

#1

July 2017

POSITIVE+ INNOVATION

**RETHINK
YOUR BUSINESS
THROUGH
NEW BUSINESS
MODELS !**



**IMAGIN'
ABLE**

GOOD VALUE FOR ALL !

PRESENTATION

POSITIVE INNOVATION BY IMAGIN'ABLE

Because we believe that businesses need support in rethinking their products, services and business models to build a sustainable future, we have developed a “positive” innovation approach based on four cornerstones:

1/ The formalisation of an innovation process built on four new business models (collaborative, functional, inclusive and circular), allowing a “shift” in focus towards innovative product or service portfolios.

2/ The enhancement of innovation methods and tools, which we have enriched and improved to promote the development of positive and sustainable innovation projects.

3/ The alignment between innovation process and the transformation of the organisation, management and behaviours to make sure that innovation projects are deeply and durably integrated in the brands and the company.

4/ The ability — thanks to our ecosystem of partners — to integrate the entire innovation project design chain from ideation to prototyping and testing, thereby ensuring that solutions are fully operational, especially from the digital perspective.

**Imagin’able,
Good Value For All !**

www.imaginableforgood.com

*Authors
of the study*



THOMAS BUSUTTIL
Founder and General
Manager



JAN KOLAR
Senior Positive
Innovation Consultant



EDITORIAL

DIGITAL SOCIETY — AND ESPECIALLY ITS COHORT OF DIGITAL PLATFORMS, WHICH ARE DISRUPTING EVERY SECTORS THROUGH DESINTERMEDIATION AT MIND-BLOWING SPEED — IS MAKING A DEEPGAME-CHANGING IMPACT.

IN COUNTERPOINT TO THIS TECHNOLOGICAL REVOLUTION, NEW ISSUES — SUCH AS NATURAL RESOURCES SCARCITY, THE ARRIVAL OF NEW, CREATIVE AND SOCIALLY-ENGAGED GENERATIONS (Y AND Z) AND THE NEW EXPECTATIONS OF CONSUMERS MORE AND MORE CONCERNED ABOUT THEIR HEALTH AND THE ENVIRONMENT, SEARCHING FOR MEANINGFUL BRANDS TO SUPPORT — ARE ADDING SOCIAL AND ENVIRONMENTAL DIMENSIONS TO TODAY'S TECHNOCENTRIC WORLD.

THE ECONOMIC SUCCESS AND SOCIAL INVOLVEMENT OF NEW COMPANIES LIKE BLABLACAR AND LA RUCHE QUI DIT OUI! (THE FOOD ASSEMBLY)— AND OF LONGER-ESTABLISHED ONES LIKE DANONE, INTERFACE AND NIKE — SHOW THAT MARKET, CONSUMERS AND CITIZENS APPROVE AND SUPPORT THIS DUAL APPROACH BASED ON TECHNICAL INNOVATION AND SUSTAINABILITY.

OUR AIM IN THIS STUDY IS TO INTRODUCE THE NEW BUSINESS MODELS WE HAVE FORMALISED, WHICH, COMBINED WITH NEW POSITIVE INNOVATION TOOLS, SHOULD ENABLE ALL BUSINESSES — LARGE AND SMALL — TO ADOPT AN AGILE, CROSS-CUTTING AND ENGAGED APPROACH, IN ORDER TO CREATE VALUE... WITH VALUES(!) AND THUS BENEFIT FROM THE FABULOUS OPPORTUNITIES OFFERED BY OUR "STILL NEEDS TO BE REVINENTED" WORLD.

THOMAS BUSUTIL

INTRO- DUCTION

COMPANIES MUST REINVENT THEMSELVES TO STAY PROSPEROUS

ONE THING IS CERTAIN: **DOING MORE WITH LESS IS NO LONGER A SOLUTION TO TEMPORARY DIFFICULTIES BUT A LONG-TERM, FUNDAMENTAL STRATEGY; ACCORDING TO PIONEER THINKER PAUL POLMAN, CEO OF UNILEVER, ADOPTING AND PURSUING THIS KIND OF APPROACH IS A NECESSITY BECAUSE “COMPANIES LIKE OURS (...) HAVE TO CONTINUALLY REINVENT OURSELVES. WE WOULD GET AWAY WITH MAKING CHANGES OVER A FIVE OR TEN-YEAR PERIOD, BUT IF YOU DON'T IMPLEMENT THEM NOW, WITHIN A SIX OR TWELVE-MONTH PERIOD, YOU ARE PROBABLY TOAST”.**

However, the need to do more with less is not incompatible with the notion of growth. On the contrary, **this new approach to our development should go hand in hand with what has always been one of the key drivers of human societies: Progress.** Nonetheless, we need to radically rethink our perception of growth, which supposes a change of paradigm and requires a newly adapted model.

A model based on a “light and service-driven” consumption, based on use rather than possession and integrating a “close the loop” approach to the consumption of goods.

A model that also systematically incorporate relational intelligence and a collaborative vision between the company and its ecosystem to understand the positive and negative externalities that may be generated, as well as the agility to create value in the broad sense, shared with all its stakeholders.

In other words, a model allowing a continuous “creative adaptation”.

For companies, therefore, the challenge lies in knowing which new model or models to choose. The aim of this study is to clarify that choice in light of feedback and various methodological elements, through both a practical and theoretical approach. It also presents a tried and tested innovation approach as a lever for change that reconciles societal and environmental issues with the creation of economic value.



PAUL POLMAN
CEO of Unilever

¹Paul Polman, CEO of Unilever. Find out more at <https://www.lesechos.fr/idees-debats/cercle/cercle-153747-innovation-frugale-les-facteurs-cles-dune-implantation-dans-les-organisations-occidentales-1201219.php#hJJS2QKhLhZL6rBW.99>

²Definition of Business Model Generation



MOVING FROM PRODUCT INNOVATION TO INNOVATIVE “POSITIVE SOLUTIONS”

Innovation is omnipresent today, and is embraced almost unanimously by all economic actors.

To provide a pertinent and holistic response to the complex challenges we face, and hence adopt a truly positive innovation approach that generates both economic and societal value, we need to do more than technology, process and product innovation. Although relevant, these approaches offer only a partial response to issues that are complex by definition. It has therefore become necessary to shift to a “solutions-based” approach by exploring new ways of integrating the needs and expectations of clients and society as a whole, in as

systemic a manner as possible. To bring this change to reality, the whole business model must be (re)invented.

This means identifying actionable levers of change and “swarming” them into organisations to help reinvent their business models, products and services, so that they are able to address social challenges more effectively while creating the economic value they need to survive.

business [bizness] model [model]



According to the most widely accepted definition², a **“business model” describes the principles by which an organisation creates, distributes and captures value**. Today, the question arises as to what that value actually consists of. It is generally expressed exclusively in monetary terms, without sufficient regard for the “externalities” (impacts and consequences) of the value creation process.

Now, however, the changing reality (as described below) requires **an updated definition of the concept of value, which has been “reviewed and amended”** — in other words extended — to encompass new societal expectations. At stake is the economic viability of the company in the short, medium or long term, given the new constraints and opportunities relating to resources, its license to operate, and other increasingly important factors such as its attractiveness, its potential for differentiation, and the emergence of more agile incomers capable of integrating these parameters from their inception.

An **“extended value creation”** approach consists in both considering positive and negative externalities, and analysing the creation and destruction of value for each stakeholder. The notion of extended value creation therefore recognises that value is created **to be shared between a business, its clients, and the society as a whole**.

INTRODUCTION

A CONTEXT OF RADICAL CHANGE

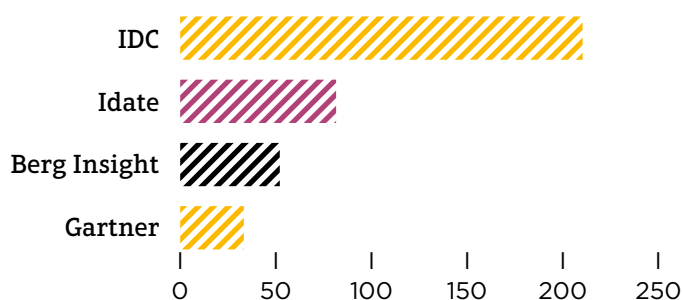
INNOVATION SHOULD HELP STRENGTHEN THE COMPETITIVE ADVANTAGES OF A COMPANY IN ALL ITS DIMENSIONS. IT MEANS INTRODUCING NEW SKILLS AND TECHNOLOGIES, AS WELL AS RETHINKING THE COMPANY'S BUSINESS MODEL: TRYING TO DO MORE AND BETTER WITH LESS, MAKING ORGANISATIONAL CHANGES TO ACHIEVE GREATER AGILITY...

As stated in the introduction of an enlightening report by UNESCO, science, technology and innovation are increasingly recognised all over the world as development drivers. Thus, many countries include "science, technology and innovation in their objectives to trigger an upsurge in prosperity, reduce their dependency on natural resources, and embark on their transition to knowledge economies".

In all sectors, the advent of the digital society is swiftly pushing aside actors with long-established expertise and experience.

The internet and digital technologies are transforming our world. It is expected that, by 2020, 25 to 200 billion devices will be connected and will generate over two zettabytes of traffic every year.

Source: #DigitalSingleMarket: EU programme.



Estimated number of connected devices by 2020 (in billions)



THE FOUR DRIVERS OF THE DIGITAL REVOLUTION

IN TERMS OF BUSINESS MODELS, THE GROWING DIGITALISATION OF SOCIETY HAS PRODUCED AT LEAST FOUR MAJOR CONSEQUENCES, INCLUDING IMMINENT RISKS TO ESTABLISHED ACTORS, AND TREMENDOUS OPPORTUNITIES FOR AGILE ACTORS (BOTH OLD AND NEW) CAPABLE OF REDEFINING THEIR VALUE CREATION METHODS AS PART OF A POSITIVE, FORWARD-LOOKING APPROACH.

► **Acceleration in growth and innovation:** Many digital actors (Airbnb, Uber, etc.) are taking the opportunity offered by the digital revolution to pursue their development at “zero marginal cost”. By increasing the usage rate of existing infrastructure without bearing the cost, these organisations have been able to grow at record speed.

► **Disintermediation and reintermediation are reshaping the value chain:** All business sectors are subject to disintermediation, which is characterised by the emergence of actors who insert themselves between an existing company and its clients, often by means of a user-friendly digital platform. A more detailed analysis of this phenomenon is however required, as these platforms very often create new forms of intermediation that traditional actors (if agile enough) can use to their advantage, and that offer major development opportunities to those who know how to find them. To make the most of these opportunities, existing actors must carry out a more detailed analysis of the competitive changes.

For example, **StyleBee**, a Californian startup, offers “on-demand beauty services” in the home (hair, makeup, etc.). It employs qualified hair stylists and makeup artists outside of their regular working hours, so it is not their “main” job but a “secondary” source of income. Because of this, and because the platform does not have the same overheads as “physical” beauty salons, it is able to offer affordable services delivered by professionals. This shows that the disintermediation of hair salons can go hand in hand with the reintermediation of individual hair stylists, which creates a new, high-potential market for manufacturers of professional beauty products.

In the past, it took years, even decades, to grow a business.



Today's new businesses grow much faster, as their expansion is facilitated by the internet.



- Company founded in 1946
- International presence: 62% of countries
- Number of rooms (2014): 710,000



- Company founded in 2008
- International presence: 99% of countries
- Number of rooms for rent: Over 1 200 000 as of end 2016



- Company founded in 1954
- Turnover (2011): € 7.8 bn
- 41 000 vehicles in circulation



- Company founded in 2009
- Expected turnover (2015): \$10 bn
- 162 037 drivers who made more than four journeys in Dec. 2014

ACCELERATION IN THE IMPLEMENTATION OF NEW MODELS

INTRODUCTION



THE FOUR DRIVERS OF THE DIGITAL REVOLUTION (CONT'D)

► **“Desectorization” and a broader range of options:** Digital technology and the service-driven approach enable companies to broaden their competitive horizons and to tackle several business sectors at once.

The increased porosity between historically distinct sectors (e.g. healthcare, beauty and well-being) is a tremendous opportunity for diversification, and a clear understanding of this new reality is essential to develop a holistic solution to societal issues.

Following its adventures in the automotive industry and its highly controversial foray into the healthcare sector, Google has designed a tool called Sunroof to assess the insolation potential of roofs. The tool makes use of the unique satellite coverage behind Google Earth, which is a key resource for the company. By means of satellite imagery analysis, “Sunroof” enables users to calculate the savings they could make by installing solar panels on their roofs. It also provides those interested with a list of solar panel providers in their local area. By considering new service-driven ways of using a tool originally designed for a completely different purpose, the company is entering new markets where such expertise doesn't exist.

► **A major change in the relationship between brands and their customers, in order to build trust:** Interconnectivity through social networks has contributed to the development of virtual communities, which are having an increasingly decisive influence on customer purchasing behaviour. Thus, the trust which is fundamental to business success, and which, according to Rachel Botsman, will be “the currency of the 21st century”, is being built in a much more communitarian manner by capitalising on the interactions between interconnected people. This paradigm shift in the trust-building process is prompting companies to move closer towards a model centred on their “relationship” with their consumers, which is now more popular than the transactional model that prevailed up to the end of the 20th century.



Project Sunroof



A PARADIGM SHIFT IN TRUST BUILDING

In the past, trust was built on expertise, as measured by:

- ▶ The age of the company
- ▶ The brand's reputation over the years
- ▶ The robustness of the company
- ▶ ...



Today, trust is built in a communitarian manner, by capitalising on human interactions



- ▶ Peer rating and assessment
- ▶ @-reputation



THE CHANGING COMPONENTS OF TRUST : FROM TRANSACTION TO RELATION

In the past, companies were focusing on transaction when doing business with their clients



Now, they need to first focus on relationships to build trust leading to new transactions



**"TRUST WILL
BE THE
CURRENCY
OF THE 21ST
CENTURY"**

RACHEL BOTSMAN

Author of "The rise of
collaborative consumption"

INTRODUCTION



THE THREE MAJOR SOCIETAL CHANGES THAT COMPLETE THE DIGITAL REVOLUTION

A NUMBER OF FAR-REACHING SOCIOLOGICAL CHANGES ARE TAKING PLACE IN PARALLEL WITH THE DIGITAL REVOLUTION, REFLECTING NEW CONSUMER EXPECTATIONS THAT COMPANIES MUST UNDERSTAND AND ADDRESS.

1 ▶ Change in the relationship to ownership: The pursuit of material possession is gradually easing off, as consumers adopt a more needs-based approach. Numerous studies, such as the “*I share! Do You?*” survey carried out by OuiShare and La Fing in 2015, show that the possession of material wealth is no longer correlated with social status. However, this does not signify the end of consumption. On the contrary, even new generations expect to have access to an increasingly diverse range of products and services, within the context of a more and more experiential form of consumption. A study published by OpinonWay in 2016 confirmed this trend by showing that, for three quarters of French people, the ownership of consumer goods is no longer a condition for happiness.⁴

2 ▶ Change in the relationship to consumption: The number of consumers concerned about the social and environmental consequences of their purchasing decisions is growing, and is driving a trend towards more meaningful consumption. Their numbers increase where “responsible” consumption is associated with issues that affect them personally. The boom in the organic market — which again grew by over 20% in 2016 and generated a turnover of more than €7 billion in France — is a prime example, as consumers perceive organic food as healthy.

3 ▶ Change in the relationship to work: Lastly, established companies are already carrying out an often-fundamental review of their managerial models and their role in society (in terms of the meaning they attach to that role and the impact they have on the daily lives of employees). They are doing so because the millennial generation in particular expects them to adopt active solutions to social challenges, and to develop a socially oriented business model that is agile, not too hierarchical, and encourages autonomy and initiative. In addition, the traditional salary-based model is increasingly being challenged, with the sustained growth in the number of “slashers”, a population of generally young people who deliberately and freely choose to have several jobs to achieve their own personal and professional fulfilment (there are 3 to 4 million slashers in France and over 40 million in the United States, i.e. one third of the labour force).

⁴http://opinionlab.opinion-way.com/dokumenty/ETUDE-Lokeo-OpinionWay_mars2016.pdf



THE EMERGENCE OF FOUR NEW MODELS

THESE PROFOUND CHANGES ARE LAYING THE GROUNDWORK FOR NEW FORMS OF ECONOMY: NEW BUSINESS MODELS ARE POPPING UP LIKE ICEBERGS. THEY ALREADY PLAY A SIGNIFICANT ROLE IN THE 21ST CENTURY ECONOMY, AND CAN BE BROKEN DOWN INTO FOUR MAIN CATEGORIES: COLLABORATIVE, FUNCTIONAL, CIRCULAR AND INCLUSIVE.

This division into four distinct categories is based directly on our analysis of each model's key features. It has the advantage of being pedagogical and of providing simple and straightforward keys to understanding these interwoven layers of change. However, it is important to understand that the models are interdependent and that, while they are

certainly going to create complexity, they will also trigger a virtuous dynamic of positive innovation. We suggest you put that dynamic to the test by choosing the model that feels the most familiar and that you think fits best with your business, while working out fast how to connect with the others.

THE FOUR BUSINESS MODELS THAT ARE "CHANGING THE GAME"



COLLABORATIVE
(FACT SHEET 1)



FUNCTIONAL
(FACT SHEET 2)



CIRCULAR
(FACT SHEET 3)



INCLUSIVE
(FACT SHEET 4)



01



THE COLLABORATIVE MODEL: TACKLING SOCIETAL CHALLENGES THROUGH COMMUNITY AND TRUST

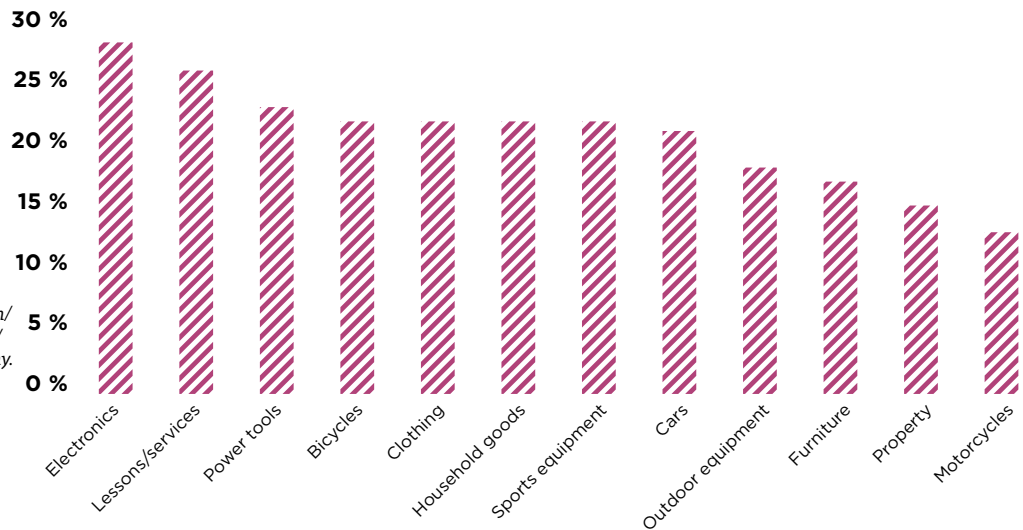
THE FIRST OF OUR FOUR MODELS, THE COLLABORATIVE MODEL IS CERTAINLY THE MOST TALKED ABOUT, BUT IT IS ALSO THE MOST CONTROVERSIAL. WITH EXPECTED REVENUES OF ALMOST \$335 BILLION BY 2025 (ACCORDING TO A PWC REPORT), THE COLLABORATIVE ECONOMY HAS MANY FACETS. THERE IS SOMETHING OF MR HYDE IN ITS HYPER-LIBERAL, CAPITALISTIC APPROACH, AND IN THE EXCESSES OBSERVED DURING THE UBER AND TAKE EAT EASY SCANDALS; HOWEVER, WHEN IMPLEMENTED IN A VIRTUOUS AND RESPONSIBLE MANNER, IT TRANSFORMS ITSELF INTO A DR JEKYLL FIGURE, OPTIMISING AND DEMOCRATISING ACCESS TO MOBILITY (BLABLACAR), AND DEFENDING LOCAL, FARM-BASED AGRICULTURE WHILE DEMOCRATISING ACCESS TO HIGH-QUALITY FOOD (THE FOOD ASSEMBLY), ETC.

TO ADDRESS THIS CONTROVERSY WE DISCUSS BELOW THE ISSUES THAT MUST BE ADDRESSED WHEN BUILDING A COLLABORATIVE ECONOMY THAT PROMOTES POSITIVE INNOVATION, CREATES VALUE (INCLUDING ECONOMIC VALUE), OPTIMISES EXISTING ASSETS, AND THEREFORE AUTOMATICALLY CREATES “MORE WITH LESS”.

The willingness of people to share

Source: Havas, Crédit Suisse research

See: <http://www.schroders.com/en/sysglobalassets/digital/resources/pdfs/2016-08-the-sharing-economy.pdf>



DEFINITION AND CONTEXT

The collaborative (or sharing) economy has grown considerably with the increasingly widespread use of the internet as an intermediation platform and a marketplace.

More than half of Europeans buy, sell or exchange products and services online. They display a high degree of trust in these new consumption methods, which, according to l'Observatoire Cetelem 2017 de la Consommation, are characterised by short circuits. The most common practices among those surveyed in this instance are consumer-to-consumer sales (44%), the exchange of goods and services (32%), property rentals (16%) and car pooling (14%).

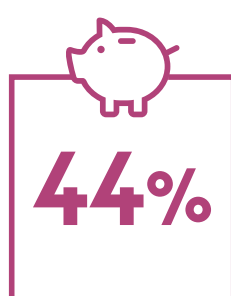
OuiShare, the largest community of collaborative economy experts in France and Europe, defines it as a set of **“practices and business models based on horizontal networks and participation of a community,** transforming how we live, work and create. It is built on **distributed power and trust within communities,** blurring the lines between producer and consumer”¹.

This definition is very broad but the first thing to note is that it deals with organisation, production and consumption methods, and on the creation and redistribution of both monetary and non-monetary value.

¹ http://ouishare.net/fr/about/collaborative_economy

Collaborative practices

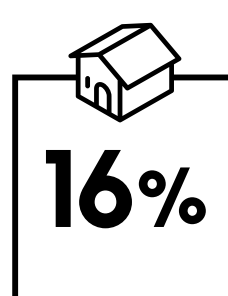
Source : <http://observatoirecetelem.com/observatoire-cetelem-de-la-consommation/consommation-en-europe-les-nouveaux-chemins-de-la-confiance/leconomie-de-partage-mise-sur-la-confiance/>



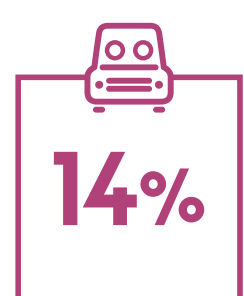
C2C buying and selling



Exchange of goods and services



Property rentals



Car pooling

collaborative [kə'ləbəreɪtɪv] economy [ɪ'kɑ:nəmi]



According to the definition adopted by the European Commission, the collaborative economy refers to business models or collaborative platforms that create an open marketplace for the temporary usage of goods and services often produced or provided by private individuals.

The collaborative economy involves three categories of actors:

1/ service providers who share assets, resources, time and/or skills — these can be private individuals offering services on an occasional basis (“peers”) or service providers acting in their professional capacity (“professional service providers”);

2/ users of these services;

3/ intermediaries that connect providers and users via an online platform, and that facilitate transactions between them.

The European Union, in the wake of Nicola Danti’s report dated 11/05/2017², clearly identified the collaborative economy as one of the priorities of its economic agenda, and should soon be taking a series of measures to set up an appropriate development framework because, since it “creates undeniable opportunities for all sectors of society, it may be conducive to a more inclusive and sustainable economic upturn in the EU”.

In France, the decree dated 4 May 2017 on the social responsibility of the collaborative economy, adopted in pursuance of the recent Digital Economy Act, established the “social responsibility” of digital platforms by introducing greater protection for independent workers.

This increasing regulation, be it at national or community level, reflects the intention of the legislator to check the social and economic excesses brought about by some models while maintaining their potential to generate business activity.

² Report on a European Agenda for the collaborative economy (2017/2003(INI)) Committee on the Internal Market and Consumer Protection Rapporteur: Nicola Danti



MICHEL BAUWENS

founder of the
Peer-to-Peer (P2P)
Foundation

The founder of the Peer-to-Peer (P2P) Foundation, Michel Bauwens, distinguishes two main types of so-called collaborative economy: The on-demand economy and the sharing economy.

The on-demand economy (involving organisations like Uber, Bitcoin and Facebook) operates via work intermediation platforms where market value is not established collaboratively. In centralised models such as Facebook, users provide a variety of information that is then monetized by Facebook (analysed and resold to improve advertising targeting). They have no access to the profits made by the company. In more distributed models (e.g. Uber), the market value is speculative. In Uber’s case, drivers do not set their own passenger fares, which are calculated speculatively through an algorithm on the platform. Lastly, in almost all of these models, the asset that “fuels” the development of the model, i.e. the datum or data, is in the hands of the platform’s owner. Now, the value of these data is increasingly going to become a, if not THE vital revenue source for these platforms.

THE TERMS “COLLABORATIVE ECONOMY” AND “SHARING ECONOMY” ARE OFTEN USED INTERCHANGEABLY TO DESCRIBE THE SAME RAPIDLY EVOLVING PHENOMENON, AT THE RISK OF CREATING - AND SOMETIMES DELIBERATELY MAINTAINING – AMBIGUITY.

In fact, there are various degrees of “collaboration”, and a model cannot be regarded as truly collaborative if:

- ▶ The contributors (e.g. Uber drivers) are denied any say in the distribution and calculation of the market value.
- ▶ Almost all of the market value goes to the company that owns the platform.

▶ The sole objective is to maximise market value without any concern for the negative, social and/or environmental “externalities” of the model; in this case, the use value (i.e. the utility of the product or service for the consumer) is merely a means of generating market value, rather than an end in itself.

Adopting a truly collaborative model means taking the exact opposite approach. In other words, when building its model, a company should **consider the societal issues** it intends to address through the solution it designs and implements.



KEY DRIVER OF CHANGE: A BUSINESS MODEL CONSTRUCTED ON SOCIETAL ISSUES IDENTIFIED BY THE COMMUNITY AND BASED ON TRUST

Generally speaking, collaborative business models are developed within the frame of a **community-focused and ecosystemic vision**. By employing intermediation tools (such as a platform), collaborative businesses facilitate the exchange and sharing of goods and services between peers.

Collaborative business models are developed schematically, in three phases that are different from those in the market-driven approach:

1. Identification of a societal challenge by the community, which could be addressed by an ecosystem of actors (companies, organisations, NGOs, etc.), thereby creating use value.

2. Development of a productive ecosystem made up of those contributing to the creation of use value (generally through an intermediation platform).

3. Contributive production of use value to tackle the societal challenge identified, and **distribution of the goods and services** created (generally in a decentralised manner).

THE SHIFT IN THE BUSINESS MODEL DEVELOPMENT PARADIGM

Business model development
based on a collaborative
approach

Identification of a societal
challenge by the community

Development of an ecosystem

Contributive production and
decentralised distribution
to generate extended and
shared value

Business model development
based on a market-driven
approach

Identification of a market need

Formalisation of a business plan

Production and distribution to
maximise shareholder value
(for the owners)

VS

VS

VS

01 THE COLLABORATIVE MODEL: TACKLING SOCIETAL ISSUES THROUGH COMMUNITY AND TRUST



A FEW CHARACTERISTIC FEATURES OF THE MODEL

Once the societal challenge has been identified, the implementation of this model³ implies:

► **An in-depth knowledge of the ecosystem concerned by the issue**, to identify and attract **partners capable** of developing an appropriate solution.

► **Automatic intermediation** between supply and demand, generally based on a (usually) **digital platform that integrates rating/review tools to ensure trust between the different actors**, be they private individuals (e.g. on car-pooling sites) or businesses (e.g. farmers involved in The Food Assembly). The efficiency of this platform relies on a **community large enough** to create an environment of trust, and **a critical mass of users** to ensure the self-regulation of the model.

► This critical mass not only generates trust, but must also be sufficient to create a satisfactory value proposition. In other words, **a diverse, broad and deep offering** aimed at one or more target clienteles (e.g. marketplaces⁴ that offer an almost infinite range of products and services).

► The offering may be extended and the number of participants increased rapidly, since there are **no costs arising from the ownership and handling of the goods exchanged**.

► The stakeholders are duly compensated by a commission on each transaction, enabling **the development of additional services** as part of a freemium approach (e.g. greater visibility of sellers who have chosen the chargeable option); and/or revenue from the sale of advertising space or from the re-use of data collected from buyers.

Finally, another key point, from a value proposition point of view, **is that recourse to collaborative consumption changes the expectations of consumers**. Although their initial motives vary considerably — they may be trying to save money, acting on their personal values, taking control of their own buying behaviour, or simply being curious — the OuiShare survey (I share! Do you?⁵) showed that this type of consumption is a very positive experience for consumers, which is what keeps them loyal and coming back. **The social and experiential connection, and the authenticity of the purchasing process, are therefore key components of the value proposition in this model.**

³For the sake of simplicity, the following information applies mainly to actors in the collaborative consumption economy.

⁴A marketplace is an e-commerce platform that facilitates transactions between different economic actors, without bearing the cost of purchasing and storing the products sold.

⁵Available on: <http://fr.slideshare.net/slidesharefin/jepartage-et-vous>

COLLABORATIVE MODEL CANVAS



To rethink a business model in line with a collaborative approach (in the sharing economy sense), the first step is to identify the societal challenges that resonate with the community's expectations.

Then, to think about ecosystems and identify the key partners who will be able to develop the proposed solution and create value.

Lastly, it is important, from the design stage, to establish the criteria for distributing use value and market value within the community of contributors, and to society in the wider sense.

01 THE COLLABORATIVE MODEL: TACKLING SOCIETAL ISSUES THROUGH COMMUNITY AND TRUST



METHODOLOGY & CONCRETE EXAMPLES

THE INTEGRATION OF COLLABORATIVE PROCESSES INTO THE BUSINESS MODELS OF COMPANIES CAN BE A POWERFUL LEVER FOR RESHAPING A SPECIFIC BUSINESS :

► **Creating a collaborative offer:** For example, **Patagonia**, an eco-designed sportswear brand based in California, encourages its clients to resell clothes they no longer wear via a dedicated platform it created in partnership with **eBay**. It is interesting to note that the creation of this platform did not cannibalize the sales of new Patagonia products; on the contrary, it extended the company's clientele to people who would not necessarily have bought new clothes from a mid/top-of-the-range brand, while increasing the income available to resellers for purchasing new products.

► **Redefining the operating cycle using the company's ecosystem:** The pressure on overheads has already compelled many companies to outsource parts of their operating cycle (e.g. clothing production) to subcontractors. Only those parts of the operating cycle requiring key, differentiating skills are kept in house (e.g. clothing design, as in the example above). Without undermining the "key skills" approach, the integration of collaborative processes into the operating cycle allows for further analysis through the "opening up" — indeed "outsourcing" — of some parts of the cycle to other stakeholders.

Hence, **Lego** has designed a system enabling the extensive customisation of toys designed participatively by the community of fans on the **Lego Ideas** website. The community votes for its favourite ideas. These ideas are then approved by the Lego review board of designers, which verifies that they comply with the brand's values before moving them on to the marketing phase. While the community is involved in the design phase to a certain extent, the company retains full control of production and marketing. **Wikispeed** has gone even further, by distributing production too. Cars designed collaboratively on the platform can therefore be printed in **FabLabs** as close to demand as possible.



Integrating the collaborative approach into the company's business processes means first of all determining which parts of the operating cycle would benefit from community involvement, in terms of generating extra value. Next, decisions must be made regarding the method and scope of collaboration, the criteria for sharing the value created (including monetary value), and the degree of distribution (or centralisation) of activities.

THIS MODEL DOES NOT IN ANY WAY RESTRICT THE CREATION OF MARKET VALUE. ULTIMATELY, MARKET VALUE IS DISTRIBUTED EQUALLY AMONG THE CONTRIBUTORS; IT IS NOT THE INITIAL GOAL, AS IT IS NOW IN PURELY MARKET-DRIVEN APPROACHES.

The Food Assembly, which was founded in 2010 by Guilhem Chéron, Mounir Majhoubi and Marc-David Choukroun, is a prime example of this approach. It is an intermediation platform between small communities of consumers coordinated by a host; the latter connects consumers directly with local producers, who deliver their pre-purchased produce to a pick-up market in the community. From the outset, *The Food Assembly* had two objectives: Firstly, to promote short distribution circuits of high-quality food products and, secondly, to support local farming. The farmer is free to set his own prices. He sells his products directly to members, and then pays a fee to the platform to cover the cost of its services. The fee amounts to around 16.7% of turnover, and is shared equally between the host and the platform.

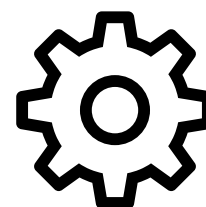
The model is based on the creation and development of a physical and virtual community of producers and clients. The “*Food Assembly*” itself is an ecosystem of actors, which operates locally in a decentralised manner. To further its societal objective, the company — which now comprises over 700 pick-up markets run by the hosts — is developing additional services to help farmers promote their produce more effectively, optimise logistics, encourage cooperation between farmers, and democratise healthy eating among end consumers.





02

THE FUNCTIONAL MODEL: COMBINING SERVICE PERFORMANCE & COOPERATION



THE ART OF COMBINING SERVICE
PERFORMANCE AND COOPERATION
LIES AT THE HEART OF THE
FUNCTIONAL MODEL. INSTEAD OF
SELLING A PRODUCT, IT CONSISTS IN
SELLING "A SOLUTION BUILT UPON
CONTRACT-BASED PERFORMANCE
AND THE PROVISION OF AN
INTEGRATED SET OF PRODUCTS AND
SERVICES".



DEFINITION AND CONTEXT

IN THIS MODEL, USE VALUE TAKES PRECEDENCE OVER OWNERSHIP. USING (A PRODUCT OR SERVICE) IS THEREFORE MORE IMPORTANT THAN OWNING IT. RATHER THAN “WHAT IS IT FOR”, THE QUESTION IS: “WHAT SERVICE DOES IT PROVIDE?”.

According to economist Christian Du Tertre, in the functional model — **where the purpose of a product is sold, rather than the product itself** — consumers might purchase mobility (rather than a private car) or cleanliness (rather than a washing machine) for a specific amount of time (cf. Lokéo, a subsidiary of Boulanger, which rents out household appliances to suit its clients' needs). Or thermal comfort instead of litres (of fuel), energy efficiency instead of cubic metres (of gas) or kW (of energy), and the list goes on... Both startups and large industrial groups have adopted models based more or less on the principle of functionality. With its Effifuel solution, Michelin has moved from selling tyres for the trucking industry to selling kilometres combined with service performance based on fuel consumption; Xerox

and Ricoh sell photocopies instead of photocopying machines; Primagaz is leaving the “age of tankers” behind by training its sales teams to provide advice on energy efficiency, etc.

A key feature of the functional model is that it clearly promotes “positivity” (or the integration of externalities) as part of the offer: Adopting a functional approach compels companies to **think in a “service-driven”** — therefore dematerialised — manner; it also encourages them to reconsider what constitutes performance by focusing on the extra-financial aspects of the solution developed. Bearing this in mind, France's Ministry of Ecological Transition believes that “the functional economy is fully in line with the transition to a green economy”. It argues that the functional model differs from the concept of leasing in that it promotes sustainable development by **“separating added value from the consumption of energy and raw materials”**.

A MODEL THAT OPTIMISES THE CONSUMPTION AND USE OF PRODUCTS AND SERVICES

Selling hours of use, kilometres travelled, printed pages, air quality, etc. rather than ownership of the related product or service enables two objectives to be met: Reduce waste of the raw materials used in mass-produced products, and significantly improve inadequate and under-performing use rates.

By decoupling value-added creation from natural resource consumption, this fast-developing model offers both economic and environmental advantages: At equal or improved service levels, resource and energy consumption in the manufacturing sector are lower. Manufacturers are also encouraged to extend the service life of their products, since they are selling the use, rather than ownership, of those products. This model ties in perfectly with measures to prevent planned obsolescence, such as France's consumer protection law (Loi Hamon) and European regulations (cf. Circular dated 30 May 2017).

02 THE FUNCTIONAL MODEL: COMBINING SERVICE PERFORMANCE & COOPERATION



KEY DRIVER OF CHANGE: A CONCEPT BASED ON SERVICE PERFORMANCE

THE PRIMACY OF USE OVER OWNERSHIP IS ENCOURAGING COMPANIES OF ALL KINDS TO SHIFT THEIR FOCUS FROM SELLING PRODUCTS TO DELIVERING SERVICE PERFORMANCE BY CONTRACT, BASED ON A PACKAGE OF SERVICES.

This model presupposes the emergence of integrated product and service packages, which respond to current requirements in terms of housing, mobility, food, healthcare and education. In other words, wide and extremely varied swathes of the economy!

The primacy of functionality has led to a new conception of the economy, following the example of the collaborative or sharing economy. It has also prompted a fresh look at what constitutes performance.

By focusing on use, a company's ultimate goal is not to sell a product, but rather to provide **its clients with the use of the most adapted products/services** that it may not have manufactured itself, or that may have been manufactured by a branch of its business that is expected to stagnate or even decline in favour of **often new, user-oriented services**.

It follows that, **production and marketing methods aside**, this model enables a company to increase its development opportunities by imagining the services its products could provide in a given ecosystem. Its value proposition is therefore no longer based exclusively on tangible factors (e.g. the sale of a radiator or a car) but on intangible factors (e.g. the sale of warmth or mobility). Focusing on service performance means that **the company is committed to achieving a certain outcome** over the long term (enabling it to **analyse use in a specified period of time**), rather than making a one-off sale.



To rethink a business model in line with a functional approach, the first step is to consider the services provided by the products marketed, and to identify the components of service performance.

At the moment, there are **three levels of functionality**, each of which is connected with a characteristic type of service performance:

FUNCTIONALITY

1.0

Buying a “pay-as-you-use” solution rather than a product. Clients have use of the company’s products, but do not own them. Note that the service offering in functionality 1.0 goes slightly further than in a conventional leasing system.

For example, when Michelin took the decision to sell mobility rather than tyres, and to invoice that mobility based on usage (i.e. the number of kilometres travelled), it had to think innovatively and put into place a more elaborate client service than if it were doing “business as usual”: Guaranteed swift breakdown service whenever needed, recovery and recycling of tyres, etc. Discussions regarding a service performance guarantee led to the introduction of an initial service package as part of the leasing agreement. This is an obvious advantage compared with standard agreements.

FUNCTIONALITY

2.0

Selling a usage-driven solution, including a range of services to enhance “service performance”. The goal is to provide a solution that is as beneficial to the user as possible, by defining the potential advantages of its intended purpose and identifying areas in which the company could make a positive contribution - even if that means stepping outside its usual boundaries. An adequate partnership policy is generally required for functionality 2.0, as the service performance of an integrated solution depends on the quality of services delivered by the ecosystem, not just by the company itself (hence frequent references to an economy of functionality and cooperation).

By going a step further to think about how its clients use their tyres, Michelin has come up with an excellent example of functionality 2.0: The EFFIFUEL™ solution, through which the company has committed to reduce the fuel consumption of its clients in Europe, per kilometre travelled. The solution is referred to as “integrated” because, besides supplying tyres, the manufacturer must activate new levers, such as training in eco-driving, geotracking, monitoring the condition of vehicles, and weekly and monthly performance reporting. Which, for a tyre manufacturer, means conducting activities that go well beyond the boundaries of its factories. Thus, Michelin has had to set up an ecosystem of partners, who are vital to the success of the EFFIFUEL™ solution.

FUNCTIONALITY

3.0

A territorial dimension is integrated into the service performance of the solution, within the frame of a multi-functional approach. The previous two levels of functionality focus mainly on satisfying the needs of clients. Functionality 3.0 goes further by considering the needs of a specific territory (mobility, healthcare, quality of life, jobs, etc.). The result is a solution that offers extra value added in this respect too. To achieve this, cooperation between various local/regional actors (including private and public companies, government departments and NGOs) is necessary; It requires the company to change its perspective, and to take on the role of “contributor” to the regional solution, and/or “integrator” of the contributory ecosystem. Functionality 3.0 may have certain similarities with the collaborative model, which also involves creating a “productive ecosystem” of contributors; in this case, it enhances service performance across a region.

In this model, local actors enter into a cooperative rather than competitive relationship. With regard to mobility, the goal should be to create a multimodal solution enabling users to get from A to B as quickly and easily as possible, while taking into account the impact on the territory (for example, urban congestion, air pollution, etc.).

O2 THE FUNCTIONAL MODEL: COMBINING SERVICE PERFORMANCE & COOPERATION



A FEW CHARACTERISTIC FEATURES OF THE MODEL

WHEN BASING A VALUE PROPOSITION ON SERVICE PERFORMANCE, THE FIRST STEP IS TO DEVELOP A BROADER RANGE OF INTANGIBLE SERVICES AND OPTIMISE THE TANGIBLE GOODS PROVIDED, WHILE SEEKING TO MINIMISE NEGATIVE EXTERNALITIES AND MAXIMISE POSITIVE EXTERNALITIES. IN THIS RESPECT, THE FUNCTIONAL APPROACH IS A HIGHLY EFFECTIVE RESPONSE TO ENVIRONMENTAL ISSUES SUCH AS DIMINISHING RESOURCES AND CLIMATE CHANGE.

In addition, it contributes significantly to the development and success of a business model:

► **Customer relations are enhanced** through various new channels, since service performance requires **“personalised” support** and **“made-to-measure” service** for a **segmented clientele**. The company will therefore need a much more detailed understanding of its client base (cf. the example of Lokéo), as conventional, mass market strategies are of limited effect in this model, which, by definition, responds to more individual “client” needs. Moreover, this made-to-measure support is provided on a **long-term** basis, thus increasing client loyalty and boosting development potential through the monitoring, maintenance, etc. of the services proposed.

► **The in-depth client knowledge** connected with this model really sets a company apart from the competition; it is a key resource that enables companies to successfully tailor their solutions to the specific needs of their clients, and results in a unique blend of design and development that is difficult or costly for competitors to duplicate.

► The implementation of the solution is an opportunity to **enhance the quality of co-creative, or at least cooperative, relations** between different actors. The company must focus all the more on establishing an ecosystem in which each party contributes to the solution’s value (economist Christian Du Tertre refers to this as “embedding value”).

► The intrinsically cross-cutting nature of the model also applies internally, **and meets the high expectations of new generations** regarding horizontal management.

► **The enhanced intangible value of the solution generates an increase in recurring and regular revenue, but in a “frugal” manner** that does not necessarily require companies to use more tangible resources, but rather to use existing products/solutions to their full potential.

► The integration of negative externalities is intrinsic to the model, which promotes recovery and recycling, and encourages companies to **produce durable goods by tailoring them to the needs and expectations of their clients**.

► It nevertheless must be acknowledged that there is a significant impact on the structure of costs associated with ownership, which is not transferred as it is in a collaborative model.

FUNCTIONAL MODEL CANVAS

KEY PARTNERS

- Ecosystem of partners who contribute to the service package

KEY RESOURCES

- Ownership of the support for the solution proposed
- Knowledge of the client and their needs
- Expertise in partnership cooperation

VALUE PROPOSITION

- Service performance
- Multifunctional service packages
- Integrated solution(s)

CLIENT RELATIONS

- Enhanced

CLIENT SEGMENTS

- Narrow segmentation

COST STRUCTURE

- Assets-related costs

REVENUE STREAMS

- Subscriptions

NEGATIVE EXTERNALITIES TO BE AVOIDED/MINIMISED

- Cornering of value

POSITIVE EXTERNALITIES TO BE DEVELOPED

- Asset utilisation rate
- Recovery and recycling
- Product strength and durability
- Adaptation to client needs



Adopting a functional approach can really drive growth upwards, especially in saturated markets. Indeed, the ownership of some products (cars, computers, telephones, household appliances, etc.) cannot — any more than exploitation of natural resources — be increased ad infinitum. Functionality is therefore a valid response to the saturation of these markets.

02 THE FUNCTIONAL MODEL: COMBINING SERVICE PERFORMANCE & COOPERATION



AS MENTIONED ABOVE, **LOKÉO, WHICH WAS ESTABLISHED IN 2009 AND IS A SUBSIDIARY OF THE HTM GROUP (THE PARENT COMPANY OF BOULANGER), PROVIDES A PERFECT EXAMPLE OF THE DRAWBACKS AND ADVANTAGES OF THIS TYPE OF MODEL.**

Lokéo leases out household appliances, audio-visual, photography and sound equipment, computers and multimedia devices on a long-term basis. This business venture, which is run by Frédéric Caymaris Moulin, evolved from a hunch that leasing was set to become one of the most common purchasing methods.¹⁰ This hunch has turned out to be true: A survey conducted by Lokéo and OpinionWay in December 2014 confirmed that owning household appliances and multimedia devices is a burden to 58% of French people.¹¹

Business Model

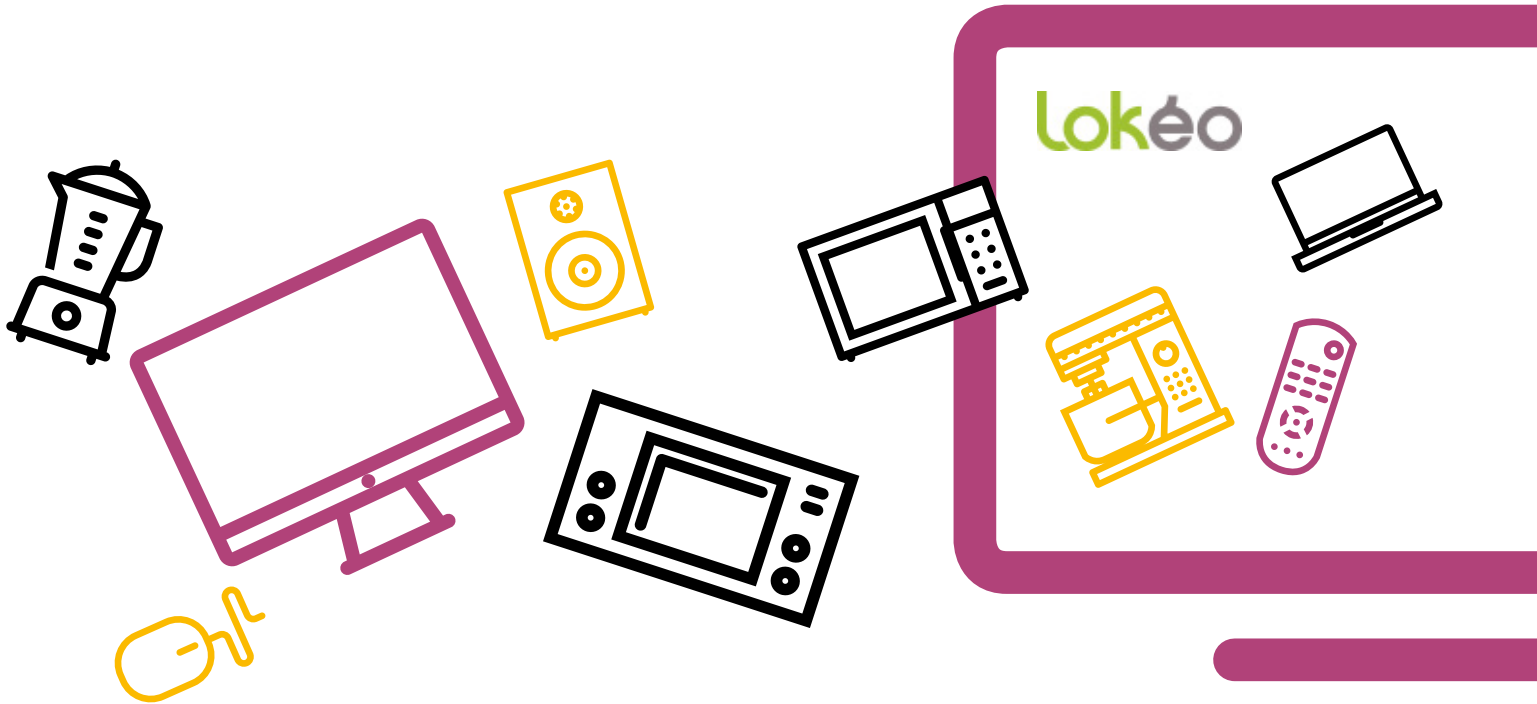
In practice, Lokéo's clients can lease products for as long as suits them the best, from six months (under the "Mobile" plan) to five years (under the "Zen" plan); prices vary depending on the plan chosen. Throughout the contract, they enjoy a range of extra services offered by the company: Home installation, support, repairs, and even expert help in getting

started with computer equipment. As there is no option to buy, all products are recovered at the end of the contract, reconditioned and leased out again under a "Mobile" plan, or recycled where appropriate.

Besides the fact that the value proposition is well received by clients (see below), the adoption of a functional approach is beneficial in several respects. For example, it:

- encourages the purchase of better quality, more durable products, since no initial investment is required (which increases the disposable income of clients),
- extends the service life of products, through re-use and the maintenance and support services included in the plans,
- puts an end to the planned obsolescence of products.

Here again, the distinctive features of the functional model are present:



1. The value proposition is based on the sale of a function rather than a product — therefore, Lokéo has developed a whole range of services to improve service performance, from installing and getting started with computer products, to recovering products at the end of the contract.

2. The company has set up an ecosystem of partners to improve service performance, adapt its products for its highly segmented and individualised clientele, and hence maximise customer value: For example, BDOM provides Lokéo's clients with coaching and training in video editing, digital photo processing, and data storage and synchronisation.

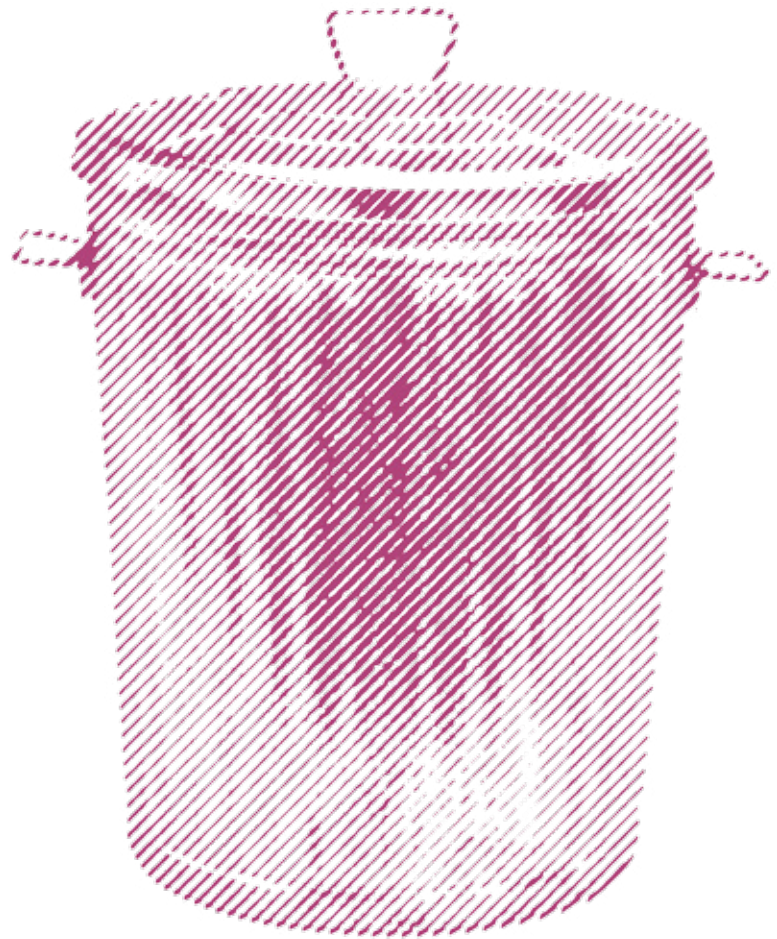
3. Its in-depth knowledge of the partnership ecosystem and of client needs, coupled with a very large product portfolio, are key resources for the company. These advantages are enhanced by its complementary relationship with Boulanger, which enables it to externalise most storage costs while enjoying regular income from subscription fees.

Outcome

Today, this SME employs over 20 people. To date, it has leased out over 45,000 products to 30,000 clients, 30% of whom have taken out subscriptions to services such as in-home coaching. This model, which is still a minority in the HTM group, has shown continuous growth since its inception, as well as very strong potential given the current trend in the relationship to ownership (see above). Lastly, it helps maintain an optimistic outlook for service-driven growth, featuring very few tangible goods but very many intangible services.

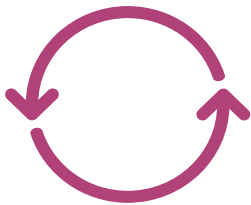
Sources

Lokéo : fini la propriété, vive l'usage, par le Club économie de la fonctionnalité & développement durable, juin 2012
<http://e-rse.net/obsolescence-programmee-tendance-consommation-raisonnee-etude-infographie-lokeo-11160/>
<http://www.lokeoblog.com/index.php/quand-un-distributeur-sengage-a-offrir-une-seconde-vie-a-des-equipements-qui-le-meritent/>
<http://www.lokeo.fr/faq/>
<http://www.htm-group.com/nos-entreprises/lokeo/>



O3

THE CIRCULAR MODEL: A “CLOSED LOOP” APPROACH



SCHEMATICALLY SPEAKING, THE LINEAR MODEL USED SINCE THE INDUSTRIAL REVOLUTION IS CHARACTERISED BY 1/ THE EXTRACTION OF RAW MATERIALS, WHICH ARE THEN 2/ TRANSFORMED INTO FINISHED PRODUCTS AND SOLD TO END USERS, WHO 3/ GET RID OF THEM AS SOON AS THEY BREAK DOWN, OR BECOME UNNECESSARY OR OUTDATED. AFTER BEING THROWN AWAY, THESE PRODUCTS ARE USUALLY EITHER BURIED OR INCINERATED. “30% OF HOUSEHOLD WASTE IS NON-RECYCLABLE; THIS FIGURE HAS NOT FALLEN IN RECENT YEARS, AND WILL NOT DO SO UNLESS SOMETHING IS DONE”, SAYS NICOLAS GARNIER, EXECUTIVE DIRECTOR OF AMORCE. THIS “LINEARITY”, WHICH STILL PREDOMINATES, IS NOW UNDER PRESSURE AT BOTH ENDS OF THE CHAIN. UPSTREAM, THE COST AND ENVIRONMENTAL IMPACT OF RAW MATERIALS ARE INCREASING AS THEY BECOME SCARCER AND MORE DIFFICULT TO EXTRACT/OBTAIN. AND DOWNSTREAM, THE ACCUMULATION OF WASTE IS ENDANGERING THE PROPER FUNCTIONING OF ECOSYSTEMS LIKE THE INFAMOUS “SEVENTH CONTINENT”, MADE UP OF HUNDREDS OF BILLIONS OF TINY PLASTIC PIECES THROWN INTO THE SEA... CONVERSELY, THE “CLOSED LOOP” APPROACH IS BASED ON THE PRINCIPLE THAT A PRODUCT SHOULD NOT BE THROWN AWAY AT THE END OF ITS LIFE, BUT SHOULD ENTER A NEW CYCLE THROUGH RE-USE, RECONDITIONING OR, IF NOT, RECYCLING.



DEFINITION AND CONTEXT

Davos 2015: “*The circular economy as a solution to unemployment, poverty and environmental degradation*” was spotlighted at the World Economic Forum in Davos, despite the latter being referred to as the “Mecca of capitalism”. Thus, an idea that had previously been regarded as rather “eccentric”, began to be more widely accepted.

At the following G7 Summit, a “*G7 Alliance on Resource Efficiency*” was set up. Its purpose: To “*exchange and promote best practices and foster innovation together with business and other stakeholders, including from the public sector, research institutions, academia, consumers and civil society*”.

An increasingly clear consensus is emerging between the G7, the Club of Rome, the UN, the IPCC, the OECD and, of course, the European Union (with its Circular Economy Package² aimed at “*reshaping the market economy and improving our competitiveness*”). It recognises that the circular economy can be the driver of change needed by our societies to transform current economic models. This includes changes in public procurement policy, introduced notably by the **Observatoire des Achats Responsables** [Responsible Purchasing Observatory (ObsAR)]. The ObsAR was behind the

concept of “circular public procurement”, which has been duly incorporated into the French law on ecological transition.

According to the French Agency for the Environment and Energy Management (ADEME), the circular model means breaking away from the so-called linear economy by:

- ▶ reducing wastage of resources and environmental impacts,
- ▶ increasing efficiency at all stages of the commodity economy.³

The circular model, which is sometimes mistakenly confused with the recycling economy in the narrow sense of the term, can be defined as “an economic system of exchange and production, **which targets more efficient resource use and a reduced — even positive — environmental impact at every stage of a product or service’s lifecycle**, while increasing individual well-being”.⁴ Examples of a positive impact: A carpet that has the ability to purify ambient air, or an innovative new tyre designed especially for agricultural machinery, which operates at a lower inflation pressure and therefore causes “*less soil compaction and, as a result, boosts the farmer’s profits*”. Michelin, which is opposed to single-life tyres, has designed such a tyre (see more details in fact sheet 2).

¹Annex to the Leaders’ Declaration, G7 Summit, 7-8 June 2015, Schloss Elmau

²http://europa.eu/rapid/press-release_IP-15-6203_fr.htm

³<http://www.ademe.fr/xpertises/economie-circulaire>

⁴<http://www.ademe.fr/sites/default/files/assets/documents/fiche-technique-economie-circulaire-oct-2014.pdf>

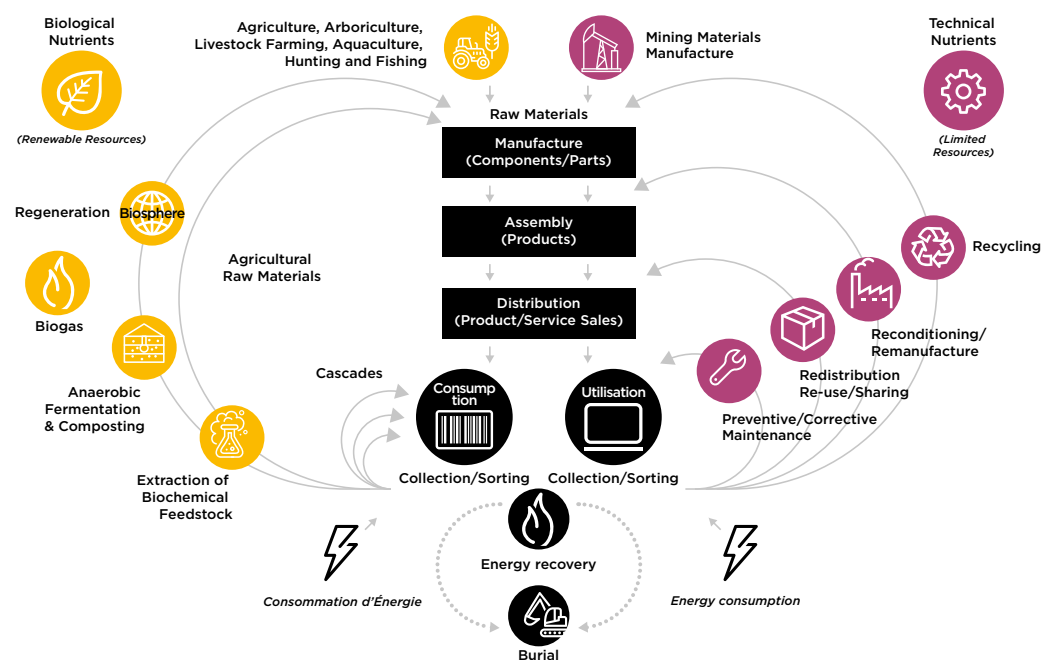


Diagram of the circular economy

Source :
Diagram adapted from the Ellen MacArthur Foundation by l'Institut de l'Economie Circulaire and the “Business as unusual” chair at Kedge Business School.

O3 THE CIRCULAR MODEL: A “CLOSED LOOP” APPROACH



KEY DRIVER OF CHANGE: CLOSED-LOOP OPERATION

IN THIS APPROACH, ENVIRONMENTAL AND SOCIAL OBJECTIVES ARE CENTRAL TO THE DEFINITION OF THE CIRCULAR MODEL: BESIDES DECOUPLING THE USE OF RAW MATERIALS FROM THE UTILITY OF PRODUCTS AND SERVICES, IT MAKES REFERENCE TO INDIVIDUAL AND COLLECTIVE WELL-BEING THAT IS INTEGRAL TO THE MODEL. IN FACT, THE AIM IS TO SWITCH FROM A “QUANTITATIVE” APPROACH TO A “QUALITATIVE” ONE. WITH, ULTIMATELY, A MAJOR PARADIGM SHIFT: NO LONGER MAKE DO WITH THE “LINEAR” MODEL, BUT THINK “OUTSIDE THE BOX” IN ORDER TO DESIGN AND IMPLEMENT “WINNING” LOOPS THAT ARE COST EFFICIENT, COHESIVE, PARTNERSHIP-BASED AND CLOSED.

► **The power of cascaded use** (for example, using the heat generated by a company’s servers to heat surrounding homes). This is achieved through the diversification of uses within a cradle-to-cradle approach, where, according to a saying in the industrial ecology community, *“the waste of some becomes the resources of others”*.

► **The power of “purity” in cycles.** In this case, increasing the recovery and recycling potential of materials to reduce the wastage rate during recycling (or another form of recovery).

Lastly, “closed-loop” operation naturally leads companies to **think in terms of eco-systemic complementarity. To ensure that the waste of some becomes the resources of others**, identifying appropriate and complementary partners is a vital skill for these companies. If successful, they will be able to establish a real “industrial ecology” system, ensuring that all waste finds a taker in the same region. For example, the Kalundborg eco-industrial park in Denmark.

A typology developed jointly by Kedge Business School and *l’Institut de l’Economie Circulaire*⁵ shows that “circularity” involves **distinguishing biological products from those that cannot be safely returned to the biosphere**:

► Returning biological, non-toxic products to the biosphere (through composting or anaerobic fermentation) may prove useful in other human activities such as farming, and therefore open up some interesting opportunities.

► Products that cannot be safely returned to the biosphere — as they are harmful to the ecosystem, which is incapable of handling them — must be designed to be robust and reusable for as long as possible, and must be easy to “dismantle” so that they can be almost fully recycled at the end of their “first” life.

This “closed loop” operation creates four sources of value creation, according to the Ellen MacArthur Foundation:

► **Power of the inner circle** (this term refers to the efficient use of raw materials). It translates into a company’s ability to reduce the quantity, number and toxicity of materials used.

► **The power of circling longer** (through re-use, reconditioning, recycling, etc.). It involves using materials for as many consecutive cycles as possible.

⁵ See diagram at: http://www.institut-economie-circulaire.fr/Schema-de-l-economie-circulaire_a292.html



Conducting a detailed analysis of the material inputs and outputs of the company's processing chain, and identifying an ecosystem of complementary potential partners (within a given area) are essential prerequisites to successfully integrating circularity into the economic model.



A FEW CHARACTERISTIC FEATURES OF THE MODEL

THE KEY TO THIS MODEL, AS MENTIONED ABOVE, LIES IN IDENTIFYING THE RESIDUAL PRODUCTS OF A BUSINESS, AS WELL AS THE INPUTS NEEDED THROUGHOUT THE PROCESSING CHAIN. HENCE THE NECESSITY OF ADOPTING AN ECO- DESIGN APPROACH FROM THE START. AS IN THE PREVIOUS MODELS, THERE IS A SYSTEMIC APPROACH THAT IMPACTS ON THE BUSINESS MODEL IN AT LEAST FOUR DIMENSIONS :

► **A detailed knowledge of the company's ecosystem** is essential. It is important because it enables the company to identify and attract **appropriate partners, with whom it can establish a complementary or mutually beneficial** relationship. In this context, complementarity refers to the ability of one partner to integrate the residual products (or waste) of the other or, on the contrary, to provide the other with the inputs (raw materials) it needs in the form of residual products.

► The company must also identify **client segments within its ecosystem** that could be both B2C and B2B (e.g. companies in the industrial ecosystem).

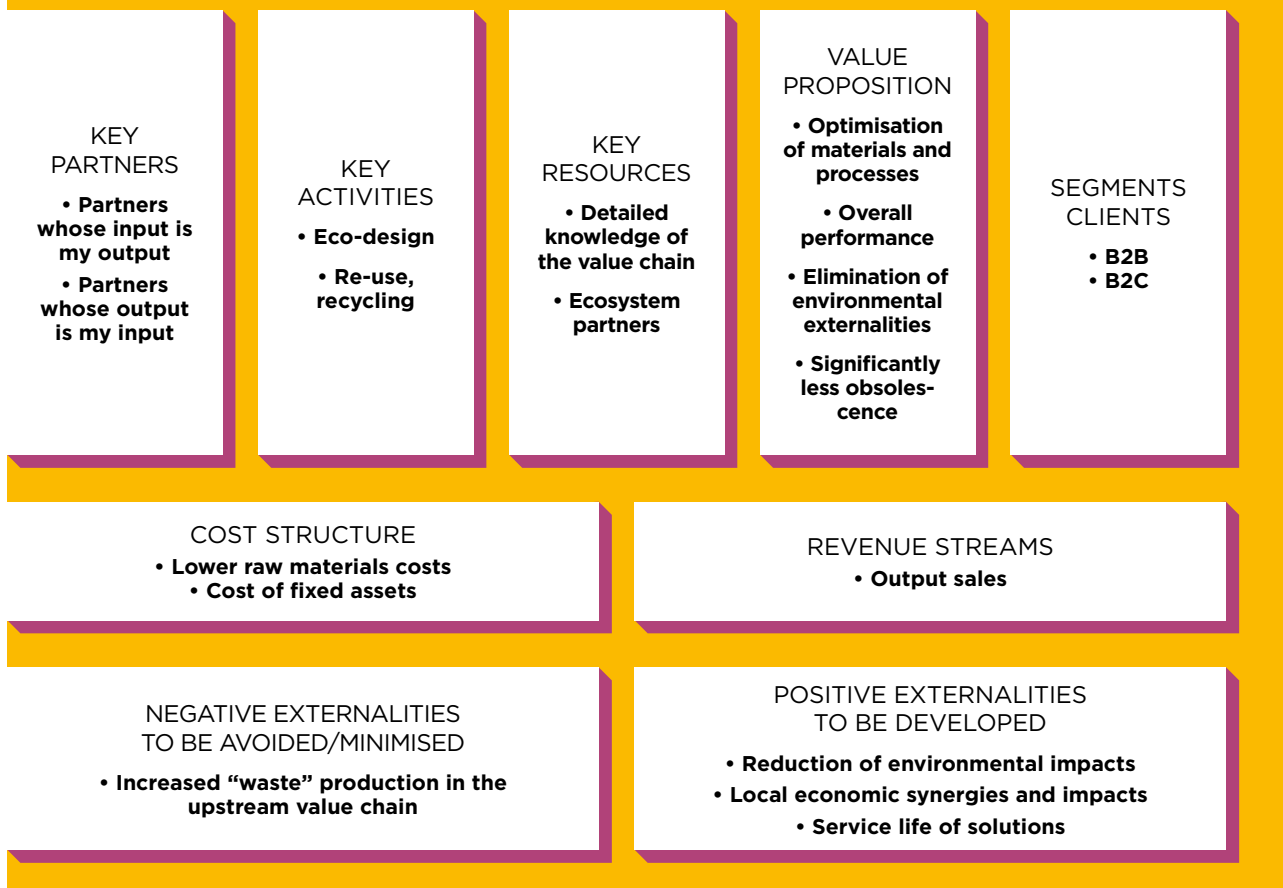
► **In the B2B space**, there are two typical value propositions: For "buyers", it lies in optimising the procurement of raw materials, which are considered as by-products and generally sold cheaper; for "sellers", it lies in reducing environmental externalities (their by-products do not become waste).

► **In the B2C space**, the value proposition lies mainly in a substantial decrease in the obsolescence rate, as products are designed to be more robust (minimising maintenance and complaints) and fixable (replacing a part requires less material and less energy).

► **Lastly, additional revenue can be generated** by selling residual products. Reselling residual products reduces waste processing costs (in line with the decrease in the volume of waste). Furthermore, **the company's cost structure is also affected** when it uses residual products provided by its partners or recycled raw materials.

O3 THE CIRCULAR MODEL: A "CLOSED LOOP" APPROACH

DIAGRAM OF THE FUNCTIONAL ECONOMY



COMPANIES THAT INTERNALISE THE COLLATERAL EFFECTS OF THEIR ACTIVITIES, AS WELL AS TAKING STEPS TO REDUCE THEIR "NEGATIVE EXTERNALITIES", WILL:

► Secure their supplies.

In an environment where natural resources are growing increasingly scarce or difficult to access, the integration of circular methods enables the company to secure its supplies over the medium and long term, while protecting itself against fluctuations in raw material prices. For example, approximately 20% of the cost of a new Renault car comes directly from the raw materials. Therefore, Renault developed an ambitious circular economy programme and, before 2016,

was using around 30% recycled materials in its new cars, thus exceeding European requirements. What's more, it aimed to increase that figure by 10% very soon after.

► **Optimise processes** through eco-efficient production, thereby boosting production while using less natural resources. This is certainly one aspect of the circular approach, but it can be taken further by building original partnerships that reduce, or even eliminate, some structural costs. **Quarnot Computing**, for example, **has done just that**. This French technology startup gives its B2B clients access to the computing power of its numerous computers and its Cloud platform. It had the ingenious idea of moving its machines (which are generally

⁶ Upcycling consists in "reusing discarded objects or material in such a way as to create an object of higher quality or value than the original"

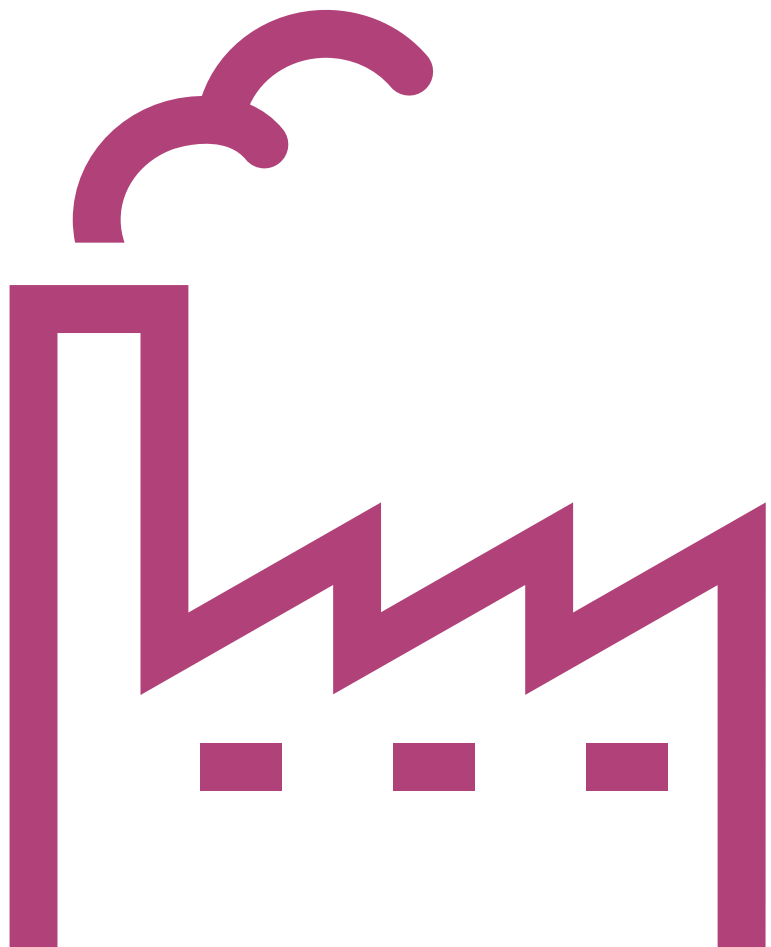
⁷ http://www.institut-economie-circulaire.fr/Comment-faire-mieux-avec-moins-de-ressources-naturelles_a1193.html

housed in Data Centres) to residential buildings, within the framework of partnerships with real estate companies. Besides storing and processing data, its servers act as radiators to improve the thermal comfort of residents. In this way, the digital technology company also makes substantial savings on data centre cooling costs.

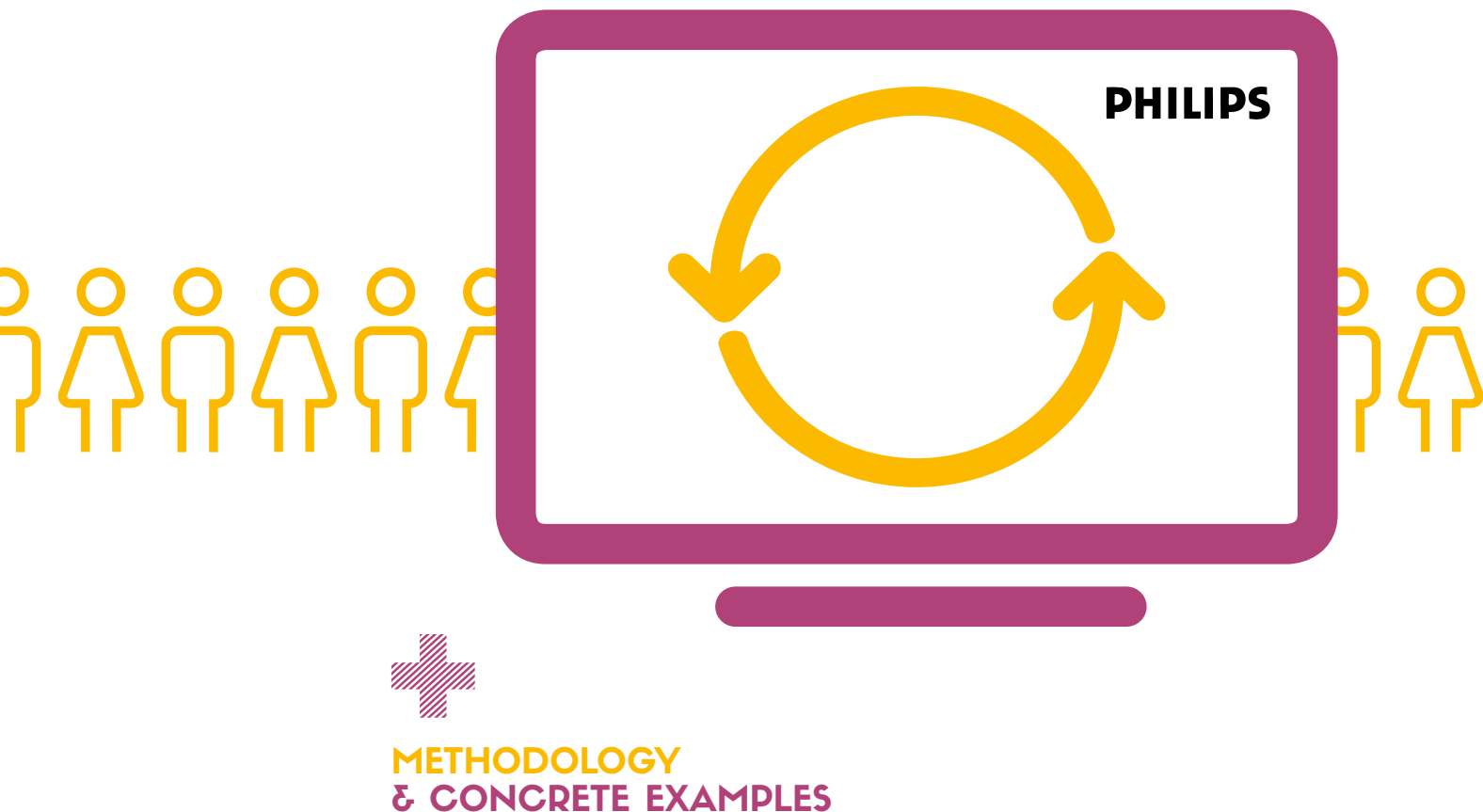
► **Creation of new, differentiating offerings** through the integration of circularity. These offerings may consist of products traditionally resold as “reconditioned products”. For example, those originally created from “waste” using upcycling techniques⁶, like at **Air France**, which gives a new lease of life to out-of-date life jackets and advertising canvases by turning them into travel kits and pouches, which it then sells on its website. Another very good example: **Philips Diamond Select products (see below)**.

► **Creation of new assets** through the re-use/resale of materials or components. Thus, Bill Mc Donough, who invented cradle-to-cradle design (as opposed to the usual cradle-to-grave approach), designed a recently inaugurated office complex in the Netherlands, called

Park 20/20. Firstly, he designed it so that it could be completely deconstructed in 40 to 50 years’ time. Secondly, he used digital modelling to carefully record information such as the quantity and location of all the building materials used (wood, glass, steel, etc.), so that it can be recovered and re-used when the buildings are deconstructed. This new approach increases the value of real estate, creating a decisive competitive advantage that will ultimately make it easier to sell or resell⁷.



03 THE CIRCULAR MODEL: “CLOSED LOOP” APPROACH



BY SETTING ITSELF THE GOAL OF IMPROVING THREE BILLION LIVES ACROSS THE WORLD BY 2025, PHILIPS HAS DEFINED ITS MISSION IN TERMS OF ADDRESSING A SOCIETAL CHALLENGE. THE CONSTANTLY RISING COST OF MANUFACTURING MEDICAL EQUIPMENT, CAUSED LARGELY BY THE INCREASING PRICE AND SCARCITY OF RAW MATERIALS, IS FORCING THE COMPANY TO RAISE ITS SELLING PRICES.

This linear approach goes against the company's mission, which, on the contrary, requires its products to be more widely accessible. Hence its ambitious circular economy strategy. In June 2013, Philips entered into a global partnership with the Ellen MacArthur Foundation, which underpins its new business model and will pervade all of its activities. In the Healthcare branch, this new partnership has led to the development of the Philips Diamond Select programme, which consists in reselling reconditioned medical equipment.

Business Model

Objective: Provide hospitals with a high-quality service at a reduced price, by reconditioning equipment to cut manufacturing costs. To achieve an adequate end-of-life recovery rate, Philips — in addition to rolling out the Diamond Select programme — decided to lease, rather than sell, some of its new equipment.

Thus, this offer is based on an innovative business model that combines circularity with functionality. This combination has enabled the company to expand its client base in two ways: Firstly, by attracting new clients with cheaper reconditioned products and, secondly, by reducing the cost of leasing new equipment and thereby increasing its core clientele. What makes this interesting approach work, is the residual value of the leased or sold equipment recovered under the Diamond Select programme.



This example displays all the distinctive features of the circular economic model:

1. Growth is decoupled from resource use, as reflected in the declining use of raw materials despite the generation of additional revenues. This is achieved through the recovery of end-of-life products from users; the production and resale of reconditioned equipment under the Diamond Select programme generates almost no raw materials costs at all.

2. The long-term operation of this system relies on the company's ability to establish and maintain an ecosystem of partners able to provide sufficient volumes of used equipment for reconditioning (or recycling) purposes. This requirement has led some companies, including Philips, to introduce lease agreements for example, to ensure the loyalty of key partners (for Philips, clients who require new products).

3. Eco-design has become a key activity for the company, which aims to make new equipment more durable so that it can be re-used or recycled indefinitely. The financial incentive of producing more durable equipment is intrinsic to the circular model.

4. For this reason, the value proposition is multidimensional - Philips' clients benefit from products that deliver greater all-round performance and have a longer service life, while creating fewer negative environmental externalities. At the same time, they have access to a portfolio of more affordable reconditioned products.

5. It should be pointed out, however, that this model may generate additional capital costs due to the substantial industrial plant required. Philips has built several dismantling and reconditioning facilities in the United States and Europe.

Results

The volume of reconditioned products sold by Philips has increased over the last 20 years, and now accounts for around 10% of total sales.⁸ Furthermore, despite a lack of specific information about products deriving from circular economy initiatives, the group has reported that "green product" sales account for more than 50% of its total sales (= €11.8 billion).

Sources

<http://www.philips.com/about/sustainability/ourenvironmentalapproach/greeninnovation/circulareconomy.page>
<http://www.theguardian.com/sustainable-business/gallery/2014/nov/25/integrating-circular-systems-into-healthcare-in-pictures>
<http://www.ellenmacarthurfoundation.org/about/global-partners/philips>

⁸ <http://www.theguardian.com/sustainable-business/philips-healthcare-portfolio-inspired-circular-economy>



04

THE INCLUSIVE MODEL: EXTENDING ITS “PLAYING FIELD” TO THOSE USUALLY EXCLUDED



IN THE LITERAL SENSE OF THE TERM, **INCLUSION IS THE OPPOSITE OF EXCLUSION. THE COST OF EXCLUSION IS A GROWING CAUSE OF CONCERN, AS POVERTY AND DISCRIMINATION RESULT IN A SUBSTANTIAL LOSS OF REVENUE BY PREVENTING CERTAIN GROUPS OF PEOPLE FROM ENJOYING THE BENEFITS OF THE TRADITIONAL MARKET. THESE “EXCLUDED GROUPS” ARE BELIEVED TO BE WORTH BETWEEN 3 AND 14% OF GLOBAL GDP. THEIR “EXCLUSION” FROM MARKETABLE PRODUCTS AND SERVICES MEANS THERE ARE SO MANY CONSUMERS LESS. IN OTHER WORDS, MARKETS ARE GOING UNSATISFIED AND OPPORTUNITIES VANISHING INTO THIN AIR: POSITIVE INNOVATION AIMS TO RECTIFY THIS SITUATION, AS THE FOLLOWING TYPOLOGY AND EXAMPLES SHOW.**

**C.K. PRAHALAD**

Physicist specialised
in management and
economics



DEFINITION AND CONTEXT

WITH THE RISE OF THE INCLUSIVE ECONOMY, MORE AND MORE PEOPLE ARE GAINING ACCESS TO PRODUCTS AND SERVICES HITHERTO RESERVED TO THOSE WHO WERE, TO A GREATER OR LESSER EXTENT, WELL OFF (DEPENDING ON THE SITUATION).

We have to go back to 1943 to find the first **reference to inclusion, in the economic sense of the term**. More recently, two people have done much to popularise the term:

C.K. Prahalad and Allen Hammond. In an article written in 2001, Allen Hammond observed that, since the 1990's, many people have grown wealthier as a result of new technologies. However, billions of people are still living in poverty. While the number of people living in absolute poverty has dropped by 600 million since 1990, progress has been slower in other areas.¹ According to the *Observatoire national de la pauvreté et de l'exclusion sociale* (the French national observatory of poverty and social inclusion), roughly 7 million people in France — i.e. 11% of the population — are in receipt of basic welfare benefits.

However, the inclusive model does not just address the challenges facing the so-called developing countries showcased in C.K. Prahalad's "Bottom-of-the-pyramid" success stories³.

According to Prahalad, "The market for goods and services among the world's poor — families with an annual household income of less than \$6,000 — is enormous. The 18 largest emerging and transition countries include 680 million such households, with a total annual income of \$1.7 trillion — roughly equal to Germany's annual gross domestic product."

Integration through work and the prevention of **discrimination in all its forms** are also a concern in wealthy countries, where, according to the OECD, the gap between rich and poor is steadily widening.⁴ Hence, the EU has recently reaffirmed that the eradication of poverty is an "*absolute priority*" of the 2030 Agenda for Sustainable Development⁵, and that "it will be swiftly translated into EU policy". Over 2,000 business leaders from around 90 different countries and regions took part in the Summer Davos Forum in China at the end of June 2017, which focused on "*Achieving inclusive growth in the fourth industrial revolution*".

The inclusive model, which lies at the heart of the Europe 2020 Strategy⁶, means "*empowering people through high levels of employment, investing in skills, fighting poverty and modernising labour markets, training and social protection systems so as to help people anticipate and manage change, and build a cohesive society. It is about ensuring access and opportunities for all throughout the lifecycle*".⁷

¹ <http://www.europarl.europa.eu/news/fr/press-room/20170529I-PR76234/les-deputes-fixent-les-priorites-pour-un-nouvel-elan-en-matiere-de-developpement>

² <http://www.onpes.gouv.fr/En-2015-le-nombre-d-allocaires.html>

³ <http://knowledge.wharton.upenn.edu/article/new-approaches-to-new-markets-how-c-k-prahalads-bottom-of-the-pyramid-strategies-are-paying-off/>

⁴ http://www.oecd.org/fr/rcm/IG_MCM_FRENCH.pdf

⁵ https://ec.europa.eu/europeaid/policies/european-development-policy/2030-agenda-sustainable-development_en

⁶ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:-FIN:FR:PDF>

⁷ http://www.oecd.org/fr/rcm/IG_MCM_FRENCH.pdf

O4 THE INCLUSIVE MODEL: EXTENDING ITS “PLAYING FIELD” TO THOSE USUALLY EXCLUDED



KEY LEVER OF CHANGE EXTENDING ACCESSIBILITY TO THOSE TRADITIONALLY EXCLUDED

AS WE HAVE ALREADY SEEN WITH THE COLLABORATIVE, FUNCTIONAL AND CIRCULAR MODELS, LOWERING TRANSACTION COSTS - THROUGH LEASING AND/OR RE-USE - HELPS MAKE GOOD-QUALITY PRODUCTS AND SERVICES AVAILABLE TO A WIDER PUBLIC.

THIS INCREASED ACCESSIBILITY LIES AT THE HEART OF THE INCLUSIVE MODEL, THROUGH THE DEVELOPMENT OF OFFERINGS AIMED SPECIFICALLY AT POPULATIONS BELOW THE POVERTY LINE (PARTICULARLY IN DEVELOPING COUNTRIES), OR AT THOSE WHO, FOR VARIOUS REASONS, ARE TRADITIONALLY EXCLUDED FROM THE MARKET (INCLUDING IN DEVELOPED COUNTRIES): CASUAL WORKERS IN THE ENTERTAINMENT INDUSTRY, SELF-EMPLOYED UBER DRIVERS WHO CANNOT ACCESS BANK LENDING BECAUSE THEY DO NOT HAVE A REGULAR INCOME, HOMELESS PEOPLE WHO CANNOT OPEN A BANK ACCOUNT BECAUSE THEY DO NOT HAVE PROOF OF ADDRESS, ETC.



The inclusive model, virtuous not just for those at the “bottom of the pyramid”:

The inclusive model is often viewed exclusively from the perspective of assisting impoverished populations in emerging or developing countries. In fact, it can be used to meet the needs of a much wider variety of people, as it is applicable to anyone dealing with discrimination in access to a product or service. Therefore, when seeking to promote inclusiveness, it is important to adopt a broader outlook and to consider insecurity as well as poverty. This allows a more diverse range of issues to be addressed: The problems encountered by casual and independent workers in accessing housing or social security cover, discrimination on the grounds of age, disability or personal history (former addictions, convictions, etc.).

THEREFORE, THE INCLUSIVE APPROACH TO THE MARKETPLACE IS CHARACTERISED BY THE ABILITY OF COMPANIES TO MAKE NOT ONLY THEIR PRODUCTS AND SERVICES, BUT ALSO THE JOBS THEY CREATE, ACCESSIBLE TO THOSE WHO WOULD NORMALLY BE EXCLUDED.

Hence, inclusiveness can be seen from four perspectives:

► **Financial perspective:** Financial inclusiveness consists in extending access to credit or, more basically, banking and insurance products (for example, bank accounts) to those who, for various reasons, would otherwise be unable to benefit from such services (low income, inability to produce proof of address, etc.). The founders of **Compte Nickel**, which was recently acquired by BNP Paribas, understood the huge potential that those excluded from the banking system have to offer (notably, the 2.5 million people banned from having a bank account, and the 7 million people below the poverty line); at the same time, they saw the negative externalities that this exclusion generates - in France, a bank account is necessary to get paid, buy a car, etc. Without departing from the rules, this company allows anyone with some form of identification (including homeless people) to open a bank account in a tobacconist's shop, where they are likely to feel more comfortable and less intimidated than in a bank. The whole process takes less than ten minutes. Because it provides access to essential banking services (withdrawals, deposits, debit card, etc.) and provides money management advice to prevent over-indebtedness for example, this startup now opens approximately 26,000 bank accounts every month, and has managed to attract a more diverse clientele.

► **Economic perspective:** Economic inclusiveness allows those traditionally excluded from the market to benefit from marketable goods and services. A company can promote economic inclusiveness in two ways. Firstly, by designing and developing economically accessible products and, secondly, by adopting a business model that enables their distribution to the BoP population.

For example, Essilor has designed a programme that makes vision screening and eyeglasses available to people living below the poverty line. In the second scenario, the distribution of products and services to people in need can be financed by other consumers through a "buy one, give one" programme. For example, for every pair of **Toms** shoes or **Jimmy Fairly** glasses purchased, another pair is given to a person in need, by a partner organisation.

► **Social perspective:** Social inclusiveness refers to a company's ability to adjust its production system to integrate people traditionally excluded from the labour market. There are numerous examples of integration through work in the social and solidarity economy, which shows that everyone has something valuable to contribute, provided certain barriers are removed. In the frame of its partnerships with organisations such as the "Specialisterne Foundation", the **SAP group** employs people with autism and Asperger's Syndrome in very often key positions (as software programmers or testers, for instance). The company believes that their cognitive skills are a real asset, which, once their workstations have been suitably modified, offer a significant competitive advantage in an industry where ergonomics are a key factor of success.

► **Environmental perspective:** Frugal innovation — as theorised by Navi Radjou and Jaideep Prabhu — consists in fulfilling a need in as simple and functional a manner as possible, often with an eye on environmental concerns (for example, raw materials may be used in a low-tech and/or local approach). It may overlap with economic inclusiveness, as the resulting products are less complex and are manufactured at least cost. Therefore, they are generally suitable for the Bottom-of-Pyramid market defined above. The passive refrigerator **MittiCool**, which was invented by an Indian potter and is made out of clay, provides very good refrigeration performance (maintaining temperatures of roughly 10 to 15°C when the room temperature is 30°C). It does not require electricity, but relies on natural convection to keep the temperature low. Priced at 5,500 Roupiahs (€75), it enables people who do not have access to electricity to preserve food and make substantial savings.

04 THE INCLUSIVE MODEL: EXTENDING ITS “PLAYING FIELD” TO THOSE USUALLY EXCLUDED



To create an inclusive model, it is essential to analyse the underlying causes of non-access to products and services, or indeed exclusion. They are not necessarily financial (“product too expensive”), but may be related to other, ill-adapted features of the economic model: Distribution channel that is intimidating to disadvantaged people, psychological barriers and self-censorship, limited or incomprehensible information, etc.



A FEW CHARACTERISTIC FEATURES OF THE MODEL

AS MENTIONED EARLIER, THE INCLUSIVE MODEL SHOULD NOT BE CONFINED TO PEOPLE LIVING IN POVERTY (BOP POPULATIONS), BUT EXTENDED TO ALL THOSE WHO ARE IN PRECARIOUS EMPLOYMENT, OR WHO FIND IT DIFFICULT TO ACCESS PRODUCTS AND SERVICES DUE TO THEIR PERSONAL CIRCUMSTANCES (AGE, SOCIAL OR CULTURAL BACKGROUND, DISABILITY, ETC.).

► **Detailed hands-on knowledge** of target populations **is key** to addressing their specific needs. Full immersion into their daily lives is therefore essential to understand exactly what they need (access to “good eyesight” in Essilor’s case), why they cannot currently meet those needs themselves, and what the crux of the problem is (“latent” needs). This means understanding the role of the population in question within its **social environment**, and the **nature of its relations** with other members of that environment. Furthermore, when dealing with people on a limited budget, **in-depth knowledge of their consumption patterns** is needed to identify the factors that influence their everyday buying choices.

► To acquire and maintain this specific knowledge, **active cooperation with actors on the ground** is crucial, whether those actors be NGOs, public authorities or social enterprises.

► The product or service proposed must therefore focus on providing a practical response to an **essential and clearly identified need**.

Any superfluous features that do not directly address the need should be removed **for the purposes of frugality**. Thus, it is possible to achieve an **equivalent level of performance, at a lower cost**. Besides fulfilling a specific need, the value proposition lies in providing the target populations with tools/services that will help them find a way out of their precarious situation **by themselves**, so that they are **no longer reliant on the assistance of others**. If people are **more empowered** and have **greater confidence in their own abilities**, then their inclusion really becomes possible. Ultimately, an approach like this helps to **“pacify” the social climate**, creating fertile ground for economic **development**.

► To meet specific needs that are not necessarily expressed, **individual support and long-term follow-up** must be an integral part of the economic model, which could not work on the basis of a remote client relationship alone. Indeed, the target populations have such a wide variety of needs, and success depends on so many different factors (e.g. Nickel account holders must be able to “reasonably” manage their money), that the model will only be successful if clients are supervised to make sure they are honouring their commitments, and if developments in their personal situation are closely monitored.

► Furthermore, as the target populations are vulnerable and, in some cases, mistrustful (having been stigmatised or excluded in the past), the **distribution channels** must be adapted so that they foster trust and are not intimidating in any way. For this reason, **familiar places** are often the best sales outlets - the tobacconist's shop is far less intimidating than a bank to some Nickel account holders. **Communities of friends and neighbours** can also create trust among target populations, and are therefore involved in the product marketing process (e.g. Grameen Ladies). Using these essentially decentralised communities to bridge the gap with the target population is a powerful means of scaling up a business.

► Lastly, the company's ability to mobilise intermediate communities significantly affects its potential to increase the impact and the scalability of its business model. The **management and training of intermediaries, and the provision of advice and support**, are **key activities** that must be developed. They are also major components of the **cost structure** of these models, which is subject to **substantial constraints** because costs cannot be offset by price rises (so as not to upset the budget priorities of the target populations).

In addition to the “frugality” of the marketed product, the entire **economic model must be developed in a “frugal” manner**, focusing only on those activities that are essential to the workability of the solution proposed.

TO CONCLUDE, BESIDES TAKING CARE NOT TO UPSET THE BUDGET PRIORITIES OF POPULATIONS THAT ARE VULNERABLE BY DEFINITION (FOR EXAMPLE, BUYING AND USING A MOBILE PHONE COULD PREVENT THEM FROM BUYING FOOD), IT IS IMPORTANT TO DEVELOP THE BUSINESS MODEL IN SUCH A WAY THAT:

► those who use the product or service do not run the **risk of being stigmatised** (for example, target a diverse audience rather than just vulnerable populations)

► the intrinsic benefits of the model do not significantly **disrupt existing sociocultural relations** in the country (for example, make sure that the empowerment of female entrepreneurs does not become a source of tension in families).

04 THE INCLUSIVE MODEL: EXTENDING ITS "PLAYING FIELD" TO THOSE USUALLY EXCLUDED

DIAGRAM OF THE INCLUSIVE ECONOMY



METHODOLOGY & CONCRETE EXAMPLES

ONE OF THE MOST SUCCESSFUL EXAMPLES OF THE INCLUSIVE MODEL IS CLEARLY THE ONE DEVELOPED BY ESSILOR IN JUST FOUR YEARS, WHICH FOCUSES ON PROVIDING ACCESS TO GOOD EYESIGHT FOR ALL.

In 2013, recognising that over 2.5 billion visually impaired people do not have access to eye care (including 90% in developing countries), the group set up a programme called **SEE Change**. The results have been impressive: Over 6 million people in more than 30 countries have benefited from visual screening and equipment; over 4,000 "eye care providers"

have been trained, and the group has set itself the ambitious target of improving the eyesight and lives of over 50 million people by 2020.¹³

The swift development and the effectiveness of this model can be put down to four key factors:

► **A global approach** that is based on the development of products designed specifically for the markets in question (such as Ready2Clip™ glasses), and the creation of networks of intermediaries from local communities. These intermediaries, who are trained to conduct visual

screenings and to provide the appropriate visual equipment, play a key role in the model's development.

► **A multi-dimensional organisation**

combining a specially created BU — the “2.5 New Vision Generation™”, which has dedicated sales and logistics teams across seven countries and a distribution network that spans 24 countries — and a recently established €30 million endowment fund, Vision For Life™. This fund provides extra financial support for visual screening operations, the donation of lenses and frames, and local programmes conducted by associations, voluntary organisations in the healthcare sector, and institutional partners.

► **The integration of this model into the group's innovation strategy**, through the creation of the “Base of Pyramid Innovation Lab”. The latter analyses models and acts as an incubator for projects aimed at disadvantaged populations and those who do not have access to vision correction, while strengthening relations with social enterprises, foundations and development funds.

► **The involvement of employees and ecosystem partners**, particularly during

World Sight Day when, in 2015, 23,000 eye tests were carried out through 400 initiatives across 49 countries (including around a 100 organised internally). The icing on the cake is that this approach — which is both socially and economically inclusive (the economic impact of the Eye Mitra programme in India is estimated to be \$437 million) — also shows how innovation focused on developing solutions for emerging countries can turn into **reverse innovation** for developed countries. In France, Essilor and the Adolphe de Rothschild Ophthalmology Foundation have adapted the partnership model to create an ophthalmic centre that is open to all. The centre provides ophthalmic examinations, eye care and appropriate visual equipment for the most disadvantaged. As a result, 4,000 people a year will have access to eye care. In the United States, the mobile units created in India to reach people in rural areas have been adapted to develop a programme for schoolchildren, under which more than 400,000 screening tests and 120,000 eye tests have been carried out, and 102,000 children have been fitted with glasses.





**IMAGIN'
ABLE**

GOOD VALUE FOR ALL !

Imagin'able

24, cour des Petites Écuries
75010 Paris

contact@imaginableforgood.com

imaginableforgood.com