

# Consumer-facing companies need to go circular to be sustainable—and remain competitive

## Why go circular?

The crises of climate change, biodiversity loss, and rising pollution and waste show us that we urgently need to rethink the way we use natural resources. Increasing supply risks and rising prices of energy and raw materials also highlight how tackling these challenges is an economic must. Business-as-usual is a threat to companies and investors: if your organisation doesn't get ahead and act now, others will. To stay relevant, the retail and consumer-facing businesses of the future will likely embrace the circular economy, in which goods have a longer lifespan and waste is minimised, and in which there is a greater supply of various forms of repair, reuse and recycling services.

Although retailers are not directly responsible for the waste and emissions that are generated along their entire value chain, they can make demands on their own suppliers—and provide customers with services to promote the sustainable use and reuse of products. Consumer-facing businesses, in particular, face increasing scrutiny, pressure and responsibility to act—from governments, their boards, investors, customers and employees. Increasingly, they are *pushed by policy and pulled by demand*. The [Dutch Government](#) has stated its ambition to achieve a fully circular economy by 2050, while the [European Parliament](#) has emphasised the frontrunner role it expects European companies to take in the global race towards circularity.




## How to go circular?

[Going circular](#) cannot be left to a few pioneers. Instead, it needs companies of all sizes to pivot to sustainable, circular business models. There is no single path to circularity: businesses can adopt one or multiple different strategies to get the full benefits, cost savings and increased returns from going circular.

Being agile and adaptable to anticipate and respond to the need for change remain core tenets of a successful business, and represents a strategic responsibility for every company and company board. A key aspect to any successful organisation, and especially any organisational change, is how it manages, supports and develops its people, its employees. Embedding social and environmental purpose and a sustainable ethos into the core of your business, and your organisational and innovation processes, can help improve staff retention and attract new talent at a time of acute labour shortages and competition for talent. Learn more about how to [harness your HR](#) department to support the change.

Much of what we mean by 'circular' isn't groundbreaking, nor does it have to involve advanced technologies or major financial investments. Circular activities have often existed for decades, if not centuries. Think of shoe or watch repairs; upholstery to give old furniture a new life; or household appliances designed to last. Common to all circular strategies is the need to consider the longevity, repairability, materials and energy use, as well as the recyclability of consumer products throughout their life cycle. Enabling incentives and systems should also be in place to [support customers in adopting circular behaviours](#) to keep using products, and to recirculate them for reuse, remanufacture and resale. Established and emerging players alike are increasingly experimenting with and adopting circular business models.

**Table 1: Circular strategies adopted by consumer-facing businesses in the Netherlands**

Key Element	Circular strategies for consumer facing businesses	Examples from consumer-facing businesses
	<b>Regenerative resources</b>	Organic cotton (H&M, Hema), EV delivery & bicycles (Picnic, CoolBlue)
	<b>Resource reduction</b>	Zero packaging, refillable jars (PieterPot, Ekoplaza), Sharing platform (Peerby)
	<b>Take-back and resale</b>	Parts take-back (Ikea, Bever), Digital resale (Sellpy, Arkive), Used goods resale (United Wardrobe, Zeeman)
	<b>Maintain, repair and refurbish</b>	In-store repair (Ace & Tate, Levis, Bever), DIY-repair and upgrade (Fairphone), Repair cafes (Circular Tilburg)
	<b>Sustainable rental and Products-as-a-Service</b>	Sustainable rental (Bundles, MUD Jeans, Grover), Clothes library (Tiny library, LENA library), Product-as-a-service (Philips lighting, Auping mattresses)
	<b>Recycled materials</b>	Recycled content in packaging (AH, Unilever), Recycled textiles (Loop.alife, Ikea Tillverka collection)
	<b>Repurpose and recycle</b>	Food waste (Too good to go), Recycle bank (MediaMarkt)

## The move to a more circular economy cannot come too soon

Back in 2016, ABN AMRO anticipated that Dutch retailers would need to work harder on their waste and sustainability strategies to entice consumers to continue to shop with them in 2022. This prediction was on the basis of an anticipated 15% turnover share of sustainable foods. In 2021, this share had already exceeded 20%.

To meet this demand, and turn aspirations into actions, businesses need to fully understand the material footprint and environmental impacts of their full range of products, and make changes at each stage of the product life cycle. This includes design and procurement, to production and marketing, through to how they are used by consumers, and managed at their end-of-life. Such changes require different relationships with consumers, and collaboration and partnering with others in the value chain. Though these changes may seem overwhelming, the distance to travel might not be so far and the

long-term rewards for early movers (and the costly risks of business-as-usual) prove that it's worth investing and adapting now.

The direction of change and imperative for action is now indisputably clear. Many now argue—and we agree—that the leaders of tomorrow will be those who minimise the impact of their existing products and services, develop products that embrace circularity by design, and reinvent their operations to adopt sustainable business models.

#### ***Useful facts and figures***

- Each year some €2.4 trillion worth of material in consumer goods—80% of the material value—is thrown away and never recovered. [[EMF, 2014](#)]
- Only 18% of organisations in the consumer products and retail sector have invested in circular economy initiatives. 35% plan to invest in this area in the next three years. [[Capgemini, 2020](#)]
- 59% of the environmental claims made by 12 of the biggest European fashion brands could be classed as 'unsubstantiated' and 'misleading'. [[Changing Markets, 2022](#)]
- Almost half of consumers (45%) are keen to buy exclusively from brands that concentrate on circular and sustainable practices. [[Capgemini, 2021](#)]
- Sustainability is 'highly important' for 40% of European consumers, 'amid rising demand for recycled, reused and refurbished products'. [[McKinsey, 2022](#)]
- One in three executives expect their industry to be disrupted by circularity start-ups that put products or materials back into the supply chain. [[Bain & Company, 2021](#)]

## Unleash your company's circular potential

EU and national legislators are pushing hard, companies that do best will respond in advance by adopting environmental actions that distinguish themselves from competitors, and build trust with consumers. Policies like the Sustainable Products Initiative, and Corporate Sustainability Reporting Directive present significant financial incentives for companies seeking to pivot to sustainable, circular business models.

These come on top of the direct benefits to the bottom line: reducing the amount and cost of materials used in products; extracting value through resale of product returns; and reducing dependency on volatile commodity prices for virgin materials.

Adopting circular business models is also highly investable. Partnering with others to deliver scalable solutions to monitor, collect, take-back, sort, disassemble and process products and materials are attracting significant investor interest. [McKinsey research](#) estimates that circular consumer goods represents an annual opportunity worth €400 billion to €650 billion to European companies.

#### Quotes

'Circularity really is an opportunity for us. What I still hear far too often: discount retail and sustainability: that's a crazy combination, that's not possible! For us, however, this is where we know we can make a difference.' Head of Corporate Communications and CSR, Lidl

'Our key to success? We involve our people! Really looking together at how we can optimise something, not imposing anything. In this way people's self-esteem also grows, which is really key.' Director of Fair Factory Foundation, Roetz Bikes

'In a sustainable journey, the circular economy is an investment today for how we should do business in the future.' ([Capgemini, 2021](#))

'As regulation and consumer demand drive growth of circular business models, engagement is becoming less of an option and more of an imperative.' ([McKinsey, 2022](#))

## Continue on your path to circularity.

*Ready to start creating a circular strategy for your business? Contact our [Business team](#).*