



Your journey to a
circular business

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Welcome Message

Over the next few decades businesses will face a multitude of environmental and social changes that will bring both opportunities and risks.

In times where these changes are increasingly influencing our world, ambitions for sustainable growth are on the rise and an alternative to our current “take-make-dispose” model has to be found.

“Circular economy” is a generic term for an economic model which stands in contrast to the linear model of our current industrial economy. Shifting towards a circular economy is one of the biggest transformational challenges governments and companies are facing.

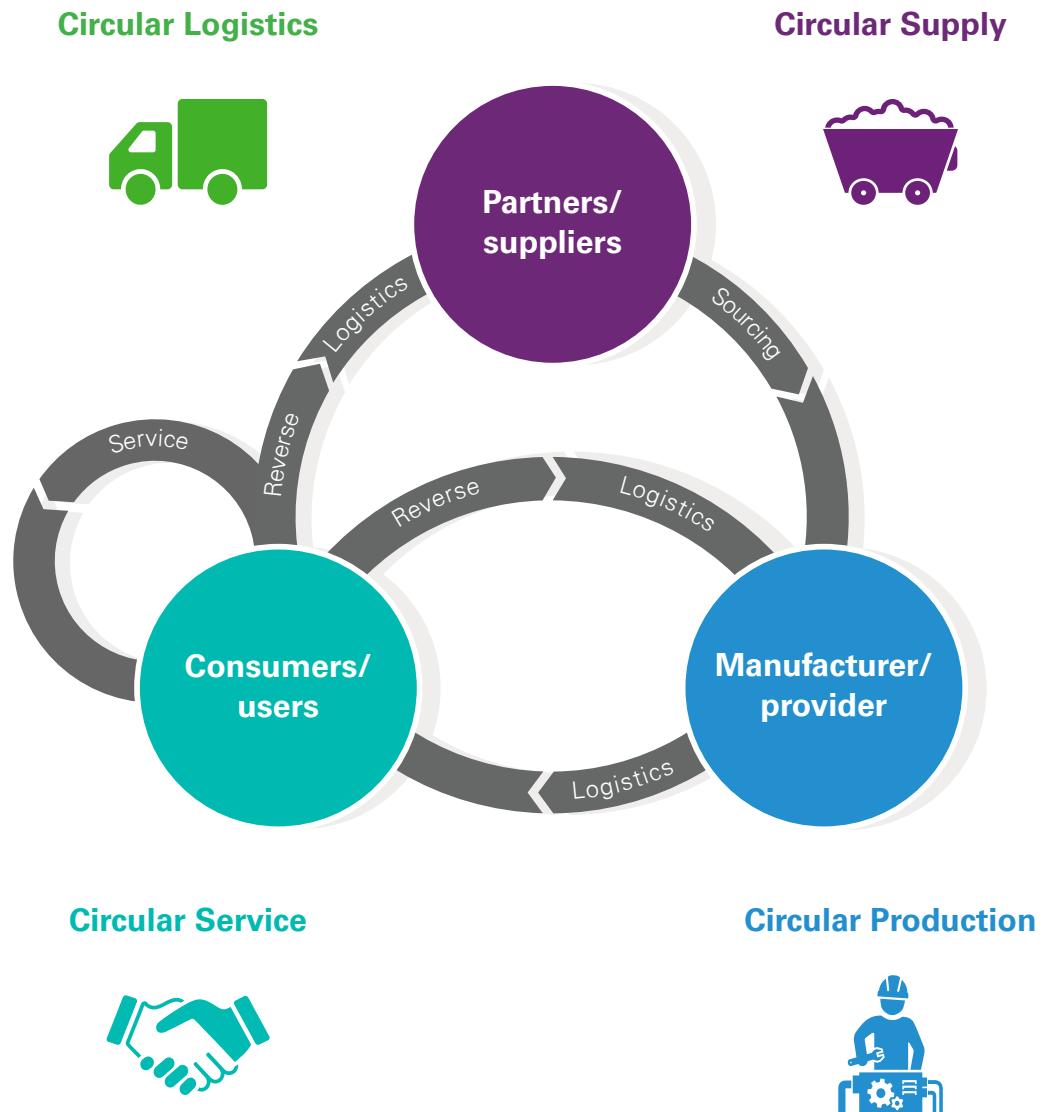
Although we are still only at the beginning, the concept of a circular economy is widely recognised, as it has already been implemented in major global companies like Nike, Coca-Cola and Philips. One thing is for sure: opening the door for a circular economy is only possible through new and innovative business models and collaboration.

We at KPMG Luxembourg have developed the KPMG Circular Ecosystem and an end-to-end service offering to help your company move to a more circular future.

Gilles Poncin
Partner

Patrick Wies
Partner





Circular Economy

What is it?

The aim of the circular economy, or “CE”, is to abolish the notion of waste. The avoidance of waste is only possible if products move within a circle and materials are reused continuously.

How does it work?

In the CE, the product follows a circular logistic path moving from partners and suppliers to manufacturers and providers to consumers... and back to partners and suppliers or/and manufacturers again. This circular logic will open new opportunities, because it transforms the formerly linear, resource-leaking process into a resource-preserving and risk-reducing loop of production and consumption.

In order to deal with the challenge of moving from a linear to a circular business model in a structured way and to maximize its potential, KPMG has identified four main circular economy business model building blocks – circular supply, circular production, circular service and circular logistics.

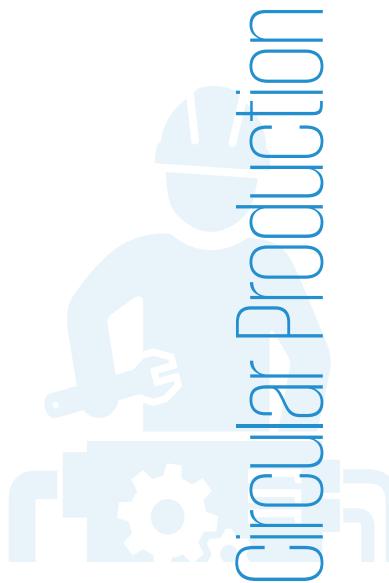
Circular supply calls for broader considerations with regards to the supply chain, including the use of more energy-efficient resources and non-harmful materials. The concept of circular production requires judicious planning and designing during product conception in order to allow for cost-efficient disassembly at the end of the life of the product. Circular service reflects upon the opportunity to provide performance through services and keep control of the asset, instead of selling a product and losing control over that asset. At the end of the product’s life, circular logistics aims to return the materials of the product back to the manufacturer and/or supplier so that they may be reused.



Circular Supply

In order to manufacture a circular product, the organisation needs to use circular materials. These will only be available through close collaboration and transparency with all actors in the supply chain. Cross-sectorial and cross-cycle collaboration is of the utmost importance to capture the highest possible value in a circular economy. In other words, the organisation needs to think in business systems and beyond its own business model, and to create value for everyone in the supply chain.

Example: Carlsberg Circular Community is a partnership ranging through the entire supply chain. This partnership rethinks the design and production of packaging.



Circular Production

Thorough planning at the design phase is needed to create an efficient disassembling process that makes economic sense. The design of the product needs to take longevity, reparability, re-manufacturability and recyclability into consideration. Some other important aspects of the production cycle are, for example, the usage of renewable energy, by-products and waste as input.

Example: Nike Flyknit shoes are designed to use 80% less material through an innovative knitting production process. Furthermore, they are produced with recycled materials.

Circular Logistics

Providing a service instead of selling products allows businesses to keep ownership of their products and materials as well as their value. One of the benefits is the creation of long-term partnerships with clients, which has the advantage of making it possible to provide an all-inclusive service consisting of maintenance, repair and upgrading of the products.

Example: Philips sells light as a service to businesses based on a long-term performance contract. Philips covers everything from monitoring to replacement, maintenance and upgrades. The client only has to "buy" light and does not have to care about buying lamps or doing installations.

Circular Service

Circular Logistics includes Inbound (Supplier/Manufacturer Company), Outbound (Company Customer) and Reverse logistics (Customer Supplier/Manufacturer). Especially the latter is an important element in order to close the circle as the materials need to be returned to the service provider, a supplier or a non-related party (i.e. raw material extraction company).

Example: Coca-Cola Enterprises (CCE) markets, produces, and distributes products of the Coca-Cola Company in Belgium, France, Great Britain, Luxembourg, the Netherlands, Norway, and Sweden. Through a reverse logistics scheme, CCE is able to recover 3 out of 4 bottle packs for recycling via national recovery systems.

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The circular economy will be disruptive. It will affect the basis on which we do business, because it challenges the linear economic model that we have become so familiar and comfortable with. It would be unreasonable to go into this new model without preparation.

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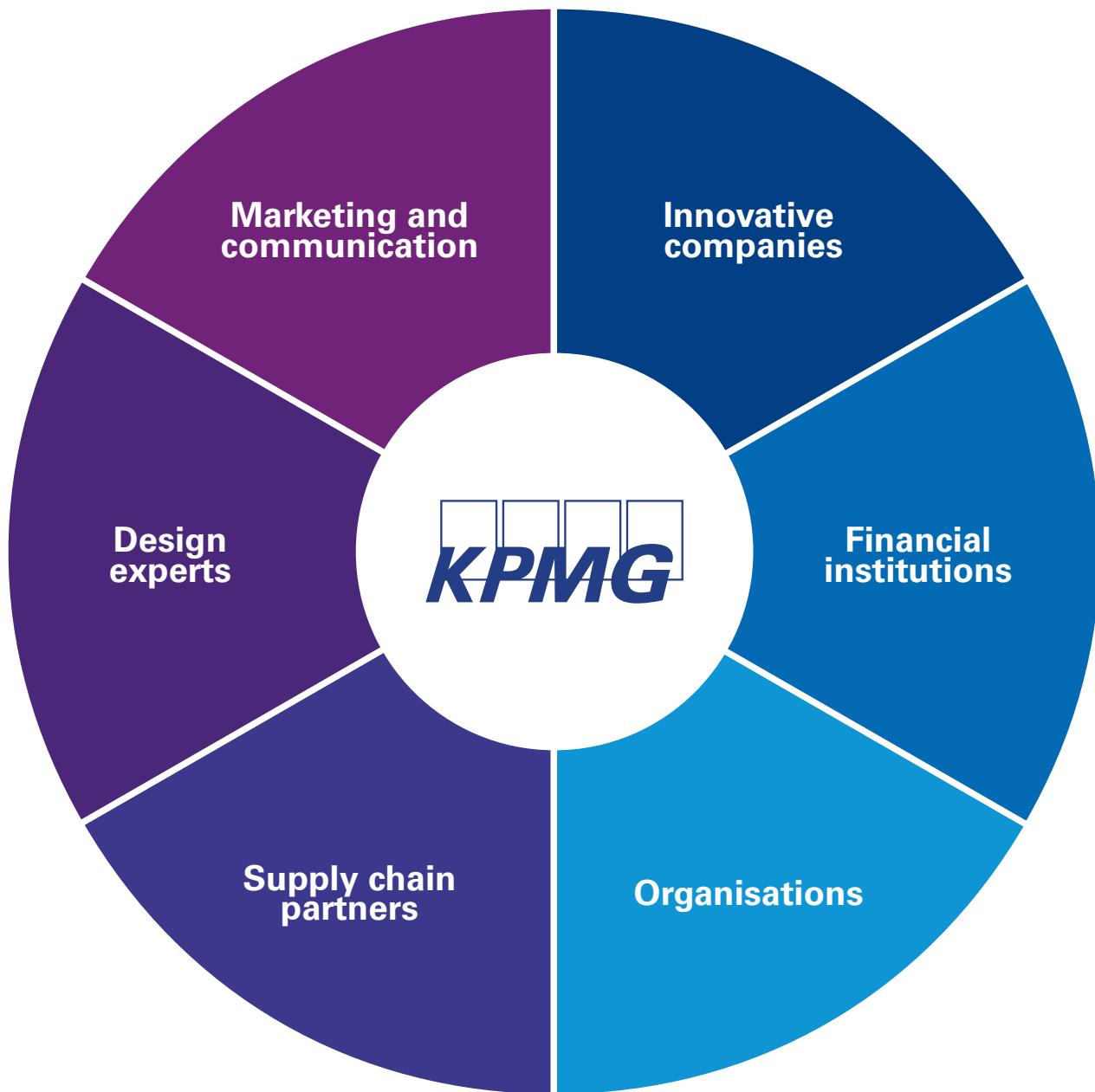
— **Patrick Wies**, Partner

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The successful adoption of a completely circular economic model will be hugely challenging because it requires moving away from deeply ingrained habits. It will therefore take time and energy. This should not be a deterrent, however: let us begin the journey.

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— **Gilles Poncin**, Partner

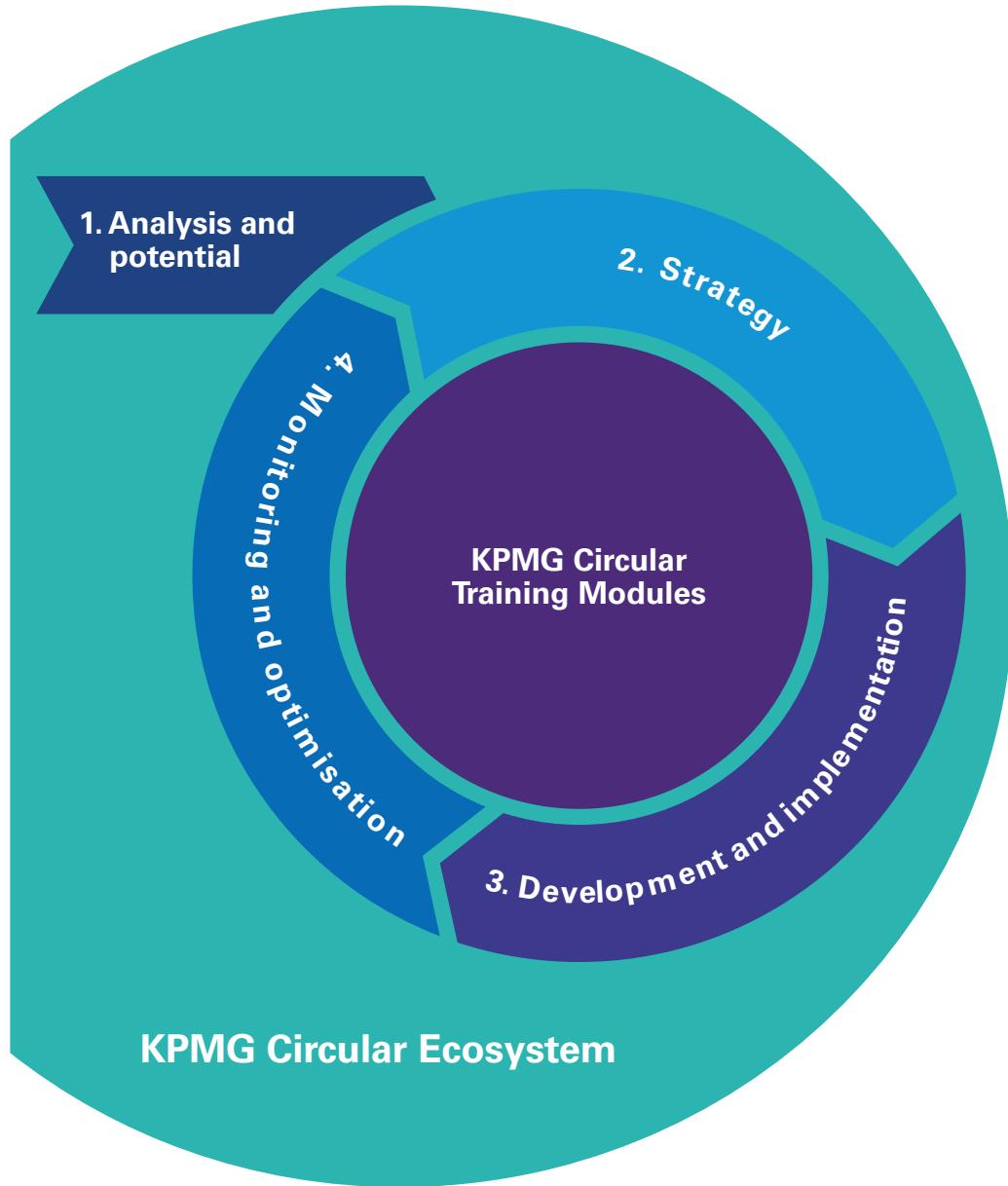


To provide the highest possible value for our clients, KPMG has developed a circular enabling ecosystem, built upon collaboration between actors from across the circular economy.

- Innovative companies focus on circular economy business models and provide gap-bridging solutions in a cross-sectorial context.
- Financial institutions share best practices on financing circular business models and provide support in financing needs.
- Public, private and non-profit organisations provide support in the development, implementation and scaling of circular businesses.
- Supply chain partners foster innovative solutions and potentially act as suppliers.
- Design experts help in creating new and optimising old designs of products.
- The marketing and communication network regroups public relations and marketing experts as well as communication partners.

These complement themselves with very diverse sets of expertise. By bundling these forces, KPMG succeeds in providing the right solution for every partner.

KPMG Service Offering



KPMG proposes a four-step circular framework to put circular business models into action.

- 1.** Starting with an analysis of internal and external factors and of our client's circular potential is the foundation of a sustainable transformation.
- 2.** This analysis will be the key input for the design of the strategy in the second step.
- 3.** Following that is the development of the business model and its implementation.
- 4.** In order to ensure the success of the transformation, the circular framework will monitor and optimise the execution of the strategy and if needed adapt its conception.

These four steps will be accompanied by the KPMG Circular Training Modules which will guarantee the necessary circular knowledge and competences of all employees during the different phases.

As mentioned before, the KPMG Circular Ecosystem will be available to facilitate the deployment of the end-to-end service offering.

Notes

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