Module 3: Business Value in a Circular Economy

Drivers Towards the Circular Economy

Closing the Loop

Creating Value in a Circular Economy

Five Key Circular Business Models

Examples
What are some of the **external factors** driving businesses to move from a linear economy to a circular economy?
The main drivers towards the Circular Economy

External factors

1. Policy environment changes
2. Investor demands
3. The need for greater business and supply chain
4. Resilience
5. Changing consumer preferences
6. The impact of COVID-19
What are some of the **internal factors** driving businesses to move from a linear economy to a circular economy?
The main drivers towards the Circular Economy

**Internal Factors**

- Enter new markets or increase market share
- Reduce costs
- Reduce risk and future-proof the business
- Trigger innovation capacity
- Attract and retain talent
- Deliver greater customer value
- Align with public expectations
The main purpose of the business...
Main elements of a Business Model

1. Product/value offered
2. The revenue model
3. The opportunity to secure the market
4. Competitive environment
5. Competitive advantage
6. Market Strategy
7. Organizational Development
8. Management Team
Closing the Loop

There are three main business processes to close the loop:

**Acquisition** (Collecting the right volumes of used products and materials, of the right quality and at a reasonable price.)

*Example:* the recycling of concrete is technically feasible and cost efficient. The challenge is acquisition: concrete recyclers do not have direct access to used concrete and it’s therefore hard to get the right volume and the right quality.

**Reprocessing** (Used products and materials need to be reworked into products and materials of sufficient quality for a reasonable price.)

*Example:* It is more profitable to refill ink cartridges than to recycle its materials.

**Remarketing** (That is, identifying markets that want to buy the reprocessed products.)

*Example:* Cell phones, for instance, are technically very easy to refurbish: you just replace the battery, the casing and you wipe the data. Remarketing them is also not a problem: almost the majority of the population cannot afford to buy a new mobile phone.

If any of the three key business processes fails, we do not have a closed loop.
Creating Value in a Circular Economy

<table>
<thead>
<tr>
<th>Direct financial gains</th>
<th>Sourcing value</th>
<th>All types of direct cost reduction and savings that can arise from closed loop business practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect gains</td>
<td>Environmental value</td>
<td>Benefits that result from improved ecological footprint, ease of compliance and improved green image</td>
</tr>
<tr>
<td></td>
<td>Customer value</td>
<td>Increased customer loyalty, better customer satisfaction and superior brand protection</td>
</tr>
<tr>
<td></td>
<td>Informational Value</td>
<td>Closing the loop generates valuable data on production and supply problems, failure rates, useful lifetime and of the product and usage patterns.</td>
</tr>
</tbody>
</table>
Five Key Circular Business Models

1. Circular inputs
2. Sharing economy concept
3. Product as a service
4. Product use extension
5. Resource recovery
1. Circular inputs – Genan Tyre Recycling

The Genan Concept 2019 - YouTube
2. Sharing economy concept

Born-circulars maximize how idle assets are used across a community while providing customers with affordable and convenient access to products and services. This also includes sharing industrial assets like a conveyor belt, forklift, machinery and warehouses.

Access to an asset no longer requires buying or renting from traditional suppliers but is instead provided by individual people and companies. Born-circulars, therefore, have a higher utilization percentage of their expensive assets.

*Example: Airbnb*
3. Product as a service

Oil as a service - buy once, use forever
SKF RecondOil is changing the business model for industrial oils. Fee- or performance-based contracts are designed to reduce the total oil related costs - as well as the environmental footprint of businesses.
It’s called "Oil as a service".
SKF application experience and oil formulation capabilities creates and delivers tailored packages of technology and oil that allows businesses to use the same oil again and again.

https://www.youtube.com/watch?time_continue=30&v=P8GRagePOjl&feature=emb_logo
4. Product use extension - IKEA

Why the future of furniture is circular (ikea.com)
5. Resource recovery - Vodafone

Vodafone Trade-in Guarantee
Marine Cleaning

Area 4,760 m², Porto-Romano Durrës

Hydrocarbon waste generated by vessels is treated by a modern plant that operates in accordance with international standards,

Dirty water is collected by autobot and transported to the plant for treatment,

So: The untreated discharge of hydrocarbon waste into the sea is completely avoided.

Raw material is produced for the production of energy for heating in agricultural greenhouses in Lushnje and Fier.
Aiba Company sh.a

Produces: 100 million eggs in year.
Waste: 40 tons in day with 80% moisture.
Generates: 20 tons of organic fertilizer in day that is packaged and sold in Lushnje and Divjak.

Additional potential:
Korça Municipality: Voltaic Panels for WWTP, 1MW
Solar energy

- There are 11 licensed plants that use solar energy and whose energy is purchased at 71.2 euros/MWh
- Built: The first floating solar power plant in Albania: 1,536 solar panels, installed capacity 0.5 MW, surface 4,000 m2.
- 2022: AGNA sh.a applies for the construction of a 49.8 MW photovoltaic plant in Libofshë
References

- WEC (2022), 5 circular economy business models that offer a competitive advantage, [https://www.weforum.org/agenda/2022/01/5-circular-economy-business-models-competitive-advantage/](https://www.weforum.org/agenda/2022/01/5-circular-economy-business-models-competitive-advantage/)
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