

Circular Economy And Sustainability

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ABSTRACT

Circular economy approaches advanced in 2019, particularly for plastics and packaging. The explosion of media interest in the ocean plastics crisis has driven both consumers and regulators to seek action. Companies are responding with new strategies to reduce waste (Wilcox, Meg). Considering the fact that 8 million metric tons of plastics make their way into our oceans every year (Ocean Conservancy), the cosmetic industry has been taking a step to close the loop and bring more circularity into our lives, economies, and societies. Of the numerous cosmetic companies, the following three respectable companies: Seed Phytonutrients, L'Occitane, Lush are investigated in this paper to explore how each company commits to its own unique method of recycling to become a more sustainable marketplace.

Introduction

The circular economy is gaining momentum as a sustainable alternative to the traditional linear economy. The traditional linear economy model focuses on the sequential steps of making, using, and disposing of resources. Rather than operating through a linear sequence, a circular economy is based on recovery and regeneration phases to lower waste at the end of the material and product life.

The present research paper investigates the definition, importance, and benefits of the circular economy from the perspective of sustainability with case studies of three well-known companies. It then demonstrates the value of taking these perspectives in building a successful brand with loyal customers.

What is a Circular Economy?

WRAP UK defines a circular economy as a system designed to keep resources in use for a longer period by extracting optimal value from them during their usage and recovering and regenerating production materials through recycling at the end of their service life. A more comprehensive definition of a circular economy is presented by the European Parliament. The European Parliament defines a circular economy as a model of production and consumption. According to the European Parliament, a circular economic model includes the following stages: allocation, leasing, reusing, restoring, renewing, and recycling current materials and products (European Parliament).

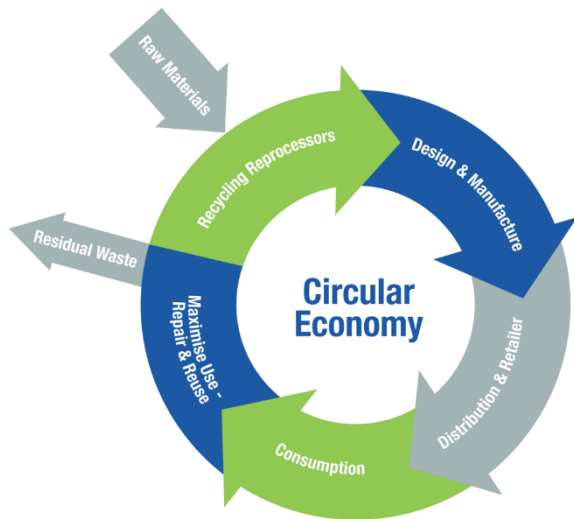


Figure 1: Model of Circular Economy (Nash, Barnaby)

The importance of the circular economy has multiple dimensions, including reduced environmental pressures, improved raw material supply, enhanced competition, innovation, and increased employment opportunities (European Parliament). With the emergence of new avenues of growth, the European Union (EU) has estimated a circular economy would provide approximately 580,000 employment opportunities in the EU alone (European Parliament). The model is also likely to benefit the EU businesses with a savings of around €600 billion, which is approximate to the EU's annual revenue (European Commission).

The circular economy can accomplish this in many ways. First, a circular economy opens new avenues of growth and opportunities for individuals, businesses, economies, and states through the identification of new industries, such as recycling construction material at the end of a residential or commercial building's life (Benachio, Freitas and Tavares). Another dimension of the circular economy model is its ability to drive greater resource productivity (McKinsey). By engaging in recycling

initiatives, the circular economy allows the stakeholders to reduce the amount of waste produced throughout the production process beginning with the sourcing material and continuing into the delivery of goods to consumers and post-consumption wastage (McKinsey).

With the help of a circular model, national economies can become more competitive and can effectively address resource security and scarcity issues (WRAP UK). Furthermore, because the circular economy model relates to environmental protection as by restoring, reusing, and repairing the existing products and materials, global players can reduce their environmental footprints by reducing carbon and nitrogen emissions. Smaller environmental footprints can ultimately reduce the amount of inland and marine pollution. The Ellen MacArthur Foundation has substantiated the potential of a circular economy in reducing CHG emissions as “up to 48% by 2030 and up to 83% by 2050”, mainly as an output of three sectors, namely the mobility sector, food systems sector and built environment sector.

What is Sustainability?

Sustainability is a complex concept with many definitions. The most used definition of sustainability is provided by the UN World Commission on Environment and Development in the Our Common Future document (also called the Brundtland Report). It states that “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (41).

In the 21st century, most of the environmental degradation has and continues to be the product of technological advancements and increased globalization. The fast-changing modes of production and

consumption are ultimately damaging the planet's own sustainability systems (Sillanpaa and Necibi).

The relationship between the circular economy model and sustainability cannot be underestimated as being limited to engaging in reusing, recovering, and recycling activities. Global stakeholders can not only use the existing resources prudently for the satisfaction of the current generation but can also preserve these resources for future generations. Hence, closed-loops of resources flowing between stakeholders can help in the total recovery of the materials and prevent waste. The restorative approach of the circular economy model can help in achieving the goals of sustainability dynamically (Fisk).

Stakeholders may reap the benefits of a circular economy by addressing the three pillars and dimensions of sustainability, including profits (economic), planet (environment), and people (social) (Pfister, Schweighofer, and Reichel). Therefore, it is important to consider that new modes of production and consumption cycle should be introduced to increase profitability, conserve resources and protect the environment, as well as to meet the needs of people and communities at large through new or renewed opportunities in education, employment, poverty, food, and others. The United Nations' Sustainable Developmental Goals provide key insights into the measures that should be undertaken by the global authorities for the sustainability of the Earth (Sze; Fisk).

Case Studies

The circular economy is already in action across the economy. However, the beauty industry provides the best look at how meaningful a circular economy can be when it goes beyond a commitment to recycling. The following three case studies demonstrate how

beauty companies use innovation to both create new products and to position existing products in a more sustainable marketplace through the use of product development, sustainable formulas, and full-recyclable packaging.

SEED PHYTONUTRIENTS



Figure 2: Image adapted from (Neokentin)

Seed Phytonutrients is a subdivision of personal care and cosmetic brand L'Oréal headquartered in France. L'Oréal launched Seed Phytonutrients in the year 2017 with the intention of using heirloom seeds as opposed to hybrid or GMO seeds to create the plants in its formulas. Planting heirloom seeds can help in attaining sustainability and well-being for future generations (L'Oréal). L'Oréal provides four major obsessions behind launching a separate sustainability brand. Seed Phytonutrients are (1) promotion of the concept of natural beauty, (2) environmental sustainability, (3) supporting organic farmers, and (4) protecting seed diversity (Segra).

Seed Phytonutrients emphasizes the pursuit of natural beauty and closely links it with healthy living. The establishment of Seed Phytonutrients contributed to supporting organic farmers by purchasing heirloom ingredients from local organic farms situated in Pennsylvania to develop the products using a biodiverse range of seeds. Due to over-commercialization in the current era, 94% of seed variety has been lost, but the methodology behind the Seed Phytonutrients product can help in preserving and protecting remaining seed diversity (Seed Phytonutrients).

To ensure environmental sustainability, L'Oréal launched its Seed Phytonutrient product line using eco-friendly measures and recyclable material for packaging. The packaging of Seed Phytonutrients product is considered as the prominent innovation uses limited resources and contributes greatly in controlling the carbon footprint (Mackenzie). The package is water-resistant and can assist in achieving the mixing of proprietary minerals with the paper fibers and by using heat and pressure that helps the customers in reducing waste (Connolly). For this purpose, L'Oréal used the earth minerals and water-resistant paper to prepare the recyclable packages for its Seed Phytonutrients product line and take the lead in supporting environmental sustainability. L'Oréal also used the paper for labeling the bottles to make it recyclable along with the bottles. The inner liner of Seed Phytonutrients packages was prepared by using food-grade recyclable plastic that is 60% thinner than the conventional plastic bottles (Allure). Furthermore, Julie Corbett, founder of eco-logical consumer package, specified that Seed Phytonutrients bottles consist of efficient interlocking tabs that eliminate the need for glue and make the bottles highly recyclable and eco-friendly (Seed Phytonutrients).

From the customer's perspective, the product is helpful for the customers to enjoy seed diversity and contribute to the goal of reducing waste and promoting environmental sustainability.

L'OCCITANE



Figure 3: Image adapted from (US, L'occitane)

L'Occitane en Provence is the France-based international brand that creates a diversified range of luxurious body, fragrance, skincare, and home products. This company is known as L'Occitane across the globe and it was founded in 1976 by Olivier Bussan to prepare beauty products using organic, traceable, and natural ingredients (L'Occitane group). Currently, the L'Occitane group includes six major brands and its network constitutes more than 3,000 retail stores operating in 90 countries around the world (L'Occitane group).

L'Occitane has also made a significant contribution to controlling the carbon footprint by incorporating the concept of sustainability packaging. For this purpose, L'Occitane prepares the packages of its

products using recyclable material thereby cutting more than 30 tonnes of cardboard packaging. In 2019, L'Occitane designed packaging for Christmas gifts by considering the prospects of environmental sustainability. The company ultimately reduced the weight of packages by 20%, which resulted in a reduction of 22 tonnes of cardboard (L'Occitane group).

Furthermore, L'Occitane has partnered with the international recycling firm TerraCycle. Consumers across the USA, Brazil, Australia, France, and Canada were asked to drop their empty L'Occitane packages in the store, and in return, they would get a 10% discount on the purchase of full-sized products (Packaging Gateway, 2018). Both L'Occitane and TerraCycle are committed to controlling and managing their carbon footprint by developing and innovating sustainable packaging measures that contribute to protecting the natural resources and earth from hazardous pollution (Berti).

The company is also committed to eradicating the use of microplastics. The L'Occitane group chose the Loop industry as their supplier and signed an agreement to use 100% recycled virgin quality PET plastic for the packaging of the products and aims to transform its all packages to 100% recycled plastic by 2025. Additionally, L'Occitane's eco-refill products use 90% less material than conventional containers and are made up of 100% recyclable plastic (L'OCCITANE Group and Loop Industries).

LUSH

Lush is a renowned cosmetic retailer based in the UK. Founded in the year 1995, Lush offers a diversified range of handmade cosmetic and skincare products.



Figure 4: Image adapted from (Ho, Sally)

Lush is considered the first cosmetic brand that united the concept of beauty with environmental responsibility. Lush's sustainable packaging strategy relies upon the four rules: *refuse, reuse, reduce and recycle* (Lush). Refusing packaging refers to designing the packages from the product itself, i.e., products that do not require additional packaging to sell.



Figure 5: Image Adapted from (Melnick, Katie)

For example, Lush launched solid bars of shampoo that customers can use by adding water (Anne). Lush named this product line 'the naked products,' and the line saved around 6 million plastic bottles by selling bars of shampoo and soap alone without the package.

When packaging is inevitable, Lush prefers to use recycled materials. The company uses the EcoFlow approach for this purpose and all the material used packaging is biodegradable (Anne). Additionally, 90% of the weight of the packaging material is recycled. For example, Lush introduced gift-wrapping services in which knot wrap packages are used that are made of organic cotton and recyclable PET bottle plastic. To protect the gift packages, Lush uses plant-based packing peanuts made of natural resources, such as corn starch and wheat. Likewise, 100% recycled coffee cup fiber is another of the significant examples of such packaging (mynewsdesk). As an added bonus, Lush reduces the weight of the package by introducing the reusable package options for consumers (Lush).

When sustainable options are not available, Lush develops its own through innovation. The company created bottles and pots using 100% PCR material that contributed to saving 80 barrels of oil and 65 tonnes of Carbon footprint (Lush). The company has developed 'carbon positive' packaging, for instance, visible from cork pots (Gallacher). Furthermore, Lush uses post-consumer resins (PCR) material to recycle the packages for this purpose. They ask consumers to return the packages for recycling purposes and in return they would get free face masks. Lush's 100% Post-Consumer Recycled (PCR) plastic saves about 65 tonnes of carbon dioxide and 90 tonnes of virgin plastic or 800 barrels of oil on an annual basis.

In addition to sustainable packaging, Lush has a strict environmental policy that helps achieve sustainability in the production of cosmetic and skincare products as well. Lush uses olive oil and almond oil rather than mineral oil because mineral oils are prepared using non-organic substances (Lush).

Furthermore, most companies including the three companies above partners with Terracycle for packaging. Terracycle is an innovative recycling company founded in September 2001. The company's mission statement is "to eliminate the idea of waste" and therefore offers a variety of programs to its consumers. Programs vary from free recycling programs to large-scale recycling, targeting a range of consumers from individual citizens to a business or company that has large volumes of waste. Free recycling programs are free national recycling solutions, readily accessible for anyone who wishes to recycle. On another note, large-scale recycling brings opportunities for businesses or companies to work with Terracycle in order to recycle large volumes of waste. Terracycle has become a global leader in recycling hard-to-recycle materials and primarily runs a volunteer-based recycling platform to collect non-recyclable pre-consumer and post-consumer waste, and then partners with corporate donors or municipalities to turn it into raw material to be used in new products. Major brands that have partnered with Terracycle to launch a sustainable shopping system include Unilever, The Body Shop, and Coca-Cola.

Discussion

The circular economy presents real benefits to businesses, consumers, and the environment. As shown by L'oreal, L'occitane, and Lush, the beauty industry is increasingly seeing the value in going beyond the idea of 'going green' and instead engaging with the

circular economy in ways that match its product vision. However, these companies are not completing these tasks solely for the good of the planet. There are additional benefits to joining the circular economy.

The first benefit is that the natural and 'green' cosmetics market is growing. Using a variety of natural cosmetic resources and materials is supported by the trend of environmental and health awareness within both the producers' and consumers' behavior. The Doctoral School of Management and Business Administration along with Climate Change Economics Research Centre did research on green consumer behavior in the cosmetics market. The data was collected from April to May of 2018 using an online questionnaire with 197 participants (Amberg and Fogarassy). They found that in the cosmetics market, health and environmental awareness will be a significant trend for both brand and consumer behavior. Additionally, in the future, the market for natural cosmetics will become much wider due to the appearance of green cosmetics materials and environmentally-friendly production methods (mostly packaging). Furthermore, customers are increasingly seeking social awareness in the brands they purchase or the companies from which they obtain services. To new customers and maintain them as lasting customers, brands must present a green face to the world. Usually, this means capturing the most value from the materials and resources of the products. Lush and L'oreal, in particular, do this by going beyond packaging and creating fully sustainable products from the seeds to the shelves.

It is understood that the market for green and natural products is growing and companies must get on board to enjoy a piece of the customer base. However, joining the circular economy is not only a matter of gaining new customers. Sustainable measures

also create customer loyalty. Customer loyalty is the act of favoring one company's products and services persistently over its competitors. When a customer is loyal, they are not as easily influenced by the price or availability. In a study by Moise et al., researchers studied the impact of green policies used by hotels on customer satisfaction and customers' willingness to make referrals. They found that green practices improved these relationships, and hotels with strong sustainability practices were more likely to be recommended by past guests.

What is more, loyal customers are valuable customers. The customers would rather pay more to get the same quality of the service or product they love and are familiar with. Customer loyalty is the outcome of customer satisfaction, positive customer experiences, and the overall value of the product or service a customer receives from a business. Regardless of the size of a company, customer loyalty is essential and a building block for the company's growth. Bain & Company, working with Earl Sasser of Harvard Business School, analyzed the costs and revenues over their entire purchasing life cycle and showed that a 5% increase in customer retention rates increases business profits by 25% to 95% (Gallo). Additionally, existing customers are more likely to make a second, third, or fourth purchase, than a brand new customer. According to the research procured by Invesp, the average conversion rate of a loyal customer is 60% to 70%, while that of a new one is 5% to 20% (Saleh). These number values highlight the significance of customer loyalty.

Finally, choosing the circular economy shows businesses how to be innovative. As seen with L'oreal, L'occtaine, and Lush, many of the options needed to be sustainable do not yet exist in the world. Additionally, some of the sustainable options of the past are not fully

sustainable in a circular sense as they do not strive to eliminate waste by improving a product's lifespan. As a result, companies must create the new methods and products rather than relying on the old ways. Companies do not innovate for innovation's sake. Innovation also adds value to a company. Representing the business as an innovative organization is beneficial as it can overall initiate business growth and can help the business adapt to the marketplace. When consumers make a conscious choice between brands, they are affected by a group of influencing characteristics, which can be broadly described as "reputation." According to the World Economic Forum, a quarter of the company's market value can be directly related to its reputation, and 87% of executives think that reputational challenges are more important than other strategic risks (Deloitte).

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