



KEEPING CUSTOMER CONNECTIONS

Why customer relationships don't have to end at the point of sale – lessons from the circular economy

About the CE100



The Circular Economy 100 (CE100) is a pre-competitive innovation programme of the Ellen MacArthur Foundation established to enable organisations to develop new opportunities and realise their circular economy ambitions faster. It brings together corporates, governments and cities, academic institutions, emerging innovators and affiliates in a unique multi-stakeholder platform. Specially developed programme elements help members learn, build capacity, network and collaborate with key organisations around the circular economy.

Collaborative projects (Co.Projects)



Co.Projects are opportunities for formal pre-competitive collaboration between CE100 members. They are driven by members for members, and their focus can range from research initiatives to pilots and toolkits. Co.Projects leverage the CE100 network with the aim of exploring opportunities and overcoming challenges commonly faced by organisations making the transition to a circular economy, which they may not be able to address in isolation.

This Co.Project: engaging retail customers in the circular economy

This Co.Project brought together a range of CE100 members to explore case studies and examples of how retailers can engage with their customers post point of sale to unlock economic opportunities.

Cranfield University, Arizona State University and PA Consulting Group surveyed 250 consumers in the US, UK, France and Spain on post-sale behaviours – with a survey response rate of 72 per cent. The conclusions in this report reflect the analysis of the survey results, company case stories and the authors' experience across a range of markets and geographies. CE100 Co.Project partners that contributed to the wider report include Stuffstr, eBay, Kingfisher, Philips, Waste and Resources Action Programme (WRAP) and the Ellen MacArthur Foundation. This report was co-authored by PA, Walmart and the Ellen MacArthur Foundation.

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THE CIRCULAR ECONOMY IS AN OPPORTUNITY WORTH TRILLIONS. ARE YOU READY TO TAKE ADVANTAGE OF IT?

The circular economy offers a new way of looking at the relationships between markets, customers and our use of resources. It uses innovative new business models and designs, disruptive technologies and reverse logistics to transform the current 'take, make, dispose' economic model. Circular initiatives work to three principles of designing out waste and pollution, keeping products and materials in use and regenerating natural systems.

It's an approach that's good for business, good for society and good for the environment.

Many retailers are already tapping into circular economy thinking, finding new ways of working to generate value, discover new business opportunities and reduce resource costs. And it fundamentally changes the relationship these retailers have with customers.

Why now?

People are shifting to access, not ownership

As people live in more urban areas, often in smaller homes, it's less of an option for them to hold on to items indefinitely. Younger people in the US and the UK are less likely to own their own homes, and people have less space to store their stuff. Ideas around decluttering and 'stuffocation' have entered popular culture. Retailers can play a key part, examining new options for offering products, and making it easier for customers to sell, donate or recycle items.

A new generation of customers has a different perspective on owning goods. New models of sharing, lending, gifting, swapping and bartering are emerging. Moreover, businesses based on access, not ownership – the likes of Spotify, Uber and Airbnb – are winning out. So we're seeing interesting new retail models based on leasing and product return – like the ones in this report.

Digital is opening up opportunities to engage with customers post-sale

There are plenty of places for retailers to stay in touch with their customers online. Social media and apps make it simpler to stay in touch after the point of sale. And as technology progresses, this will open up even further. For example, the Internet of Things provides an opportunity for retailers to communicate with customers through their products.

Connected devices are likely to slash the customer cost of a repair as the issue can be diagnosed by the organisation, avoiding call-out fees and costly mistakes. So this could encourage customers to repair, rather than replace, their belongings. The Waste and Resources Action Programme (WRAP) found that customers would prefer to receive a few text messages from their product saying it needs a service or repair, rather than a call from the retailer or manufacturer.¹



“Millennials have been reluctant to buy items such as cars, music and luxury goods. Instead, they’re turning to a new set of services that provide access to products without the burdens of ownership”

Source: *Millennials: Coming of age*,
Goldman Sachs research

¹ Communicating circular to consumers post-purchase, unpublished research, WRAP

What's in it for retailers?

The circular economy is an important enabler for businesses to generate profit. For example:

- The reality today is that retailers must orient themselves around their customers' fast-changing preferences. They need to ensure their relevance to their customers and understand how they help enable their lives. At the same time, brand loyalty is ever harder to come by. The good news is that today's customers are increasingly focused on end-outcomes, which means there's an opportunity for projects after the point of sale to create long-term relationships with customers, encouraging them to come back.
- Retailers who participate in the circular economy have the opportunity to gather more and richer insights into how customers use their products, and how often they replace them. This information can inform the entire life cycle of product development and sales.
- Embracing circular economy principles can link with wider business objectives, particularly in product design. Designing for the circular economy encourages dismantling silos in a business, and gives access to new external partnerships that can grow networks and lead to additional revenue-generating opportunities.
- The circular economy can be a catalyst for spurring innovations within an organisation, both from a cultural perspective and in how it approaches its relationship with its customers. These innovations can lead to the creation of new products and business models to grow revenue.

So how can retailers get started?

This Co.Project group, formed by several members of the CE100, created this report to help you start exploring how circular economy thinking could apply to your retail business. We've gathered stories from businesses who are doing interesting things in this area. We've researched what customers think when it comes to getting rid of their unused items – and what this could mean for retailer schemes. From this we've created a set of questions to kick-start thinking.

This is a big shift, and a big opportunity.

“I think in 10 years' time, retailers will look back and say ‘What were we thinking?’ Because they sell you an item. Then they stand at the door and wave goodbye.”

John Atcheson, Stuffstr

How big is the opportunity? The circular economy in numbers

\$700_{BN}

Potential cost savings on the materials
used to make durable goods globally.

*Source: Towards the Circular Economy Vol.3: Accelerating the
scale-up across global supply chains, Ellen MacArthur Foundation*

\$7,000

The value of unused items in the average US household.
That adds up to \$875 billion worth of stuff that could be put
back into the US economy alone.

Source: NPD

\$1,975

Money generated by collecting one tonne of clothing in the UK.
With costs of \$680 to collect and sort,
that gives a profit of \$1,295 per tonne of clothing.

Source: Waste to Wealth: Creating Advantage in a Circular Economy, Accenture

What's in this report?

We've mapped out a product journey for customers. There are opportunities for retailers at every stage, and every stage is driven by current trends and customer needs.

In **Part 1**, we look at the opportunities for retailers at the point at which the customer is no longer looking to keep the item that they own themselves – what is commonly known as 'end of use'. Customers will often choose to either resell, donate or recycle their item. This part of the report includes research on customer attitudes towards these behaviours, with a particular focus on what US and European customers do with their electronics and clothing.

End-of-use projects allow retailers to give customers reasons to keep engaging with them. They bring people back into store and provide genuinely useful services that could keep materials out of landfill with economic value retained. Of course, there are plenty of opportunities before the point of sale, and while the product is still in use. So we've also included a few examples of that in **Part 2** – for example, leasing and repair.

In **Part 3**, we offer suggestions to help retailers get started, including questions they can ask to explore their opportunities in the circular economy.



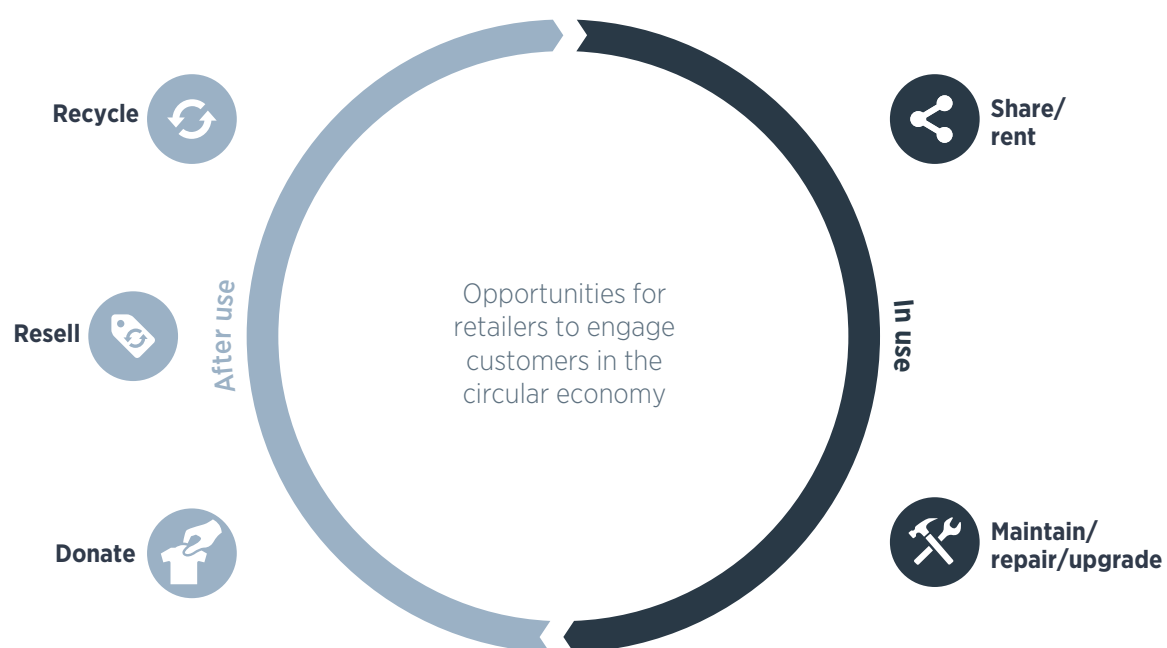


Figure 1: Stages where retailers can engage customers in the circular economy

Source: PA Consulting Group

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PART 1

How can retailers help customers when items come to the end of their use?

About the research

We looked at customers' preferences for disposing of products that were no longer useful. We focused on three end-of-use options where the product has been sold to the customer at the start rather than the customer entering a rental contract:

- reselling and trading-in
- donating
- recycling

We gathered this information to spot trends and inform business model evolution. Respondents were asked about their preferences, behaviours and habits to explore and come up with options that could work for retailers. The research asked questions about electronic items and clothing, to see what differences and similarities came up.

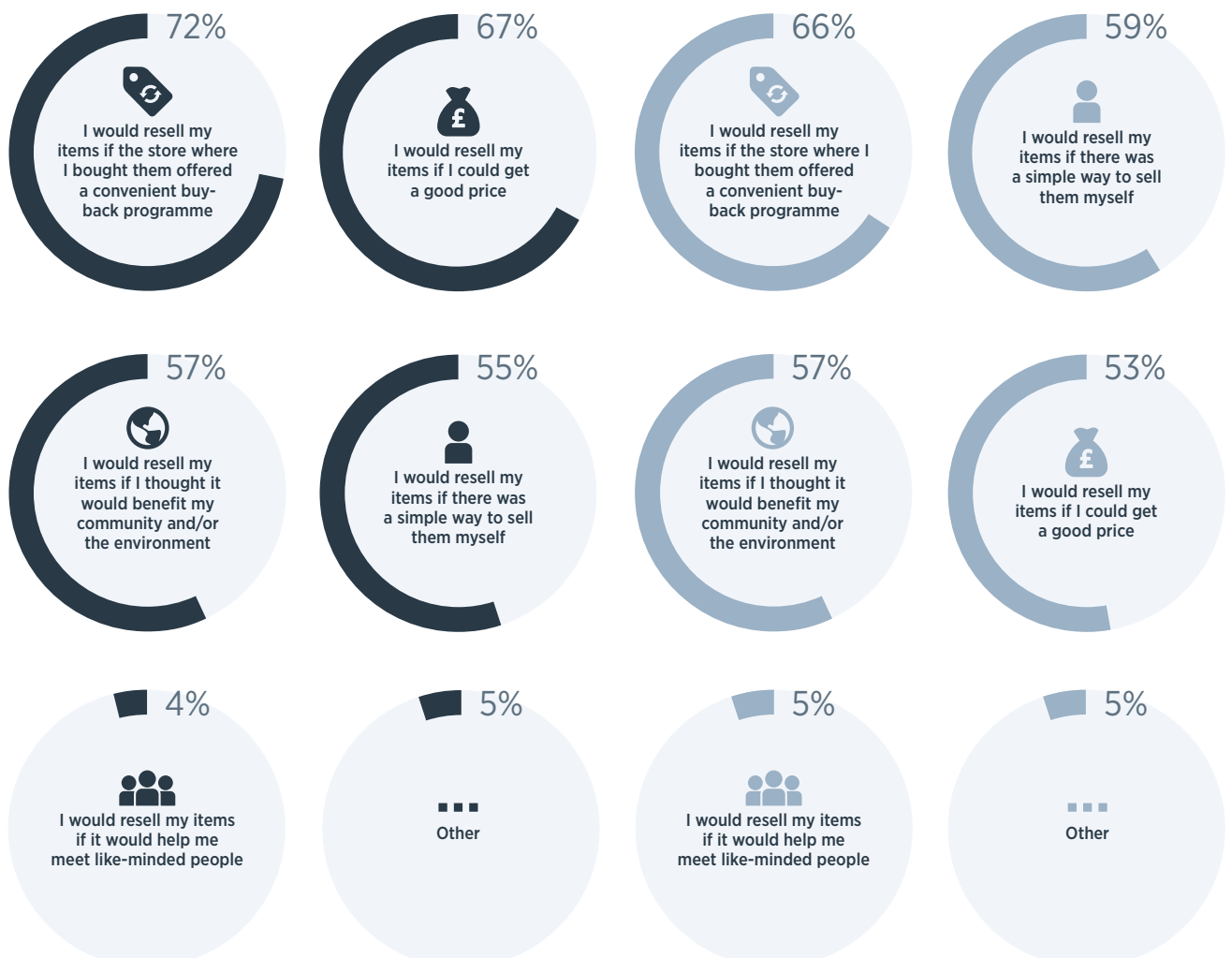
RESALE



Helping customers resell their products is a key area for retailers to tap into. Customers can see clear benefits, and they have an appetite for schemes led by retailers. Our research found more customers were interested in a convenient buy-back scheme from retailers than being able to sell items at a higher price, or having a simple way to sell for themselves. That's true for electronic items and clothes, despite the difference in value.

What customers told us

■ Electronics ■ Clothes



What this means for retailers

There's a clear case for simple buy-back programmes

Customers are becoming more and more used to the idea of selling on unwanted items, particularly through the original retailer they bought from. And retailers are responding – for example, Amazon is trialling a system that allows customers to resell previous purchases when they check out new items. For retailers, this is an excellent opportunity to keep engaging with their customers after the point of sale. It's a way to understand what happens to products after sale – such as how long people are keeping and using them, in turn leading to valuable market insights and feeding into product and business model innovation. And it's a way of bringing people back to their store, whether in person or online.

To change behaviour, it needs to be easy and secure

Customers like the idea of schemes to resell and trade in their stuff, but it has to be as simple as possible to get them to act. Customers also have concerns about data security, so any schemes that involve data, as is often the case with electronics, need to address what happens to personal information.

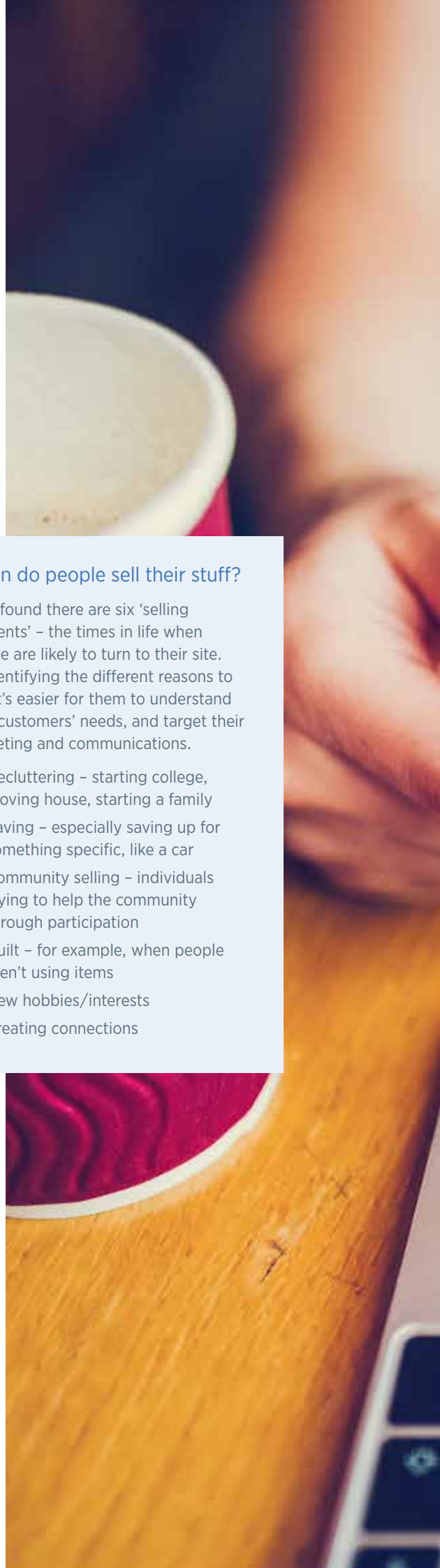
Buy-back schemes can work online or in-person

Customers are increasingly used to buying and selling online. Some brands have been able to benefit from the community aspect of selling or swapping. Outdoor apparel company REI (see page 24) has built a very successful programme of social events based around resale. Other specialist retailers, with an enthusiastic and engaged customer base, could see the benefits of bringing people together.

When do people sell their stuff?

eBay found there are six 'selling moments' – the times in life when people are likely to turn to their site. By identifying the different reasons to sell, it's easier for them to understand their customers' needs, and target their marketing and communications.

1. Decluttering – starting college, moving house, starting a family
2. Saving – especially saving up for something specific, like a car
3. Community selling – individuals trying to help the community through participation
4. Guilt – for example, when people aren't using items
5. New hobbies/interests
6. Creating connections



RESELLING IN ACTION

eBay: making it even easier for customers to resell

In 1995, Pierre Omidyar sold his broken laser pointer to Marc Fraser. Two people who had never met were connected through the site that was to become eBay. This proved the premise on which Omidyar was founding a company – that people are basically good and if you give people the benefit of the doubt you will rarely be disappointed. It also showed that one person's broken laser pointer is another person's treasure.

From that one transaction between two people to today: eBay is one of the world's most powerful commerce platforms with 170 million users in 190 countries trading 69 times per second.

Today, eBay is continuing to develop new ways for people to sell things they no longer need and make it even easier for people to pass things on.

eBay Valet, for example, is a 'sell it for me service' that enables eBay users in the US to sell items without having to list them. They simply post their item, for free, to a service provider who photographs, lists and sells for them. When the item is sold, the seller receives up to 80 per cent of the sale price. Valet works particularly well for compact, standardised, high value items like phones.

Projects like this are based on insights into people's motivations and behaviours. Taking the approach of launching and trialling pilots in this way allows the eBay team to test ideas and keep developing new ways to power the circular economy.

Stuffstr: the start-up helping show the value in unwanted items

Stuffstr is a start-up with a vision for 'no unused stuff'. It's an app that makes it easy to resell items instantly. To succeed, Stuffstr had to come up with the dream solution for the consumer, regardless of the work it created for Stuffstr.

Stuffstr offers an instant purchase price for items people want to sell.

When users link their Stuffstr account with the accounts of their favourite retailers, they can see how much they could get for any of their belongings at any time. If users choose to sell, a courier comes within a few hours to collect the stuff for free, and the seller gets a gift card from the original retailer sent straight to their phone. For the consumer it offers instant gratification.

The potential rewards are massive

It's not just about shifting people's behaviour, but changing how they think about their stuff. Users can see that everything they own still has a value, even if they don't want it any more. And that makes it much less likely they'll send their belongings to landfill.

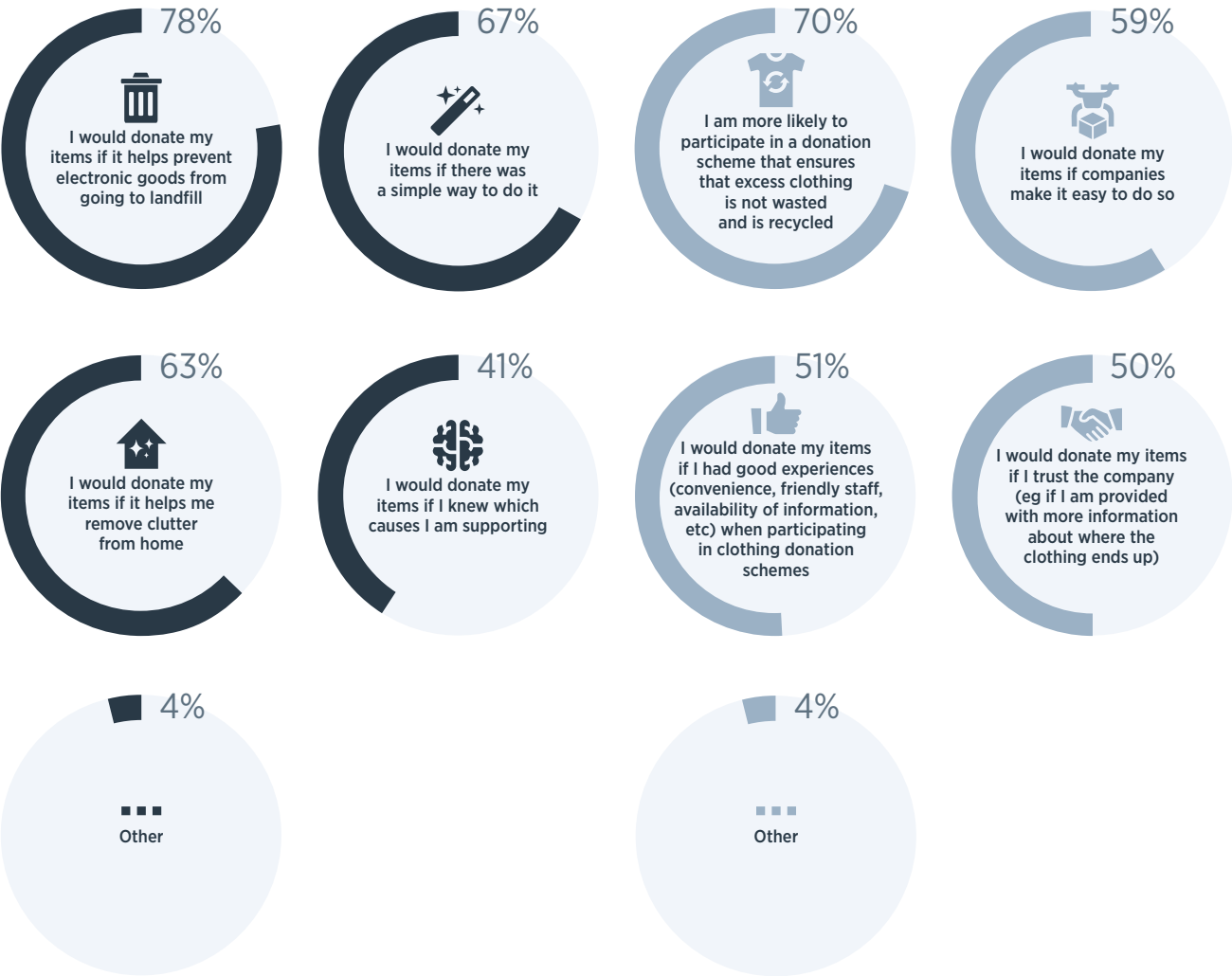


DONATING

Our findings suggest that when customers think about donating, they’re interested in preventing waste. This scores more highly than simplicity, although obviously that’s important too. People are interested in donations as a way of decluttering, particularly for electronics. For clothing, half of the people who responded were interested in the overall experience – for example, friendly staff and plenty of information about the scheme.

What customers told us

■ Electronics ■ Clothes



What this means for retailers

Customers don't want their products to go to landfill

Customers are interested in donation schemes because they see the benefits to the environment and society. But that alone may not prompt them to act. So retailers can also promote schemes as good ways to declutter – by offering home delivery services, for example, and collecting old products when customers buy new ones. This provides a genuinely useful service for customers. And some retailers have experimented with offering vouchers in return for donations. For example, Marks and Spencer (M&S) gives people a £5 voucher if they donate their used M&S clothes to an Oxfam charity shop. The aim is to encourage customers to shop again with the retailer.

Retailers need to be transparent about where donations are going

That's true for electronic items, where customers may be worried about data security. But it's also true for clothing, where customers may wonder where their donations are going, and who they will benefit.

Warranties and free repairs make it easier for customers to buy second-hand electronics

Customers may be more hesitant to buy electronic items that have been donated. Understandably, they might be concerned about quality and performance, which outweigh any sustainability considerations. Anything that allays these fears will help to create the market for these goods.



CASE STORY

DONATING IN ACTION

Asda, a Walmart UK business: making it easy for customers to donate clothing

Asda shoppers (and staff) can donate their gently-used clothes to non-profit organisations by leaving them in marked bins in the stores' car parks. The clothes are sold or reused by non-profit organisations, raising money for charities supported by Asda. This programme also helps the retailer meet voluntary clothing recycling targets.

Asda works with two national organisations as well as local charities. The programme is managed by the Salvation Army, which provides the bins and processes the clothing. The bins are specially marked Tickled Pink – where the money raised from these bins goes to Breast Cancer Care and Breast Cancer Now, two non-profit organisations.

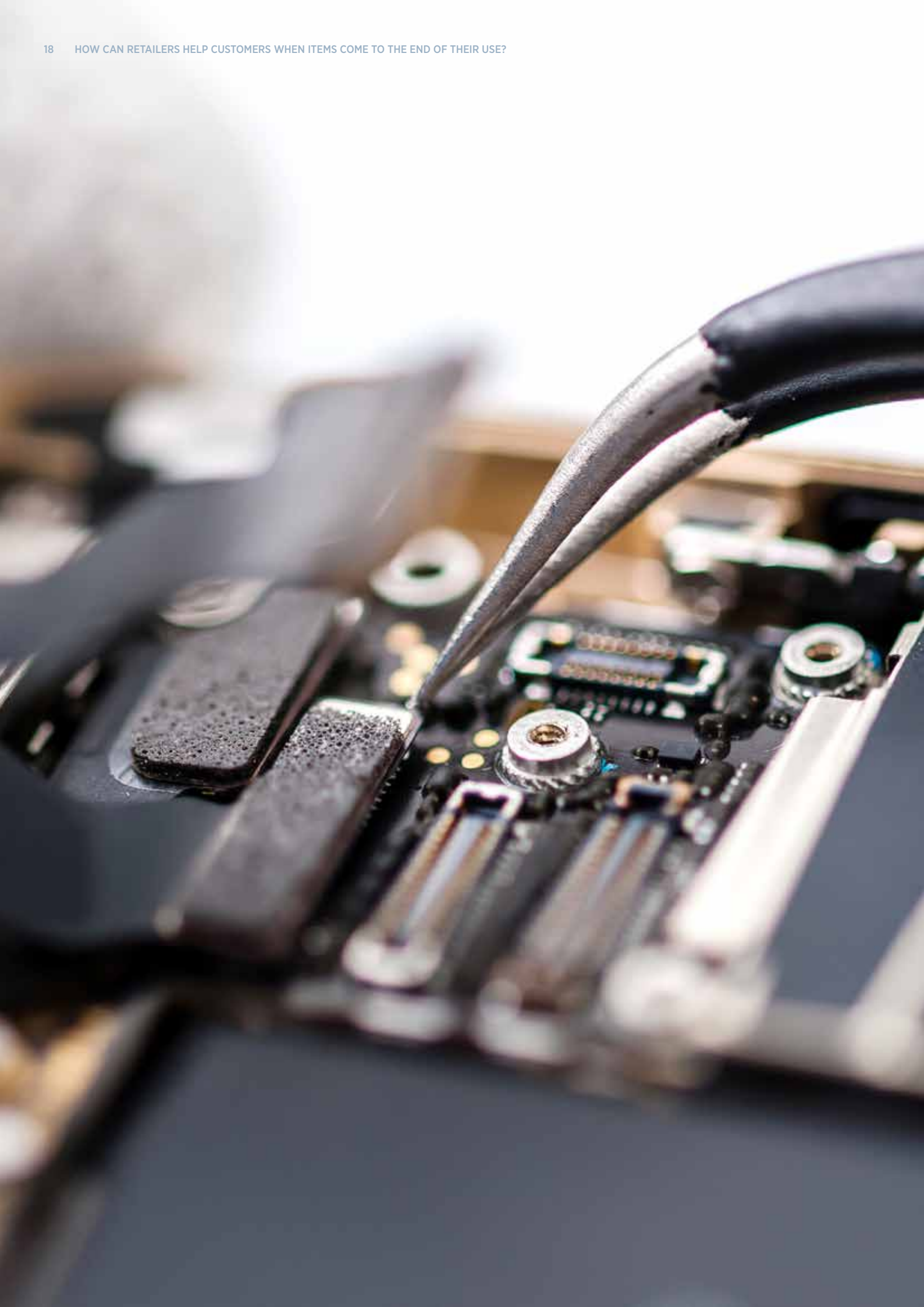
For customers, it's a very simple way to donate their clothing

Customers can drop clothing off at any time, which makes it more accessible than a charity shop that might have limited opening hours. And customers can donate when they come to shop, so they don't have to make a special trip.

The retailer also runs clothing drives to encourage donations. For example, it worked with a popular breakfast TV show to encourage customers to donate a coat, raising the profile of the programme.

Customers are donating more and more clothes

The programme gathered 3.5 million tonnes of clothing in 2014. By 2016 that number had gone up to 4.2 million tonnes. The increasing amounts and increasing price per tonne has also helped the retailer raise more for charity. In 2017 the programme raised a total of £1,627,000 from January to September alone. That's up from £1,474,000 for the whole year in 2014.



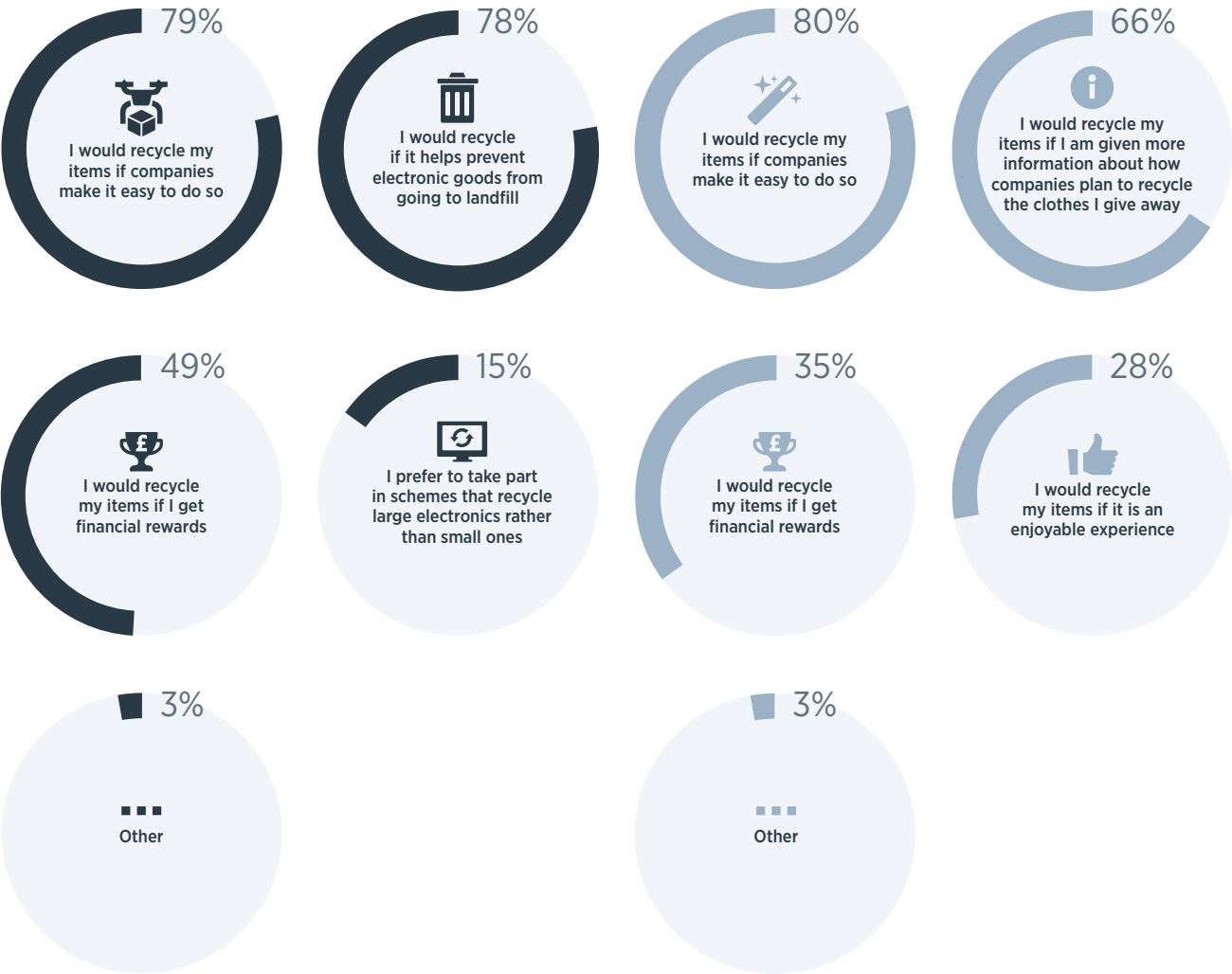


RECYCLING

The best way to encourage people to recycle is to make it as easy as possible. For electronics, preventing certain items going to landfill is also an incentive. We know that customers can be more attached to electronic items, so this finding could reflect that. For clothing, customers are interested in knowing what will happen next. Respondents haven't ranked a financial reward highly, though in practice we know that schemes with rewards can prompt behaviour change.

What customers told us

■ Electronics ■ Clothes



What this means for retailers

People are willing to recycle electronics of all sizes

We wanted to test whether customers were more likely to recycle larger items. As they take up more space, we thought there could be a stronger decluttering benefit. But the findings didn't support that. However, small electronic goods can be easier to collect. This may mean that these are more convenient for the customer to recycle.

Customer experience plays a role

If you make it simple and enjoyable to recycle, customers are more likely to have a positive association with your brand, and keep coming back. For retailers, this is another way to build relationships and provide useful services for their customers. For example, Walmart have ecoATMs in their stores, where customers can drop off old electronic devices and get instant cash.



RECYCLING IN ACTION

H&M: recycling that rewards customers

H&M offers incentives to encourage customers to recycle used clothing and home textiles. The aim is to change the view of these items as 'waste' to 'resource'. For example, UK customers get a £5 voucher for every bag of clothing they donate in store, with a minimum spend of £25. Customers can donate any fabric from any manufacturer. A partner collects donated garments and sorts them into three categories:

- Rewear – clothing that can be worn again will be sold second-hand.
- Reuse – old clothes and textiles will be turned into other products, such as cleaning cloths.
- Recycle – everything else is turned into textile fibres, and used for things like insulation.

The retailer started collecting clothes from customers in 2013. Since then, they've gathered approximately 60,000 tonnes of garments – more fabric than in 300 million T-shirts.

H&M is investing in technology to reuse and recycle fabrics even more

The H&M Foundation – funded by surplus from the garment-collecting initiative – has partnered with the Hong Kong Research Institute of Textiles and Apparel to develop new technologies to recycle clothes made from textile blends. Currently, items made from post-consumer waste material can contain up to 20 per cent recycled cotton. This can be higher for recycled wool and if recycling pre-consumer waste – though to meet quality standards, items are not yet 100 per cent recycled. H&M has invested in two other recycling technology companies, Worn Again and ReNewcell, that chemically recycle synthetic and cellulosic materials.

Customers get to see the results of their recycling

In 2014, H&M launched a closed-loop denim collection made from textiles recycled through the garment-collecting initiative. The retailer now regularly makes items from recycled clothing, launching at least one collection per year. Customers can see the tangible results of donating old clothes, which are turned into new, updated styles. The retailers says that feedback has been constructive, customers are pleased and there's been no downside.

Each year, H&M also launches the H&M Conscious Exclusive collection. This high-end fashion collection, made from more sustainable materials, positions sustainable clothing as a desirable fashion choice.

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PART 2

How can retailers work with customers when products are still in use?

The research focused on customers' attitudes to reselling, recycling and donating products they'd bought that had reached the end of their use. But there are other, earlier ways for retailers to engage customers in the circular economy, by making it a core part of their business model.

LEASING OF PRODUCTS

Mud Jeans: solving a business problem by leasing jeans

Mud Jeans are made with organic cotton. As cotton prices are volatile, the company decided to find a way to make the most of the materials they'd already bought by offering their product in a new way.

So customers can lease jeans for €7.50 a month. Free repairs are included. After one year, they have three options. They can swap their jeans for a new pair, and continue leasing for another year; keep the jeans and wear them as long as they like; or end the relationship by returning the jeans to Mud and getting a voucher for a new purchase. For those who have decided to keep the jeans, the company offers financial incentives to return items, so they get as much material back as possible.

The retailer is able to stay in touch with its customers much more regularly, and this allows for an ongoing relationship.

Bundles: making washing and drying easy with a monthly fee

Bundles offers a subscription service for washing machines, tumble dryers and dishwashers. Customers pay a monthly fee, and in return they get a high-quality Miele machine for as long as they need. It's an Amsterdam-based company, founded in January 2014. To date, it's operating 100 Miele appliances in 85 households all over the Netherlands.

Subscription costs are comparable with buying the appliance. And the business model works by financing the appliances for the same period as their technical lifetime. So for customers it's an affordable alternative. Customers can make extra savings because the machines are energy efficient, and they don't have to deal with unexpected repair costs. They can even share appliances through the Bundles model.

Bundles uses data to help the customer, and keep the machine running. It connects its machines to the internet to gather data on the actual use of the appliance. It translates this information into messages for its users, technicians or suppliers. Bundles prompts consumers to use detergents and energy that are designed to support the circular economy, and monitors the appliances to offer proactive maintenance.²

² ellenmacarthurfoundation.org/case-studies

REPAIR/MAINTENANCE

Kingfisher: the home improvement giant reinventing repair

When products break or stop being useful, there often isn't the system in place to repair or recondition them in retail stores. So Castorama Poland, owned by Kingfisher, rewrote the norm by introducing repair centres in stores when they opened 16 years ago. Today all of its stores have repair centres. The repair operations are equipped to test lawnmowers and other products with combustion engines and to test panels for lights, as well as tools such as drills and jigsaws.

Today the stores aren't just an equipment drop-off point, they offer services that customers really need, including drilling holes in sinks, sharpening chainsaws and cutting replacement keys. Castorama's Radom store in Poland also launched its Casto Lab maker space in 2016 where customers can learn DIY skills and use specialist tools and equipment to help with their projects. The Lab is used for workshops and demonstrations run by Castorama and its suppliers, which are advertised in-store and on local radio stations. Kids' DIY classes are also held in the Lab.

REI: connecting customers through repair and resale

REI is an outdoor apparel company that's invested time and effort to keep their gear in use. As a co-op, they've been able to create repair, swap and resale schemes for members that bring people together and bring customers back into store. REI has a long-term partnership with the two largest gear repair companies in the US and runs workshops for its customers to help them repair their own gear. It's an offer that's genuinely useful for outdoor enthusiasts.

REI has always had a generous product-returns policy. And the outdoor industry builds gear to last. So when customers return stuff, the retailer had to find a way to avoid destroying it, or sending it to landfill. So every store has a regular garage sale for co-op members only. It's allowed REI to unlock the value from returns. And by helping people access gear affordably it helps to connect to the business's bigger purpose – getting more people outdoors.

REI has also created social events for customers to deal, swap and sell their gear. Stores organise the events, called 'thingamajigs' – with beer and music. Customers can come along to buy and sell used gear. And a portion of each ticket supports a local outdoor non-profit organisation. The used gear swaps have been popular because they're a social event that brings people together.

3

PART 3

How can retailers like you get started?

There are plenty of opportunities to create value in the circular economy, so where should you start?

We found that successful projects after the point of sale have a few things in common:

- They start with a customer problem, and they solve it
- They find the right language to talk about projects
- They break down silos and encourage partnerships
- They think big but start small.

They start with a customer problem, and they solve it

You don't need to start by thinking or talking about the economy – you need to start with customer insight. Getting this insight requires businesses to place themselves at the centre of their customer's universe – to understand their every want and need. The most effective circular economy schemes address a customer need, and put the benefit at the heart.

This can be true in the business-to-customer scenario as well as in the business-to-business scenario. Here are two different examples of how retailers who are renting products to their customers, rather than selling products, can accrue benefits to all parties.

Renting to match how long the customer needs an item

As the pace of fashion has got faster, it's more expensive for customers to keep up with trends. So Rent the Runway allows people to borrow designer clothes for a monthly fee. Customers get access to high-quality fashion, but don't have to spend lots of money to follow trends that might come and go, or clutter up their wardrobes with clothes they don't use often.

Leasing to support customers with technology advances and upgrades while conserving material value

Manufacturers are also solving customer problems with the circular economy. Technology moves quickly and it's costly to keep replacing equipment. Hospitals might find it difficult to be on top of the latest health technology that helps them to give their patients the best care. Phillips has committed that by 2020, 15 per cent of its turnover will come from sales that embrace circular economy principles. They offer hospitals a partnership model that gives access to the newest technology while reducing the hospitals' costs at the same time. Philips makes this work by employing upgrading strategies that extend equipment lifetimes and by refurbishing older equipment for a second life in other settings.

These schemes have very different customers and outcomes, but the underlying principle for both is the same. Instead of selling a product outright, renting and leasing models can offer clear customer benefit. They can recapture and grow economic value for businesses. And they help keep products and materials in use, reducing our reliance on using resources from scratch and providing an environmental benefit.

They find the right language to talk about projects

There are complicated associations with some words we commonly use when we talk about recycling or reusing. So it's worth thinking about the right language to frame projects, internally and externally.

Research from WRAP shows that for electronics, customers may associate the term 'leasing' with the poor. But if you talk about a club, it's far more appealing, even if it offers the same service. Argos found the same reaction to 'trade-in', identifying that far more customers saw 'gadget recycling' as preferable. Amazon Europe saw that 'second-hand' had negative connotations, while 'certified refurbished' was seen positively.

REI, an outdoor apparel co-operative, offers lots of services to their members that fit with the circular economy – from gear swaps to repair workshops. They focus on lean working and efficiency, and that's how they communicate the benefits to the business.

They break down silos and encourage partnerships

Projects that work don't have to be confined to one team across the business. For example, B&Q was able to develop groundbreaking packaging for bedding plants, easyGrow™, by looking across the business for ideas. The initiative – where plants are grown in cubes of peat-free coir compost held together by a biodegradable 'teabag' – was started by a buyer. The buyer was recognised for his achievements both externally and within the business.

And you can look outside the business for collaboration and support before you even begin. Working with third parties, not just other parts of your organisation, can be another route to create value and relevance for customers. For example, H&M partners with a clothing collection company to sort recycled garments that customers drop off. You don't even have to create your own IT solutions from scratch. Stuffstr is working with retailers to help people sell their unwanted items through a simple app. And eBay has partnered with Patagonia to create a second-hand store for them. So there are plenty of options for working with others.

They think big but start small

Focus on one project and you can test demand and start to build an evidence base for doing more. This is particularly important as the operational implications can be big depending on the size of the retailer and the degree to which it participates in the circular economy. Therefore, testing what works before making wholesale changes can limit exposure to risk.

Once you can tell stories – to your stakeholders, to your customers – it gets a lot easier to explain the benefits of the circular economy.

There are three stages to test and refine:

1. 'Think big' when it comes to the strategic implications of the circular economy
2. 'Start small' with innovative, insight-driven services – and then iterate
3. 'Scale fast' to deliver change and reap the benefits.

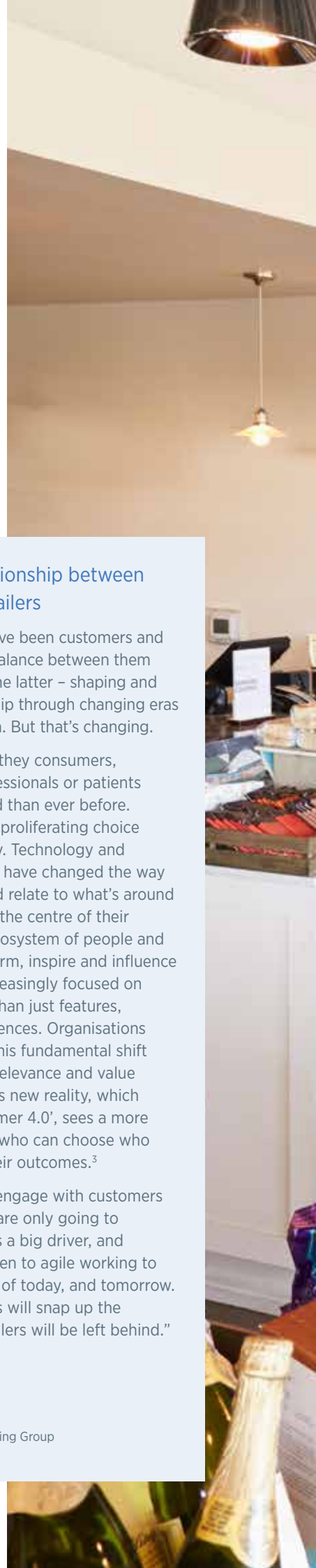
The changing relationship between customers and retailers

For as long as there have been customers and providers, the power balance between them has tended to favour the latter – shaping and dictating the relationship through changing eras of customer interaction. But that's changing.

Customers today – be they consumers, citizens, business professionals or patients – are more empowered than ever before. And this is enabled by proliferating choice and hyper-connectivity. Technology and generational dynamics have changed the way customers connect and relate to what's around them, placing them at the centre of their own 'universe' – the ecosystem of people and organisations who inform, inspire and influence them. They're also increasingly focused on end-outcomes rather than just features, brand and even experiences. Organisations who fail to recognise this fundamental shift risk a rapid decline in relevance and value to their customers. This new reality, which PA has dubbed 'Customer 4.0', sees a more empowered customer who can choose who helps them achieve their outcomes.³

"The opportunities to engage with customers after the point of sale are only going to increase. Technology is a big driver, and retailers need to be open to agile working to cater for the customer of today, and tomorrow. If they don't? Start-ups will snap up the opportunities and retailers will be left behind."

³ Customer 4.0, PA Consulting Group



CASE STORY

PA Consulting Group: implementing the circular economy

PA Consulting Group (PA) works with a range of organisations, from start-ups to large multi-nationals in a number of sectors, including consumer and retail, to rapidly develop, pilot and implement new technologies. PA also supports them in developing the right strategies, business models and infrastructure they need to make the most of the opportunities the technologies offer.

An example of this is helping London start-up Skipping Rocks Lab move closer to their goal of stopping one billion plastic bottles a year from reaching the world's oceans. The business has come up with a container called Ooho, made from plant and seaweed extracts, that's 100 percent biodegradable (and edible). PA's scientists and engineers have been helping to develop the machine to produce the containers and fill them. Skipping Rocks Lab plans to make it available to clients to produce their own Oohos in-situ. They're aiming to have a small number of machines with clients by the end of 2018.⁴

4 paconsulting.com/insights/circular-economy

I'M INTERESTED. WHAT QUESTIONS SHOULD I ASK TO GET STARTED?

Start with a customer problem

- What insight do you have about customer problems after they've bought your products?
- What opportunities are there to bring customers together?
- What would make your post-sale customer experience even easier/better?
- What's the quickest, easiest project you could try?
- How can you make sure customers come to you first when they're ready to replace a product you sold them?
- What is the potential size of the opportunity?

Involve teams across the business

- Which teams are working hardest to solve customer problems?
- Which teams understand the customer the best?
- What teams are best placed to develop an ongoing relationship with the customer beyond the point of sale?
- What kinds of networks can you create to bring interested people together?
- Who can you work with across the business to champion circular economy schemes?
- Who can act as executive sponsor?
- What kind of targets can you set to embed them in the business?
- How can teams own the targets?
- What teams are needed to get the new customer engagement ideas you have up and running?

Find the right language to talk about it

- What's the best way to frame your offer?
- Do your customers want to share, swap or give?
- Where can you test language with customers to get the best reach?

Work with partners

- What do you need help with?
- Who is strong in these areas and could you partner with them?
- How could you work with suppliers to get value from products post-customer use?
- Who's doing work you admire?
- How can you make the best use of disruptive technology to drive progress?
- What are the best new business models to adopt?
- What is the potential return on investment?

WHERE CAN I FIND OUT MORE?

The basics

- Ellen MacArthur Foundation: ellenmacarthurfoundation.org
- News and updates: circulatenews.org
- Case studies: ellenmacarthurfoundation.org/case-studies
- Co.Projects: ellenmacarthurfoundation.org/ce100-the-programme/enabling-collaboration
- Cranfield University and the circular economy: cranfield.ac.uk/centres/centre-for-competitive-creative-design/our-communities-of-practice/circular-economy

Design and business models

- Creating business value with the circular economy: paconsulting.com/insights/circular-economy
- Circular Design Guide: circulardesignguide.com
- The customer-led revolution: paconsulting.com/insights/2017/the-customer-led-revolution
- Summary of how to build successful circular business models: rebus.eu.com/wp-content/uploads/2017/10/REBus-project-Most-common-learning-points-for-organisations.pdf
- Consumer demand for business models: wrap.org.uk/content/resource-efficient-business-models-consumer-research

Resources for electrical items

- Better Appliances: wrap.org.uk/betterappliances
- REBus case studies (including Argos, Samsung, Riversimple and Sky): rebus.eu.com/resources/case-studies
- Product lifetime (electricals): wrap.org.uk/sites/files/wrap/WRAP%20longer%20product%20lifetimes.pdf

Resources for clothing items

- Circular Fibres Initiative: ellenmacarthurfoundation.org/programmes/systemic-initiatives/circular-fibres-initiative

Disclaimer

This paper is a product of the collective expertise of members of the Co.Project, coordinated by Walmart and written by a team from PA Consulting Group, with reference to the wider Ellen MacArthur Foundation's research. While the contributors listed in the acknowledgements provided significant input to the development of this paper and the supporting case studies, their participation does not necessarily equate to endorsement of the paper's contents and conclusions.



CE100 About the CE100

The Circular Economy 100 is a pre-competitive innovation programme of the Ellen MacArthur Foundation, established to enable organisations to develop new opportunities and realise their circular economy ambitions faster. It brings together corporates, governments and cities, academic institutions, emerging innovators and affiliates in a unique multi-stakeholder platform. Specially developed programme elements help members learn, build capacity, network and collaborate with key organisations around the circular economy.



About Collaborative Projects (Co.Projects)

Co.Projects are opportunities for formal pre-competitive collaboration between CE100 members. They are driven by members, for members, and their focus can range from research initiatives to pilots and toolkits. Co.Projects leverage the CE100 network with the aim of exploring opportunities and overcoming challenges commonly faced by organisations making the transition to a circular economy, which they may not be able to address in isolation.



About the Ellen MacArthur Foundation

The Ellen MacArthur Foundation was created in 2010 to accelerate the transition to a circular economy. The Foundation works across five areas: insight and analysis, business and government, education and training, systemic initiatives and communication. In its business and government programme, the Foundation collaborates with its Global Partners (Danone, Google, H&M, Intesa Sanpaolo, Nike, Philips, Renault, Solvay, Unilever), Core Philanthropic Partners (SUN, MAVA, players of People's Postcode Lottery) and its CE100 network (businesses, universities, emerging innovators, governments, cities, affiliate organisations) to build capacity, explore collaboration opportunities and develop circular business initiatives.



About PA Consulting Group

An independent firm of over 2,600 people, PA Consulting Group operates globally from offices across the Americas, Europe, the Nordics, the Gulf and Asia Pacific. PA's deep industry knowledge together with skills in management consulting, technology and innovation allows them to challenge conventional thinking and deliver exceptional results that have a lasting impact on businesses, governments and communities worldwide. This extends into PA's work in sustainability, where they enable organisations to make the most of the circular economy. PA advises major brands in making their supply chains more commercially and environmentally sustainable. They apply their innovative technology and manufacturing expertise to reduce – or derive value from – waste. And they design new business models to help organisations embrace the growing market for sustainable products and services. PA is proud to be a member of the Ellen MacArthur Circular Economy 100 and a partner to the UN Global Compact Project Breakthrough.



About Walmart

Walmart Inc. (NYSE: WMT) helps people around the world save money and live better – anytime and anywhere – in retail stores, online, and through their mobile devices. Each week over 260 million customers and members visit our more than 11,600 stores under nearly 60 banners in 28 countries and e-commerce websites. With fiscal year 2017 revenue of \$485.9 billion, Walmart employs approximately 2.3 million associates worldwide. Walmart continues to be a leader in sustainability, corporate philanthropy and employment opportunity.



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