Circular business and finance

Training and consultation part 3

Vientiane, 12 February 2021
Opening statements UNDP and IREP
## Project activities and deliverables

<table>
<thead>
<tr>
<th>Date</th>
<th>Deliverable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul 2020</td>
<td>D1: Inception report</td>
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<tr>
<td>Jul 2020 - Aug 2021</td>
<td>D6: Consultations and trainings</td>
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<tr>
<td>Sep 2020</td>
<td>D4: Circular Nationally Determined Contribution</td>
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<tr>
<td>Jan 2021 - Mar 2021</td>
<td>D2: Metabolic analysis</td>
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<tr>
<td>Feb 2021 - Aug 2021</td>
<td>D7: Community of Practice</td>
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<tr>
<td>Mar 2021</td>
<td>D2: Metabolic analysis</td>
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<tr>
<td>Apr 2021</td>
<td>D3: Draft regulations</td>
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<td>June 2021</td>
<td>D5: Long-term low carbon development strategy</td>
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Lao PDR circular economy trainings and consultations
(3 sessions from 1:00 pm to 16:30 pm)

8 Dec 2020
*Introduction into the circular economy*

**PRESENTATION:**
Introduction Circular Economy (1)

**EXERCISE & CONSULTATION:**
Setting Economic, Environmental and Social Priorities

**PRESENTATION:**
Introduction Circular Economy (2)

**EXERCISE & CONSULTATION:**
Circular Economy Opportunities

14 Jan 2021
*Policy opportunities for the circular economy*

**PRESENTATION:**
Policy Aspects Of The Circular Economy

**EXERCISE & CONSULTATION:**
Mapping Current Policy Landscape

**PRESENTATION:**
International Best Practices

**EXERCISE & CONSULTATION:**
Policy Opportunities for Lao PDR

12 Feb 2021
*Circular business and finance*

**PRESENTATION:**
Circular Business And The Value Hill

**EXERCISE & CONSULTATION:**
Plotting Your Business On The Value Hill

**PRESENTATION:**
Circular revenue models

**EXERCISE & CONSULTATION:**
Circular revenue models in Laos
<table>
<thead>
<tr>
<th>Time</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>1:00</td>
<td>Registration</td>
</tr>
<tr>
<td>1:30</td>
<td>Opening and introduction</td>
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<tr>
<td>1:40</td>
<td>Presentation: Circular business models &amp; the value hill</td>
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<tr>
<td>2:00</td>
<td>Break-out: Stakeholder consultation workshop - value hill</td>
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<tr>
<td>2:30</td>
<td>Presentation and discussion of the results</td>
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<tr>
<td>3:00</td>
<td>Break</td>
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<tr>
<td>3:20</td>
<td>Presentation: Circular business models &amp; finance</td>
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<tr>
<td>3:40</td>
<td>Break-out: Stakeholder consultation workshop - revenue models</td>
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<tr>
<td>4:10</td>
<td>Presentation and discussion of the results</td>
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<tr>
<td>4:40</td>
<td>Closure</td>
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<tr>
<td>5:00</td>
<td>End</td>
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Part 1: Circular business models & the value hill
The Circular Economy - Cascading
7 Elements of a Circular Economy

- **Prioritise** regenerative resources
- **Design** for the future
- **Preserve** & extend what’s already made
- **Rethink** the business model
- **Incorporate** digital technology
- **Use** waste as a resource
- **Collaborate** to create joint value
The Value Hill – Linear Economy

ADD VALUE

DEestroy VALUE

user

retail

assembly

manufacturing

extraction

PRE-USE

USE

POST-USE
The Value Hill – Circular Economy

- Circular design
- Optimal use
- Value recovery
4 Categories of Circular Activities

**Optimal Use**
- Product as a Service
- Life Extension
- Repair & Maintenance
- Sharing Platforms

**ADD VALUE**
- Extraction
- Manufacturing
- Assembly
- Retail

**RETAIN VALUE**
- Reuse/redistribute
- Refurbish
- Remanufacture
- Recycle

**Value Recovery**
- 2nd hand seller
- Refurbisher
- Recaptured Material
- Recycler

**Networking organisation**
- Value Mgt / Process Design / Tracing facility / Logistics

**Circular Design**
- Product Design
- Circular Materials
- Classic Longlife

Achterberg et al. 2016
The linear economy

The circular economy

The Value of Circular Activities

The Value Hill. Adapted from Achterberg, Hinfelaar & Bocken. (2016)
Circular Design: FAIRPHONE

Circular design:
- Modular design
- Self repair
- (Reverse) logistics for modules
- Software updates > 5 year

Social aspects:
- Sourcing conflict-free materials - Congo
- Worker welfare fund – China

https://www.youtube.com/watch?v=6DW733G76BY
Value Recovery: E-Waste

- Recover-E: ICT equipment recovery
- LEAPP: Apple refurbisher
- Green Mobile: Smartphone refurbisher
Value Recovery: Black Bear Carbon

- Harvest and upcycle the carbon black from end-of-life tires to a quality level that exceeds the original product
- Chemical process
OPTIMAL USE: PHILIPS PAY-PER-LUX

- Philips stays owner of the lamps
- Responsible for performance of lights - and energy bill
- Incentive for long life span

Optimal Use
Support better usage and product productivity
Product-as-a-service: From ownership to use

- Provides product performance rather than the product itself
- Assures return of the product to the supply chain
- Stimulates design for long-life and recovery
Network Organisation: Intelligent Food

- Upcycling residual food resources
- Chain coordinator
- Cooperative structure
- Software to manage information
- Share profits
- Incentive for all cooperative members

**Network Organisation**
Manage info, collaboration & material flows in chain

**INTELLIGENTFOOD FACILITATING WASTE STREAM VALORISATION**

- Recipe
- Resellers
- Europastry
- IntelligentFood
- Animal feed
- Manufacturers
Plotting your business on the Value Hill

- Step 1: Position your current business model on the Value Hill
- Step 2: Position your value chain partners on the Value Hill
- Step 3: Identify gaps and opportunities in your circular value network
- Step 4: Formulate your future circular business strategy

Fairphone example →
CONSULTATION WORKSHOP 1 – The Value Hill

BREAK OUT GROUPS: Plotting your business on the Value Hill

- Step 1: Position your current business model on the Value Hill
- Step 2: Position your value chain partners on the Value Hill
- Step 3: Identify gaps and opportunities in your circular value network
- Step 4: Formulate your future circular business strategy

Next step: Presentation by selected groups
and discussion of the results
PRESENTATION AND DISCUSSION

30 min
BREAK
20 min
Part 2: Circular revenue models
In the first part of this webinar, we talked about business models

A business model consists of a lot of different elements:

- Investors
- Distribution channels
- Customers
- Growth targets
- Revenue
- Partners
- Business idea
- Products
- Revenue streams
In this part of the webinar, we focus on the part of revenue

Let’s zoom in on revenue models and revenue streams
The business model, the revenue model and the revenue stream(s)

**Business model**
A business model is an overview (or structure) of all aspects of a company: its products, customers, partners, distribution etc.

**Revenue model**
A revenue model is the strategy of a business in earning revenue, using one or more revenue streams.

**Revenue stream**
A revenue stream is a single source of revenue. Example: product 1 earns revenue 5.
You can have a linear **business** model and a circular **revenue** model.

It is also possible to have it the other way around.
Circular revenue models help to make a business more circular, however, a circular revenue model on its own is not enough.
Explanation of linear revenue model

In a linear revenue model, the producer sells the product to the consumer, the consumer becomes responsible for the product and the consumer disposes the product after they are done using it.
Examples of linear revenue models

- **Transactional – real life**: Consumers pay a fixed price for a product they order *in a shop*.
- **Transactional – online**: Consumers pay a fixed price for a product they order *online*.
- **Advertising**: Advertising companies pay to advertise on products, shops or websites.
- **Subscription**: Consumers pay a monthly or annual fee to use a product or a service.
Explanation of circular revenue model

In a circular revenue model, the producer extends responsibility of the product. The consumer leases, rents or buys the product and after the consumer is done using the product, the product returns to the producer.
Examples of circular revenue models

- **Pay per use**: Consumers pay a *variable* fee *when they use the product*.
- **Rent**: Consumers pay a *fixed* fee to *constantly* use the product.
- **Sell and buy back**: Producer sells product to user with guarantee to buy it back at end of use.
- **Lease**: Producer and user settle contract on use of product with intermediary lease-partner.
Examples of circular revenue models

Pay per use

Consumers pay a variable fee when they use the product

Producer responsible for product? 🔄
### Example 1

**Philips (Netherlands)**

Product / service: Light, lamps and maintenance.

Revenue stream: Consumers pay fee to Philips for the light they use.

### Example 2

**Siklus (Indonesia)**

Product / service: Water at Siklus refill points.

Revenue stream: Consumers pay a fee for the water they want to use or take home in bottles and buckets.
Examples of circular revenue models

- Pay per use
- Rent

Consumers pay a fixed fee to constantly use the product

Producer responsible for product? ✅
Example 1

**Mud Jeans (Netherlands)**

Product / service:
*Jeans made of recycled materials*

Revenue stream:
Consumers pay a fixed fee to use jeans, in the end they can decide to keep or change the jeans.

Example 2
Examples of circular revenue models

- Pay per use
- Rent
- Sell and buy back

Producer sells product to user with guarantee to buy it back at end of use

Producer responsible for product? [✓]
Example 1

**Auping (Netherlands)**

Product / service: Matrass (for period of 5-8 years)

Revenue stream: Consumers buy matrass and can return the matrass to Auping for period of up to 8 years. Auping buys matrass back.

Example 2

**Koinpack (Indonesia)**

Product / service: Plastic, reusable package for food and drinks, sold at local street shops (warungs)

Revenue stream: Koinpack sells packages to shops with deposit, if shops return packages, they receive the deposit back and Koinpack cleans & refills the packages.
Examples of circular revenue models

- Pay per use
- Rent
- Sell and buy back
- Lease

Producer and user settle contract on use of product with intermediary lease-partner

Producer responsible for product?

✓
Example 1

**Mitsubishi elevators (Europe)**

Product / service: Shared elevators (and maintenance of elevator) in big buildings.

Revenue stream: Companies in office building lease an elevator (with help of leasing intermediary) and use it together.

Example 2

?
Examples of circular revenue models

- Pay per use
  - Consumers pay a variable fee when they use the product

- Rent
  - Consumers pay a fixed fee to constantly use the product

- Sell and buy back
  - Producer sells product to user with guarantee to buy it back at end of use

- Lease
  - Producer and user settle contract on use of product with intermediary lease-partner
Which circular revenue model best fits your organisation?

Can you clearly define the terms of ‘use’ and let multiple users use the same product?

YES → Pay per use

NO → Can you (the producer) finance the product yourself?

YES → Rent

NO → Can the consumer pay for the product himself?

YES → Sell and buy back

NO → Lease
CONSULTATION WORKSHOP 2 – Circular Revenue Models

BREAK OUT GROUPS: Discuss and brainstorm about revenue models

- **Step 1**: Plot your organization on the right revenue model. What is your product and revenue stream? Do you have a linear or a circular revenue model?

- **Step 2**: For the circular revenue models, can you think of a local example in Laos?

- **Step 3**: What do you need to change to make your revenue model more circular? What changes in the Laos economy would stimulate circular business models and revenue models?

Next step: Presentation by selected groups and discussion of the results.
PRESENTATION AND DISCUSSION
30 min
Closure Statements
Earth Systems and IREP
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