



Scaling circular industry strategies

ESG voices podcast series

Host

Hello and welcome to another episode of ESG voices. This podcast series addresses the opportunities and challenges of the next two interviews with ESG specialists from KPMG and beyond.

Throughout this series, we will discuss a broad range of environmental, social and governance issues aiming to support governments, businesses and communities in creating an equitable and prosperous future.

In today's episode, we'll be diving into the paper published by KPMG on paving the way for a circular economy in the consumer goods and retail industry, which provides an assessment of how different consumer and retail subsectors are transitioning towards circularity and their maturity. A fitting topic given today is Earth Day.

Today we have with us three main authors of the paper from KPMG Kristel Boyes, EMA ESG Director, Consumer & Retail, KPMG in the Netherlands. Joy Jadam, Senior Manager, ESG and Sustainable Supply Chain, KPMG in Switzerland and Chiara Catgiu, Manager, Climate Change & Sustainability Services, KPMG in Italy.

Kristel to start, can you tell us why the focus on circularity in the Consumer & Retail sector? Why is it important?

Kristel Boyes

Yes. Look, in the consumer goods industry, we've created consumption as a fairly linear model where products are produced, consumed and then disposed of. But there exists broad consensus among both manufacturers and retailers that we would need to change these linear models into more circular approaches. And those circular approaches would not only be better for sustainability, but they also make sense from a cost point of view. As in a circular model, the value of materials are preserved much longer. And it's actually incredible when you look at the dollar value of all the materials that are thrown away each day. It truly is a waste in every sense of the word. For over a decade, we've been talking about circular economy in the consumer goods sector. Yet it's not been fully achieved. So in our recent publication, we delved into wide is and the report is drawing on many people we've interviewed, circularity experts and practitioners, and it gives great practical

guidance for companies as to how to accelerate on their circularity journey. So, all the way from ambition setting, for example, to choosing the right material in an outflows, but also creating the right market conditions and infrastructure and all of these things are key ingredients for more circular business models.

Host

Joy in the report, you noted progress in some senior sub-sectors while others are still catching up. Can you give us some more specific examples of sub-sectors that are successfully transitioning to a circular economy? Could you also highlight the strategies they're using and the challenges they're facing?

Joy Jadam

So in the report, we assessed companies based on six indicators and these include circular ambition, the targets they use and how they measure progress and how they measure resource inflows and resource outflows, which is the material used as inputs and process outputs such as waste or byproducts. And from the sub-sectors we looked at we found that the leaders across most indicators where consumer electronics followed by fashion and food and beverage. I would start with consumer electronics and I would then invite my colleagues, Chiara and Krystal to pitch in regarding the other two sectors, if that's okay. So in consumer electronics, these are our everyday electronic devices, which includes a range of products such as printers, smartphones, headphones, TVs and other devices. And I think the relative success of circularity in the sector can be linked to two points.

First, a strong circular ambition. And this is fundamental for any success story, and two, that companies in the sector have generally managed to link sustainability and circularity to their bottom line, mainly through focus on circular business models. We see manufacturers and retailers providing repair services, refurbishment and up to resale and trading programs of pre-owned devices. All in an effort to extend the useful life of electronic devices. And this is part of a bigger shift, one where waste in the traditional sense of the term becomes a valuable resource rather than a problem. And I encourage you to read more about this in our paper.

Host

Chiara, could you share your insights from the fashion industry? Is it any different in fashion?

Chiara Catgiu

Well, in the fashion industry, some brands are piloting take back programs where customers can return used clothing to be repaired, resold or recycled into new textiles. Others are offering repair services and promoting collections made entirely from recycled or sustainably sourced materials, also demonstrating a shift toward designing products with longer lifespans. Challenges remain, however. Scaling textile recycling technologies is still a major hurdle for the fashion industry despite notable progress in recent years.

Host

Thanks, Chiara. Krystal, what about the food and beverage industry?

Kristel Boyes

Yes, for food brands, circularity efforts have primarily focused on plastic packaging, and packaging is one way to increase circularity in foods, but there are actually much bigger issues to address in food and beverages, such as, for example, agricultural waste. However, on plastics, we do see some good examples out there now, of either less plastic or better plastic, but much more can be done. And mainly through industry wide collaboration, for example, where we implement and reuse and refill systems at large scale. Currently, we see that many of these initiatives get stuck after a pilot phase because not all players are involved. And actually then what happens is consumers still have the option to not change to a more circular approach. And change is hard, right? So we need to help them by taking away the options that are bad for business and bad for our environment. In foods though there are many unique challenges that are essential to take into account when designing more circular approaches, for example, safety and food safety and hygiene, and some trade-offs too, like balancing less plastic with shorter sell by dates. And these considerations can be different in each geography. They also depend very much on the store concept. So, for example, whether consumers are picking up items in a convenience store on their way back from work, or whether they're driving to a very large store in the weekend for their weekly grocery shop, for example. So it's very complex. And I do believe this is why this subsector is lagging behind on some aspects of circularity.

Host

Chiara, how is the concept of a circular economy extended beyond traditional recycling? And from your experience, why can it be hard for businesses to scale up circularity?

Chiara Catgiu

Circular economy goes far beyond recycling. It's about rethinking entire systems to design products for durability, reuse, and repair while adopting business models such as leasing and product as a service. Another common roadblock for our clients is the mistaken belief that circularity is prohibitively expensive and only practical for large corporations. While upfront investment may seem significant, the long term benefits often far outweigh the costs, including (???) resource efficiency reduce material

supply risks and long term cost savings. On the regulatory front, inconsistent policies and the lack of incentives can slow progress. Companies navigating this landscape often face challenges such as unclear metrics for tracking circularity or difficulties accessing material flow data. These gaps make it harder to identify where to begin and how to measure success. Equally important is the human factor... resistance to change. Transitioning to a circular economy requires a cultural shift, not just internally, but across entire value chains. Companies need strong leadership, strategic collaboration, and alignment with evolving regulations and budgets to guide this transformation.

Host

Thanks, Chiara. Joy, recycling has been mentioned a few times now. If circular economy is not only about recycling, why is recycling so important? And how does extended producer responsibility, which is gaining traction worldwide, come into the picture of a circular transition?

Joy Jadam

As Chiara mentioned one of the most common misconceptions and circularity is that it's primarily about recycling, and it is not. However, this should not undermine its importance because if we extend the life of products through multiple cycles, they will eventually reach their end of life. And when that happens, we must have efficient systems in place to collect them and recover valuable materials for reuse. Now, extended producer responsibility plays an important role in supporting these efficient recycling systems that holds companies accountable for the lifecycle of their products and ensures they take responsibility of managing these products up to the end of the consumer stage, or in other words, when they become waste. When implemented properly, extended producer responsibility can be a game changer. However, it's not a silver bullet, and that's why it's important to pair EPR with other regulations to ensure comprehensive actions. For instance, in Europe, there's the ECO designed for Sustainable Products Regulation, which creates a powerful combination with extended producer responsibility, and together they can help minimize the environmental impact of products throughout their lifecycle. And to combine this with consumer awareness, stronger ecosystem actions and driving demand for better products, as my colleagues have highlighted, we might begin to see a shift towards a more sustainable future.

Host

This sounds quite challenging indeed. What are some of the possible solutions that you've identified in the report to help companies move ahead?

Joy Jadam

Indeed, circularity is a complex topic. It requires looking at the very big picture and understanding how different factors come into play. I would like to highlight three solutions that we included in our report to help advance circularity in consumer and retail. First, it's important to foster the right culture within the organization. This means working across functions, educating and upskilling employees so that everyone from the product designer to the marketing team understands the environmental impact of their decisions throughout the product lifecycle. Second, we've determined that a successful transition must go beyond a single organization.

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And this is such a transform emotive topic, and no one can achieve this alone. And here we talk about the importance of value chain collaboration, engaging suppliers and sustainable sourcing logistics partners to optimize packaging and transportation, as well as recyclers to boost material recovery, among others. And to go further, we've seen that joining forces with peers and even competitors through industry coalitions is really effective and harnessing the power of collective action to advance circularity. And the third point relates to the critical role that consumers have in closing the loop. This requires a behavioral change when buying pre-owned products becomes the norm. And this brings us back to the importance of education and awareness that you mentioned previously.

Host

Chiara, which industries are leading the way in adopting circular economy strategies, and what best practices can others learn from them?

Chiara Catgiu

To build on what Joy just said. Our report delves into a variety of strategies that can pave the way for a more circular approach. Circular economy strategies play a pivotal role in reducing greenhouse gas emissions by minimizing resource extraction, lowering waste, and optimizing product lifecycles. Beyond environmental benefits, they also help companies build resilience against resource volatility and market disruptions. Measuring progress in this transition is essential. Frameworks like the circular transition indicators, or CTI provide valuable insights by tracking how effectively resources are retained within the system, and our reliance on virgin materials is reduce metrics such as greenhouse gases impact often further indicators of circularity success in that (??) strategy. Financial performance or so that is part of the story with indicators like cost savings from resource efficiency. Revenue from circular business models and reduced capital allocation to what linear practices signal in progress. Equally important is transparent and standardized communication around these efforts, particularly in alignment with the European Sustainability Reporting Standards E5 on resource use, and circular economy. This framework requires companies to disclose resource inflows and outflows and waste, helping to foster accountability and guide better decision making during the procurement and the design stages.

Host

And Chiara. Looking ahead, how do you see the transition to a circular economy evolving in the consumer and retail sector? How will it be shaped going further?

Chiara Catgiu

Looking towards the future, the transition to a circular economy in the consumer and retail sector will be heavily

influenced by key regulations, such as the ECO design for sustainable product regulation that Joy mentioned, the Packaging and Packaging Waste Regulation, or PPWR, and the green claims Directive to prevent game washing. These regulations will drive companies to take greater responsibility for the lifecycle of their products and packaging, pushing them to design for recyclability and reuse while reducing waste across the entire value chain. These frameworks will also encourage businesses to use sustainable packaging materials and adopt circular practices that minimize environmental impact.

Host

Thanks, Chiara. So Krystal bringing everything we've discussed today together, what is your call for action for our listeners?

Kristel Boyes

Look what I really hope listeners take away from, from this podcast today is that circularity is an incredibly important topic in the consumer and retail sector. It's abundantly clear that the linear model doesn't work. It doesn't work for from an environmental point of view, but it also doesn't work from a business point of view. And we now see that the regulators is stepping in, which will drive circularity up. But also more than ever, perhaps, we see that consumer and retail businesses are under huge margin pressure. And this also, I believe, will see an increase in traction for circularity. Now we just heard from Chiara and from Joy that each sub-sector within the consumer and retail industry has its unique challenges. But a few things are in common too. So across the sector, it's essential to bake circularity into the design from the get go. So we don't wait until consumers are done using the products before we ask ourselves how we're going to recover the materials for future use. And the other thing in common is the need to collaborate. We have learned that circularity is not something we would want brands to compete on, but we want manufacturers, retailers and suppliers to work together on industry wide solutions that simply make sense for business and also make sense for the consumer, as ultimately that is what this sector is about. We know the majority of consumers is already looking for more sustainable ways to live. So the onus is truly on businesses and on brands to make circular solutions available and affordable to all of them.

Host

This has been really interesting. Thank you for all your insights. Thank you, Krystal, Joy, and Chiara for joining us today. Join us again next time for more insights from industry leaders and innovators. You can also find our latest insights covering a range of ESG topics by visiting [KPMG.com/ESG](https://www.kpmg.com/ESG).

Thanks for listening.

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