**How your organisation can benefit from moving to a circular economy**

We’re using more resources than the earth can provide. The latest figures show we’re now consuming [1.7 Earth’s worth of resources](https://www.overshootday.org/how-many-earths-or-countries-do-we-need/) every year, and the global economy is now only [7.2% circular](https://www.circularity-gap.world/2023). Our linear ‘take, make, waste’ model of consumption means we’re losing more than 90% of valuable materials, as well as the energy, water and fuels that goes into making them in the first place. The situation is unsustainable.

Moving to a circular economy is critical to redressing the balance. Under this sustainable model, goods are thoughtfully designed and built to last, materials are recycled and products are refurbished and repaired. In a nutshell, resources are kept in use for as long as possible.

The pay-off for transitioning to this new model of consumption is significant – and not just for environmental reasons. The circular economy is estimated to unlock [$4.5 trillion](https://newsroom.accenture.com/news/the-circular-economy-could-unlock-4-5-trillion-of-economic-growth-finds-new-book-by-accenture.htm) of value globally, as well as create up to [eight million new jobs](https://www.ilo.org/sector/Resources/publications/WCMS_881337/lang--en/index.htm). And on a local level, it brings major benefits that can give your organisation a significant competitive advantage.

**1. Opportunities for growth and innovation**

Reimagining your organisation as an active participant in the circular economy opens up a whole world of possibilities for new products and services that meet emerging consumer demand, fortify supply chains and create new revenue streams. For example, British packaging company DS Smith responded to consumer calls for less plastic food packaging with the [ECO Bowl](https://www.dssmith.com/uk/products-services/packaging-solutions/retail-packaging/consumer-packaging/food-contact/eco-bowl), which is completely recyclable and contains 85% less plastic content than existing food packaging. Swedish furniture retailer IKEA has launched a hugely successful furniture [buy-back scheme](https://www.ikea.com/gb/en/customer-service/services/buy-back-quote/), while Continental Tyres is developing a more sustainable [source of latex](https://www.continental-tires.com/about/sustainability/activities-and-initiatives/material-sourcing/taraxagum/) by growing a species of dandelions near its factories in Germany. For companies like [Caterpillar](https://www.caterpillar.com/en/company/sustainability/remanufacturing.html), [Cummins](https://www.cummins.com/components/electronics-fuel-systems/aftermarket-reman) and [Cisco](https://www.cisco.com/c/en/us/products/remanufactured.html), meanwhile, remanufacturing is a highly profitable part of their business.

**2. Build resilient supply chains**

For businesses dependent on physical materials – or on the services of those that are – the current ‘take, make, waste’ model of consumption represents a significant risk. Materials can’t always be sourced, prices fluctuate wildly, and geopolitical factors can shut down entire supply chains overnight.

Within a circular economy, however, materials are reused and recycled, and are therefore free from the influence of volatile pricing. Supply chains are shorter, so local and distributed manufacturing and assembly reduces the risk of geopolitical issues. And goods are procured with sustainability at the top of the checklist, so they are not in turn affected by – nor contributing to – extreme weather events arising from climate change.

**3. Satisfy existing customers and attract new ones**

Consumers increasingly expect businesses and organisations to take responsibility for their climate impacts, and this is reflected in their purchasing habits. More than [three-quarters (76%)](https://www.bcg.com/publications/2022/uk-consumer-interest-in-sustainability) of UK consumers expect brands to take action on sustainability, with 57% saying their perception of a brand is influenced by its sustainability practices. Nearly a third, meanwhile, say an organisation’s sustainability efforts would compel them to action, either buy positively advocating for that business, or by actively choosing an alternative. Furthermore, a [quarter of consumers](https://www2.deloitte.com/uk/en/pages/consumer-business/articles/sustainable-consumer.html) are prepared to pay more for sustainable products and packaging. Adopting circularity in your business offering will keep customers coming back and attract new ones.

**4. Appease demanding stakeholders and investors**

As sustainability becomes a risk consideration for businesses, shareholders and investors are becoming increasingly selective about the organisations they’re willing to support. One [study](https://hbr.org/2019/05/the-investor-revolution) of 70 senior executives at 43 global institutional investing firms found that ESG (environmental, social and governance) was “almost universally” top of mind for these individuals. We’re also seeing an increase in shareholder activism, where individuals attempt to use their rights as a shareholder of a publicly-traded corporation to bring about change within or for the corporation.Analysts [suggest](https://www.marsh.com/uk/services/financial-professional-liability/insights/shareholder-activism-on-the-increase-in-the-uk.html) that companies underperforming in ESG are particularly vulnerable.

**5. Lower costs and higher returns**

Optimising processes for circularity leads to increased efficiencies and insulation from volatile markets, allowing you to capture more value from your materials and resources. One [study](https://link.springer.com/chapter/10.1057/978-1-349-95968-6_13) suggests the fast-moving consumer goods industry could secure up to $110 billion by 2030 just by optimising its packaging for circularity.

And again, fresh prospects for innovation, access to new markets and a consumer willingness to support organisations whose actions align with their beliefs only add to this opportunity to increase profit margins.

**6. No unwelcome surprises in the future**

Adopting circularity within your organisation creates visibility around impacts that you may soon be expected to report on. The [Corporate Sustainability Reporting Directive](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en#legislation) (CSRD), for example, will require organisations to have good sight of their supply chains and materials consumption. Other reporting frameworks – such as the Task Force on Climate Related Financial Disclosures ([TFCD](https://www.fsb-tcfd.org/)) – may not be mandatory but the business case for adopting them is growing all the time. Similarly, embracing circular economy principles ensures you’re prepared for forthcoming legislation such as the [Single-Use Plastic Products Bill](https://www.gov.wales/ground-breaking-bill-ban-single-use-plastics-wales-and-avoid-leaving-toxic-legacy-future).

**7. Reinforce other climate and sustainability initiatives**

A circular economy isn’t just about physical goods, it’s also about the valuable resources that go into making them and the climate consequences of their production – namely greenhouse gas emissions. In fact, [45% of all global emissions](https://www.ellenmacarthurfoundation.org/completing-the-picture) come from producing the cars, clothes, food, and other products we use every day.

Estimates suggest that moving to a circular economy could cut global greenhouse gas emissions by [39%](https://www.circularity-gap.world/2021) and play a crucial role in averting the dangerous impacts of climate change. For organisations that are pursuing net zero, adopting circular economy principles will be critical to realising these carbon objectives. Circularity strategies are also an effective way of achieving sustainability buy-in from others throughout the workplace, as it’s often easier to visualise the problem and consequences of wasted materials than it is other environmental impacts, such as carbon emissions or biodiversity loss.

The business care for circularity is clear. Start adopting circular economy strategies within your organisation today. Get in touch for further help and guidance at <https://ceicwales.org.uk/>.