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MAJOR EUROPEAN RETAILERS AND THE CIRCULAR ECONOMY

Peter Jones and Daphne Comfort

Introduction

Geographers have been taking an increasing interest in the concept of the circular economy. At the school and college level, for example, the International Baccalaureate (2016, webpage) announced that its new geography syllabus included a circular economy perspective in the *'Global Resource Consumption and Security'* unit, which forms part of the core programme theme *'Geographical Perspectives and Global Change.'* Hobson (2016, p.99) explored the contribution human geography scholarship can make to circular economy debates and more specifically looked to *'provisionally locate generative spaces and practices that embody a circular economy.'* Pollard et al. (2016, p. 17) argued that *'there is a central role for geography'* in exploring *'how circular economy thinking might play out in practice.'* Gregson et al. (2015, p.218), employed two case studies of attempts *'to transform wastes into resources within the boundaries of the EU'* and Kama (2015) investigated the reinvention of electrical and electronic waste within the EU. While Pollard et al. (2016, p. 17) suggested that the circular economy demands a *'reappraisal of our relationship with the things we buy'*, they devoted little or no attention to the retail sector of the economy, and concentrated on the manufacturing and food systems to examine the challenges of moving to a circular economy. While Kalmykova et al. (2018, p.193) identified *'distribution and sales'* as one of seven elements of resource flows in the value chain within a circular economy, the role of retailing in the transition to a circular economy has received little or no attention within the geographical literature.

However, some commentators have suggested that the transition to a circular economy would demand dramatic changes in the ways in which consumers approach consumption. Korhonen et al. (2018, p. 41), for example, foresaw the emergence of a *'new consumption culture'* with *'user groups and communities sharing the use of the function, service and value of physical products.'* However, for the majority of consumers living in advanced capitalist economies, retail outlets are currently the major sites of consumption. Large retailers, who account for the major market share of consumer spending might thus be seen to have a vested interest in maintaining the existing patterns of consumption. That said, EuroCommerce and the European Retail Round Table (2015, p.1) claimed that *'retailers are a large contributor to the European Union economy'* and as *'responsible economic operators'*, they *'are keen to take a front seat in shaping a circular economy in Europe.'* Further, Adela Torres Calatayud, Environment Committee Chair of EuroCommerce suggested *'retailers have a key role to play in sharing the benefits of the circular economy as millions of European consumers buy their products in our stores every single day'* (European Retail Round Table 2017). With these claims in mind, the aim of this paper is to identify and illustrate how some of Europe's major retailers are publicly addressing the concept of the circular economy and to offer some reflections on the application of the concept within the retail sector of the economy. As such, the paper looks to complement the work, cited above, by Gregson et al. (2015) and Kama (2016), and more specifically by (Pollard et al. (2016).

The Concept of the Circular Economy

While Murray et al. (2015, p. 10) suggested that the term circular economy has *'been linked with a range of meanings and associations by different authors'* they argued that in its most basic form *'a circular economy can be loosely defined as one which balances economic development with environmental and resource protection.'* The Ellen McArthur Foundation, established in 2010 with the aim of accelerating the transition to a circular economy, argued that *'a circular economy is restorative and regenerative by design, and aims to keep products, components, and materials at their highest utility and value at all times'* (Ellen McArthur Foundation 2017, webpage). As such the concept of the circular economy is often contrasted with the traditional 'linear economy' which turns raw materials into waste in the production process and which is seen to lead to environmental pollution and the removal of natural capital from the environment. More critically Gregson et al. (2015, p. 218) argued the idea of the circular economy is *'more often celebrated than critically interrogated'* and that *'its actual enactment is limited and fragile.'*

Essentially the concept of the circular economy embraces all stages of the product life cycle from product design and production, through marketing and consumption to waste management, recycling and re-use. Consumers have a vital role to play if there is to be a transition to a more circular economy, not least in that they need to be prepared to embrace what they may see as radical new buying behaviours and consumption practices. Within a circular economy, waste management is no longer seen as a problem, but rather as an opportunity to return as much waste as possible back into productive use. The focus is on the prevention, reuse and recycling of waste materials rather than their disposal by landfill. Where waste cannot be prevented, reused or recycled then recovering its energy content is seen to be preferable to landfill, and waste to energy solutions are also seen to be integral to the circular economy.

European Retailers' Commitments to the Circular Economy

In an attempt to identify if, and how, Europe's major retailers are addressing the concept of the circular economy, a purposive sampling approach was adopted. More specifically an Internet search was conducted in December 2017 using the name each of Europe's leading 25 retailers, as ranked by revenue (Deloitte 2017) and the circular economy as key words. This search revealed that 10 retailers, namely Carrefour, Metro, Casino, Rewe, Ahold Delhaize, Ikea, Inditex, H&M, Marks and Spencer and Kingfisher, of the top 25 European retailers publicly addressed the circular economy, albeit in varying measure, on their corporate websites, and these retailers were selected for study. The selected retailers have their headquarters in a number of European countries and trade within different sectors and from a range of formats (Table 1) and all have a variety of international operations. While some of the UK's largest retailers, namely Tesco and Sainsbury's and the rapidly growing food discount retailers, Lidl and Aldi, did not provide information on their approach to the circular economy, the selected retailers can be seen to provide a fair representation of emerging thinking on the circular economy within the European retail industry. All the quotations cited in this section of the paper were taken from those selected retailers corporate websites. Geographically there was little evidence of variations in approaches to the circular economy within different countries. That said, the

selected retailers' operations are concentrated in Northern and Western Europe and retailers' commitments to the circular economy may be different in Eastern Europe

The selected retailers articulated their commitment to the concept of the circular economy in a variety of ways but rather than describing these commitments, the aim here is draw out, and illustrate, a number of themes which characterise the approach to the circular economy within the European retail industry. More specifically, four interlinked themes, can be identified. Firstly, a number of the selected retailers emphasised their strategic corporate commitment to promoting the principles of the circular economy. H&M reported its commitment to *'lead the change to 100% circular and renewable fashion'*, which will involve *'building circularity into every stage of our value chain, including the products we make and the materials we use in our operations.'* Marks and Spencer emphasised *'we support the transition to a sustainable circular economy and will prioritise business model innovation and put circular ways of working into practice.'* In 2017 the company relaunched its sustainability *'Plan A 2025'* which included the goal of *'being a circular business generating zero waste'* which will include *'designing our products and packaging to underpin the creation of a circular economy in the markets we serve.'* More succinctly, Metro argued that the company was *'devoted to the issue of circular economy'* and had introduced *'various goals and measures designed to contribute to achieving a circular economy'* and Carrefour described itself as *'a promoter of the circular economy.'*

Secondly, a focus on looking to eliminate waste and on recycling and reuse was the most common element in the selected retailers' approach to the circular economy. Kingfisher, for example, reported on how it was *'seizing opportunity in a circular economy'*, and argued that what the company described as *'closed loop products'* were at *'the heart of the opportunity.'* The company claimed that *'ultimately we want to see a world where creating and using products wastes nothing – and by 2020 we want to have 1,000 products on our shelves with closed loop credentials.'* Kingfisher cited a number of specific examples to illustrate its approach. The retailer's Castorama chain in France have worked in partnership with Le Relais, a recycling social enterprise, in a scheme which enables customers to dispose of old clothes and linens in containers outside some of the companies' stores. In a similar vein, Kingfisher reported that Screwfix UK was extracting valuable parts, as well as plastics and metals from used and damaged power tools collected in store. These tools are broken down into ten different streams and each stream is sold to specific companies who repurpose the parts or materials.

Ikea claimed *'throughout our value chain, we aim to use renewable and recycled resources as efficiently as possible, to make sure that we create value rather than waste.'* Inditex claimed *'to facilitate our garments having a second life'* and reported that *'in 2015 we launched "Closing the Loop." The aim of this initiative is the reuse and recycling of textile products, footwear and accessories, strengthening the circular economy.'* Carrefour reported that *'the goal is to recycle all waste'* and Ahold Delhaize outlined its work in looking for *'innovative solutions to reduce food waste.'* Casino cited *'reducing and reusing waste to promote a circular economy and fight pollution'* as one of its corporate social responsibility commitments and evidenced this commitment with specific examples of how the company sorted and recycling store waste within stores in France.

Thirdly, some of the selected retailers stressed the importance of moving towards a life cycle approach as part of their commitment to the circular economy. Ikea, for example, argued that *'to make the world a more sustainable place we have to begin somewhere. By planning for our products' next life at the design stage, we get a head start. To make more from less, we also use materials that are renewable and recycled and from more sustainable sources. Our products must last as long as they are needed and be easy to care for, repair, better for our customers and our planet.'* Further Ikea suggested *'we need to rethink everything from the materials we use, to how we power our stores, and how we can make our products live longer.'* Fourthly, some of the selected retailers looked to explicitly include a customer focus within their commitment to the circular economy. Ikea, for example, stressed the importance it attached to helping *'our customers create a better life at home'* and claimed *'when you bring the products home, we want to help you make them live longer, or give them a new life, when you no longer need them.'* Metro reported *'developing a customer guidance system for products which can be recommended in terms of sustainability in order to support conscious purchase decisions.'*

Reflections

Some, but not all, of Europe's major retailers have publicly signalled a commitment to the circular economy but such commitments are largely, but not exclusively, aspirational. As such it remains to be seen how far the major European retailers will go to pursue these aspirations and it may be some time before appropriate data is collected, and made available, by the selected retailers to enable academic researchers to assess retailers' achievements in adopting circular economy principles. However, a number of more general issues surrounding the concept of the circular economy within the retail sector of the economy merit attention and discussion. Firstly, while many of the retailers' claim a strategic commitment to the circular economy, such commitments are, in many cases, currently limited. They are particularly focused on waste, recycling, reuse and the use of sustainably sourced materials, across some, but not all of the companies' product ranges. As such, the majority of retailers' commitments to the circular economy generally do not fully embrace all stages of the product life cycle to embrace product design and production, marketing and consumption as well as recycling and reuse. That said, at best, many retailers may just be embarking on a long and complex journey to gradually transform their businesses to a circular economy model. While the major retailers can certainly influence their suppliers they have limited control of the often complex and geographically diverse sourcing of products and of the life cycles of the products they sell.

Secondly, the transition to a circular economy within the retail sector of the economy would both drive and demand major changes in consumer behaviour and consumption patterns. The transition to a circular economy could see the growth of a larger service economy with a greater accent on consumers leasing products, as and when they are required, rather than on purchasing and owning products, and then discarding them when their useful or fashionable life was seen to be at an end. Such a move would surely be seen to challenge the current social value which consumers ascribe to many of the products and services they buy, which may in turn, make it difficult for large numbers of consumers to buy into second hand or reusable patterns of consumption. In some ways this new consumption culture would seem to run counter to the current ethos and business model of

the leading retailers. More generally, it remains to be seen how enthusiastically consumers will embrace the realities of the circular economy not least because it might be seen by many as *a reverse of progress towards a better life* that involved *'a sacrifice of our current, tangible needs and desires, in the name of a better but uncertain future'* (European Commission 2012, p.9).

Thirdly, there are wider, more fundamental and more contentious issues about the relationship between the emergence of a circular economy and existing economic and political structures. Gregson et al. (2015, p.235), for example, argued that a circular economy *'would require radical transformations to the economic order, including fundamental recasting of manufacture, retail, consumption and property rights.'* Such radical changes would extend far beyond the retail sector of the economy and, given its global supply chains, well beyond Europe. As such, concerns have been expressed that the concept of the circular economy might be captured by corporate interests, and more specifically by corporate capitalism. Valenzuela and Bohm (2017, p. 23), for example, suggested that *'given the all too obvious social and environmental consequences crises associated with out-of-bounds growth capitalism, the circular economy has been one of the main references for rebuilding and reforming a political economy of sustainable growth.'* However, Valenzuela and Bohm (2017, p.27) further argued that the terms circular economy and sustainability were effectively being *'captured by politic-economic elites claiming that rapid economic growth can be achieved in a way that manages to remain responsible to environment and society.'*

Conclusion

The concept of the circular economy has attracted attention within the European retail industry and a number of the major European retailers have signalled their commitment to promoting the transition to a more circular economy. That said, many of these retailers' commitments to the circular economy might be seen to be aspirational. As such it remains to be seen how far major retailers will choose to pursue these aspirations as a contribution of the wider transition to a more sustainable future and whether or not the circular economy can become a workable and realistic business model within the retail sector of the European economy. If the retailers' public commitments to a more circular economy are to become a reality then they will not only need to effect a radical change in their current business models but such a change will also need to be accompanied by fundamental changes in consumption behaviour. More contentiously, there must be concerns that major retailers might effectively capture the concept of the circular economy to justify continuing economic growth.

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TABLE 1: SELECTED EUROPEAN RETAILERS

RETAILER	COUNTRY OF ORIGIN	TRADING FORMATS/RETAIL SECTOR
Carrefour	France	Hypermarket/Supermarket
Metro	Germany	Cash and Carry/Warehouse Club
Casino	France	Hypermarket/Supermarket
Rewe	Germany	Supermarket
Ahold Delhaize	Netherlands	Supermarket
IKEA	Netherlands	Furniture
Inditex	Spain	Clothing/Footwear
H&M	Sweden	Clothing/Footwear
Marks and Spencer	UK	Department Store/Food
Kingfisher	UK	Home Improvement