



From talk to action

Paving the way for a circular economy in
the consumer goods and retail industry

Executive summary

KPMG International

kpmg.com/CircularEconomy





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In a world where our reliance on finite resources has pushed our planet to its limits, we stand at a crossroads. The linear model of consumption, which has long been the norm, is proving unsustainable. As we awaken to the environmental and economic toll of this 'take-make-waste' approach, the circular economy presents itself not merely as an alternative, but as an imperative to balance economic growth with ecological and social stewardship.

This imperative is particularly pressing in the Consumer goods and retail (C&R) sector. Consumer goods are part of our daily lives. We use them in vast volumes and variety, often with avoidably short lifespans and a high impact on the planet's resources. With the sector depending heavily upon finite raw materials and fossil fuels, it finds itself increasingly vulnerable to social, environmental and economic risks.

Added to these risks are further layers of pressure — from governments and regulators, through to incentives, taxes, and mandatory disclosures. As well as from consumers, who are becoming ever more aware of how their buying decisions affect the environment and our way of life.

Circularity brings significant opportunities for C&R to reimagine the future. From the more efficient use of resources, more resilient supply chains, lower production and waste management costs, through to innovative new business, synergies and collaborations, we believe it's an opportunity too costly to ignore.

Assessing circular progress: KPMG's consumer goods and retail circularity readiness assessment

Shifting from established linear models to circular ones — while monitoring and reporting progress — is a major undertaking that should ripple out to every part of a company's operations. KPMG's consumer goods and retail circularity readiness assessment aims to provide a snapshot of where the C&R sector stands today on its circular transition.

With a focus on six key circular economy areas, we present a readiness assessment, share examples of good practices, and offer recommendations for accelerating circularity at scale across the sub-sectors of consumer electronics, fashion, food and beverage, furniture, home and personal care, luxury goods, and retail.





KPMG's C&R circularity readiness assessment methodology

The six areas evaluated as part of our assessment are:



1 Ambition and strategy

Creating a comprehensive circular vision and strategy, defining clear objectives, and devising an implementation plan.



2 Goals and targets

Establishing measurable circular goals and targets, and tracking and communicating them to stakeholders.



3 Knowledge and resources

Allocating resources and developing skills to help accelerate circular practices alongside educating consumers



4 Resource inflows

Assessing input resources and carefully selecting materials to facilitate circular design and operations.



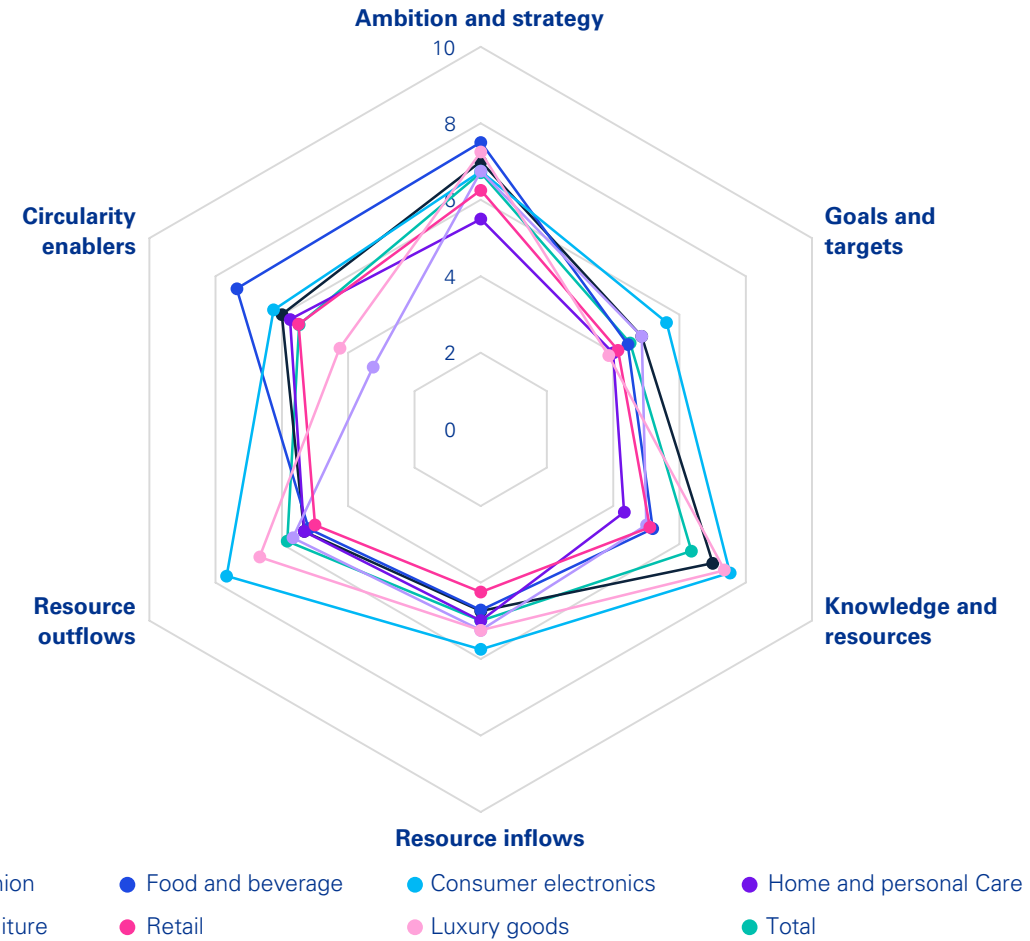
5 Resource outflows

Monitoring outgoing products and resources to create closed or open loops that support circular business model implementation.



6 Circularity enablers

Developing solutions and fostering industry collaboration to enable systemic change.





Key findings



1. Ambition and strategy

Creating a comprehensive circular vision and strategy, defining clear objectives, and devising an implementation plan.

Encouragingly, most companies across all selected C&R sub-sectors have declared a circular ambition, which sets a path for circular product design, procurement, manufacturing, packaging, and marketing and sales — a lengthy process that we believe needs to be put in motion today. A majority also have strategies for upstream sourcing, resource efficiency, and end-of-life management.

To help bridge the gap between ambition and action, companies can take several crucial steps:





2. Goals and targets

Establishing measurable circular goals and targets, and tracking and communicating them to stakeholders.

Of all the areas in the report, 'goals and targets' received the lowest score, suggesting uncertainty about what companies across sub-sectors want to achieve and how best to go about it. Companies in the consumer electronics sub-sector appear to have the most comprehensive circularity targets, including reducing the use of virgin plastics and sourcing more recycled materials.

Steps companies can take to embed targets into their business plans and strategies include:

1

Clearly define what circularity means

to avoid greenwashing risks (e.g. when using terms like "circular products") and clearly communicate targets and performance based on stakeholder expectations and requirements (e.g. on ESRS E5).¹

3

Integrate circular economy targets with climate and business objectives

by understanding the carbon footprint, quantifying the emission reduction potential of circular economy interventions across the value chain, and integrating circular key performance indicators (KPIs) into climate action plans and business objectives.

2

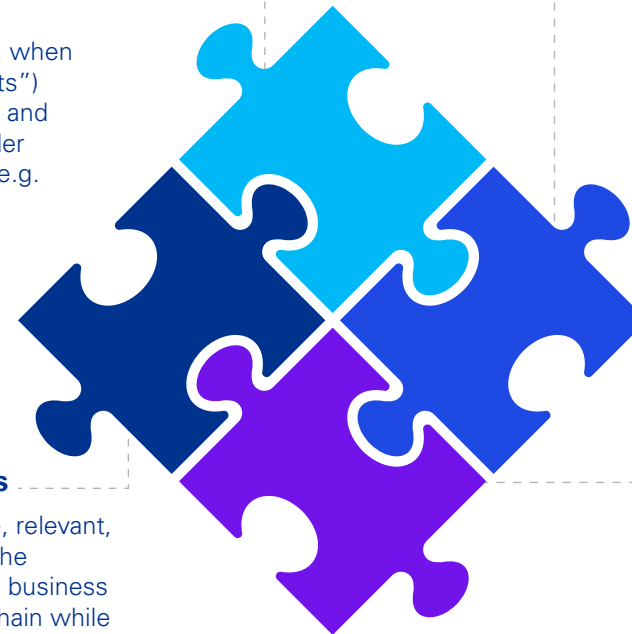
Formulate 'SMART' targets

(specific, measurable, achievable, relevant, and time-bound) that help drive the adoption of circular products and business models across the entire value chain while considering unique product characteristics and complexities.

4

Measure and communicate

by considering the entire value chain and using frameworks such as the Circular Transition Indicators (CTI) to determine emission hotspots where circular strategies can have the biggest impact.



¹ European Sustainability Reporting Standards (ESRS) E5 is the draft standard that specifically focuses on resource use and circular economy.



3. Knowledge and resources:

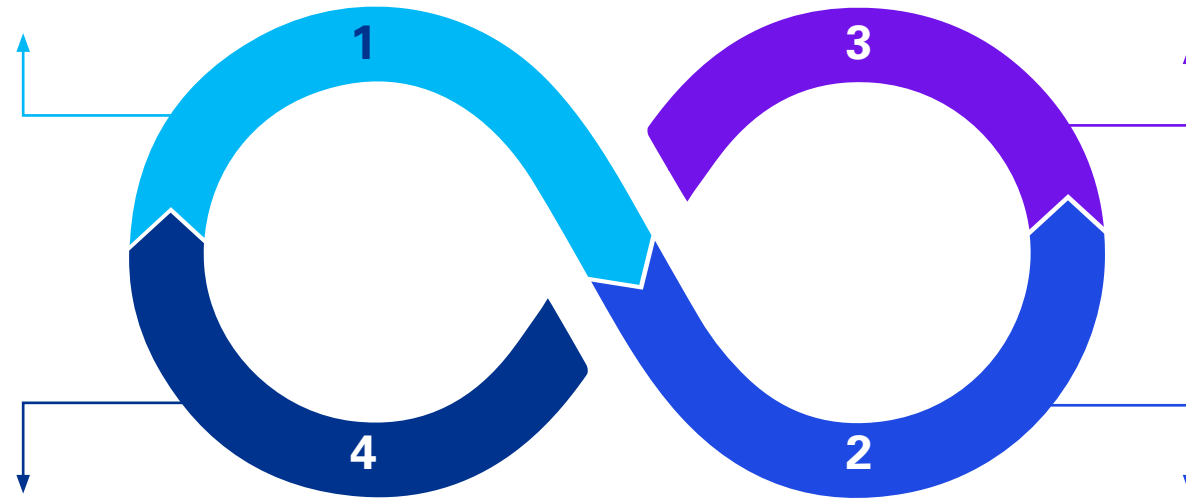
Allocating resources and developing skills to help accelerate circular practices and consumer education.

When it comes to allocating and upskilling resources to drive circularity initiatives, companies in the consumer electronics sub-sector achieved the highest maturity score, with luxury goods not far behind. Across these sub-sectors, a willingness to upskill employees and onboard suppliers has rooted early-stage successes.

Recommendations for improving circular training and awareness include:

Empowering employees by building specific skills as well as a broader understanding of circularity across strategic, technical, and governance aspects. Interactive classroom sessions, workshops, and brainstorming sessions can make learning effective.

Engaging key suppliers in the circular journey through a well-defined strategy to implement awareness programs, provide incentives, set clear contractual obligations to adhere to circular requirements., and collaborate closely to design circular products.



Working cross-functionally by bringing together representatives from key departments like R&D, procurement, manufacturing, logistics, marketing, and sustainability to align on objectives and define a common ground for knowledge sharing and collaboration.

Educating consumers to understand how their actions impact the environment. Tell engaging stories about circularity, positioning it as 'the norm', and use social media, in-store displays, and community outreach with added incentives to help push home the circularity message.



4. Resource inflows

Assessing inputs and shifting to circular materials.

In some C&R sub-sectors, companies are beginning to monitor the materials they use in production, but significant gaps remain, especially for supplier-related data. With a host of new initiatives for designing circular products and selecting circular materials, the most highly ranked sub-sectors for measuring circular resource inflows are consumer electronics, luxury goods and furniture. Although C&R companies are increasing circular inflows — such as renewable, recyclable, and recycled materials — there is significant potential to achieve circularity by design for products and packaging.

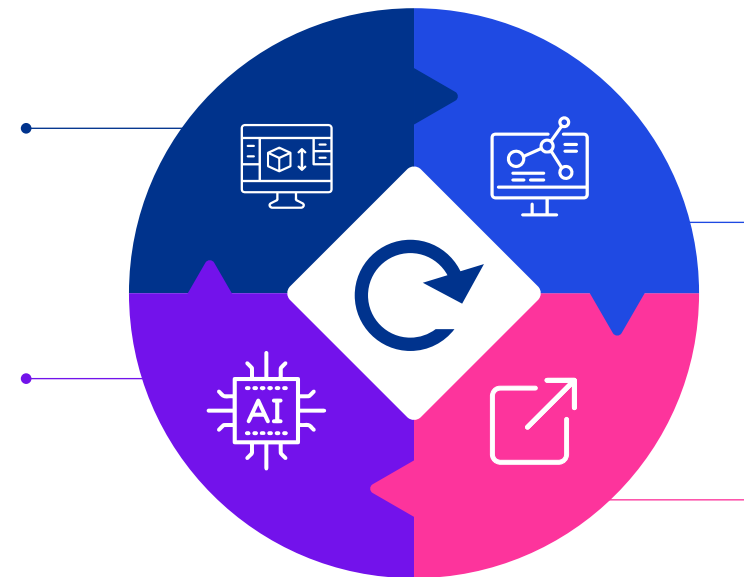
Here are some steps to help accelerate these capabilities:

Reduce inputs in design

by eliminating unnecessary and hazardous materials, non-renewable inputs — and identifying areas where packaging can be reduced or eliminated without impacting product integrity or quality.

Harness digital technologies

exploring artificial intelligence (AI) to help optimize material usage, implementing blockchain technology to enhance supply chain transparency and traceability to align with circular design principles.



Gather detailed inflow data

by leveraging procurement platforms and supplier information to access information on recycled content, product origin and country of production, and use product life cycle management (PLM) systems to track material information throughout the product's life cycle, alongside potentially including disassembly instructions for end-of-life.

Start small and scale gradually

by redesigning products and replacing materials, starting with one product category at a time, evaluating performance and scaling accordingly.



5. Resource outflows

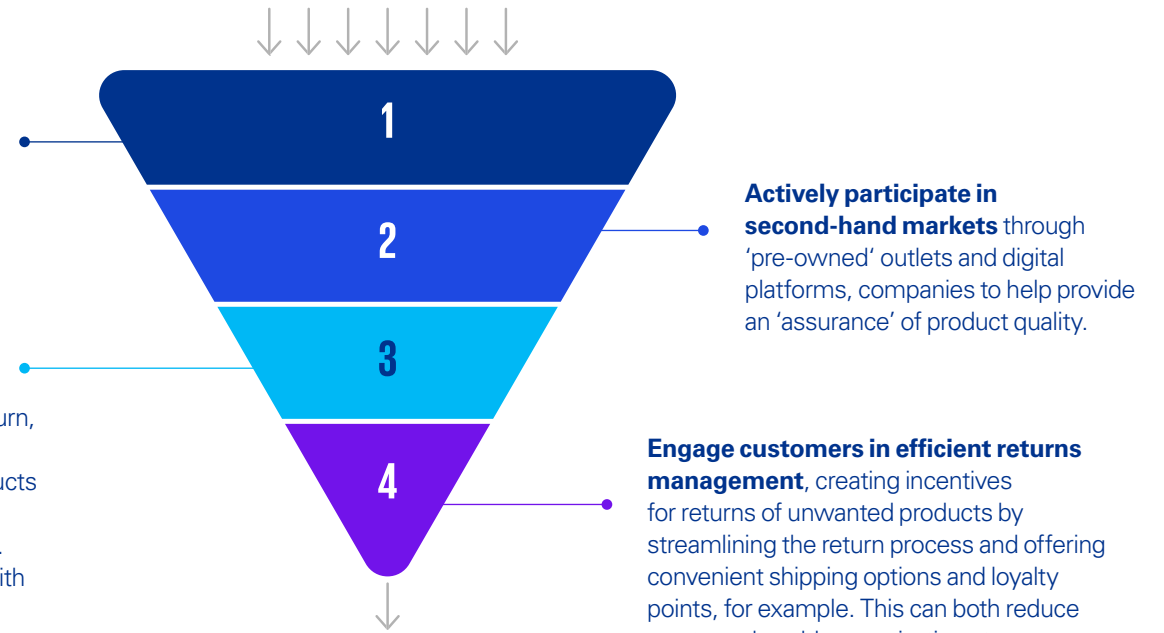
Monitoring outgoing products and resources to support circular business models.

Waste reduction and recovery are often an obvious starting point on the circularity journey, but forward-thinking C&R companies, particularly in consumer electronics and luxury goods, are seeking additional ways to reduce their environmental impact through circular business models, such as product maintenance and repairs, take-back, and second-hand markets. Despite a range of initiatives already in play, there remains significant scope for further progress in extending product life and eliminating waste — a complex challenge requiring coordination across design, manufacturing, sales, packaging, logistics and end-of-life.

Here are some potential approaches:

Explore circular business models centered around servitization and subscription models. This involves shifting from a traditional ownership model to one where products are leased, rented or shared to lengthen product lives.

Work with suppliers on reverse logistics infrastructure to help improve processes for product return, refurbishment, and recycling by efficiently handling collected products and materials, minimizing waste, and maximizing resource recovery. Companies should work closely with their supply chains.



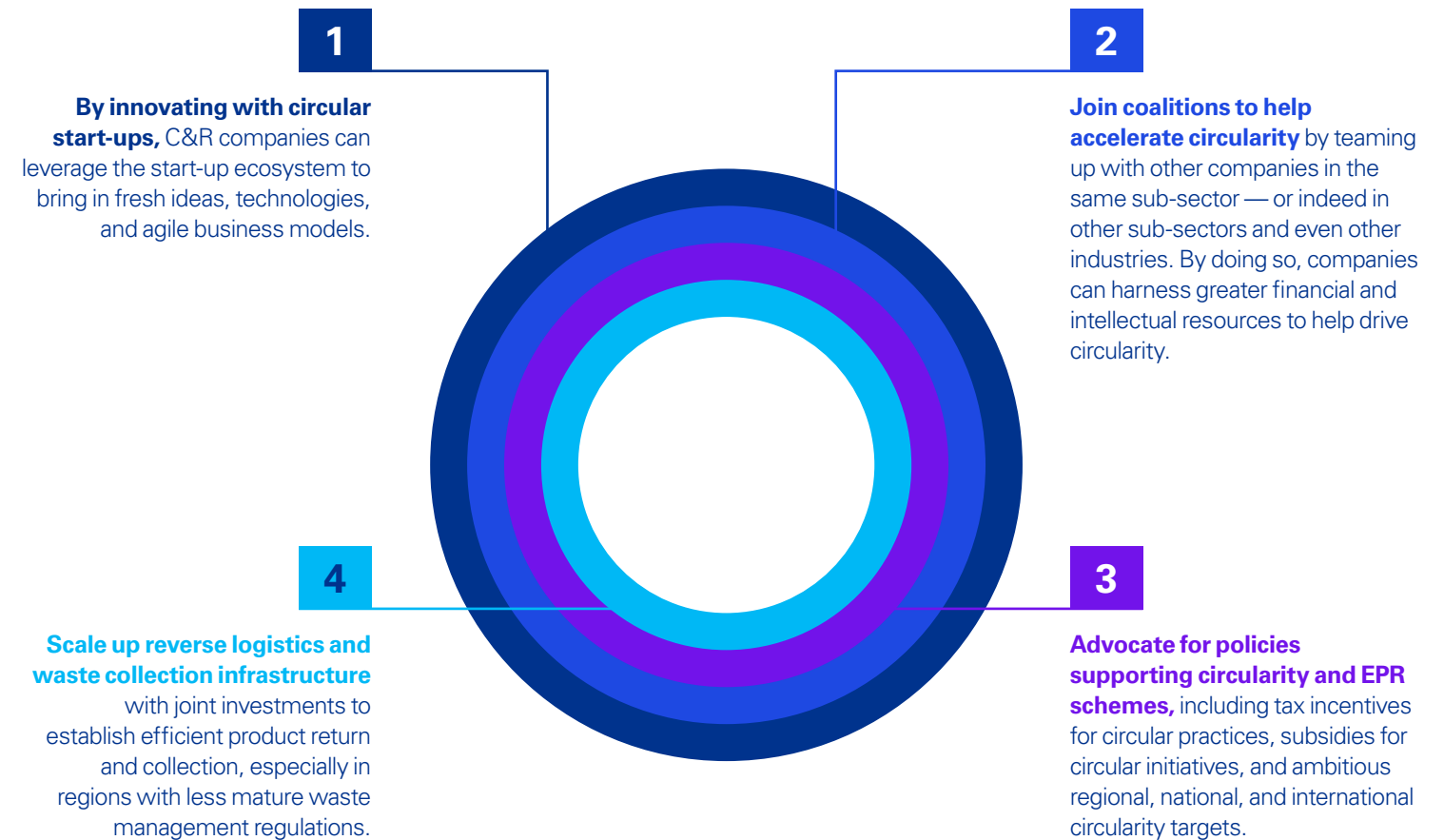


6. Circularity enablers

Working together to achieve systemic change.

Whether increasing recycled content in products, recovering materials at the end-of-life, solving the packaging challenge, extending life through repairs and refurbishment, or setting up a reverse logistics and recycling infrastructure, collaboration and partnerships are vital for the success of circular initiatives. By working with supply chain partners, competitors, specialized start-ups, recyclers, and consumers, C&R companies can share good practices, spread costs and risks across the value chain, and bring others along the circularity journey.

Here are some recommendations to drive collaboration:



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