Graph and box weighted to UK proportions - All (2,058) WRAP Textiles Tracker Survey 2016 wave 2

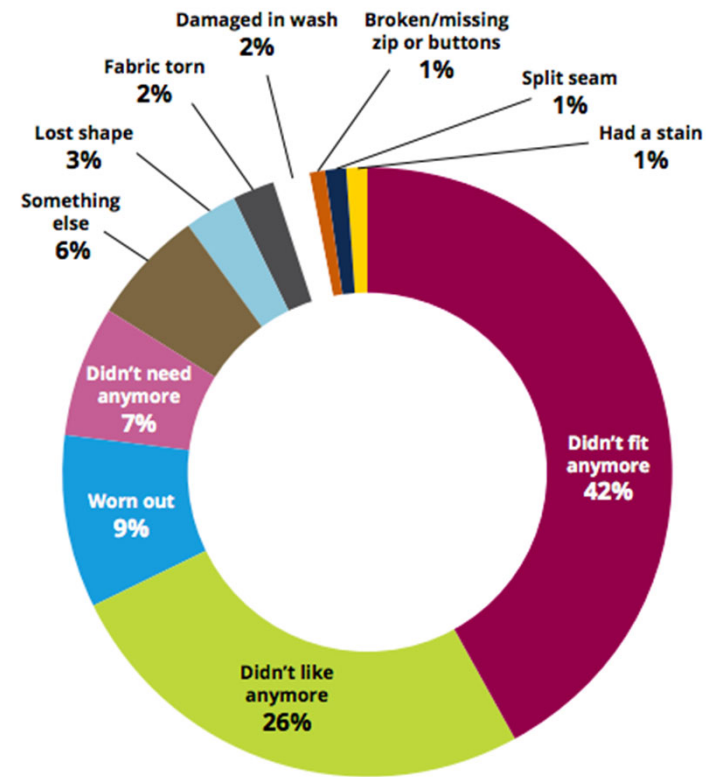
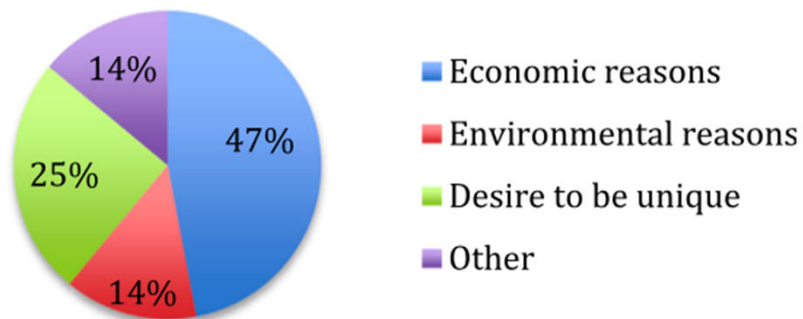


Figure 16: Reasons for choice of disposal routes for garments, on average, reported in a survey^{10d}

Charts. Source: WRAP. Valuing our clothes report. http://www.wrap.org.uk/sites/files/wrap/valuing-our-clothes-the-cost-of-uk-fashion_WRAP.pdf

Circular offers and second hand

Motivations for second-hand consumption identified in the survey



Additional motivations for second-hand consumption



Study in collaboration with:

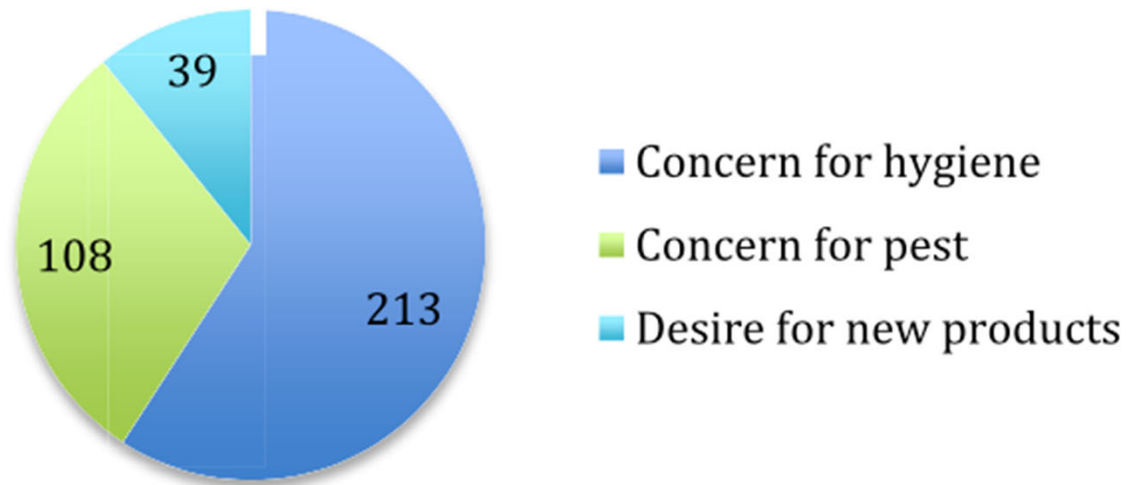


Pie charts: Exploring attitudes towards 2nd hand. Source: E. Gullstrand Edbring et al. 2016. Exploring consumer attitudes to alternative models of consumption: motivations and barriers. Journal of Cleaner Production 123 (2016) 5-15



Second hand – obstacles

Obstacles to second-hand consumption



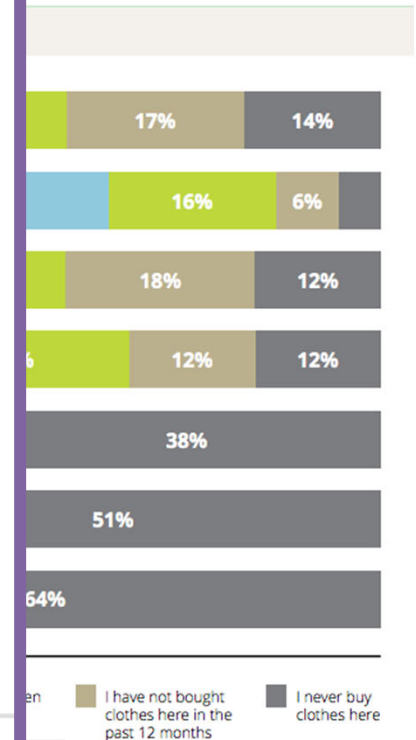
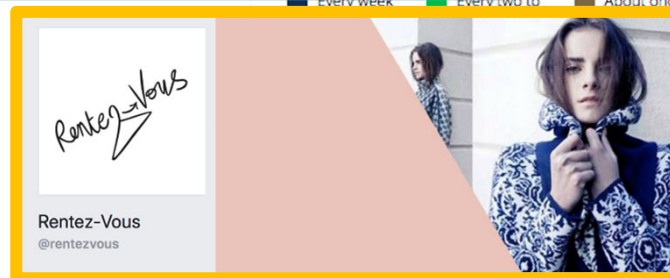
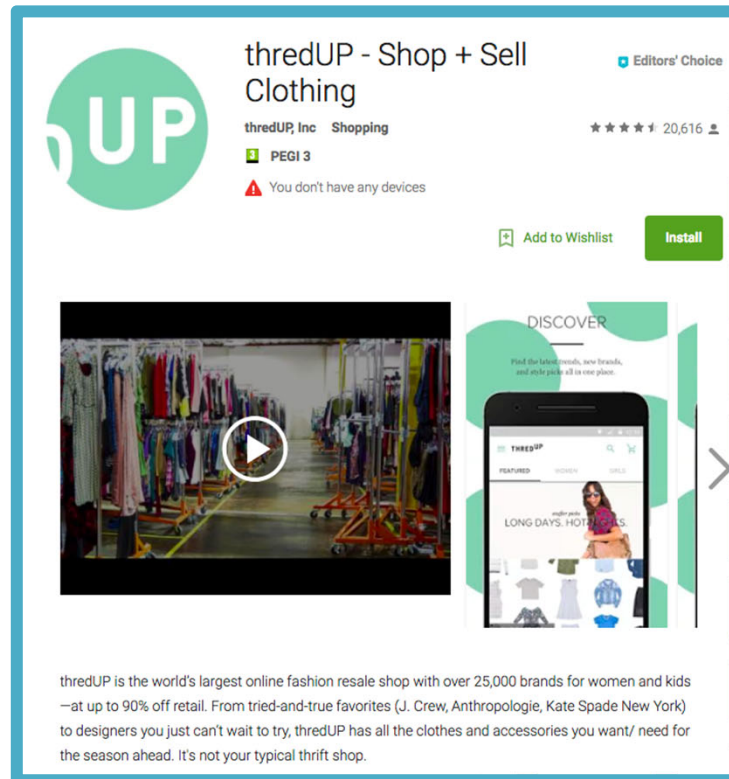
Study in collaboration with:



Pie chart: Exploring barriers towards 2nd hand. Source: E. Gullstrand Edbring et al. 2016. Exploring consumer attitudes to alternative models of consumption: motivations and barriers. Journal of Cleaner Production 123 (2016) 5-15



Circular offers and second hand



Charts. Source: WRAP. Valuing our clothes report. http://www.wrap.org.uk/sites/files/wrap/valuing-our-clothes-the-cost-of-uk-fashion_WRAP.pdf

Implementation

Efficiency improvements and reuse

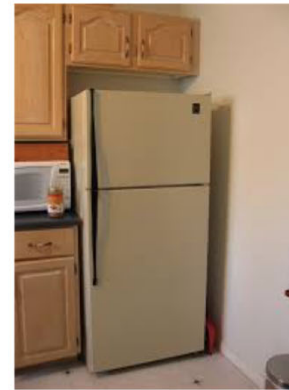
Product	Time period	Efficiency improvement (%)	Reference
Car	Theoretical annual improvement	+3.2	Skelton and Allwood (2013)
Refrigerator	1947–1974	–530	Gutowski and colleagues (2011)
Refrigerator	1974–2008	+76	
Dishwasher	1981–2008	+45	Boustani and colleagues (2010a)
Clothes washer	1981–2008	+70	
Refrigerator	1981–2008	+62	
Clothes washer	1981–2003	+88	AHAM (2005) cited in Bole (2006)
Cell phone, LCD monitor, CD player	Theoretical 1991–2001	Variable but nominal +20	Rose and Stevels (2001)
Note. LCD = liquid crystal display; CD = compact disc.			

Source: Cooper, D.R., Gutowski, T.G. The Environmental Impacts of Reuse: A Review. Journal of Industrial Ecology (in press).

Old fridges
Is reuse a good
option?



Used fridge



Extending life saves
materials

**New energy
efficient fridge**



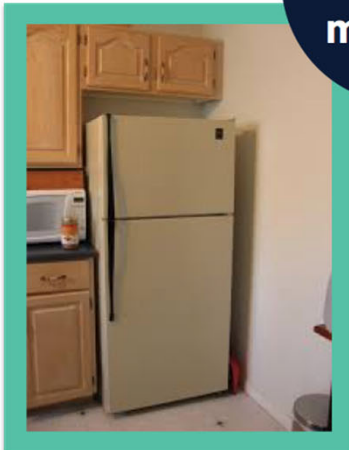
vs.

Saves energy
during use

Source: Bakker, C.A., den Hollander, M.C., van Hinte, E., Zijlstra, Y., 2014. Products that Last - Product Design for Circular Business Models. TU Delft Library, Delft.

Needs LCA!

Used fridge



**Reuse
saves
material**

New energy
efficient fridge



**New
fridge
saves
energy**

Optimal product lifespan

The point in time where the environmental impacts that arise from using a product equal the embedded impacts of a (more energy efficient) replacement product.

Environmental impact assessment

Circular business models do not by default reduce environmental impact, thus environmental assessment is fundamental

The most established tools are

- Material Flow Analysis
- Life Cycle Assessment

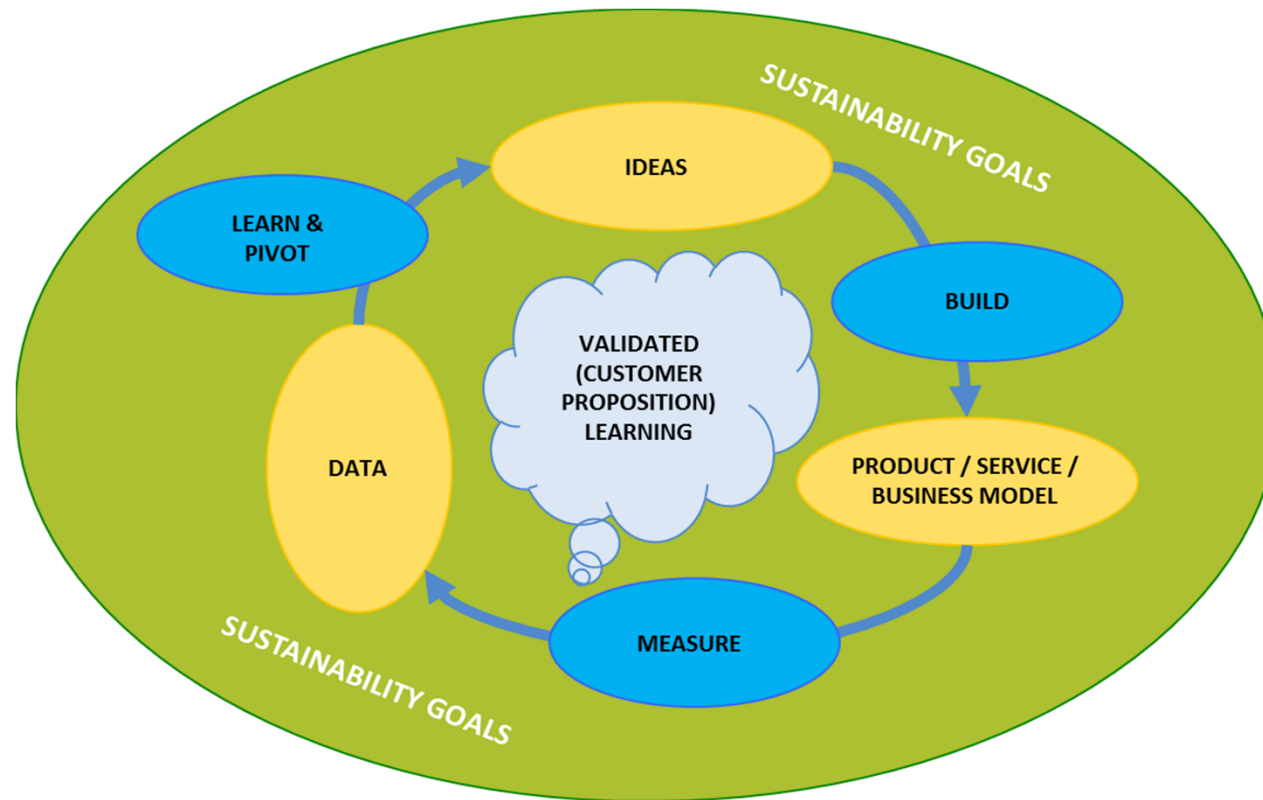
Experimentation

What is sustainable business experimentation?

- Business experimentation: explore the diverse possibilities that a business could create value from, or understand what works in which situations in a business context from a sustainability perspective
 - Sustainable business experiments consider Profit, People, Planet
 - Experiments cannot typically be controlled in a real business environment
 - Businesses deal with real customers and immediate business pressures
- Experiments have a fast-paced learning cycle and low resource requirements
- Think big, start small
- But start: Just do it!

Bocken, N., Schuit, C., Kraaijenhagen, K. (2018). Transitioning to sustainable businesses: exploring the role and process of circular business model experimentation through eight cases. Environmental innovation and societal transitions

Business model experimentation for Sustainability



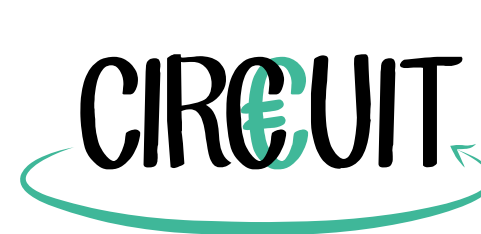
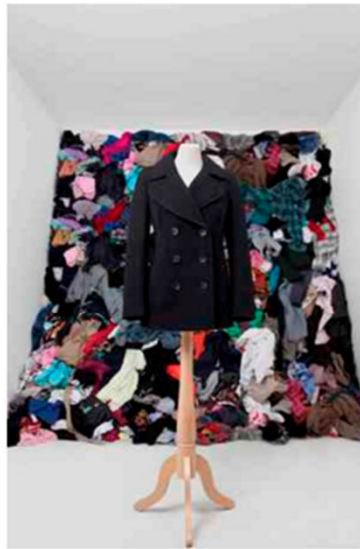
Source: Weissbrod & Bocken (2015) adapted from the lean startup principles (Ries, 2011) and customer development (Blank, 2013)

Business experimentation for the Circular Economy – some projects

LAUNCH OF REDRESS PROJECT WITH M&S

REDRESS is a collaborative project between M&S and Cambridge and funded by the TSB competition 'Supply Chain Innovation Towards A Circular Economy'. This is a 2-year project to drive garment recovery and retained value through business model and supply chain innovation. This project seeks to accelerate M&S Plan A commitments around reducing waste. The focus for this project will be to reduce the environmental impact of raw materials in M&S' clothing supply chain. The team will apply circular economy thinking to drive greater garment recovery and retained value. The outcomes of the project can be applied to textile and other industries.

The first REDRESS workshop took place on 2-3 October and was attended by a group of enthusiastic forward-looking thinkers from academia, business and other organisations. The group generated a wide range sustainable business model ideas for the project. The next challenge is to pick out the best ideas for the business pilots. To find out more about this project, contact lead researchers Dr Curie Park (cp538@cam.ac.uk) or Dr Nancy Bocken (nmpb2@cam.ac.uk).



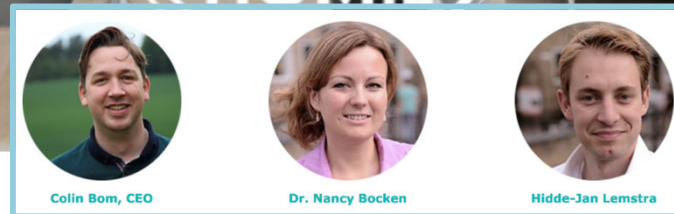
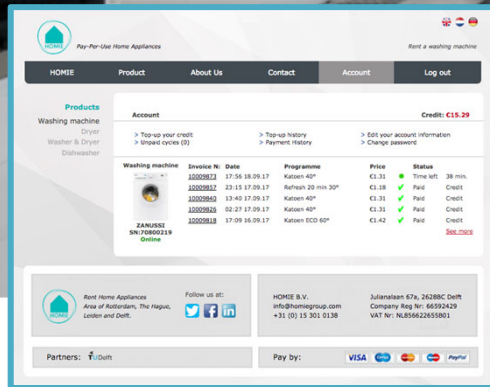
Strategic project:
Sharing Business
Models
(Vinnova, Sweden)



A NATIONAL PROGRAM
FOR THE SHARING
ECONOMY IN CITIES



About HOMIE



- **TU Delft spin-off HOMIE** aims to significantly reduce the environmental impact associated with domestic appliances, by offering appliances on a “pay per use” basis.
- **Circular & Sustainable consumption:** through paying per use, high quality appliances can be offered affordably, and sustainable behaviour can be stimulated
- **Starting with washing machines**, HOMIE offers free installation and maintenance of quality appliances
- **Customers pay per wash** and there is differential pricing to encourage the use of lower temperature settings; e.g. a cold wash is €0,75 and a 90°C wash is €2,50



Pay-Per-Use



Reliability



Sustainability



www.homiepayperuse.com

Source: www.homiepayperuse.com

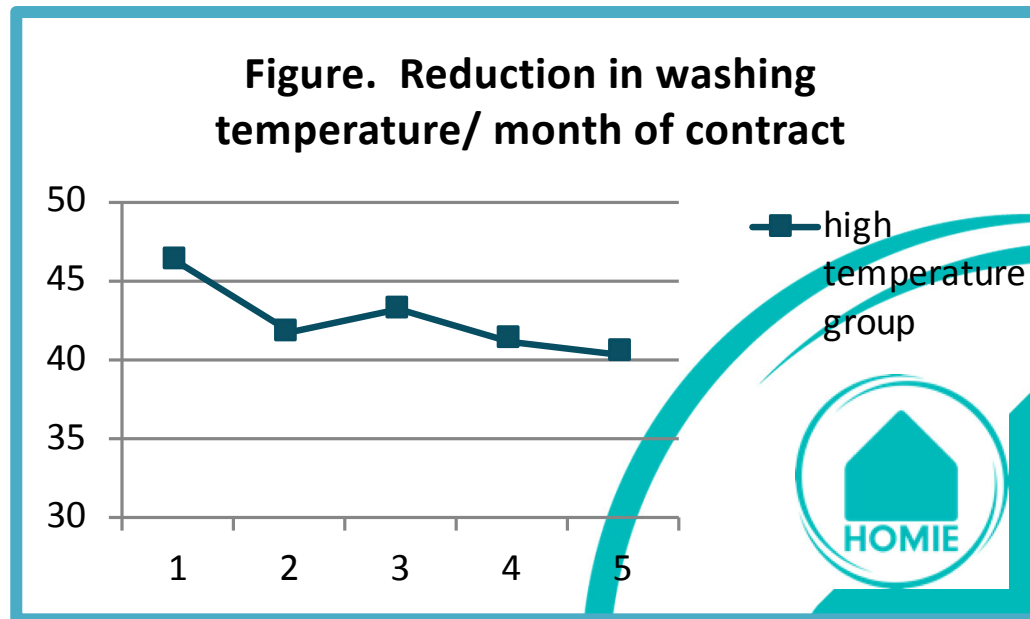


Business experimentation at HOMIE

- *How can companies contribute to sustainable consumption through experimentation with new business models, and specifically 'pay per use' business models?*
- Experiments
 - Interviews
 - Free month
 - Paying per use
 - Providing information
 - Social comparison
- Focus in study: introducing paying per use after free month



Results of the Business (model)



Homie receives equity investment and is joined by ABN AMRO as financing partner.

November 8, 2018

Sustainable “washing power” Homie Pay-Per-Use available to a larger group of consumers



www.homiepayperuse.com

Sources: Bocken, Mugge, Bom, Lemstra (2018). J. Cleaner Production



Exercise: develop a rapid experiment

- Your case company: Jaguar Land Rover (JLR), the UK's largest car manufacturer *
- **Current** (dominant) business model: selling petrol cars at the higher end of the spectrum directly to consumers
- **Future** business model: You want to create a Circular Business Model that closes and slows resource loops
- But where to start?
- Develop a rapid experiment!!!

* no direct project links with JLR but used as an example of car manufacturing



Exercise: develop a rapid experiment

- Your idea, e.g.: (5m)
 1. Move from product to service
 2. Establishing a car take-back system together with a retailer to make your own “vintage” secondary market
 3. Set up a product sharing service for existing customers

Exercise: develop a rapid experiment

- Your idea, e.g.: (5m)
 1. Move from product to service
 2. Establishing a car take-back system together with a retailer to make your own “vintage” secondary market
 3. Set up a product sharing service for existing customers
- Identify your main hypothesis: We believe that: (Identify the *key critical* learning) (5m)
 1. Consumers will lease our most expensive products through a service contract
 2. Offering a reward will encourage tack-back
 3. There is a demand for sharing

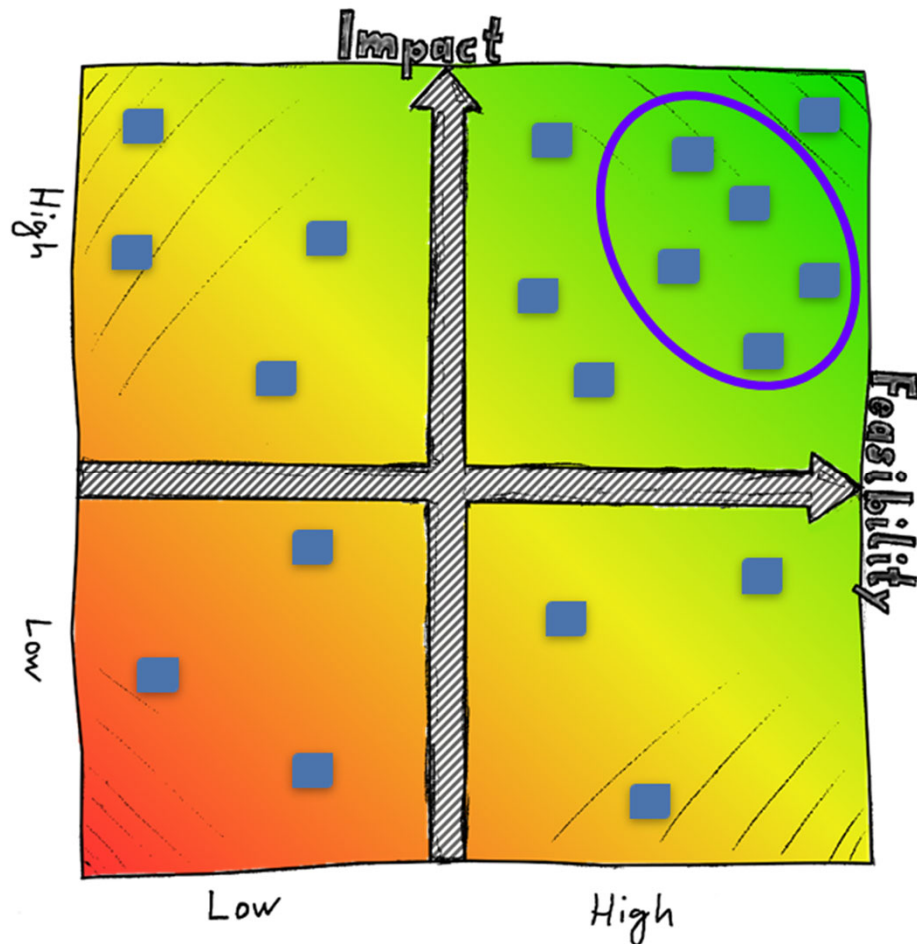
Exercise: develop a rapid experiment

- Your idea, e.g.: (5m)
 1. Move from product to service
 2. Establishing a car take-back system together with a retailer to make your own “vintage” secondary market
 3. Set up a product sharing service for existing customers
- Identify your main hypothesis: We believe that: (Identify the *key critical* learning) (5m)
 1. Consumers will lease our most expensive products through a service contract
 2. Offering a reward will encourage tack-back
 3. There is a demand for sharing
- Identify your test: To verify this we: (5m)
 1. Create a mock website for the leasing service
 2. Offer different rewards to different customers
 3. Create a mock website for the sharing service or set up a local experiment

Exercise: develop a rapid experiment (*we can try this in 15m in total*)

- Your idea, e.g.: (5m)
 - 1. Move from product to service
 - 2. Establishing a car take-back system together with a retailer to make your own “vintage” secondary market
 - 3. Set up a product sharing service for existing customers
- Identify your main hypothesis: We believe that: (Identify the *key critical* learning) (5m)
 - 1. Consumers will lease our most expensive products through a service contract
 - 2. Offering a reward will encourage tack-back
 - 3. There is a demand for sharing
- Identify your test: To verify this we: (5m)
 - 1. Create a mock website for the leasing service
 - 2. Offer different rewards to different customers
 - 3. Create a mock website for the sharing service or set up a local experiment
- Measure: To analyse our “hypothesis” we will measure: (5m)
 - 1. The number of customers who click on the lease service
 - 2. The number of car collections from rewarded customers
 - 3. The number of customers who click on the lease service or join the experiment
- Criteria for success: set minimum targets for the numbers above (5m)

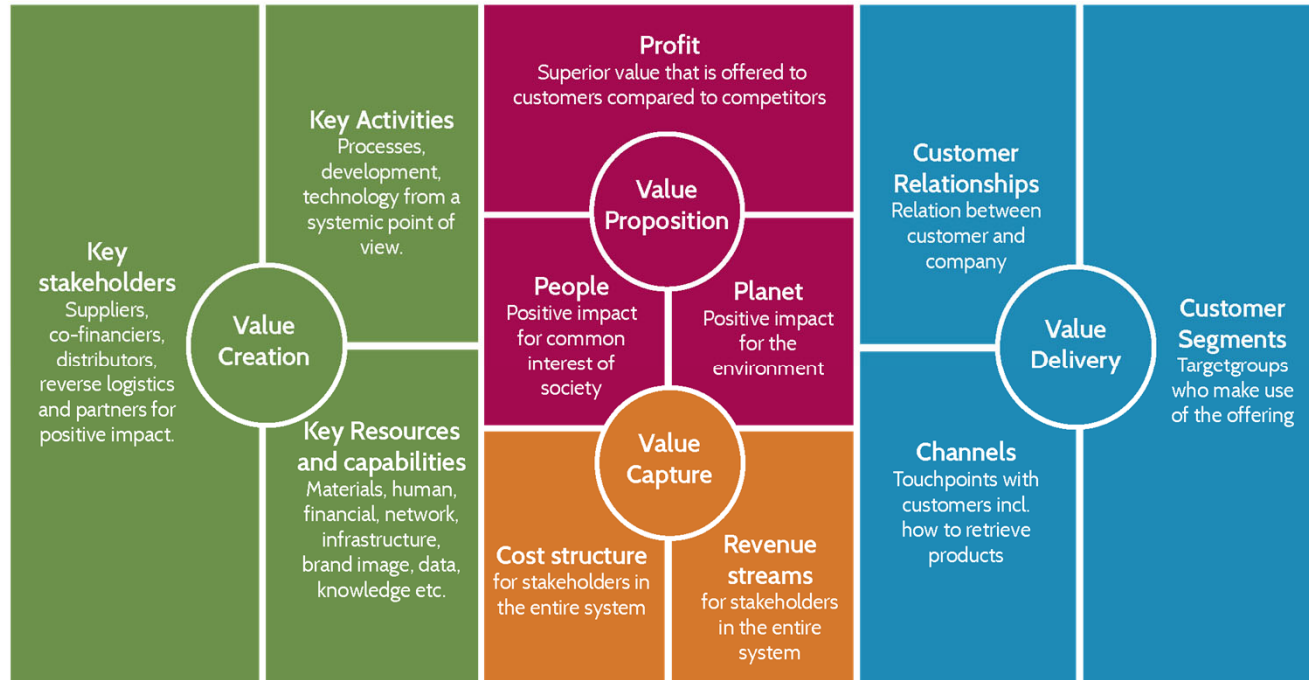
If you have multiple options/ rapid experiments...



- What seems **most feasible** (business side/ customers) and has the **most positive impact on circularity** (environmental)?

Plan a potential experiment

(5m)

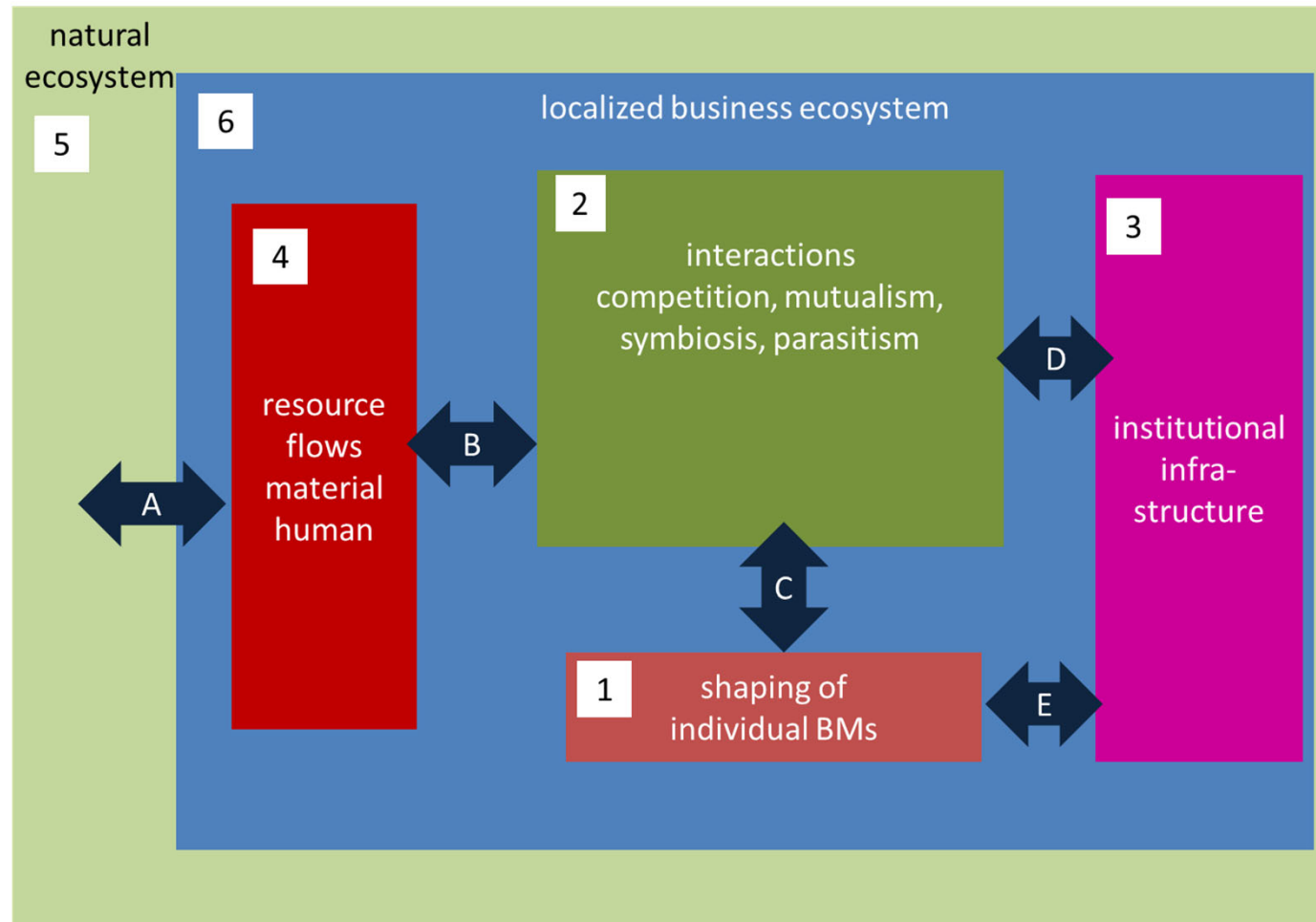


- Experiment name?
- Experiment owners?
- Key activities and resources?
- Duration? Timelines?
- Budget?
- Who to involve?
- Risks, opportunities, dependencies

Source: Bocken (2015) developed from Osterwalder et al. (2010)

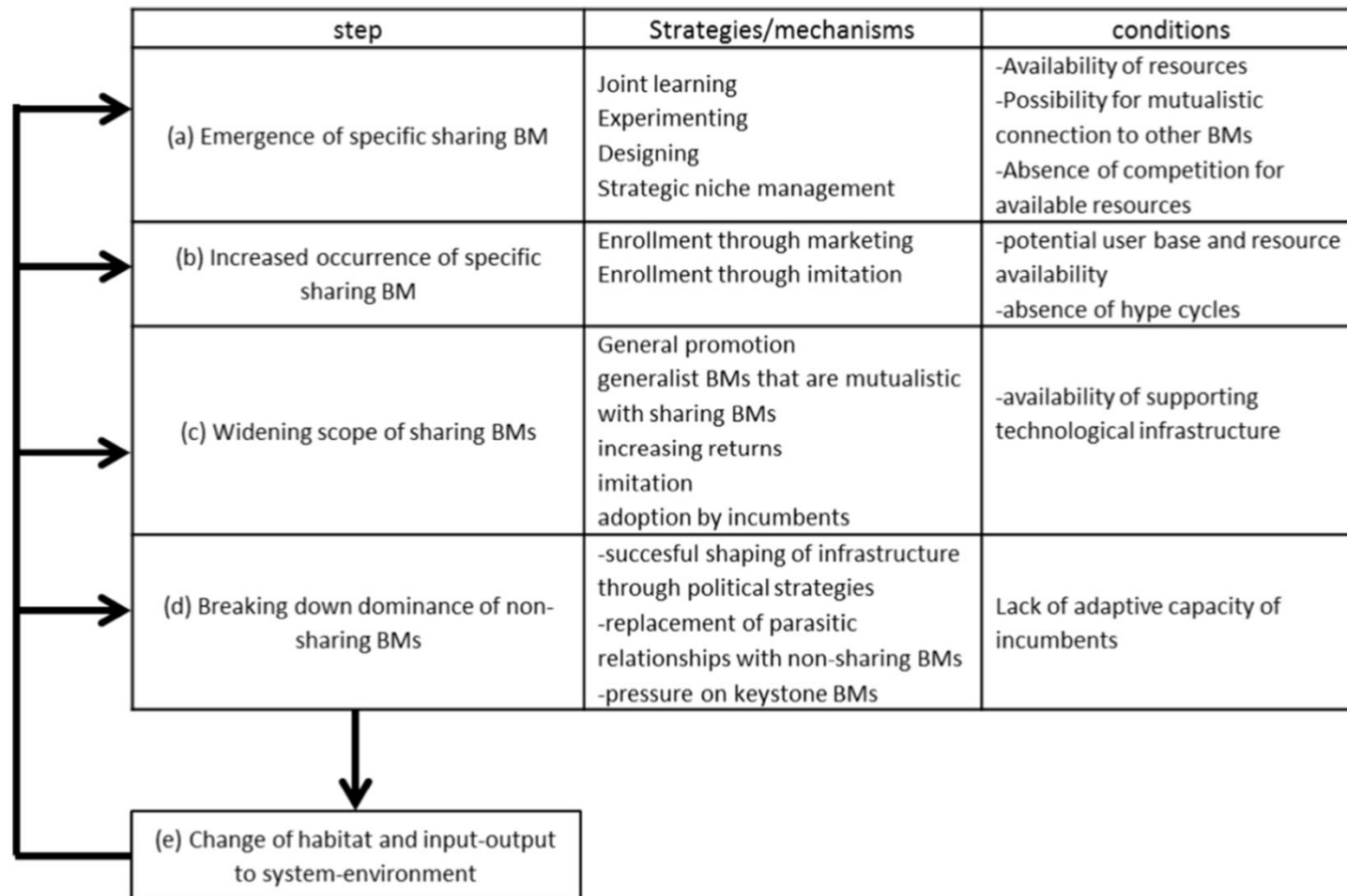
Ecologies of Business Models experiments

Business models are interlinked: Ecologies of business models



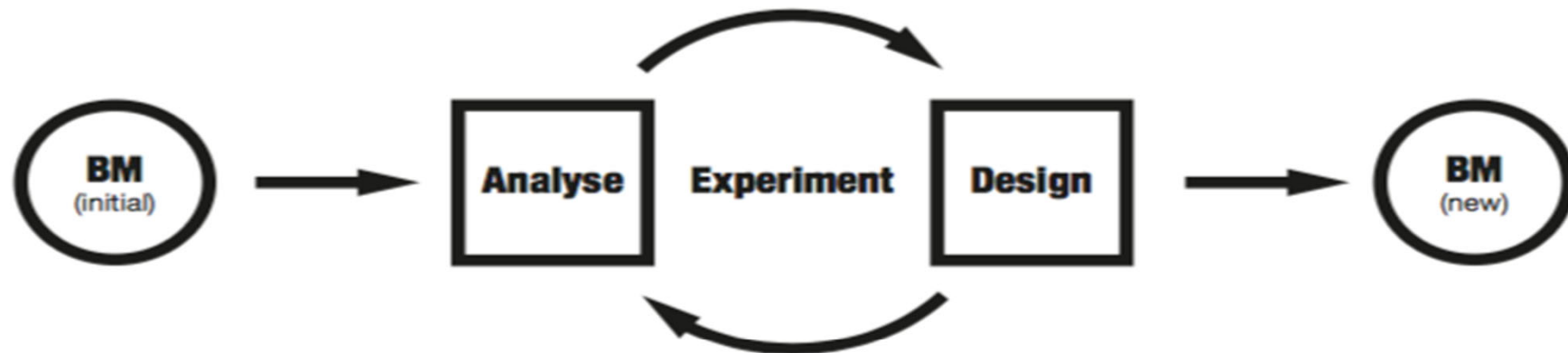
Ecology of business models. Boons, F., Bocken, N. 2017. Business models and the sharing economy: an ecosystem perspective. Product Lifetimes and the Environment (PLATE), 8-10 November 2017.

Ecologies of business models – habitat of business models

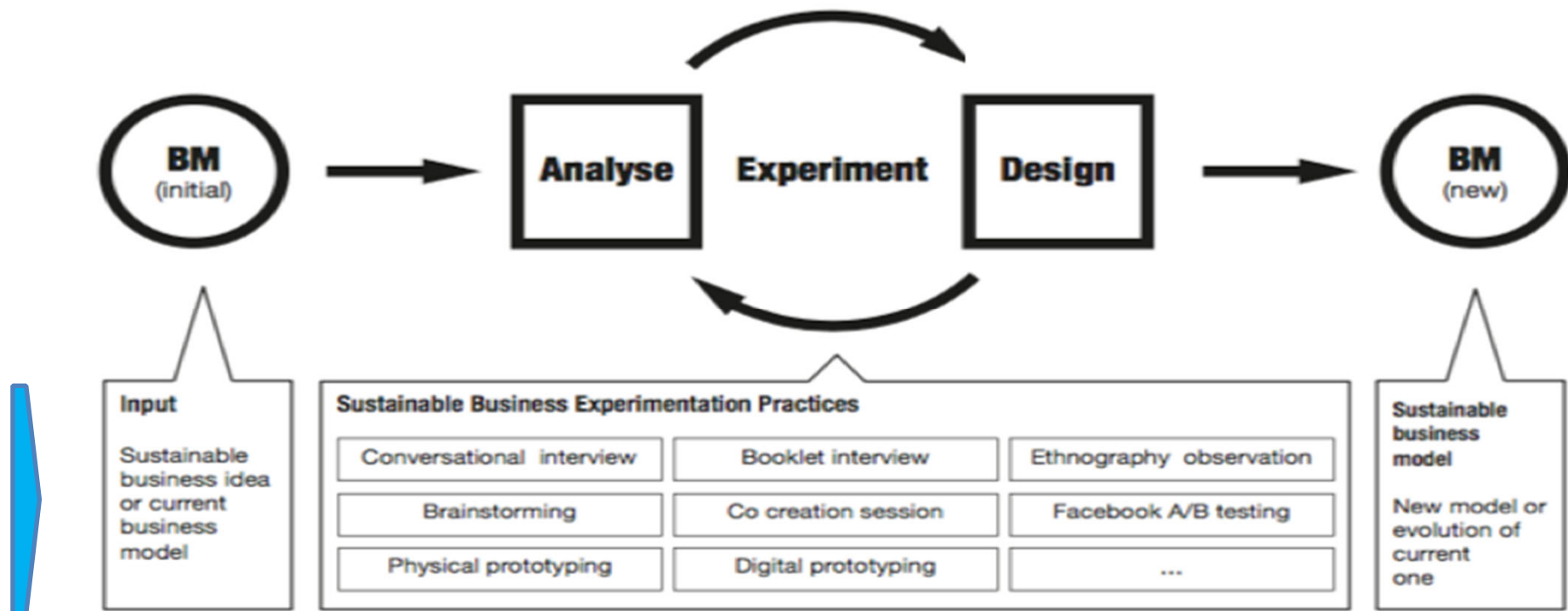


Ecology of business models. Boons, F., Bocken, N. 2018. Towards a sharing economy – Innovating ecologies of business models . Technological Forecasting & Social Change 137 (2018) 40–52

Lean start-up idea (Ries, 2011)



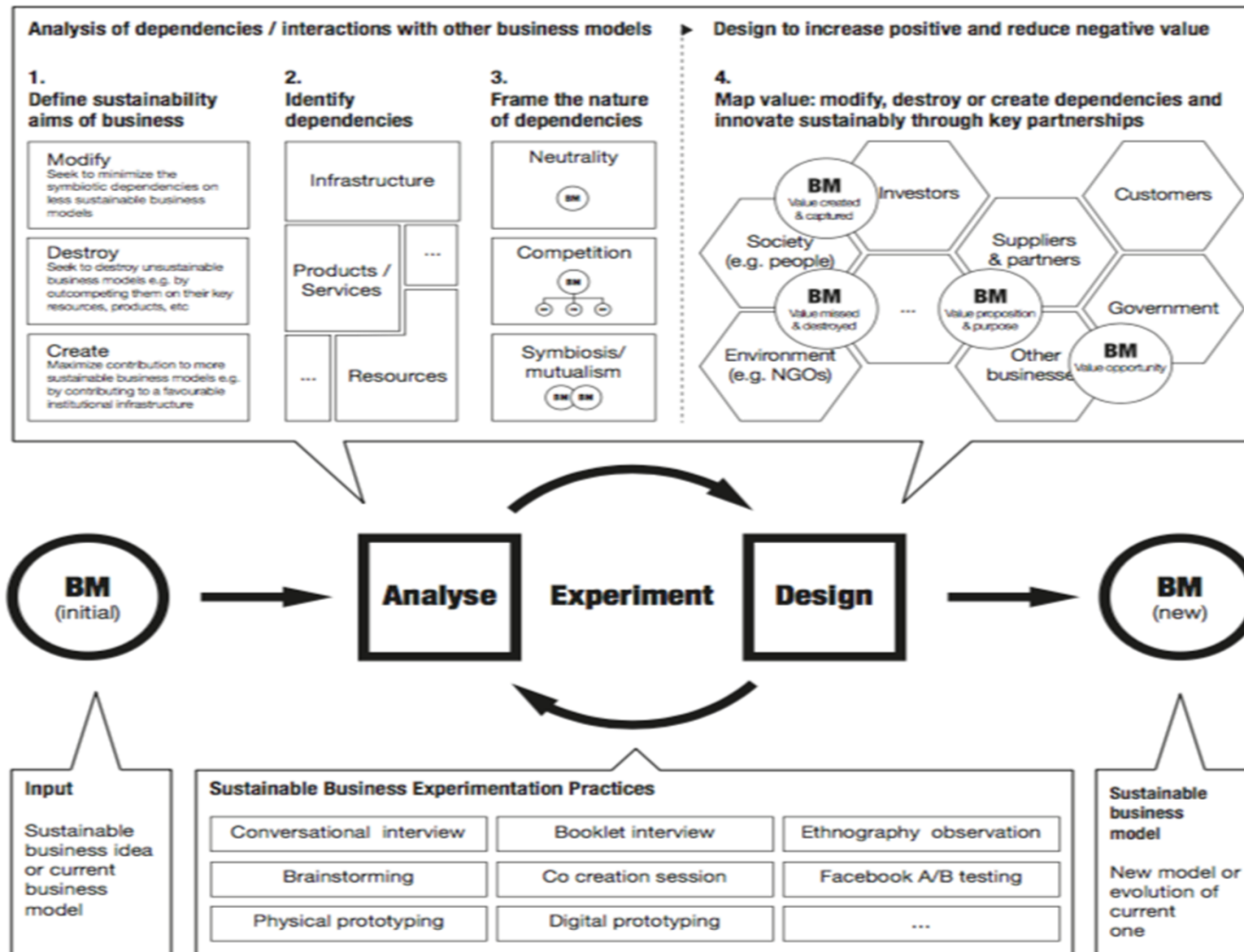
Knowledge on experimentation practices



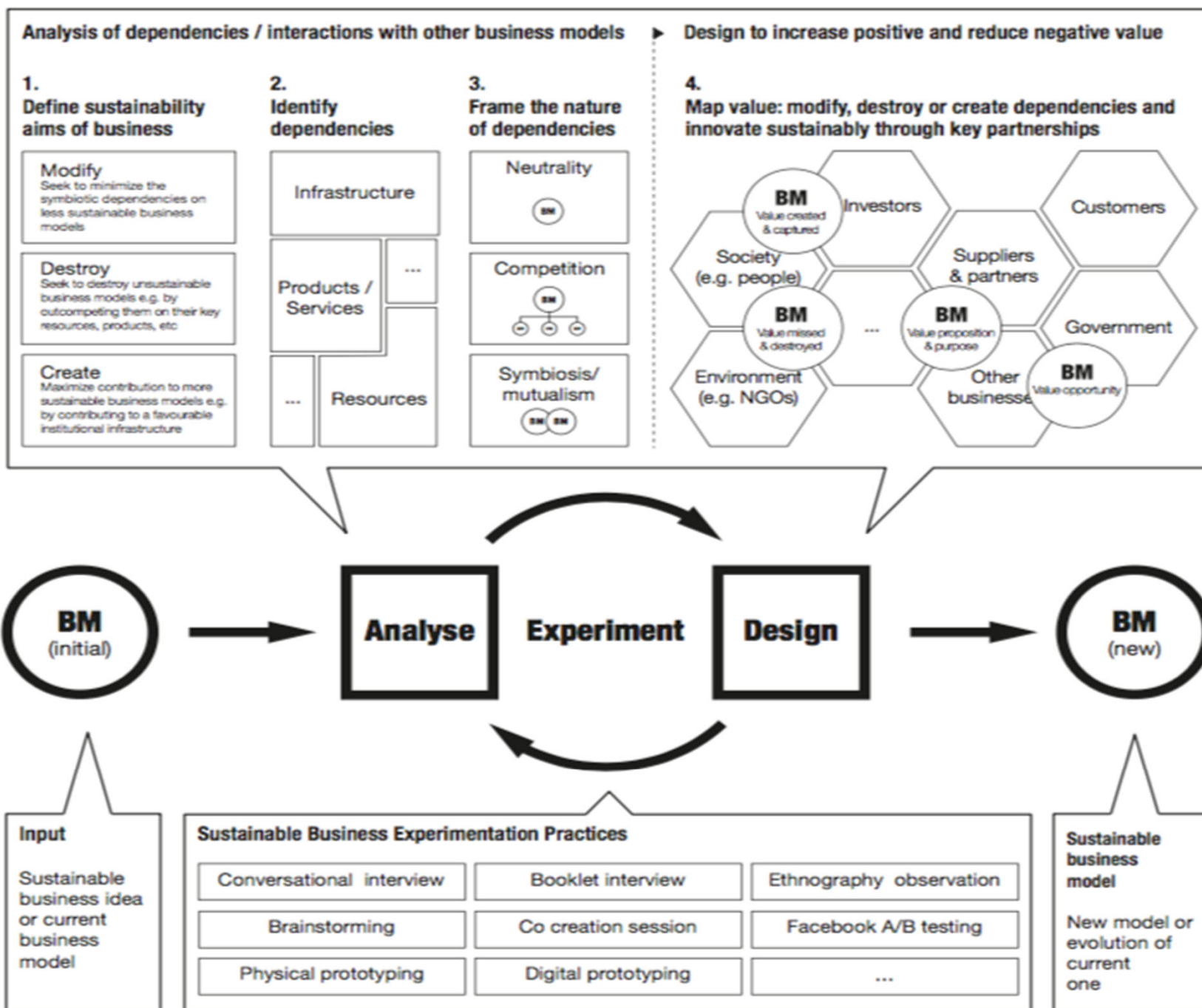
Bocken, N., Schuit, C., Kraaijenhagen, K. (2018). Transitioning to sustainable businesses: exploring the role and process of circular business model experimentation through eight cases. *Environmental innovation and societal transitions*

Schuit, C, Baldassare, B., Bocken, N. 2017. Sustainable business model experimentation practices: evidence from four start-ups. *Product Lifetimes and the Environment (PLATE)*, 8-10 November 2017.

Plus ecologies of business models



Bocken, N., Boons, F., & Baldassarre, B. (2019). Sustainable business model experimentation by understanding ecologies of business models. *Journal of Cleaner Production*, 208, 1498-1512.



Building on your earlier car idea

1. How does it Modify, Destroy or Create relations with (un)sustainable business models?
2. To what extent does the business model depend on others and how?
3. What is the nature of the dependencies?
4. How can positive value be increased and negative value reduced?
5. Any suggestions for new ideas based on this?
6. Would you trial another business model instead and how/ with whom?



“The best way to predict the future is to invent it” (Alan Kay)

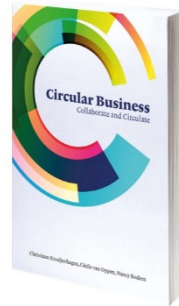


Homiepayperuse.com
@HOMIEPayPerUse (Twitter, Facebook)

ReCiPSS



Recipps.EU



Circular Business book available at:
www.circularcollaboration.com



Circular Business Models for the Solar Power Industry

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement 776680.



Marie-Sklodowska-Curie Innovative Training Network “Circ€uit” - H2020 Programme of the European Commission <http://www.itncircuit.eu/>



**CIRCULAR
BUSINESS
PROJECT**

<https://circularbusinessproject.wordpress.com/>



ZERO BRINE

Re-designing the value and supply chain of water and minerals.

This project has received funding from the European Union's Horizon 2020 Research and Innovation Programme under grant agreement No 730390.



EDITORIAL

Volume 21, Issue 3
June 2017

Secure <https://www.remanufacturing.eu>



**SUSTAINABLE
BUSINESS
MODEL.ORG**

[ABOUT US](#) [PAPERS IN BRIEF](#) [SBM LITERATURE](#) [SSBMG](#) [W](#)

Share Your Research on Business Models for Sustainability (BMfs)!

Strategic project:
Sharing Business
Models
(Vinnova, Sweden)



**Sharing
Cities
Sweden**

A NATIONAL PROGRAM
FOR THE **SHARING**
ECONOMY IN CITIES