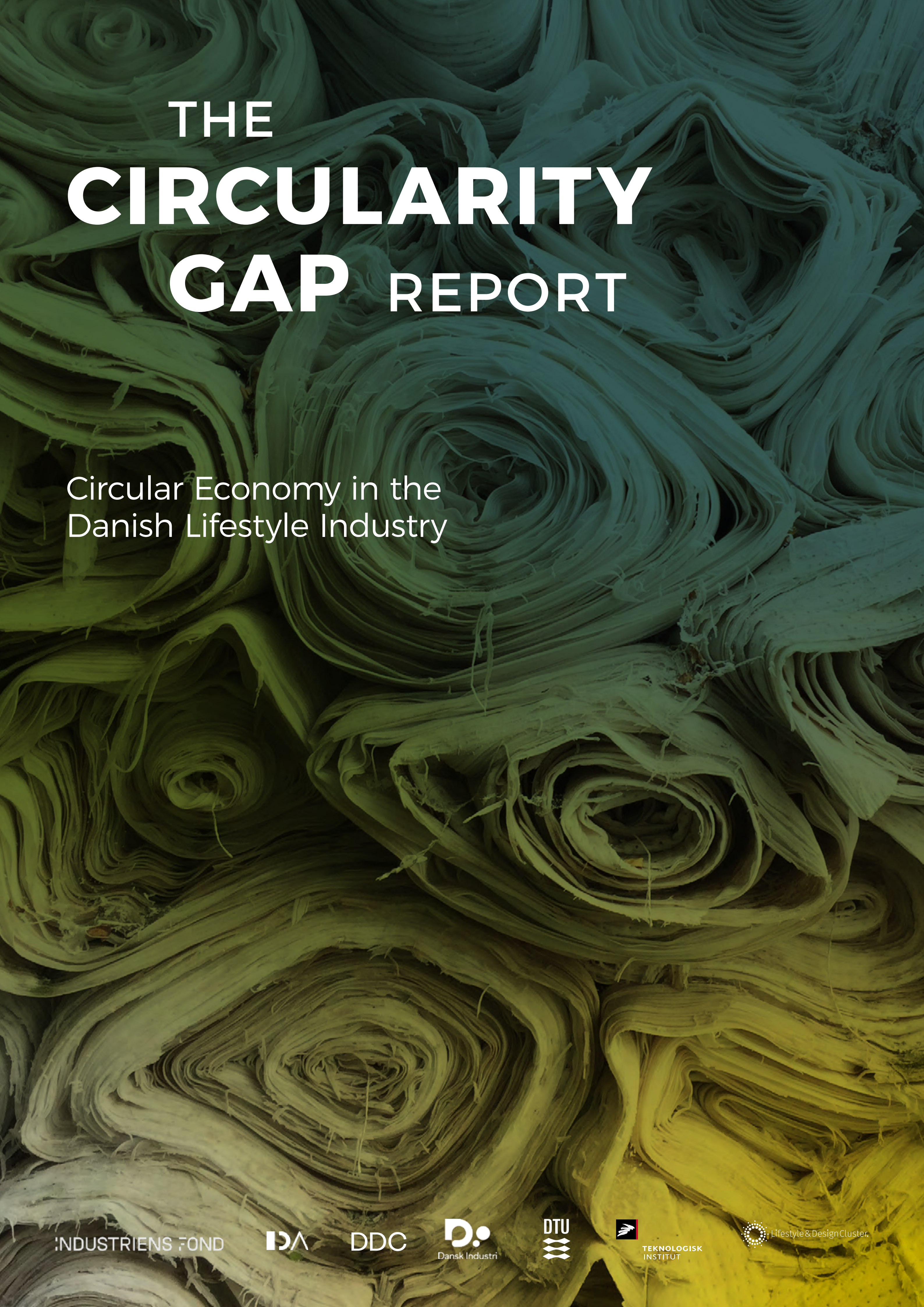
THE CIRCULARITY GAP REPORT

Circular Economy in the Danish Lifestyle Industry



INDUSTRIENS FOND
IDA
DDC
Dansk Industri
DTU
TEKNOLOGISK INSTITUT
Lifestyle & Design Cluster

A NATIONAL BENCHLINE FOR CIRCULAR ECONOMY IN DENMARK

In 2023 Denmark launched its first Circularity Gap Report and was, for the first time, able to set a national benchmark for circularity, revealing these three main findings:

Denmark is only four percent circular. Well below the global average. This means that the vast majority of material inputs to the Danish economy comes from virgin sources. It is striking that Denmark's material consumption is more than three times higher than the estimated 'sustainable' level.

MATERIAL FOOTPRINT

24,5 tonnes per person

EU average is 17,1 tonnes per person

CARBON FOOTPRINT

11 tonnes per person

EU average is 9,5 tonnes per person

CIRCULARITY METRIC

4%

Global average is 7,2%

CIRCULAR STRATEGIES CAN DRAMATICALLY REDUCE THE DANISH MATERIAL FOOTPRINT

Circular strategies can dramatically reduce the Danish material footprint The report explores five 'what-if' scenarios with key levers to boost circularity. Together, they can transform the economy and increase the Circularity Metric from 4% to 7,6%. The material footprint could be reduced by 39%, while the carbon footprint could decrease by 42%. The five scenarios are: 1) Build a Circular Built Environment, 2) Embrace a Circular Lifestyle, 3) Rethink Transport & Mobility, 4) Nurture a Circular Food System, and 5) Advance Circular Manufac-turing.

Advance a circular lifestyle
Overconsumption fuels the current linear economy, leading to negative impacts on individual wellbeing and the environment.

According to the Circularity Gap Report Denmark, overconsumption of resources is the driving force behind our current linear economy: consuming too much has massive, damaging effects on the environment and climate. Unlike other sectors, such as construction, in the consumer goods sector, individual consumers have a strong, direct influence on reducing environmental impacts.

Consumption correlates with per capita GDP, influencing municipal waste generation:

the more people earn, the more they consume and discard. The reduction of consumption of resources and municipal waste will be a key driver for reducing greenhouse gas (GHG) emissions.
Within the Danish Lifestyle industry, the fourth-biggest export sector in Denmark, there is a strong impetus from companies to switch to more circular business models. But there are many obstacles: lack of demand, lack of knowledge and understanding and a lack of infrastructure at both the business and consumer end.

Behind the report:
The Circularity Gap Report is produced by the Dutch organization "Circle Economy" in close collaboration with an alliance of six Danish organizations: IDA - the Engineers Association, DI - Danish Industry, DTU - The Technical University of Denmark, DDC - The Danish Design Center, Danish Technological Institute, and Lifestyle and Design Cluster. The report is financed by The Danish Industry Fund.

Read the Circularity Gap Report
This is a very short recap of the Circularity Gap Report for Denmark. Read the full report to understand the methodology behind the report, to get a more granulated introduction to Denmark's material use, and to dive into the five circular scenarios: www.circularity-gap.world/denmark

ROUND TABLE DISCUSSION ON CIRCULAR BUSINESS MODELS

Translating report findings to concrete industry actions The Circularity Gap Report was produced with the goal to accelerate the shift to a circular economy in Denmark. So, it has been crucial for the alliance behind the re[1]port to actively inspire concrete and practical action and collaborations for a more circular economy in the Danish industry. Therefore, the alliance behind the report conducted three sector-specific workshops, that invited frontrunners from the industry, to provide concrete and practice-based recommendations for a circular economy that mobilizes many more companies to explore new circular business models, and initiate circular partnerships. The three workshops have targeted the following three industries: 1) the construction sector, 2) textiles and furniture and 3) manufacturing. You can read the reports from the other sector-workshops on this link.

Roundtable for a circular lifestyle industry
Forty Danish lifestyle and design businesses, front runners within circular business models, participated in the round table discussion on 7 February 2024. Some of the participating businesses are "born circular," while others are exploring how to transition from a linear to a circular business model.

The discussion was divided into three themes: Rent, Repair and Resale
The discussion kicked off with brand pitches on each theme, covering their platform/service and their barriers and possibilities for expansion.

The key question of the day was: why is the proliferation of circular business models in the lifestyle industry not reflected in a much larger market share? The question was explored through three supporting questions, A), B) and C):

A) How can we get the good examples better-known and what does it take to achieve this?

The Danish lifestyle sector is very fragmented when it comes to maturity in the context of circularity. Decision making at the design stage of product development plays a key role in determining a product's circular potential. Therefore, designers have a very important role to play. While both the Danish design schools and the designers are strongly motivated to push the circular agenda, the circularity level of the industry today is low.

A precondition for companies to transition to circularity is support from the leadership – often rooted in fiscal viability. More examples of successful circular economy business models are needed. Companies that have switched to circular business models also need an incentive structure. Examples might include the future legislative frameworks meant to support circularity and to penalise linear business models.

One good example of a viable circular business, when it comes to extended product lifespan, is high-end Danish furniture. These high-quality products, in timeless, classic design are often passed on through generations or resold again and again while retaining or increasing value with age.

For the fashion industry, circular business models are in the very early stage. Resale is currently the most mature area within the fashion sector. Platforms that can overcome some of the barriers to circular business models are winning brand adoption (such as resale, rental, pre-loved etc.) but there is a need for scaling the businesses.

B) What are the most important barriers to overcome and the possibilities of scaling the business?

The participants were asked to provide digital input (Mentimeter) on barriers they encounter in scaling their circular businesses.

The industry sees the main challenge as establishing collaboration supporting a circular transition. Creating the framework for collaboration should be given top priority to achieve a higher degree of circularity.
Finance is another challenge, as it is difficult to get fast return of investment from circular business models. Large-scale success stories are few, making risk-tolerant finance challenging to attract.

Some startups have the skills, knowledge, and motivation but lack the funds, and some business models, such as rental schemes, provide a slow income, requiring patient investment.

The resources and time needed are also a big barrier: it takes time to establish the value chain, set up logistics and stimulate demand. To get demand to prioritise a circular product and recognising that the costs are higher.

Legislation (the participants were asked not to get into discussions about legislation, as legislation is on its way, but how comprehensive it will be, the details and timeline are unknown). However, inevitably, that legislation will create incentives for the circular transition. For example the Danish transition to an electric car fleet was mentioned as an example. The transition was highly incentivised/supported by tax breaks and better parking for the owners, creating strong demand and extensive infrastructure leading to a swift transition.

For businesses, knowing how to become more circular and the ability to prioritise it is a barrier as is lack of skills within companies.

Finally, understanding the consequences and possibilities of changing to a more circular business model is a barrier.

Prioritise the removal of barriers that your company encounters

C) How can we motivative actors to prioritise circular business models and reduce consumption?

For circular business models to succeed, a shift is required in consumer behaviour so that consumers know and understand the importance of circular options. Consumers do not know what to do with the products they no longer want, and it is easier to throw them away than explore other options, which may be more time-consuming. Price will continue to be a key factor. More guidance towards platforms for circular products, and an overview of these platforms, could help consumers – more communication and sharing of knowledge are needed about how consumers can contribute to longer product lifespan. National campaigns and retailer focus on common, easily understandable messages can help guide consumers, prevent information overload, and avoid technical jargon that creates insecurity.

Sharing insight and digital tools between brands and platforms could also speed up the learning curve among providers, creating fewer but wider initiatives.

The focus of coming legislation is attracting some attention in the lifestyle industry, but not a sense of urgency. It is perceived as remote, with content and timeline yet to be decided. There is an opportunity to communicate how the legislation will advantage the companies that have already dedicated the resources and effort to becoming circular, to motivate others to start the transition.

Finally public procurement should create demand, by specifying circular products and services in tenders – for example prioritising reused products. Public procurement should be contributing to a more circular transition with a stronger focus on innovative solutions. The think tank IKA has proposed a “mini guide”.
The guide will emphasise the visibility of innovation and development within the green agenda and the importance of actively supporting them. The guide can be developed as a standard tool that can easily be used by purchasers when they wish to purchase products that are not covered by the existing framework agreements. It will be a quantum leap to launch a tool that can thus make a difference to the green agenda.

Outlook for the growth and impact of circular business models in Denmark
– how far are we on the circular journey to reach a higher circularity score?
The lifestyle industry, the municipalities and the public must move towards an economy that promotes, incentivises, and enables consumers to live with far fewer, but high quality, long-lasting and repairable products where supporting services are given and where access to products is prioritised over ownership of products. But how do we get there? How do we best aid the transition towards viable circular business models - where Rent, Repair and Resale are the foundation?

CASE

KEEPR

Keepr sells used and sorted design furniture and home interiors. These may include second-hand items with slight colour deviations, furniture from previous collections that do not fit into the next collection's trend, or showroom display furniture with minor signs of use.

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"It's a challenge to get customers to pay enough for used or second-hand furniture. We need a cultural change and awareness that buying used items also incurs significant logistics costs. There's a need for more knowledge and com-munication on how consumers can contribute to longer product lifespans."

"There's also a need for greater focus on circular economy in the industry, leading to a wider range of options. Brands shouldn't be afraid to offer second-hand or showroom products."

Kristine Rønde, Co-founder

Recommendations

The Circular Economy in the Danish Lifestyle Industry round tables recommendations are as follow:

Rental, sharing and subscription business model
Sharing/rental schemes are fragmented, and there is no readily available technology that everyone can use. Therefore, there is a need for collaboration on technology development and digital tools.

Repair
Consider incentives to encourage repairs and build up skills and services. Hubs should be established to provide a standard logistic solution for service and repair. Extension of warranty rights. Design should support the possibility of repair.

Resale
Leveraging the product's patina/history can be a strong sales argument – akin to stonewashed denim –creating strong communities.

Recommendations across the three circular business models

- We need a common language for circular business models and products so consumers can compare the durability and circular value of products – for example "Total Cost of Ownership".
- Educating the industry and the public in the circular economy is critical. The ability to comprehend the principles, possibilities and challenges in CE is a prerequisite to making informed choices and for the behavioural changes needed.
- Nudge customers/consumers to be willing to pay more for resale products, among other things, through increased transparency.
- The hierarchy of prevention, reduction, reuse, repair, redesign, and recycling must be the focus, to reduce consumption of resources to an absolute minimum.
- Reduce virgin materials and increase pure fractions.
- Create cross-cutting communities like those that work for individual brands like B&O, Spejder Sport (Spejder Sport has initiated repair, return, and resale community), and others.
- oncentive structures that support good initiatives and penalise poor products.
- Circular needs to be the easy and better choice.
- Circularity needs to be fiscally viable to have leadership support.
- Finance frameworks must be in place that acknowledge the slow ROI on circularity yet support it.
- Legislation creates incentives for the circular transition and is critical. Incentive structures and priority of products with higher circularity attributes will help drive the demand and transition. Such conditions should be integrated into public/municipal procurement practices and tenders.

CASE

Spejder Sport

Spejder Sport, owned by the Danish Scout Council (Spejderne), sells outdoor equipment through around 20 stores and shop-in-shops. The profits from the business go towards children and young people in the Scout movement. Spejder Sport has initiated repair, return, and resale programmes in response to the fact that 80% of outdoor products discarded today still have 80% of their lifespan remaining. Initially, Spejder Sport primarily targets members of its customer club.

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"The opportunity lies in reaching a customer group that prioritises the environment and also has the opportunity to extend the lifespan of the products we sell. So far, selling what we have hasn't been a problem. As matters stand, it's still early days for us, but acquiring enough products for resale will be a challenge."

Thomas Vangsgaard, CEO

EXAMPLES OF CURRENT DANISH CIRCULAR INITIATIVES

We can point to current initiatives and actors that are working on the circular transition of the lifestyle industry.

*** THE VOLUNTEER TEXTILE SECTOR COLLABORATION**
The collaboration has started by agreeing on three goals, which are based on international principles of circular economy and aligned with EU legislation:

• Before 2030, all clothing and textiles from Danish companies will consist of at least 40% recycled material, including at least 10% recycled directly from textile fibres. (The use of recycled material must take place within the framework of the EU's textile strategy)

• To create common circular design requirements with a view to clothes from Danish companies being designed to have more lives and to be part of optimal circular circuits. The design requirements must be applicable to both small and large companies.

• A larger part of the turnover on clothes in Denmark comes from resale, and clothes are kept in use as long as possible.

The collaboration is initiated by the Danish Minister of Environment with an appointed steering group representing the Danish textile industry. Today more than 50 brands have signed the agreement and commitment to provide yearly data indicating their progress towards the goals. The goals are currently being evaluated and more goals discussed based upon collected data.

*** TRACE**
The Danish inno-mission programme on circularity in textiles and plastics is a large partnership of knowledge institutions, public and private companies that have joined forces to kickstart projects with focus on circular economy to ensure plastic and textiles are developed across the entire chain. Projects have great potential for environmental and climate impact reduction. TRACE has developed an ambitious roadmap to meet climate reduction goals.

*** CLOSING LOOPS**
A programme with focus on implementation of circular value chains – nine value chains within the lifestyle industry have been funded in the first round. The program will run until 2026. A programme with focus on implementation of circular value chains – nine value chains within the lifestyle industry have been funded in the first round. The program will run until 2026.

*** MUDP PROGRAMME**
MUDP focuses on solutions and technologies that reduce the negative impact of human activity through focus on several environmental challenges. The programme has contributed to several investments in recycling of textiles.

*** CIRCULAR FURNITURE NETWORK**
A large network for furniture companies which have started the circular transition. The network works on common solutions, exhibitions and is a platform of knowledge sharing and getting new inspiration and knowledge.

CASE

HolmrisB8

Holmris B8 primarily manufactures furniture for the contract market. Since 2015, the company has specialised in reusing used office furniture in a sustainable manner through repair, resale, and a donation network to prevent usable furniture from being wasted through disposal.

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"Public procurement, especially, isn't on board yet. Contracting authorities are bound by some tender rules, so they can hardly buy used furniture or make service agreements. I think it's a terrible shame that they're not allowed to lead and say, 'Let's try buying second hand,' and most of those offering second hand provide a new warranty of two or five years on what they sell, so they get the same quality..."

Michael Glenstrup Haubjerg, Head of Digital Deployment & After Sales

It is important to emphasize that this report is not a representative, statistical compilation of sector recommendations. It is based on personal, practical experience from an open and trustful dialogue from frontrunners in the field. It does not aim to be comprehensive, but to call for and inspire companies to take action in the circular transition, by addressing industry barriers with concrete recommendations.

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