Circular Economy
From theory to practise
What is circular economy?

Instead of discarding assets after only one product cycle, companies are developing ways to continually re-acquire and reintroduce these assets to market.

Perspectives

- A circular economy is one that is restorative and regenerative by design – it is about optimisation of value circulation, not prevention of waste generation
- It is a continuous positive development cycle that preserves and enhances natural capital, optimises resource yields, and minimises system risks by managing finite stocks and renewable flows
- According to a survey conducted by Sitra, a circular economy represents an opportunity for Finland worth 1.5 to 2.5 billion euros
- Finland is in a good position to thrive in the face of global competition due to factors such as a high education level, solid technological expertise and a strong reputation as a cleantech operator

A circular economy goes beyond the pursuit of waste prevention and waste reduction to inspire technological, organisational and social innovation across and within value chains.

Perspectives and insights on circular economy

Perspectives

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Deloitte insights

- A recent BIO by Deloitte study for the European Commission identifies:
  - Priority materials: agricultural products and waste, wood and paper, plastics, metals, and phosphorus
  - Priority sectors: packaging, food, electronic and electrical equipment, transport, furniture, buildings, and construction
  - Among key drivers are rising material costs, changing societal values, environmental benefits, supply security, value recovery, and legislation
  - Among key barriers are technology change, consumerism, costs for recovery and management of reverse logistics, and lack of competence

Overview of circular economy business models

Deloitte has identified seven different types of circular economy business models, which can provide as a useful method for thinking, highlighting different logics and rationales.

The seven types of circular economy business models

1. Deposit systems
   - A manufacturer or retailer (or groups of) takes back their own products (or a common product) and refunds the customer

2. Take-back management, including reverse logistics
   - A manufacturer or retailer takes back the product using reverse logistics streams

3. Cradle to cradle
   - A manufacturer designs waste free products that can be integrated in fully recyclable loops or biodegradable processes

4. Repair
   - A manufacturer or retailer offers to repair their own products

5. Rematerialisation, including recycling and cascading use
   - A manufacturer transforms or recycles a product into a new material or product

6. Remanufacturing
   - A manufacturer remanufactures their own product and provides a guarantee for functionality / performance

7. Refurbishment, including resale
   - A manufacturer or retailer offers to refurbish (clean and put in working condition) their own products
Overview of specific approaches to get started

Deloitte suggests a number of approaches that a company can choose in order to begin the journey of working with circular economy—or develop the efforts even further.

Analysis and expertise approaches

**Inspirational talk or breakfast session**

**What**
What is the first step, if one has never worked systematically with circular economy before? A targeted presentation, talk or session might be the right kick-starter.

**How**
Deloitte and BIO provide expertise and inspirational case examples on how to work in the area of circular economy, e.g. as presentations or sessions.

**Why**
The objective of an inspirational circular economy talk or session is to kick-start or inspire the work of a business unit or a company.

**Deliverables**
- Talks and presentations
- Breakfast sessions
- Inspirational material

**Innovation workshop(s)**

**What**
Innovation workshop(s) is a good point of departure in order to clarify the needs of the business, or it can be as part of developing the circular economy business further.

**How**
The workshop(s) will be facilitated by Deloitte, who prepare the material, e.g. based on input from client and Deloitte material. The focus of the workshop will be decided with the client.

**Why**
The objective of the innovation workshop is to brainstorm ideas and discuss possible actions on innovation efforts within circular economy business development.

**Deliverables**
- New market creation
- Business logic transformation
- Opportunity identification

**Value chain mapping and analysis**

**What**
Value chain mapping and analysis can provide a starting point for leveraging key opportunities within circular economy, e.g. by co-innovate with stakeholders and partners.

**How**
Deloitte will perform the relevant analyses based on a great variety of best practice tools and methods as well as industry and company knowledge to be leveraged.

**Why**
The objective of value chain mapping and analysis is to recognise opportunities in the value chain in order to develop the business around circular economy.

**Deliverables**
- Co-innovation with stakeholders and business partners
- Recognising opportunities

**Benchmarking and industry peer analysis**

**What**
Benchmarking and industry peer analysis will provide key insights on how other companies in the industry use and leverage efforts within circular economy business development.

**How**
Deloitte will perform the relevant analyses based on a great variety of best practice tools and methods as well as industry and company knowledge to be leveraged.

**Why**
The objective of the benchmarking and industry peer analysis is to create a foundation for decisions on where and how to play in order to make the right decisions.

**Deliverables**
- Benchmarking analysis of comparable companies
- Industry peer analysis

**Regulatory studies**

**What**
Regulatory studies play an essential part of actions regarding circular economy, because all efforts are naturally subject to national and international law and conditions.

**How**
Deloitte will perform the relevant analyses based on a risk and/or opportunity approach with a great variety of best practice tools and methods as well as crucial expertise.

**Why**
The objective of the regulatory studies (risk and/or opportunity approach) is to develop and clarify the regulatory environment of circular economy.

**Deliverables**
- Regulatory study using different risk and opportunity approaches

**Environmental profit and loss calculation**

**What**
The environmental profit and loss calculation is about making sure that the organisation have a nuanced understanding of the environmental impacts whether positive or negative.

**How**
Deloitte masters the entire value chain of environmental information and offers support in client’s environmental net positive journey, which includes clarifying environmental footprints.

**Why**
The objective of the calculations is to develop a better understanding of the environmental footprint in order to better position the management to environmental decision-making.

**Deliverables**
- Environmental profit-loss calculations
- Net positive journeys
- Performance journeys

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The Deloitte analysis and expertise approaches to circular economy business development is about inspiring and positioning the management for better environmental decision-making.
Facilitation and support approaches

| Strategy facilitation | Facilitation with focus on circular economy can take various forms and methods dependant on e.g. maturity of the business and knowledge of circular economy. |  | Several tools can be used in order to facilitate strategy work within circular economy, but one crucial element is developing the business case for possible scenarios. | The objective of circular economy strategy facilitation is to create the right innovation and entrepreneurial environment, so company stakeholders are able to re-think the business. | Deliverables  
Business case development  
Plan for integrating circular economy efforts into corporate strategy |
|---|---|---|---|---|---|
| Piloting and implementation support | Piloting and implementation support is about making sure that the strategy is solidly founded in the organisation, e.g. enabling the right competencies and skills in the workforce. |  | Several tools can be used in order to support the circular economy strategy work, e.g. agile solutions, testing, disruptive thinking, implementation plans, and regulatory reviews. | The objective of the piloting and implementation support is to strengthen the organisation’s ability to carry out the strategic actions on circular economy business development. | Deliverables  
Pilot workshops and individual training  
Implementation plans  
Agile solutions  
Regulatory review |
| Performance evaluation | Performance evaluation is about valuing the externalities of circular economy efforts in a structured way in order to improve the understanding of the circular economy efforts. |  | The most relevant evaluation tools related to circular economy are sustainability and business KPIs, which can be incorporated in the business performance metrics. | The objective of performance evaluation is to understand the value of the circular economy efforts and continuously be able to evaluate the business case for the circular economy efforts. | Deliverables  
Sustainability and business KPIs  
Net positive valuation  
Sustainability benchmarking |
| Customer engagement | Customer engagement is essential in supporting the client’s circular economy business models. |  | Deloitte will conceptualise the customer engagement based on various types of analyses and share valuable customer engagement expertise. | The objective of customer engagement is to incorporate circular economy efforts in the business case and make sure they are leveraged optimally. | Deliverables  
Conceptualisation of the customer engagement  
Impact measurement  
Take-back systems |

The Deloitte facilitation and support approaches to circular economy business development focuses on creating the right innovation and entrepreneurial environment in order to facilitate sustainability changes.

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