

**Olena Sokhatska, PhD in Economics**

**Iryna Blazhei**

*Ternopil National Economic University, Ukraine*

## **GREEN BRAND AS A DRIVING FORCE OF CIRCULAR ECONOMY**

The environment preserving problem today has become relevant to the whole world. Society tries all possible ways to minimize the human influence on nature. The ecological issue is actively emerging in the business sector. The quality of life, basic economic, social and cultural values ultimately depend on the production and consumption systems, that is, on the market's ability to guarantee the desired. Significant changes in the ecological consciousness of people directly affect the importance of making environmental decisions. Today, the concept of circular economy (non-waste production) is one of the central among global strategies for environment preservation. Nevertheless, enterprises are still trying to improve the integrative stage of circular business-models to achieve the goal of sustainable production and consumption. And the tool for achieving this integration is branding which can support and promote environmentally-oriented activities.

**Keywords:** brand building, circular economy, environment, green brand, pure circle, sustainable business-model.

**Problem statement.** The demand for scarce resources today is growing more than ever, as the quantity of population and its purchasing power continue to increase. On average, in the EU countries, about 15 tons of materials are used per person in year and 4,5 tons of waste is generated, respectively<sup>1</sup>. Everyday goods are made from valuable resources, which after short-term use become unnecessary and are disposed of in the fastest and most convenient way.

Given the global problems related to waste storage, pollution, climate change and a decrease in the amount of resources the linear "buy-use-waste" economy model loses its relevance. In response to humanity's desire to improve the environmental situation without a radical change in consumer needs, the concept of a circular economy is used according to which the life cycle of product does not end in its utilization, but continues through recycling or reuse<sup>2</sup>. Its task is not just waste minimization, but their complete absence. If, however, use of consumables is necessary, then their return to the biosphere should be absolutely safe.

A large number of environmental initiatives in both the public and private sectors show the growing interest of society in solving environmental problems. However, for business, a decisive stimulus for the circular economy concept implementation is the change in consumer needs and desires. Therefore, in this case, it is the ecological brand that can act not only as a way of informing consumers about the environmental practices of the company, but also as a tool for creating the necessary emotional associations that transform the "brand-consumer" two-way communication into a "brand-environment-consumer" system.

**Recent research and publications analysis.** Scientists such as D. Calleja, S. Geisendorf, I. Koblanska, Y. Makovetska, E. Mishen, L. Musina, V. Rizos, L. Serhienko, A. Wijkman, S. Yamaguchi, I. Zvarych consider the problem of the circular economy concept development. In addition, reports and studies on the problems of the circular economy implementation are regularly published by a large number of international organizations, including European Commission, World Health Organization, United Nations Industrial Development Organization, Organization for Economic Co-operation and Development, Institute for European Environmental Policy, European Environmental Bureau, Foundation Pout La Nature, European Climate Foundation, ClimateWorks Foundation etc.

<sup>1</sup> European Commission (2015). *The circular economy. Connecting, creating and conserving value*. Publications Office.

<sup>2</sup> Berg, A., Antikainen, R., Hartikainen, E., Kauppi, S. (2018). *Circular Economy for Sustainable Development. Programme for Sustainable Circular Economy*. Finnish Environment Institute.

There are many accomplishments in calculating the potential and effectiveness of the circular economy implementation, but some aspects that can make it easier for companies to switch to a circular business model need further study, in particular – the impact of green brands on the desire of consumers to support the companies' circular practices. Scientists such as A. Aaker, S. Harkavenko, B. Heraud, S. Illyashenko, M. Russo, N. Sarkar, A. Zozulova are researching the key aspects of green branding.

The combination of accomplishments in these two areas will help companies to operate more effectively in the direction of the circular economy due to increased interest of consumers in the enterprises' environmental activities.

**The purpose of the article.** The purpose of the article is to substantiate the connection of green brands with the circular economy and provide proposals for the environmental brand implementation in the company activities in order to facilitate the transition to a circular business model.

**Main material.** The circular economy is guided by four main sources of value creation:

- the power of the inner circle – a decrease in the use of material resources in comparison with the linear production system. It is estimated on the basis of difficulty level in a product transformation for reuse (material, time, energy, labor, capital);
- the power of circling longer – the number and time of potential product use cycles;
- the power of cascaded use – reuse diversification, when one product is used for various purposes during repeated use cycles until its return to the biosphere;
- the power of pure circles – environmentally friendly material flows which contribute to improving the quality, durability and performance of materials<sup>1</sup>.

As at 2018, 9% of the world's material flows are already circular, and it is also assumed that the combination of the circular economy principles and the growth of technological capabilities will allow an annual increase in resource productivity by 3%<sup>2</sup>. In addition, the transition to new standards of production and consumption will create new jobs and by more than half reduce emissions of greenhouse gases by 2050. An assessment had revealed that only in Europe by 2030 the circular economy can reduce the amount of primary used resources worth about 600 billion euros<sup>3</sup>.

The transition to a circular economic model requires fundamental changes in the market, technology, consumer behavior and public policy. It is especially necessary to note the role of regulatory structures, which remains central, although the limited resources encourage business to technological changes.

The circular approach can be divided into 6 main business-models (the so-called ReSOLVE):

- regenerate – the use of renewable materials and energy;
- share – the products life cycle extension through sharing;
- optimize – the use of information and communication technologies for increasing the production ecological efficiency and waste minimization;
- loop – the use of closed production cycles;
- virtualize – the direct and indirect dematerialization;
- exchange – the product life cycle extension by reuse<sup>4</sup>.

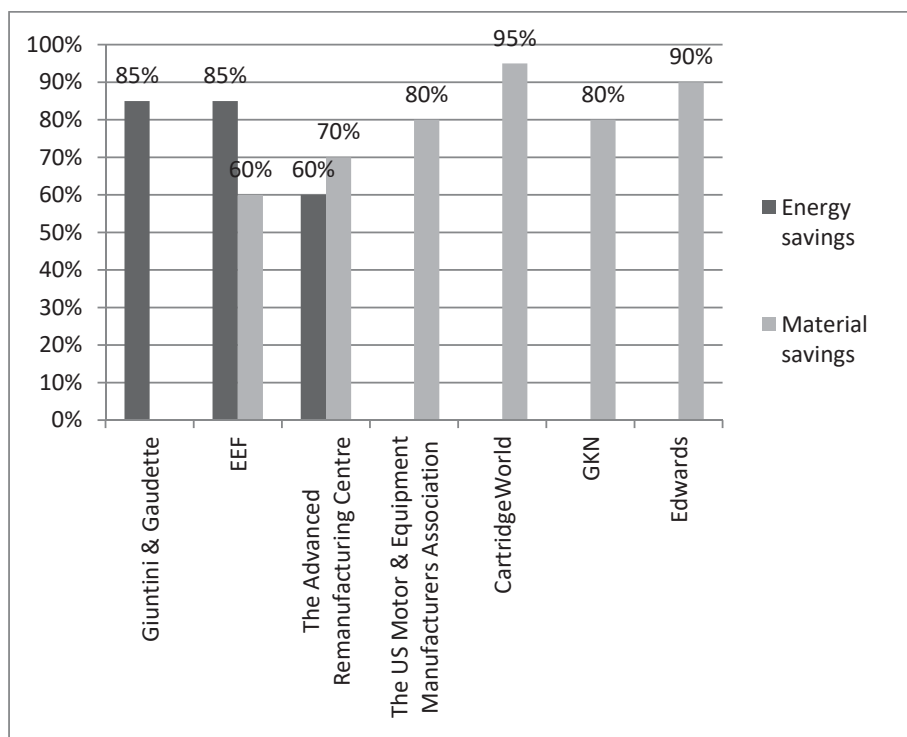
The main advantage of these business models implementation is a significant reduction in material costs (especially on preparation and processing). Figure 1 shows the data provided by enterprises and research companies on the level of material and energy savings in the case of applying a circular approach to production. On average, according to the information provided, the savings are about 70%.

<sup>1</sup> Ellen MacArthur Foundation (2015). *Towards a circular economy: Business rationale for an accelerated transition*. <[https://www.ellenmacarthurfoundation.org/assets/downloads/TCE\\_Ellen-MacArthur-Foundation\\_9-Dec-2015.pdf](https://www.ellenmacarthurfoundation.org/assets/downloads/TCE_Ellen-MacArthur-Foundation_9-Dec-2015.pdf)> (2019, July, 25).

<sup>2</sup> European Commission (2015). *The circular economy. Connecting, creating and conserving value*. Publications Office <<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52015DC0614>> (2019, July, 25).

<sup>3</sup> de Wit, M., Hoogzaad, J., Ramkumar, S., Friedl, H., Douma, A. (2018). *The Circularity Gap report. Circle Economy*. <<https://www.circle-economy.com/the-circularity-gap-report-our-world-is-only-9-circular/#.WyPwctVL-po>> (2019, July, 25).

<sup>4</sup> Material Economics (2018). *The Circular Economy: A powerful force for climate mitigation* <<https://media.sitra.fi/2018/05/04145239/material-economics-circular-economy.pdf>>(2019, July, 25).



**Fig. 1. The level of energy and material savings in case of the circular production approach<sup>1</sup>**

Today, these business-models are used not only by small-scale enterprises which are focused on environmental consumer needs, but even by such technological giants as Apple, Google and Philips. That is, the circular economy is reaching a completely new, large-scale level.

Particularly, Apple introduced the new Daisy robot, designed to disassemble the used iPhone as efficiently as possible. Subsequently, usable items must be returned to the manufacturing process.

Sidewalk, which is a subsidiary of Alphabet (Google), is preparing to launch a project to manage waste from a distance – the concept of a smart-city with autonomous robots that deliver waste to certain specific points.

Unilever invests in the development of the CreaSolv process, which will potentially allow high-quality recycling of plastic waste, while Henkel is involved in the creation of the Newcycling process, which eliminates useful materials from multi-layer packaging.

Among the more casual approaches to the circular economy is the full range of lighting from Philips, which the company offers to consumers. Instead of disposable lighting devices, the buyer receives the installation, maintenance and replacement of the lighting system –the “pay-per-lux” model. This allows the company to use materials more efficiently and increase consumer loyalty.

Another example is P&G’s re-use of plastic, in particular marine waste (“oceanic plastic”). One more focus of P&G’s work in the direction of the circular economy is the collaboration with PureCycle Technologies in launching a factory that can completely restore the plastic that was already in use.

The Furniture Industry Researchers Association (FIRA), which includes about 300 furniture companies (among them Ikea, DFS, John Lewis) actively advises furniture manufacturers on the implementation of circular approaches to production.

Ikea announced that by 2020 their products will consist entirely of recycled materials. They also refused to use polystyrene oil-based packaging. Instead, they use materials which can be fully processed. However, the crisis of 2018 contributed to the biggest shift in the company’s activities. Profit and job cuts have led to the need to revise company policies. As a result, Ikea introduced the furniture rental service

<sup>1</sup> Lavery, G., Pennell, N., Brown, S., Evans, S. (2013) *Next Manufacturing Revolution*. The Institute for Manufacturing.

(product-as-a-service (PaaS)), which today is one of the most large-scale examples of the effective application of the circular economy principles<sup>1</sup>. PaaS business-models provide an opportunity to increase product life-cycle time and improve material productivity.

The Dutch woodworking company Herso for the production of new products uses reclaimed wood from old furniture, floors, and production residues. Iron parts (such as nails) are also reused, and sawdust is turned into compost. Instead of the usual sales, Herso offer a kind of agreement, according to which, at the end of the term of use products must be returned in order to re-launch it in production. All supporting materials are also certified and environmentally friendly<sup>2</sup>.

The progress of initiatives on the circular economy implementation is quite noticeable, but there are certain barriers, in particular cultural ones, that are related to lack of consumer interest, low awareness and uncertainty of corporate culture.

A number of corporations are beginning to invest in consumer education to encourage recycling and accelerate changes in consumer behavior to a more eco-friendly. For example, Coca-Cola, together with Keep America Beautiful, launched a program that is designed to inform consumers about the possibility of recycling various things into local recycling programs. At the same time, Nestlé organizes educational tours to increase consumer awareness of plastic recycling.

When such well-known brands become the initiators of circular economic processes, other enterprises follow their sustainable practices in order to remain competitive, while consumers become accustomed to the idea that safety for the environment is not an exception, but the only right decision in the current environmental situation.

A number of companies (including Coca Cola and Puma) optimize product packaging primarily according to environmental values, rather than based on visual characteristics. The benefits of presenting brand as safe for the environment are gradually becoming more tangible than the usual marketing strategy in which the visual and entertainment advantage occupies a central place.

Such a change in consumer sentiment creates great opportunities for brand owners to improve personalization, customer relationship and customer loyalty. However, in this case, when working with a brand, it is necessary to abandon the “linear” way of thinking, and consider the brand as a system that covers the entire company (fig. 2).

The procurement department should make sure that the received materials and the supplier companies in general correspond to the values of the green brand. The manufacturing department monitors compliance with environmental requirements and propose changes to the production process, designed to reduce its impact on the environmental situation. The marketing department is responsible for building consumer brand loyalty, creating a marketing communications system, etc. The financial department controls the level of costs for the implementation of environmental practices and their impact on changes in the pricing policy of the enterprise. The HR department is responsible for the formation of a corporate environmental culture. The legal department monitors changes in environmental legislation, opportunities for cooperation with state and public organizations in the field of environmental protection (grants, environmental programs, reduction of environmental tax rates, etc.). The sales department, if necessary, corrects the actions of intermediaries on environmental issues.

That is, the formation of a green brand in accordance with the principles of the circular economy is a complex process that covers the entire internal structure of a company, and also significantly affects its relations with suppliers, intermediaries and public. However, brand, due to its close relationship with consumers, can provide the necessary information and create an emotional need to support circular economic practices.

Figure 3 shows the stages of brand building, taking into account the specifics of the environmental values on which the brand relies.

<sup>1</sup> Riel, A. (2019) *IKEA is making a huge change by renting out furniture— and it's a prime example of the kind of thinking more companies need to be done*. Business Insider < <https://www.businessinsider.com/ikea-furniture-rentals-circular-economy-2019-3?r=US&IR=T> > (2019, July, 25).

<sup>2</sup> European Commission (2017). *Circular economy in the furniture industry: overview of current challenges and competences needs*. < <https://circulareconomy.europa.eu/platform/sites/default/files/circular-economy-in-the-furniture-industry.pdf> > (2019, July, 25).

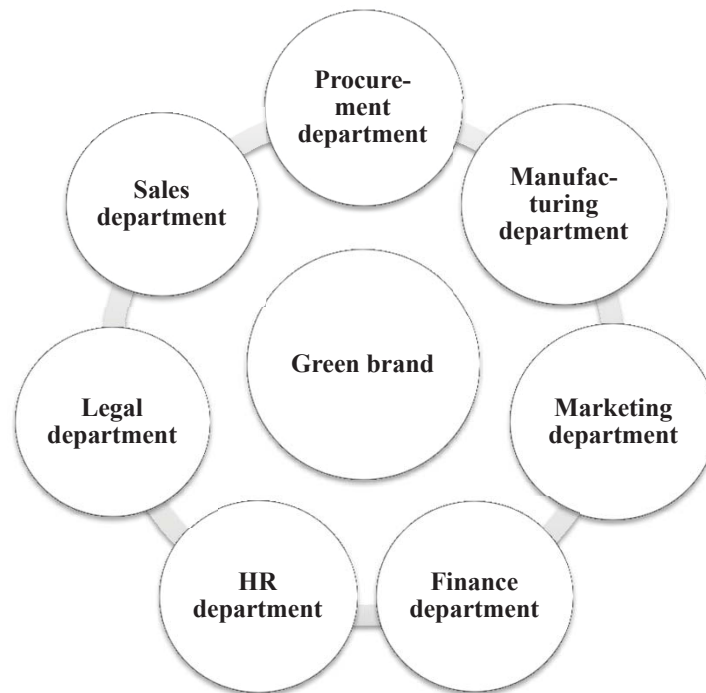


Fig. 2. Departments involved in creating and maintaining a green brand

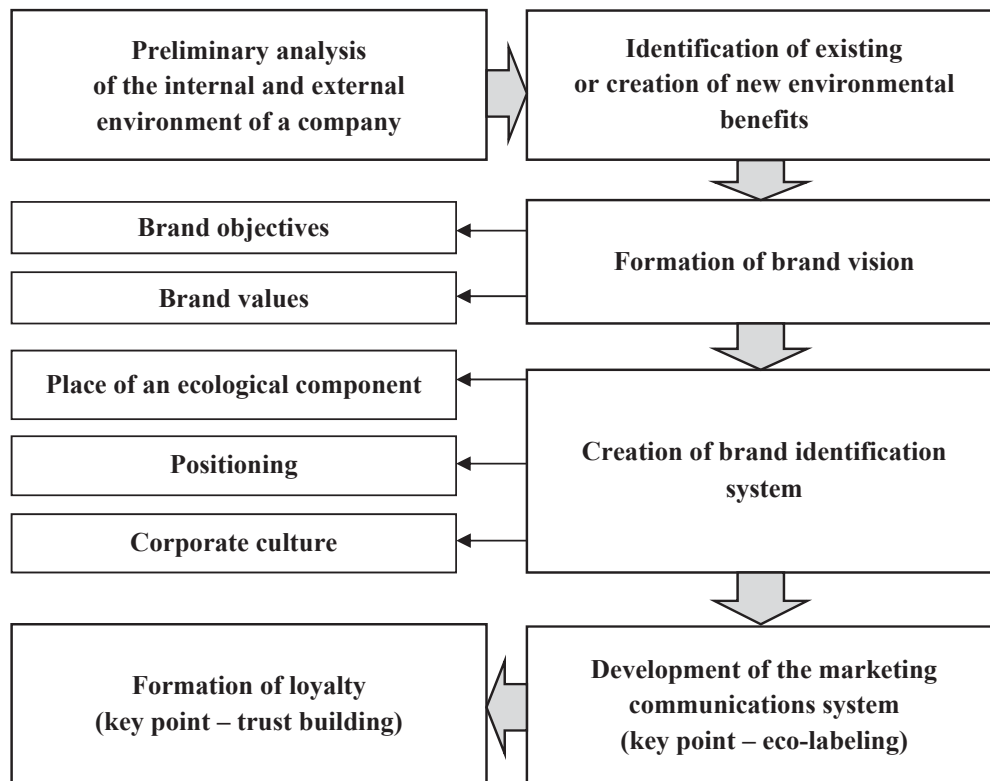


Fig. 3. Stages of a green brand building

This model implies a comprehensive approach to the formation of an environmental brand and describes the brand building process starting from the search for the competitive advantages and completing with supporting customer loyalty activities.

The first two stages are responsible for analytical preparatory work – the study of competitors and consumers, opportunities and disadvantages within the company, the potential impact of external forces, etc. On the basis of these data the enterprise gets an opportunity to evaluate the prospect of its existing environmental benefits for use in branding, and the potential profitability or unprofitability of creating new ones. This stage plays a key role in the creation of a brand, because almost all further activities are based on the quality of the data and its correct interpretation. An incorrect assessment of strengths, weaknesses, actions of competitors or consumer motives can lead to a failure in all next processes.

Next, a brand vision and system of brand identification is formed, that is, all the most important characteristics that are intended to convey the essence of the brand: goals, values, place of the environmental component, positioning strategy, attributes and corporate culture. They must be holistic and reflect the company's position on branded products, while remaining honest and realistic.

The formation of the core of the brand ends at these stages and the strategic activities for its promotion begin, which involves the development of a marketing communications system and the formation of brand loyalty. It should be noted that the green brand focuses not only on the consumer but it can also provide benefits when dealing with suppliers, intermediaries, government and public organizations, as well as all stakeholders.

It is also essential to focus more on the stages that are inherent in the green brand: determining existing or creating new environmental benefits, determining the place of environmental component and applying eco-labeling in the marketing communications system.

Green branding requires a detailed study of legislation regarding the issue of environmental protection, opportunities for cooperation with public organizations, environmental labeling requirements, and acute environmental issues. The obtained data are used to determine the main advantages of a green brand – usefulness for the environment and humans.

In the case when these advantages in the company are already available, it is only necessary to determine their place among other factors affecting the image – to what extent the environmental advantage will be relevant for the product, whether there are other "stronger" options, or whether additional changes are necessary.

Environmental benefits can focus on the consumer (the use of safe materials) and environment protection (safe production and recycling). In the first case, the company offers more tangible benefits for the consumer, in the second one – more abstract ones. In order to translate environmental benefits into important and real consumer benefits, it is necessary to actively disseminate information about the environment and its importance to people.

At this stage, difficulties can arise if the company does not possess any environmental characteristics. Then their creation, especially in a case of complete production reorganization, will require significant investment. However, there are many options for solving environmental problems that require a moderate investment of time and money. These include the installation of filters, the collection and proper disposal of waste, the selection of safe materials. These advantages can be perceived as primary with subsequent involvement of more complex processes in the manufacturing, for example, the use of recycled materials or alternative energy sources.

The activities on the brand identification system begin with the specifying of the place of the ecological component. It can occupy a central, adjacent or additional position. The green brand defines the ecological component as the main one in a case when it has competitive, distinct ecological advantages that can meet the needs of potential consumers. Then the whole further strategy is built according to the central ecological concept – it is responsible for positioning, attributes, and corporate culture.

If the ecological component is not sufficiently strong and unique, it must be supplemented with one or several other competitive characteristics. The strongest of the existing ecological advantages and the most related advantage (quality, price, range, design) are chosen. The combination of such characteristics helps to attract consumers who are interested in more practical aspects of the product, as well as those who feel the responsibility and the need to buy environmentally friendly products.

The ecological component can also play an additional, supporting role. However, in this case there is a risk of such a diminution of the sustainable value that a brand cannot be considered green.



The feature of green brand creation is also the mandatory use of eco-labeling in the marketing communications system. It helps consumers identify environmental products and their specifications, and also informs about the intangible characteristics of the brand.

**Conclusions.** The need for a global implementation of the circular economy practices today is almost beyond doubt. However, for companies this is associated with additional risks, such as increased costs, significant changes in the production process and the final product, the lack of active consumer position in relation to environmental goods and services, etc. In this case, the use of environmental branding can increase consumer awareness and value of the company, create a close emotional connection and ensure the continuous development of the circular economy concept. A brand acts as a link between the company, legal requirements, regulatory requirements, consumers and those environmental changes that affect the welfare of all mankind – both managers and employees of companies, as well as their clients, partners and intermediaries.

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