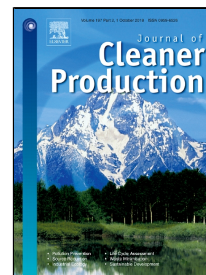


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Creating Value in the Circular Economy: A Structured Multiple-Case Analysis of Business Models



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Abstract:

The circular economy (CE) has gained traction as a pathway towards more sustainable economic growth. The main actions leading towards a CE have been identified as the 3R principles of reduce, reuse, and recycle. However, understanding is lacking regarding how the adoption of CE using the 3R principles generates value and revenue in a business context. Thus, this study structurally examines business models used by CE-driven firms utilizing the fundamental business model components of value proposition, value creation/delivery, and value capture. By developing a detailed framework of business model components, acknowledging the particular features of CE implementation, and conducting a multiple-case study combining the business model approach with the 3R principles, this study analyzes feasible CE business models from multiple industries in Europe, the US, and China. The following five research propositions are derived from the findings of the explorative case analysis: 1) the cost-efficiency of circular operations is the key proponent to successful CE business, 2) take-back services enable the acquisition of particular wastes as resources, but they need to be incentivized through reductions in customers' total waste management costs, 3) circular business models require the focal firm to separately manage multiple positions in the value chain, 4) the take-back system for gaining value through CE can be implemented successfully in multiple ways, and 5) recycling is easier to implement than reducing or reusing due to a smaller impact on the business. These propositions contribute to the circular business model literature by showing how economic value is generated by CE initiatives and providing foundations for theory-testing future research. The propositions also provide guidance for policymakers and managers on supporting and implementing circular business.

Keywords: Business model; Circular economy; 3R principles; Value proposition; Value capture; Value creation

Highlights:

- Analytical framework combining the business model and 3R-principles is developed.
- Business model cases from China, the EU, the US, and Finland are analyzed.
- Five propositions for implementing circular business are derived.
- The economic value of circular business appears to rely on recycling.

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