V: So, my first question is: ‘How would you briefly define circular economy and sustainable consumption in one sentence each?’

G: Right I’ll tackle sustainable consumption, if I may, first. For me it’s quite a clear distinction. Sustainable consumption is not consuming resources at a rate faster than you can replenish them. So to explain that a bit more sustainable consumption boiling it down means you shouldn’t be consuming non-renewable resources.  You can reuse them. You shouldn’t be using them in a way that you cannot recover them. You should only be using renewable resources in a way that you can discard them and replenish them and so the rate of consumption is also important. Uhm, for a circular economy, there’s lots of different definitions and the ones, obviously there’s a lot of waste industry and recycling discussion around circular economy. That’s not it at all for me. It really is that pure keeping products in play for as long as possible to achieve the sustainable consumption. So, you know, some of the technical products we use have non-renewable resources in them and therefor you cannot afford to let them go, and there’s plenty of work from places like the technical university of Berlin on how much critical raw material and precious material is lost from electronics recycling. For example, so I think they had something like three quarters of the gold in certain products is lost when they try and recycle it. So you know it is a one-way trip for some of these minerals, you know, we just cannot afford that. So circular economy is about returning those parts and components and then collecting them in a way and this is where the consumers come in. Getting it back to one place where you can properly reuse, repair, and if you have to, recycle, but recycle in a way that we gather some materials.

V: Okay, very nice definitions.

G: Alright.

V: Then, I think it’s mainly a bit the same, but it’s only interesting to hear how people do that. So my  next question is: ‘How do you explain the key-characteristics of the future circular economy to others? So it’s really about this ideal state of the circular economy that you envision when it has been fully achieved and implemented and how you would explain that to relatives and friends who do not necessarily know anything about circular economy.

G: Right, okay. That’s a good question. In think, so going back to the point about keeping products in use for as long as possible. The way that we would probably set QSA, it would be about having the right incentives in the system so that everybody is incentivised to keep these products in play for as long as possible and so that’s commercially incentives for the supplier but also use and benefit incentives for the user. So I’ll give you a brief example, so we work for the company called River Simple who make a hydrogen fuel cell car, you may have come across them already, but their whole point is that they don’t sell a car, they don’t get the customer to buy fuel. They supply the fuel, they supply the tires, they supply all the consumables, so they give you a full mobility service and that way the supplier is incentivised to reduce fuel consumption, because they have to pay for it, not the customer. So those things then make supplier want to reduce consumption and extend the lives of the product and as long as the  customer is getting the mobility that they want, everyone’s happy. So it’s that kind of example I think.

V: Okay, then, we are kind of staying in the same topic-area. So imagine a truly circular economy, how do you think consumption will change and why?

G: Uhm, there’s kind of two different elements to that for me, first of all on a gross scale, consumption must slow down, because we would be consuming far less material to achieve the needs of society. So on a grand scale, you’d see less consumption, but also you would see, I believe you would see a slowing down in consumption of individual products, because we would be making them more durable, they would be lasting longer, they might be lasting two, three, four customer life cycles as we see with mobile phones at the moment. So you’d find an old product would displace a new product in another market. So instead of me buying a cheap mobile phone, I might buy a pre-owned flagship mobile phone.

V: How else, like, if you think about consumption in the circular economy, so it’s more about like, you have products longer, you move them from one customer to another. Can you think of anything else what might change in regards to consumption?

G: Well, as we’re seeing, I’ll come up with an example later, the transactions between suppliers and customers aren’t just one way so many of the, well, most of the retailers at the moment, they’re a one-way flow of product and material out to customers and products trying to come back again, so that’s a little bit like salmons swimming upstream trying to fight their way in. In the future that won’t be the case, it will be a genuine two-way flow of product out, product back, and then redistributing that collected product into other markets or recycling outlets if that is necessary.

V: Okay, then you really  led nicely to the first part of the business model. So the sustainable business model has three bigger aspects. So that’s the value proposition then value creation and delivery and value capture. You’re first going to talk about value proposition, of which one element is customer segment and relationships. So you already started talking a little bit about that. How should companies shape their value proposition while implementing circularity and sustainable consumption?

G: Right, okay, this is exactly what QSA does with it’s clients, and this for me is the heart of all of the work on circular economy. So, you know, I didn’t encourage you to step away, there’s lots of emphasis on material flows and product flows and uh, I mean, you’ve probably worked with things like the Ken Webster work on welfare flows. It’s got to be based around providing value to the customer and if you look at all the diagrams about materials flying around, you know, there’s two little people at the middle of that, and they are the user and the customer and that’s what it all focusses on. So if the circular business model isn’t delivering value to those people, forget it. It’s not going to work as a commercial proposition. So we spend a lot of time making sure that companies think of the range of different opportunities and then identify which of those obviously are most valuable to them and which also are most valuable to their customers. So what you tend to find is companies, particularly retail organisations, they kind of got a bit blinkered with their thinking about how they serve the market and they’re looking at their competitors and they’re selling stuff cheaper and cheaper and throwing more stuff out there and actually what does your customer want? Is that what they really want? You often find actually what they want is more convenience, and so how do you meet that need? And can you make that more profitable but slow down the rate of product going through but still make at least as much profit. So, I’ll give you an example of that, we worked with a tire-retreading-company called Bandvulc in the UK and they were selling tyres that they were retreading, putting tread back on old tyres. And their customers were saying, well you know we need to cut costs. But they were facing rising raw material costs and so they wanted to raise prices, you know there’s a natural conflict there. You know, at the end of the day, they were selling tyres into a market trying to win tenders for selling tyres. Really what their customers wanted was trucks that run you know. They don’t want to have to change tyres, they just want to know the truck’s available, the tyres are fit for purpose and it’s going to be able to do its delivery. So, we’ve worked with Banvulc to develop a tyre-management-service which they now operate very successfully. And so they run the fleet of tyres for the retailer and they do it for about two thirds of the UK retail market. Now they’ve really cornered the market, no pun-intended sorry. But essentially they’re selling miles of use rather than individual tyres and so that gives the customer the benefit but also because they’re not selling the tyres. When the tread is warmed down, they get them back, they asses them and then they remanufacture them and use them again. So they’ve added value to what the customer gets, but they’ve also got value back because they’re getting the core back that they can remanufacture.

V: That’s a very good example, and you’ve also now touched the product and service…

G: I’m sorry, I’m jumping ahead.

V: No, it’s perfect, I’m just trying to see because I would like to cover all the elements, but so you already started talking about in this specific example, about product and service so that may have basically servitised the service or the offering … and then how else do you think should companies shape their product and service and how do they already do it in order to achieve circularity?

G: Some of them do it by accident, because they have to make a very good product, so we’ve also worked with a company in the UK called Stannah who makes stairlifts for residential homes and care homes, so you know, where disabled or elderly people can’t get up the stairs they fit a rail and a seated chair lift that goes up the stairs. You know, their products are really really well built and have a durability far beyond that of the typical usage cycle of a customer and so there’s a guy there called Charley Simmons and he works on the sustainability, he’s done a study on remanufacturing and, you know, actually if you could recover that product, it’s very, very well suited to taking certain parts out. Obviously things like cover-services would have to be replaced, but many internal parts could be reused or remanufactured and they’re the most expensive parts of the equipment. So, you know, they’re the ones that save the most money in doing a remanufacturing job. So, there’s kind of, there’s risk there as well because if you make a really good product and it’s, so there’s a little bit of a bugbear of mind of circular economy there so people talk about design for circular economy and wouldn’t it be nice if things were made better? Well, yes it would, but if you’re not careful your competitors will take that value away. So there is a very active after-market in the UK for used stairlifts. So, you can go, we have websites here called webuyanycar.com, I don’t know if you’ve heard of them. There’s actually one called webuyanystairlift and you know they will. They’ll take stairlifts out of homes and refurbish them, not fully remanufacture them, but you know, tart them up, and then you know, sell them on at a lower price than the cost of a new one, but you know, there’s plenty of value in there and people are prepared to go on e-bay you know. They’re thousand pounds, fifteen hundred pounds for a second-hand stairlift. Now , you know, if I’m the manufacturer supplying into that market, there’s two things going on there. First of all, well there’s three things actually. First of all, someone’s making money out of my products, why aren’t I doing that? Secondly, someone is probably trading on my brand name without my consent or really me getting any value out of it again. So they’re selling a Stannah stairlift because it’s such a good quality and I’m getting nothing out of that. And then thirdly, you know, there’s this whole aftermarket creating value, why am I not competing in that market somehow?

V: Yeah, so then again, they’re actually competing against you, because if they buy a used stairlift, they obviously not buying a new one.

G: So, you know, I mean certain customers may be in the position, I can get a Stannah stairlift for this price, why would I pay the full price for a new one. The same way you have the cars but, you know it’s important to look at other markets that are sometimes a lot exactly the same as yours, but have similarities to see how they work and draw those lessons across.

V: Okay, and what do you think should be the value proposition for the society and the environment? So …

G: So yeah, the value proposition for society in general really has to focus about meeting their needs in the most effective way and we often do this without business models and at the moment that often centres around our convenience but if you look at models like Zipcar, anywhere where you start utilising assets more effectively in spare capacity. So one of my colleagues at QSA runs a car sharing company called Cocars in the southwest of England. You know, it’s about those models where you can share assets and provide a convenience service to customers without them having to pay all their capitol out. You know, why, why own a car when I can access one.

V: So that is value that is often to customers right?

G: Yes.

V: And for the wider society? What do you think how should companies make in the transition, how much should they change how they offer or yeah, their value proposition for society and the environment? So beyond just customers?

G: That, we don’t tend to look at that I have to say because getting business… sorry it’s just jumping ahead to your next question as well but, getting businesses to adopt circular business models, being very honest with you, the societal and environmental benefits are not the primary objective for them. They are happy when environmental benefits happen as a result of the business models, which they do, but they are not, you know, when they’re targeting a new proposition, it’s, you know, how do we increase profitability, how do we retain customers longer, you know. It’s not about how can we better serve a society? There are some elements of the, you know, start of these refurbish business models, you know. You increase scales and your work force and you improve customer loyalty so you … and your ability to employ people, but broader society outside is rarely their primary consideration. If you look at it, you know, the company directs its role, it’s not strictly speaking to protect all of society. So, you know, and even though there are elements of that in their role, they don’t tend to pay attention to that, let’s be honest.

V: Yeah, no very true.

G: Just a very enlightened director that will see that.

V: Let’s see, maybe that…

G: They do, they do, you know, there are some. So and those ones you can tend to spot because they’ll talk about circular economy before they necessarily develop their business model. So they see it as a visionary thing they want to step towards. An example of that I guess would be Isla bikes where they’ve started talking about circular business models through their bikes and they haven’t really come up with a proposition yet.

V: And how do you spell that Isla bikes?

G: I S L A. Bikes, they make, what they’re famous for in the UK is making bicycles for children that are very high quality. So that they’re very expensive, but if you, again, if you go on Ebay, a second-hand Isla bike still sells for a lot of money. And, because they’re such a good quality bike. So instead of buying a cheap Chinese bike, which the kid can’t ride very well, they get a really nice bike and they learn to love cycling. So the product is inherently designed in a way that it should be able to make it into a circular economy more easily.

V: Yeah, yeah exactly because it… So let’s go to the next element of the business model. That is value creation and delivery. It’s about activities, key resources, distribution channels, partner suppliers, so, don’t worry you don’t have to remember them. I’m gonna get back to those if you don’t talk about them. How do you think companies should create and deliver value in the transition to the circular economy?

G: Uhm, a tool that I really really like to do this, have you seen the Centre for industrial sustainability’s value analysis tool? They have a spiral diagram.

V: Not sure, I need to check that out.

G: Uh, so there’s a website called industrialsustainability.org and the Centre for industrial sustainability is a collaboration of Cambridge, Loughborough, Cranfield. Nancy will know them, because she was there.

G: So they have a spiral diagram which is a pretty way of doing it. It’s just that, I mean you could draw it as a table, if you like, but a diagram looks nicer. And they talk about understanding and assessing based on your unit of operation how much value you’re creating and how much access value there is, how much value you’re destroying or losing. And you consider a range of different stakeholders. So obviously, your company and your employees and your funders and your suppliers, but then you start looking at the wider society and the environment. And uh, they don’t include competitors, but they should include competitors because you know, if your selling something they can make money out of then you know, they’re getting value out of your product. And if you go through that kind of rigorous assessment, it’s not something you do with the board of a company, because they get bored very quickly, but it’s a bit like. I used to work in the chemical industry and you do something called a hazard an operability study and you look at a chemical plant and you do all of this really detailed assessment on all of the parts of the process, and it would let you understand where the biggest hazards and issues were. It’s a bit like that. You look at the business model and you look at all these points of value and where it’s being generated and lost and given away and destroyed and you say: ‘Well actually if I could solve that problem for those people, I could generate more value, and I could monetize that.’ So if you think about things on medical equipment, the insurance industry is a major player in that market because they’re paying for the medical treatment. So if you can reduce the cost of treatment for insurers, there’s a value to be generated there. You know, somehow you can monetize that.

V: How should they change the activities in order to achieve that, the companies?

G: Well that comes out of the value analyses. That helps you identify where your best opportunities are. Whether you can build a proposition around that the customers want is a different challenge. But that certainly helps you identify. I’ve got a diagram somewhere and it’s quite an interesting one. There’s this study by Deloitte. It’s copy is old now, but it’s the value of the US automotive market, and it’s something like two or three trillion dollars, but only about half a trillion of those dollars go to the people who make the cars. And, I know that half a trillion dollars goes to people who make fuel and a quarter of a trillion dollars goes to people who insure the cars, and so lots of other people are getting value out of something that only one set of people are making. And, when you start to understand those kind of pictures, that’s where you begin to identify how you can link up with other partners or other suppliers a bit like Riversimple, with a hydrogen car, you know. If they’re paying for the hydrogen fuel, you know, then the hydrogen supply chain becomes part of their business proposition rather than BP an SO and all the garages that are on the roads.

V: So the activities are mainly that they integrate more activities?

G: You can do that, you either integrate more activities or you work with a partner who benefits more directly from your offer. So we’ve worked with a company called , Mujo, who make exercise and assessment equipment. So it’s sort of a shoulder exercise equipment, a bit like you find in gym, but it does all sorts of very  analysis on the movement of your shoulder and how effectively and it’s very good for people who’ve suffered shoulder injury in assessing how strong they are in a number of different directions at the same time, which is a very difficult thing to do. Now we’ve talked with them about a paper use model rather than trying to sell this very expensive equipment, because you know, not many places could justify a large capital expense for something that’s a little bit specialist, whereas if you said well you know, per patient or per set of treatments, it’s this much, you know. They’re happy doing that because they’re normally linking that to a patient has got an injury. That is a cost of treatment of the patient and they can see very clearly how that ends up in benefit and that it’s worth the money. If they had to buy it upfront, they’d kind of be thinking: ‘How many patients am I going to get? How quickly am I going to recover that?’ You know, and you just take all of that concern away from them. So, you sort of make the value much more simple for them to understand.

V: Okay, that’s also again a bit back to the value proposition right?

G: Yes.

V: Okay, so what do you think  are some key distribution channels or how should the companies change their key distribution channels or what have you seen in the transition for the circular economy, which distribution channels are they then using or transitioning to?

G: Yeah, that’s a good question, I’ve not seen a massive change. Well, it kinda goes along side in the UK certainly we’ve seen a massive change to home delivery services or click and collect. Which is much more convenience. You know, customers love it. It’s great, but it’s very very expensive and retailers, back to that point that I made about looking at competitors and wondering what they’re doing, retailers saw each other doing click and collect and delivery and and gone: ‘I’ve got to do that so I’m as convenient as them’, and then they’ve done it and then they thought: ‘Oh my god, this is costing us a fortune.’ And suddenly they’re not sure whether they can start charging for that service or… Anyway, they’re now in a position where they’re distributing goods in a very different way. And by coincidence  those same distribution channels can work very effectively as return channels, because they now have a lot of vehicles going backwards and forwards, not necessarily full and so their return capacity is much greater than it ever used to be. So that by luck, that is a change in collection channels that we now see, and having worked in electronic products for a long time, are you familiar with the waste of electronic equipment regulations?

V: No.

G: No? Okay, so European directive: Every country has to collect a certain amount of, which is called wee, and different countries have done it in different ways. So Ireland implemented it literally, saying: ‘You’re a retailer, it says in the regulations you’ve got to start collecting your stuff back, there you go, start collecting your it back.’ That really didn’t go down very well, but they implemented it.

V: I think we’ve had that in Germany for a long time that retailers have to take it back.

G: Yes, you have, it’s been around for a long time, but in the UK, the government gave retailers a kind of a get-out-claw saying: ‘Well as long as you pay into a scheme, you can just tell the public to go and take their stuff to the local recycling centres. You don’t have to accept your stuff back in store.’ Ten years ago when it was brought in,  it was lovely, because it kept all that horrible dirty waste of the store. Nowadays, retail in the UK certainly changed massively and a retail store is not always where you do the transaction of trade. It’s called, they talk about now retail destinations there. Lovely fluffy places and you go and look at the stuff and then you can order online later. So actually things that drive customers into stores are welcome now and so retailers now, and one retail in the UK saw this 10 years ago and didn’t join this recycling centre scheme. They said: ‘No keep renewing it back into us, keep the new stuff to us, we’ll recycle it.’ And that’s the whole point you know. You’ve got an old item, you want to buy a new one. This one’s broken, I’ll take that into store, I’ll go and have a look. You know I can look at it, compare it to the new ones on the shelf and then I’m in the store and I’m making part of my purchase decision. So you know, if retailers work out that some of this behaviour actually helps them, they will then change the way they interact with their customers to get that return flow more effectively.

V: So stimulating that and making it easy for customers again, back to the convenience. Perfect right. And what do you think and should be the role and how are companies using key resources, so tangible resources, intangible resources and human resources in the transition?

G: I think you’ll see there’s a difference here between cause and effect I think. You’ll see some impacts of resource used, both tangible and intangible, but I doubt you’ll be able to prove that they were intentional. So growth in repair economy, it will happen. They are major companies out there doing refurbishment, repair, that kind of  thing, but that wasn’t a deliberate intention on the part of the company setting up the business model necessarily. So, we worked with a UK retailer here called Argos, a major UK retailer, and we convinced them to start buying mobile phones back from customers. It’s not rocket science. People have been doing it for years, but no one’s really been doing it on the high streets and they rolled it out to their seven hundred high street stores across the UK. The fact that behind there somewhere is a company that suddenly has a massive increase in mobile phone refurbishment jobs, that just happened as far as they were concerned. They found a partner, the partner is competent, it all just happened. They didn’t set out to do that. What guided that was matching the corporate strategy was being, leading UK digital retailer and the mobile phone reuse. The digital platform reuse, linked very nicely into that corporate strategy. That’s what it was based on. It wasn’t based on these sort of other benefits downstream.

V: Argos belongs to Homebase and Habitat and others right?

G: It has changed recently. So Argos was bought by Sainsbury’s. They still own the Habitat brand, but Homebase is now a separate company. I think it’s been taken over by Bunning’s actually, an Australian retailer.

V: Okay, I moved away one-year ago.

G: They were, they were all connected, but this sort of stuff changes so quickly.

V: Can you think of anything else how they for example tangible resources and how they may change? Like the use of them or the role of them in the circular economy?  I mean a part of them is obviously looping around.

G: I think you’ll see, so the other major retailer for electronics is Dixon’s car phone. And if you look in the press, their chief executive, Sabastian James, has been for a little while now, referring to them looking at a renting service model for their customers for all their kids. That’s where you’ll see the resource change and you’ll see it put in those terms about a service that’s convenient and fixes all the problems and solves things quickly rather than trying to get customers to keep stuff for longer. This is the real challenge I think, in terms of how we change business models, but retailers and brands will always push the new exciting stuff and they’ll always be trying to turn that product over, but what you’ll begin to see, and this is probably the tangible resource thing you’ll see, is that product when it’s finished with, at the moment it’s just being thrown away. WRAP had a figure, I think, of twenty-three percent of items, electrical items, started at recycling centres were still working and could be economically refurbished to sold. I commission that piece of work so I should remember that. So what you’ll see is that, that proportion of product will actually find its way into another market, whereas at the moment it’s just all getting dumped and shredded and recycled, well in theory recycled. In terms of intangible resources, I think the other really important thing that not many people have got a handle on at the moment, is data-protection. So more and more, obviously electronic devices, but more and more other devices, you know Google has a project called Jacquard, which is a touch-service on clothing. So garments, furniture, you know, as the internet of things grows, more and more products around the home will be what we call smart. They will contain data and other factors like European data protection law will have a bearing on what happens to those products and whether it is worth doing something to them too. At least eradicate the data if not protect products. So there’s massive massive finds if people have a data breach. Something like… It’s quite a large percentage of global turnover as a fine, if you breach data protection laws in a bad way. If I start disposing of customers products and they’ve got data on and I lose that data and then they get scammed or robbed or whatever it is, the I face a fairly hefty fine. Those sort of intangible elements might drive more value, just the value of the product on its own.

V: And how do you think this technology, you talked about it a bit, like about this connecting of these different things, how do you think would technology also help in the transition to the circular economy?

G: It will help us know where stuff is and what condition it’s in, and there’s a say, ironically we’ll create intangible value. So instead of me now expecting somebody to recycle something for free, I might pay ten pounds for them to eradicate the data from it and protect my credit card information and all that sort of stuff. So there’s a number of different things. It’s where it is, what state it is in, is it available for somebody else to use? So I believe, BMW-vehicles at the moment, all BMW’s that are sold, at the flick of the switch, could be made accessible to a car-sharing business model. They just got to turn it on and a BMW could be put into a car-sharing-scheme, and other users could just access it using their mobile phone if the owner gave them permission. So that’s kind of the way technology can take us. The infrastructure is already there, but it’s just getting the business model in place that makes people comfortable with letting someone else using their car.

V: Yeah, that’s also something we came up during our masters, I think at some point we were trying to discuss new businesses and there was also like there are so many cars just standing around.

G: You need to be careful with, I know Zip-car and some of the others say, well you know the car’s only used for four percent of its time, which it is, but don’t then believe that it could be used for a hundred percent of its time. It might go up to forty percent.

V: That’s also about the convenience of the user, because if you own a car you want to have it when you need it.

G: Absolutely.

V: Okay, then we’re already reaching the third part of the business model. That is value capture. So it’s about the cost structure, the growth strategy or the growth ethos of the company and how value is captured for others. So again coming a bit back to the first bit, like for environment and society and how can value be captured for those, and how could it maybe be measured, because that it always a massive problem. Saying yeah we do something, it’s better or it’s good, but how could you measure that?

G: So we focus on this and again, back to the slightly more brute land, we focus on the cash. So we do, for our clients have a very detailed financial model and that then is able to cope with a range of sensitivity analyses to say, what if our costs double, what if only half as many people take it up, various different tunes you play on it, and so how profitable will it be, when will it be pay back. And you almost always see these models. If you’re just trading in products, buying them back, it’s quite quick cash recovery, but if you’re developing a fleet of assets and then letting customers use that fleet, you’ve got to put capital investment up front. It takes quite a bit of time for that capital to be payed back. Then you’re making a stack of cash. You really are a lot better off, but until that point, it depends if the company has the appetite for that capital investment profile or not. Modern shareholder run businesses rarely do. They want a quick pay-back, preferably less than eighteen months, preferably less than twelve. And so it’s always a difficult one for them to explain to justify to shareholders, even if they are cash rich. But you know, that’s the way it is with shareholder businesses. Privately owned companies, a little bit more appetite for that and greater alignments of value for the customer and for the society with the brand. So, if you go back to Stannah stairlifts are still run by the Stannah family. And there is still very much in ethos of… It’s not that they’re looking after patients, but their customers need their products to help them with mobility in their homes and there’s much more understanding of the customer than you might find in a shareholder owned company. So in terms of value back to society, again, what we will do in our modelling is make an assessment of, mostly we’re driven by this because these are the targets of the project, previous projects the carbon benefits and the resource saving benefits. And then you have to make a judgement call of when that asset is used for a second or third time. Is it displacing the use of the new products? Or is it actually additional use that wouldn’t have happened if this cheap product wasn’t available? And you have to try and pick out between the two. So we worked with Samsung on what’s called the upgrade-program in the UK. So they started leasing out their flagship  mobile phone last year, they’re doing it again this year. When last years’ S7 phones come back, they are still very powerful, they’re still very valuable and desirable, so it’s highly likely the users of those phones will be buying it instead of buying something else that could have been new admitted to you, a new phone. If you take an Iphone 4 or 3 now, is that an additional purchase for a household cause it’s cheap and easy to get, or is it actually stopping them buying a new one of something else? It’s difficult to tell.

V: And how do think in that, I mean, you already talked a little bit about it, but how do you think the revenue streams for the companies, they’re really concrete, they’re revenue streams are going to change?

G: That’s what we plan out and we map and we do a range of, so it’s an electronic product coming back and there’ll be a range of products grades, so you have to assess how many will be in mid-condition, how many will be totally trashed, how many will be a bit worn, what will the costs be to make those look as good as new or a reasonable condition to be sold again or leased out again, and then what’s the value of those different grades of foam, depending on which market you put them into. But you don’t always have to put them into the same market you took them out of. So going back to mobile phones as an example, there’s a massive insurance replacement market, where you know, if I have bought new I-phone seven and run the car over it, I put it in my insurance claim and I get send back a new I-phone seven. It’s been refurbished by these people. So I’m not getting a brand new one, but that is a very healthy outlet market, it doesn’t mean you’re having to try and sell to customers and sell this complex thing about well it is reused, but it is okay. Trust me, you know, it goes through a business channel which is much easier.

V: Right, I didn’t know that. And how will customers pay for products and services?

G: Well this comes always back to the customer proposition and the customer journey. Why are they parting with, you know, if you’re leasing something to them it’s probably going to be more expensive than buying it over the long run. What benefit do they get for that extra money? If you look at most standard leasing deals, you know, if you try and buy a computer on a lease deal, over two years you’re paying more for the computer than you would if you bought it. Most householder look at it and they’ll just go and they’ll buy it cause they know it’s going to last more than two years  but with a circular model, because you know you’re getting it back and you can sell it again, you can structure that lease cost in a different way. You could say: ‘Well actually over three years, it will still cost you less than if you bought it.’ Than the costumer might be interested, because they might think well actually in three years, I might want a new one anyway. So paying less than buying one, I can kind of see why I would do that and so that’s how you begin to get customers interested, is being clear that you’re sharing some value with them. You’re not just trying to recover, cause currently it still is cost of the asset plus a finance charge and interest rate. Everybody gets that, they don’t understand why they have to pay more for products if it’s going back to the supplier. So you just got to structure the deal differently and test that with the market.

V: Yeah, make it actually attractive for the consumer.

G: That’s how Bandvulc will do it with its tyres to its customers. You know the cost of using a tyre would be less than the cost of buying one cause they’ll get a call back.

V: Yeah, and  there for it makes sense for the company for them and for their customers as well. And how do you think should the growth strategy and the growth ethos change? Or have you seen in the companies that you’re working with any examples where they’re changed during the transition to the circular economy?

G: The growth strategy?

V: Maybe different types of growth or…

G: Well now you’re getting into really brutal commercial markets. Ideally the growth comes from winning competition. So, going back to your earlier question about the whole of the circular market can sustain sustainable consumption, you know, ideally we’ll see the whole market shrink but the successful players and the circular players will have a far greater share of that market. So, again back to Bandvulc, they were struggling with their retread tire and now they server two thirds of the UK van fleet market. That is massive growth. You haven’t necessarily seen consumption of tyres increase of what they do. The market did grow for different reasons, because the home-delivery market took off, but you know, their company growth was phenomenal and much greater than they could’ve achieved by just their traditional business model. And so that is where the growth structure comes from. It’s accepting the many markets in developed countries are saturated. So you’re in a product-replacement market. There’s nowhere to grow. And if you look at market information, it’s quite funny cause they’re desperate to try and identify new growth markets; you know. A few years ago it was Ipads and tablet computers and now they flattened off and then it was blue-ray players and they flattened off and it was coffee machines you know. They’re scratching around for growth products. There aren’t really any growth products anymore that are significant. It’s product replacement and so if you’re in that product replacement cycle, the most cost effective way to complete is by sharing value with that replacement customer and then you get market growth by taking market share.

V: And being the more attractive option.

G: Absolutely.

V: So we covered now all elements of the sustainable business model of this framework. Do you feel there’s anything missing? Like, spontaneously do you feel there is any element that should be in there and is not? Just if something comes to your mind.

G: When we go through business models with clients, I think what’s important is, it’s great to have a vision to look at you know, it might be a service model, but it’s not always necessarily best to go straight for that model. As we have done with Argos and people like that we’ve done, what seems like a very little step, going to buying products back instead of just selling them, that is a step that that company is able to take and the most important thing I think about sustainable business models is, it’s a journey and ideally you might get to servitisation, but you might not get there in five years. You might want to step a longer path towards it because at every point that you do that, you begin to look at it and go right okay now I’ve realised this value, I understand how this piece works, but now I can see why the next step makes sense for me, because I can see how much more money I can make or how many more customers I can satisfy with the same set of products. And so I think with sustainable business models, that kind of understanding what a reasonable pathway through them might be rather than looking at them and saying I must go for this or I must go for that, where I must be drive by this model because it’s the most sustainable. Well if your customers aren’t ready for it, you won’t get there. And so you’ve also got to lead your customers to that model as well as your own company. And you know, in all of that mix, you are trying to compete in a market at the same time. You can’t afford to risk too much too soon and go past cause that’s not sustainable anyway. So I think that’s the main thing for me about sustainable business models, is making sure that you understand how much your biting of basically. Making sure you’re doing a reasonable step. But I know, you know, I was challenged at an event once and someone said I think Paul Coltman at Unilever had said, go big or go home kind of things. That’s a very bold statement for a chief executive, that’s lovely. But the harsh reality of markets and the way they work is, if you’re too radical, the market will reject you and your competitors will all round on you and make sure your service fails before it gets established. You’ve got to grow it in a way that, and ideally you’ve done this, you’ve found your market niche your narrow customer base that really really wants this, and then when you’ve got it established, then you drive a wedge again and you get a broader and broader market.

V: So that’s how it would be ideally adopted?

G: So you know, ultimately then, you might think about what companies are best suited to do that sort of change. Is it small companies? Well probably yes, because they’re number are more dynamic, they’re more inhumed at taking risks and what we might call entrepreneurial decisions. But then once they’re successful, whether they carry on or whether they, you know, Bandvulc effectively sold its business to continental last year. So you know, once you’ve got it main streamed, then a big main steam player sees it’s successful and buys the company. You know, you’ve seen it with Zipcar and Avis and people like that, wasn’t it. So once you got it main streamed and the big players understand it, then they will take it on and they won’t cut it, they’ll grow it.

V: You know, it’s actually good that there’s growth in things that are better for the environment. So you have talked about quite a few examples, but they are not yet fully there at the circular economy. Can you take one or two of these examples and say what you think their next step should be to circular, or like to become more circular to really achieve a circular economy?

G: I guess, I mean in general terms, I can’t talk about specific companies, because it’s obviously confidential. In general terms, where you see companies loosen product out, they are still doing a traditional finance lease back to this cash-flow point that I talked about. So they’ll sell the product to a finance lease company so they get the immediate cash benefit of having sold the product, and then the finance lease company earns the assets and they’re leasing out to customers and the customers are actually paying the finance lease company and not the original equipment manufacturer. So that’s a first step on understanding how leasing works and how customers like it. It’s not the same as leasing it yourself and taking that cash hit to yourself of letting product out of your company that you haven’t got all the money for.  So I think you’ll companies experiment with leasing in a traditional way and then move into proper product leasing which is a more circular model, because they still own the asset and they’re still responsible for the asset and that’s a very, it might seem a bit sort of semantic, that difference that is actually a huge difference because if they’re not selling the product, they are then still responsible for it and they really want to get it back. So I think, seeing leasing change in that way would be useful. I think the other thing is more companies now beginning to understand how this pay their use model can work. So I mean obviously another example for that is Schiphol airport.Mujo has adopted that model now and companies who are doing this sort of… We’ve got companies interested in circularity by that first step being what we call incentivised return, so you know, I’ll buy it back for you or I’ll just count the next one or in some way I’ll get my asset back. That’s the first step and then when they see how much value that generates, then they can see the investment case for moving on to a service model. So I think it is this first tranche of companies who’ve started experimenting to become more circular and then the ones that are actually doing leasing at the moment, which is in theory the higher act, they’ll go for proper leasing and then they’ll be inherently more circular that way.

V: And then the products the products get designed in a more circular way?

G: Yes, and that’s a really important point. The business model dictates the product design. We are really really evangelical about this. You see people design a certain product, and it doesn’t really succeed, because the market is a standard market. Once the company understands how to make more money out of the business model, then it understands why it should change the design to make even more money. And so you get the business model right first, and then you improve the product. Ironically, for all the beating that they get, mobile phones are actually highly modular and very easy to repair for those who know what they are doing. If you go to one of these IT companies that refurbishes mobile phones, I went to one and I asked it they found it difficult and they told me the one thing they hated was water damage and that they would be absolutely fine if they could solve that. Now, you see Apple and Samsung coming up with phones that don’t let water in. So they are even solving that problem now. Some products inherently lend themselves to get their value back quickly and others don’t. You see that change as well.

V: What do you think will be the key differences in the way business will be done in the circular economy from a user/consumer perspective?

G: Ultimately, you will see a move away from ownership of a lot of things. I wouldn’t necessarily need to own a number of things as long as I have access to them, whether that’s vehicles or items from my household. There are some things that I will need to have in my home all the time. The most used example is washing machines, and that’s the worst product to try and lease. I need one in my home all the time in case I need to urgently wash some stuff. Leasing something that is always in my home is a bit of a stretch. Leasing something that I only need occasionally, I can see the sense in as a customer. I think what I need to have access to is what I feel I need to own. Eventually, getting over that whole thing and having a range of different services you just pay for, and understanding why they are structured that way and how that works better for you. I do wonder whether we’ll see, with Brexit, a bit more of a take off in the UK, because I think we are going to face some really tough economic conditions, which will force us to re-use things a bit more as people would like, but that’s Britain. I think you are fighting, and we need to be careful, because and WRAP has done surveys on this, they are publicly available. Customers prefer to own things and they like buying new things at the moment. It’s fulfilling at a very deep level for a lot of customers. Moving away from that into a different society, where you are satisfied with a service you’re getting is a big leap, but that’s ultimately where a circular economy would have to take us.

V: Do you feel that there is anything has not been covered?

G: Maybe this is a reach for circular economy for some people, buying used products is an incredibly shrewd investment. If you look at a range of different products and how their value depreciates over time, I noticed even the US federal reserve have an article on the value depreciation of iPhone. They had a set of charts showing the value of iPhones over time. Paying 700 pounds for a new product now, or paying 500 pounds for next year, it’s a very shrewd investment to buy a used one and save yourself that part of the depreciation curve. I think more people will see that. I think we already see that in younger generations. They are less concerned about pre-owned stuff, as long as it’s in a reasonable condition. These are more cost effective purchases. I think that’s a really good place for people to push.