

SUSTAINABLE BUSINESS MODELS

FACT SHEET

This fact sheet describes sustainable business models for a circular economy, with reference to the Business Model Canvas by Osterwalder.

WHAT IS A SUSTAINABLE BUSINESS MODEL?

A sustainable business model integrates principles that reduce waste, encourage reuse, and promote the regeneration of natural systems. For small to medium-sized businesses to succeed in a circular economy, rethinking traditional business models is critical.

The CSIRO's Data61 has been building upon a traditional Business Model Ontology, to analyse alternative models and have identified six observable patterns that can guide your business in making the shift from linear to circular systems of doing business.

WHAT IS THE BUSINESS MODEL CANVAS?

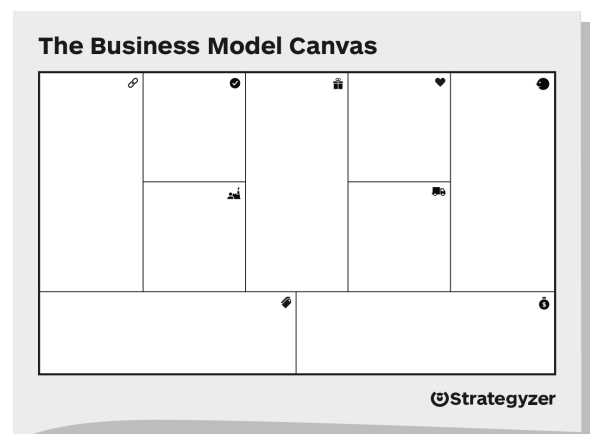
Osterwalder's Business Model Canvas is a strategic management tool that helps businesses to visualize, design, and innovate their business models. Comprising nine key segments—from value propositions and customer segments to revenue streams and cost structure—it offers a clear framework to map out every aspect of a business.

Taking a broad view encourages deep thinking about how a company delivers value to its customers and captures value in return. The business model canvas is ideal for testing ideas when trying to pivot towards more sustainable practices because it emphasises value as a central tenet. Learn more about how to use the canvas on the Strategyzer site at <https://www.strategyzer.com>.

Right: The Business Model Canvas by Osterwalder
Source: <https://www.strategyzer.com/library/the-business-model-canvas>

 <p>Repair & Maintenance Offering services for a fee to extend the primary product lifecycle.</p>	 <p>Reuse & Redistribution Collecting, transporting and reselling products, components and materials for reuse with minimal alteration.</p>
 <p>Refurbishment & Remanufacturing Restoring a used product to 'like-new' condition by cleaning, repair, and replacement of parts.</p>	 <p>Recycling Extracting base materials at the end of the product lifecycle for manufacture into new products.</p>
 <p>Cascading & Repurposing Finding new uses for products or materials at the end of their primary primary product lifecycle.</p>	 <p>Organic feedstock Converting organic 'waste' into bioenergy, animal feeds, fertilisers and other bio-based products.</p>

The Six Sustainable Business Model Patterns Terhorst (2023)



Circularity changes how a business creates value, interacts with customers, and manages its resources and operations.

EXPLORING BUSINESS MODELS FOR THE CIRCULAR ECONOMY

Through the framework of Osterwalder's Business Model Canvas, we can explore the nuanced shifts in conventional business models that we need to consider as we make the transition to a circular economic system in Tasmania.



At the heart of a circular economy business model lies the **value proposition**, which fundamentally redefines what it means to offer value. Current approaches focus on the immediate needs or desires of customers, whereas circular value propositions also consider the broader environmental and social impacts. Products and services are still designed for functionality and satisfaction but embedded with a commitment to reduced waste, enhanced sustainability, and the regeneration of natural systems. Businesses must innovate, clever design solutions that contribute positively to the planet and society.



The target **customer segments** in a circular economy model are typically those who are already inclined towards sustainability. These individuals or businesses are seeking out products and services that align with their environmental values. They are willing to engage in new consumption patterns, such as sharing, leasing, or buying refurbished products, placing value in reducing their ecological footprint.



Distribution **channels**, too, must be reconsidered. The focus shifts towards minimising environmental impacts through the adoption of 'green' logistics, the use of digital platforms to facilitate product sharing or leasing, and the implementation of local supply chains to reduce carbon emissions.



Building and maintaining **customer relationships** in a circular model involves a greater degree of transparency and engagement regarding sustainability efforts. Companies might encourage customers to participate in take-back schemes, offer incentives for returning used products, and build communities around shared values of environmental stewardship.



The **revenue** streams of a circular economy business model move beyond the material transactions of traditional sales. Innovative models like renting, leasing, or providing a product as a service emphasise access over ownership, encouraging longer product life cycles and facilitating recycling or refurbishment.



Key resources in the circular business model are inherently sustainable, encompassing renewable, recyclable, or biodegradable materials and prioritising energy from renewable sources. Business operations are continuously improving to achieve a minimal environmental footprint.



The **key activities** in a circular business model are heavily focussed on designing products for durability, repairability, and recyclability. This includes designing the systems and processes supporting logistics of product returns for refurbishment or recycling and managing innovation to continue to reduce waste and improve resource efficiency.



Partnerships play a crucial role in participating in a circular economy. Collaborating with suppliers of sustainable materials, recycling companies, and organisations working towards shared sustainability goals creates the supportive ecosystem that enables the circular flow of materials.



Finally, the **cost structure** of a circular economy business model not only seeks cost efficiency but also accounts for the external environmental and social costs associated with business operations. This involves learning new ways of accounting and measuring business performance.

The Business Resource Efficiency Program (BREP) is delivered by Business Action Learning Tasmania (BALT) in partnership with the Tasmanian government.

Find more information about BREP
businessactionlearningtas.com.au/brep

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