

MOVECO Toolbox

Performance Economy



DATE, PLACE, COUNTRY

NAME OF PRESENTER, ORGANIZATION

Schools of thought learning objectives

To understand :

- the importance of different schools of thoughts for new circular design, manufacture, use and end of life with the aim to keep materials, products and components within the technical or biological cycle for longer periods, at their highest potential.
- how to evaluate strategical circular development of a company

To learn :

- how to apply circular design approaches that can be implemented within a company/product lifecycle and define measures to improve the company circularity.
- Key elements that shape each school of thought
- How to put in practice the principles of circular economy

To define steps in developing the company circularity through new ways of thinking

Content

Performance Economy - general overview

- the model
- definitions
- selling performance
- in a nutshell

Exercise 1&2

Circular economy definition

“A **circular economy** would benefit our environment, but it's also smart economics. The idea is to keep a given resource circulating for as long as possible. That means designing products, processes and services to optimize the use of resources, so that when something reaches the end of its useful life, we re-use, repair, or remanufacture it for another use. Or we recycle the materials it contains and re-inject them into the economy elsewhere.”

- Quote by Karmenu Vella, European Commissioner for Environment, Maritime Affairs and Fisheries (www.unep.org/ourplanet/may-2016/articles/go-circular)

Performance economy

Nowadays 20% of the population consumes 80% of the resources

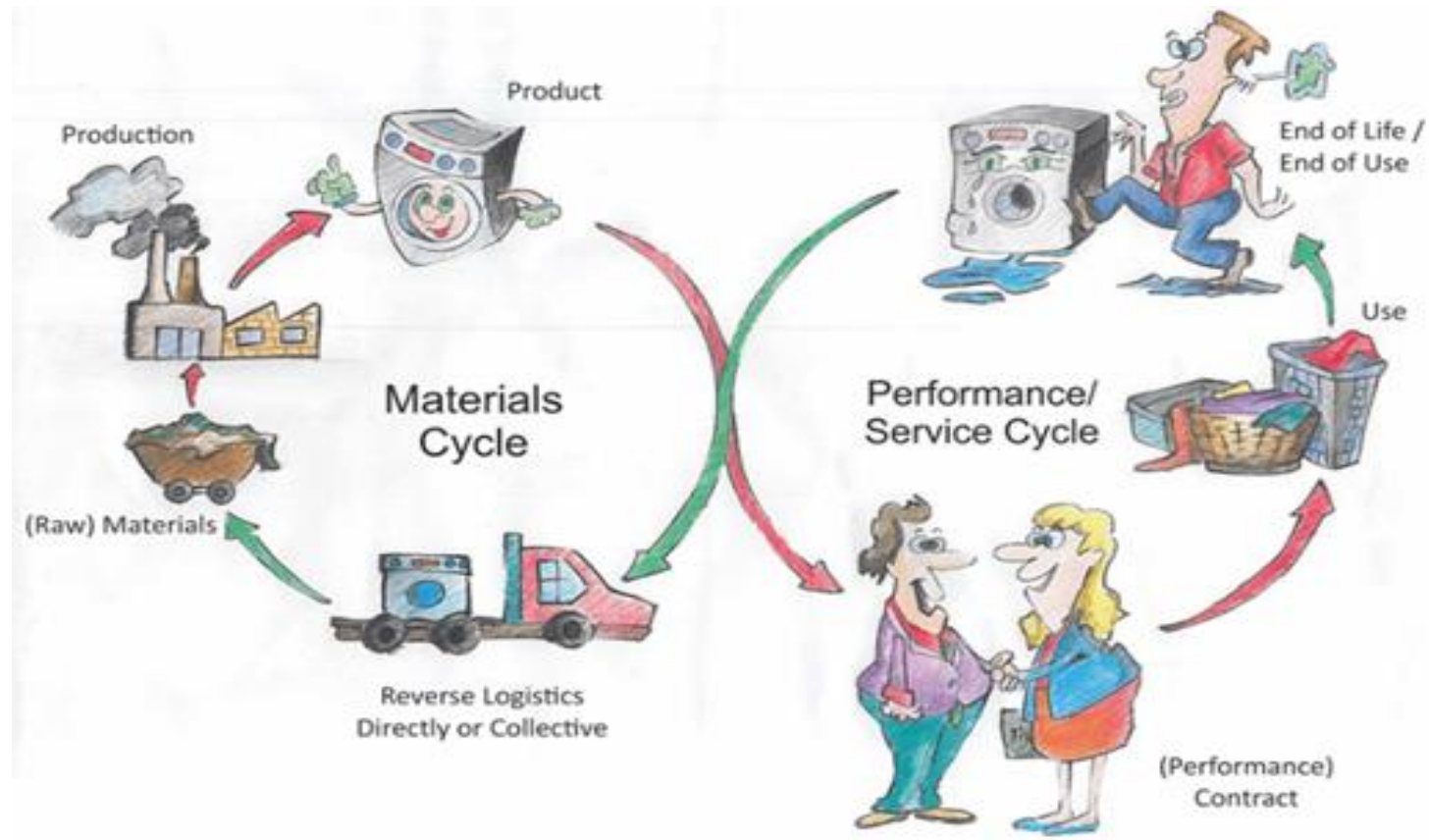
Do you think this is a normal situation?

Can you explain?

- social
- environmental

Gaps?

The model



Performance economy definitions

"...selling services rather than products, an idea referred to as the 'functional service economy', now more widely subsumed into the notion of 'performance economy'"

<https://www.ellenmacarthurfoundation.org/circular-economy/schools-of-thought/performance-economy>

"Collaborative consumption or Sharing Economy is the practice of sharing human resources through peer-to-peer services and replacing traditional ownership with sharing, lending and borrowing. This socio-economic model allows businesses to drastically lower the costs of certain services for clients and increase revenues by eliminating expenses such as immovable assets and other investments".

<https://lovata.com/blog/sharing-economy-collaborative-consumption-definition-statistics-examples.html>

Selling goods as services

Selling goods as services can be nowadays linked mainly to:

- Hotels, apartments, offices, and time – share schemes for holiday represents accommodation as a service;
- Public transport, airlines, taxis, Uber, rental cars and car sharing represents mobility as a service
- Renting some room in your house (In Romania it is usual to rent some spare room to a student)
- Coworking or using the same space for work/business
- Hobby equipment, ice skates, snowboards

Selling performance instead of goods

The *new paradigm* of selling performance instead of goods is based on:

- Ownership of the good is changed (people will not own the washing machines anymore)
- The risks and liabilities will be included into internal processes (manufacturing) and that will increase the design quality as the good needs to be:
 - Easy to operate
 - Good service quality (performance)
 - Component dismantle (the modular design)
 - Easy to use components after the end of life (upcycling)
- The producer needs to assume the responsibilities for a product as a system.

Owner

The benefits the owner has, lie in:

- Future resource security (they already use the dismantled components to create new products/services in closed loops, over and over, materials efficiency means low production costs,
- A good price for future resources (resources for today at the yesterday price)
- Increased corporate competitiveness – when costs of materials, waste, energy increase they have an competitive advantage;
- New jobs creation – for new tasks

Important elements on different phased

1. Design phase

In the new model, selling performance instead of goods designers have to:

Find smart/innovative solution for energy and water use

Re-design goods

To increase their life cycle

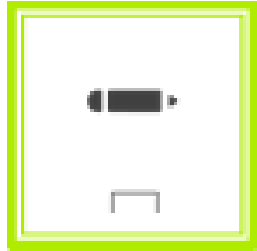
To easy upgrade

For easy recycling, refurbishing, repairing;

Limit the number of materials, less material consumption

Use recyclable materials, nontoxic, non-harmful chemicals

Practical application 1



Practical application 1: Imagine one of your company product. Can you find ways to re-design it? Can you provide some examples to your peers?

Consider the design phase of some of your products. How many steps in the list from above are usually used?

2. Manufacturing phase

- More from less by applying smart solution, smart goods and smart materials
- Less energy consumption
- Water stewardship

Can water be discarded into natural system?

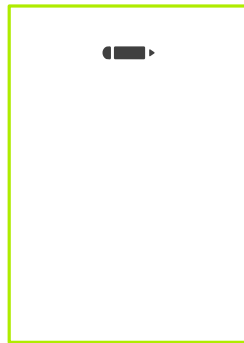
What kind of action your company take to do so? And for what cost?

Does your company complies with environmental legislation?

- Increased product performance (how well do you sell your product in the marketplace?)
- Ownership (risks and liabilities remain yours) you might need to take more action to decrease the risks and liabilities.

Practical application 2

Considering the manufacturing phase please make a sound analysis of water consumption in your company.



Practical application 2: Check the study case Casa Ema in Cradle to Cradle section

3. Use Phase

- Customers buy service/performance not the product;
- The changed statute: user not owner;
- Has a stewardship duty;
- Profit from a fixed price (for the service based on contract);
- Can change the good at any point;
- Can buy the good at any point if wishes

4. End of life

The end of life phase is longer because:

- Components and parts become resources for new products (upcycling);
- The price of resources is lower than virgin raw materials; you already have them at the yesterday price;
- The corporate security works based on resources security
- Less waste/less waste costs;
- Increased revenue produced by upgraded products

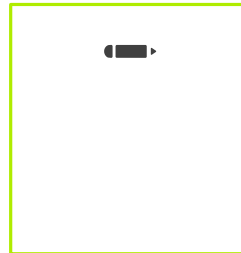
Exercise 1

Now imagine your business. Think about how you can benefit from performance economy.

Identify actual situation of one product you have

Define the four phases of your product in a Performance Economy model.

Discuss with your peers and share ideas!

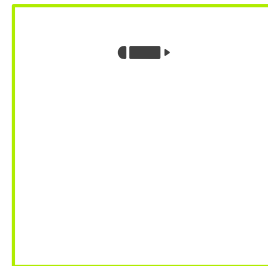


Exercise 1 : Watch this video of Walter Stahel - The Performance Economy
<https://www.youtube.com/watch?v=o0LTo0r-9ZM>

Exercise 2

Check the **study case** provided by **Ellen Mc Arthur Foundation** and identify the most important success drivers of the business model applied by Bundles

Make a list of success drivers and discuss with your peers.



Exercise 2 : Read the study case Internet enabled pay-per-wash: a model offering multiple benefits
<https://www.ellenmacarthurfoundation.org/case-studies/internet-enabled-pay-per-wash-a-model-offering-multiple-benefits>

Glossary

For Glossary you need to check any module in the handbook

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