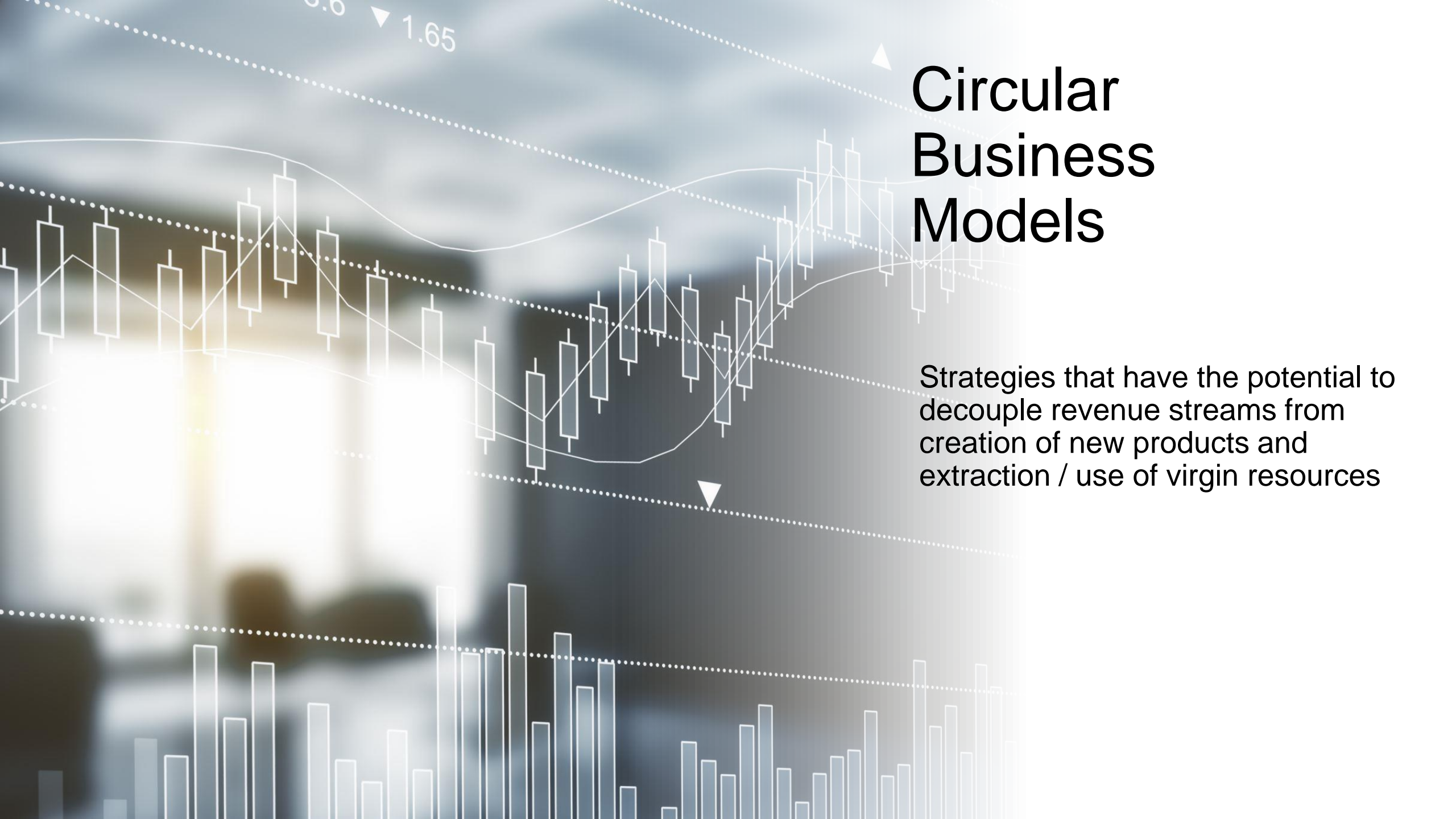


Circular Business Models

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Circular Business Models

Strategies that have the potential to decouple revenue streams from creation of new products and extraction / use of virgin resources

5 Archetypes of CBMs



Circular inputs

replacing traditional material inputs derived from virgin resources with bio-based, renewable, or recovered materials



Resource recovery

recycle waste into secondary raw materials



Product life extension

extend the use period of existing products, and slow the flow of constituent materials through the economy



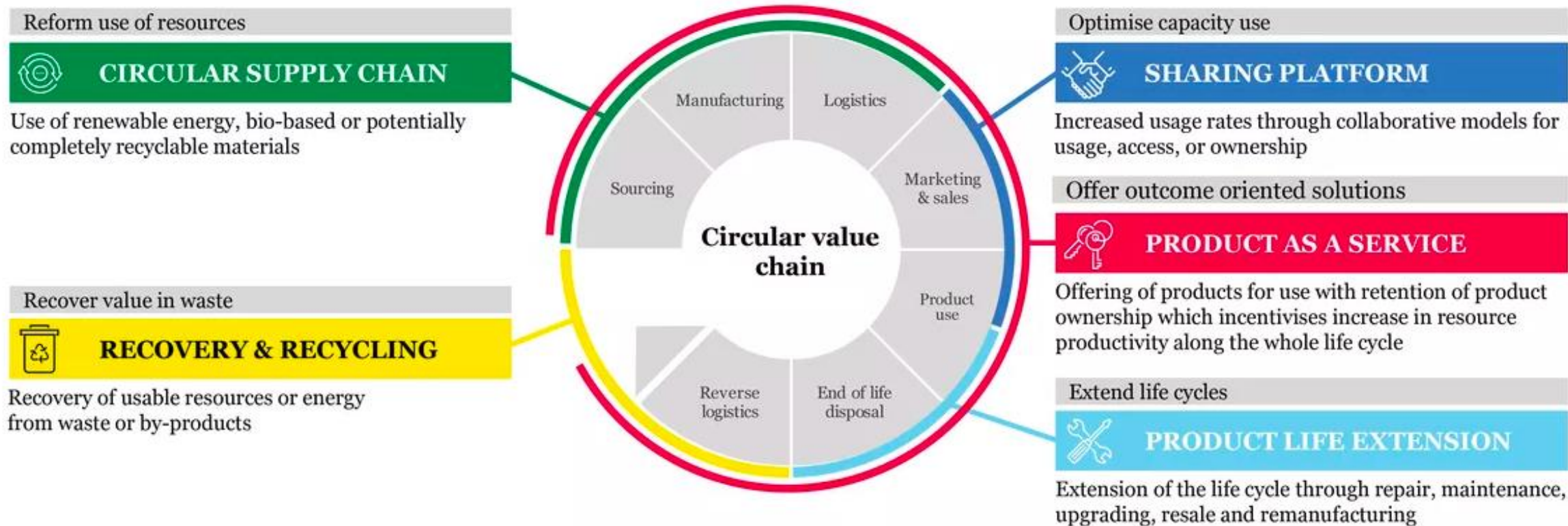
Sharing models

facilitate the sharing of under-utilised products, and therefore reduce demand for new products and their embedded raw materials



Product service system models

services rather than products are marketed; ownership retained with the manufacturer / seller



Source: Accenture 2014

The Opportunity – Textiles & Fashion

- Four business models (resale, rental, repair, and remaking) currently represent a USD 73 billion market
- Resale, rental, repair, and remaking have the potential to grow from 3.5% of the global fashion market today to 23% by 2030, representing a USD 700 billion opportunity (potential to provide a third of the emission reductions necessary to put the fashion industry on a 1.5-degree pathway)
- Globally, 7 unicorns in fashion rental and resale platforms: Depop, Rent the Runway, The Real Real, Vinted, Poshmark, Vestiaire Collective, and thredUP

Case Study 1:

Recommerce | Kiabza

Model:

- ❑ Online platform to buy and sell branded, authentic pre-owned fashion, creating a formal market for second-hand clothing in India
- ❑ Branded products at affordable prices targeted at the 18-30 year old demographic
- ❑ Software-generated selling price for clothing
- ❑ Logistics handled by Kiabza

Challenges:

- ❑ Quality, authenticity and hygiene concerns (Kiabza's Curation Experts – quality control, brand verification, cleaning and inventorisation, photography)

Discussion:
P2P platforms vs Kiabza's model

Case Study 2:

Circular Mobility Models | ZoomCar

Model: Multiple alternatives to car ownership

- ❑ Zoom-car owned cars available for rental over various time periods
- ❑ ZAP subscription service : 6, 12, 18 or 24-month tenures (partnerships with companies like Volkswagen)
- ❑ Zoomcar Host: Share your car with other individuals

Challenges:

- ❑ Additional wear and tear from bad driving practices due to the lack of a sense of ownership (ZMS Driver Behaviour Intelligence)
- ❑ Accounting and financing model fundamentally different – requires investors to understand and support these models

A car is typically idle for 90% of the time

Circular business models are tricky to execute!

Case Study 3: Interface

- ❑ Commercial flooring company
- ❑ Leasing model launched in the '90s
- ❑ Evergreen Services Agreement (ESA) program
 - installation, maintenance, and removal of flooring under one monthly fee
- ❑ Developed a network of carpet distributors to service clients across the United States on behalf of the company
- ❑ Failed model: consumer preference was to buy vs lease (lack of visibility on cost- benefit of the leasing model)
- ❑ Relaunched recently; for specific customer segments (e.g., schools)

Scaling Circular Business Models | Key Takeaways

Circular business models are not new; they are being extended to new product and service categories as the economics start to make more sense.

❑ It has to begin with design!

- To maximise the economic and environmental potential of circular business models, products need to be designed and made to be physically and emotionally durable, and also able to be remade and recycled at the end of their use.
- For e.g.: offering clothes, via a rental model, that are not designed to withstand many wears and cleaning cycles will increase the chances of that model being economically and environmentally unviable
- Potential for innovation in stain-resistant / sweat-resistant clothing

❑ Policy Support is required to create the right incentives and make the economics work!

❑ Strong reverse logistics and supply chains geared towards circular models

- For e.g., businesses and infra (with skill and scale) for providing repair, cleaning & refurbishing services

❑ Consumer awareness and behaviour change

- Is the younger generation today becoming more open to not owning vehicles?

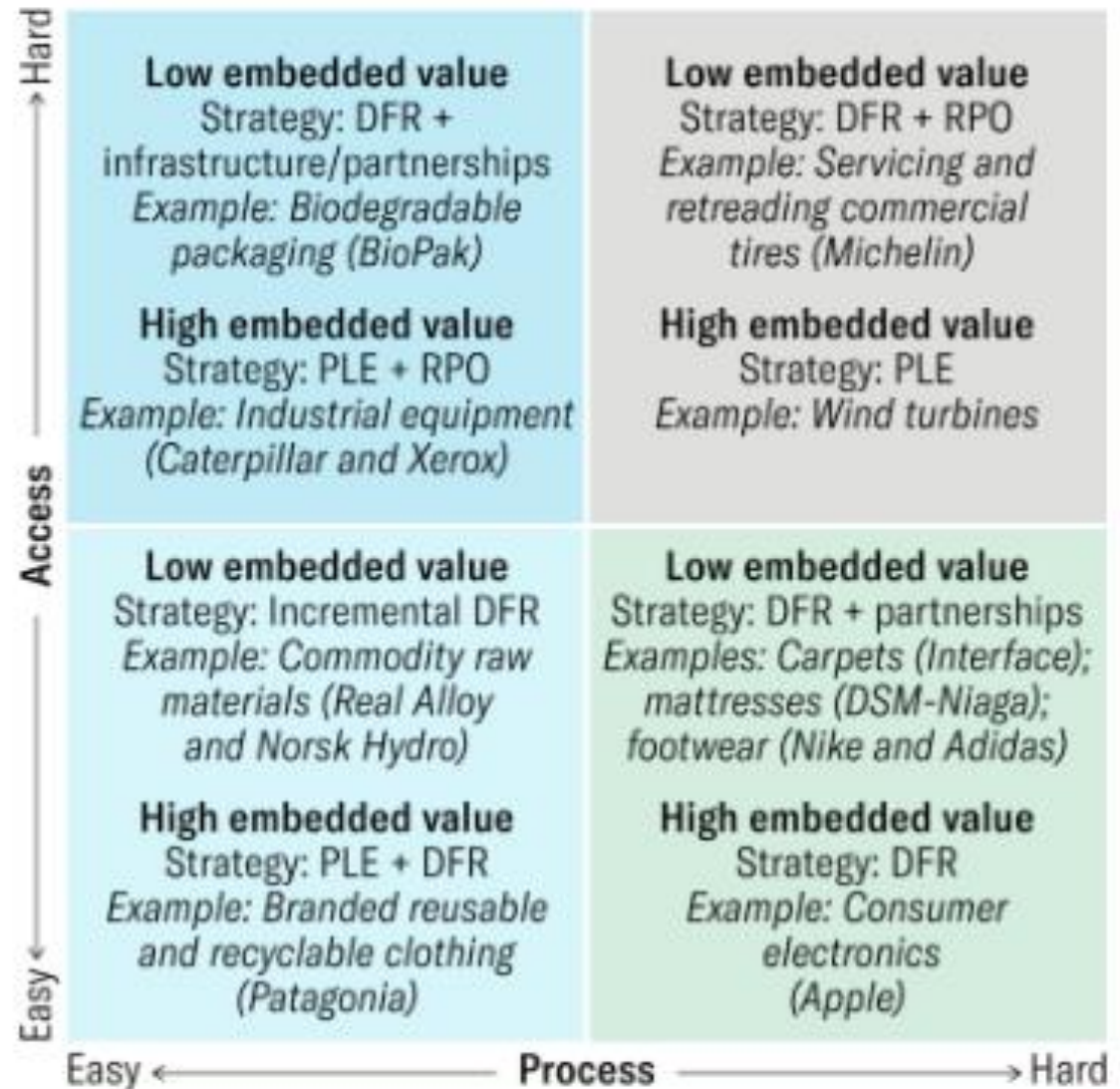
❑ Risk capital from new investors / new financing models even as businesses work out their CBMs, and other factors shape up to create the ecosystem for profitable models

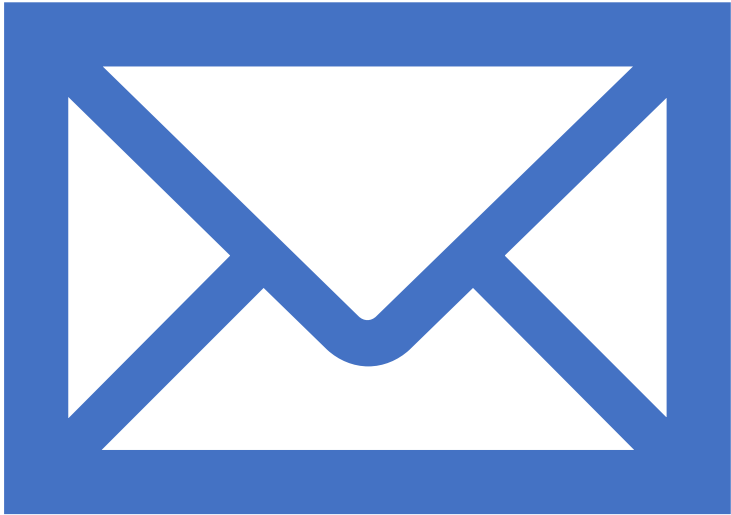
❑ Openness to collaboration

- A lot of the disruptive innovation is coming from start-ups; but how quickly can they scale and do they have the skills and resources to scale?

Determining the Strategy for Circular Business Models

- How easily can the manufacturer / seller get the product back
- How easily can value be recovered from the product





Thank You!

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