CBS COPENHAGEN BUSINESS SCHOOL
HANDELSHØJSKOLEN

Master's Thesis

Students: Amelia Agodi - 141890 & Riccardo Bonacina - 142273

Date of submission: 16 / 05 / 2022

Supervisor: Christian Erik Kampmann

Program: International Marketing and Management

Number of pages / Number of characters: 111 pages / 217.118 characters

AKNOWLEDGEMENTS

We are thankful to our families and friends for standing by us during the whole process, that goes beyond this paper and starts back to when we both decided to embark on the adventure that has now come to an end.

Thanks to CBS that has brought us in each other's lives.
Thanks to Riccardo for your patient and for being beyond meticulous.
Thanks to Amelia for being highly devoted to the achievement of this result.

We would like to express our special gratitude to our thesis supervisor and Associate Professor Christian Erik Kampmann for the support on the creation of this thesis.

ABSTRACT

Nowadays, the world is facing a shortage of resources, troubling climate issues, as well as waste and pollution problems. As businesses continue to follow the linear flow of “take-make-waste”, they contribute to further degrade the environment. While companies are becoming aware of this urgency, a new approach that helps facing this problem has gained momentum over the past years: the *circular economy*.

The circular economy is a system that replaces the “end-of-life” concept with the integration of restorative loops of resource. It allows to access a sustainable economic growth that advocates the values and benefits of the environment, the economy, and the well-being of current and future generations. A connected literature review will help readers to have an overall understanding of the topic at hand. Next, to undergo the transition from linear to circular, companies need to adapt their business model to a new *circular* business model, thus a way to integrate the circular loops and processes into their structure. Particularly, this analysis concerns the transition of incumbents MNEs, such as IKEA, as they have the power and resources to potentially unlock the transition of the whole economic system.
To assess the transition, the researchers of the thesis used a case study approach concerning IKEA, supported by an in-depth interview and a questionnaire survey, to investigate the main research question: “*How can incumbent firms establish a circular economy system within their operating structure?*”. By tackling it through three sub-questions assessing specific matters, the thesis presented useful findings that have been used to draw conclusions for incumbents MNEs to transit towards the circular economy.

By and large, the findings of the research support managers in the strategic steps to implement a circular system. Firstly, to start the transition a general appraisal of resources is required, together with an assessment of the company’s current product design, to create a strategic roadmap. Next, the decision on the circular value proposition is outlined: incumbent companies must hold true to their original value proposition in order not to lose their customer base. Lastly, a glocalization approach to deal with country-specific differences is recommended.

TABLE OF CONTENT

AKNOWLEDGEMENTS I

ABSTRACT II

1 INTRODUCTION 1

1.1 THESIS OUTLINE 6

2 THEORETICAL BACKGROUND 7

2.1 LINEAR vs. CIRCULAR ECONOMY 7
2.2 CIRCULAR BUSINESS MODEL 16
2.3 THE ROLE OF THE CUSTOMER 20
2.3.1 Customer Relationship *22*
2.3.2 Customers in a Circular Business Model *23*
2.3.3 Customer Value Proposition *24*
2.4 GLOBAL ENTERPRISES 28

3 RESEARCH QUESTION 32

4 RESEARCH DESIGN 36

4.1 PHILOSOPHY OF SCIENCE 37
4.2 RESEARCH APPROACH AND METHODOLOGY 42
4.3 RESEARCH STRATEGY 44
4.3.1 Case Study *44*
4.4 DATA COLLECTION 47
4.4.1 Primary and Secondary Data Collection *47*
4.4.2 Interview Process *47*
4.4.3 Online Survey *49*
4.4.4 Target Population *50*
4.4.5 Design of the Questionnaire *50*
4.4.6 Validity and Reliability *52*
4.4.7 Research Ethics and Data Management *53*
4.5 DATA PROCESSING 54
4.5.1 Interview *54*
4.5.2 Survey *55*

5 IKEA CASE STUDY 57

5.1 IKEA BUY-BACK PROGRAM 60

6 DATA ANALYSIS **63**

6.1 RESEARCH QUESTION 1 64
6.1.1 Brand *66*
6.1.2 Customer Relationship *67*
6.1.3 Supplier Network *69*
6.1.4 Product Design *71*
6.1.5 Digital Knowledge *73*
6.1.6 Global Structure *75*
6.1.7 Financial Resources *76*
6.1.8 Absorptive Capacity *77*
6.1.9 Resource Framework *77*
6.2 RESEARCH QUESTION 2 80
6.3 RESEARCH QUESTION 3 88

7 INTERPRETATIONS OF THE FINDINGS AND MANAGERIAL IMPLICATIONS **94**

8 LIMITATIONS AND THEORETICAL REFLECTIONS **101**

8.1 LIMITATIONS AND REFLECTIONS CONNECTED TO THE PHILOSOPHY OF SCIENCE 101
8.2 LIMITATIONS AND REFLECTIONS CONNECT TO THE RESEARCH METHOD 102
8.3 LIMITATIONS AND REFLECTIONS CONNECTED TO THE TOOLS 103
8.4 LIMITATIONS AND REFLECTIONS CONNECTED TO ASSUMPTIONS 104
8.5 THEORETICAL REFLECTIONS 104

9 CONCLUSIONS **108**

REFERENCES **111**

APPENDICES **127**

LIST OF ABBREVIATIONS

BM: Business Model

CBM: Circular Business Model

CE: Circular Economy

CVP: Customer Value Proposition

EMF: Ellen MacArthur Foundation

SDGs: Sustainable Development Goals

MNE: Multinational Enterprise

MNC: Multinational Corporation

SME: Small/Medium Enterprise

NIS: National Innovation System

SME: Small-Medium Enterprise

VRIN: Valuable, Rare, Inimitable, Non-substitutable

FIGURES OVERVIEW

Fig.1: Linear Economy Flow. Retrieved from: Wautelet, (2018)

Fig.2: Circular economy. Retrieved from: European Parliament, (2015)

Fig. 3: The 9R Framework. Retrieved from: Kirchher et al., (2017), p. 224

Fig. 4: IKEA moving from a linear to a circular business model. Retrieved from: Circular product design guide, (2021)

Fig. 5: Core activities in a business model. Retrieved from: Nußholz & Milios, (2017)

Fig. 6: A conceptual framework for circular business model innovation. Retrieved from: Nußholz, (2018)

Fig. 7: Circular economy strategies and their influence on each of the business model building blocks. Retrieved from: Salvador et al., (2021)

Fig: 8. The evolution of value nexus. Retrieved from: Heinonen & Strandvik, (2018), p. 6

Fig. 9: Research structure: depiction of the research questions. Source: authors

Fig. 10: Research Onion Framework. Retrieved from: Saunders, Lewis, & Thornhill, (2012)

Fig. 11: Three layers world by critical realism philosophy adapted to the research case. Source: authors

Fig. 12: Based on the structure of causal explanation by Sayer (1984). Source: authors
Fig. 13: Design Principles. Retrieved from: Circular product design guide, (2022)
Fig. 14: Circular economy of IKEA. Retrieved from: Circular product design guide, (2021)
Fig. 15: Decision on loops based on product design. Source: authors
Fig. 16: Sales per channels of IKEA. Retrieved from: IKEA Financial report FY21
Fig. 17: Example of application of how resources can be leveraged in supporting the different loops. Source: authors
Fig. 18: Purchase preferences of the customers. Based on survey results. Source: authors
Fig. 19: General Resource Framework. Source: authors
Fig. 20: Research findings overview. Source: authors

TABLES OVERVIEW

Tab. 1: Adapted from Case study: IKEA “Buy Back” Program. (Circular X, 2021)
Tab. 2: Resources characterization based on VRIN concept.
Tab. 3: Value proposition drivers. Average of the responses for each driver from the whole sample. Responses on scale 1-5 (1 being the lowest and 5 the highest).
Tab. 4: Customer behavior regarding how processes used furniture. Based on survey results.
Tab. 5: Value proposition of Buy-Back program, analyzed based on PERFA framework.

APPENDICES

Appendix 1: Interview Guide
Appendix 2: Survey
Appendix 3: Interview Transcript
Appendix 4: Interview Coding
Appendix 5: Circular Business Model (CBM)
Appendix 6: Results and Analysis of the Survey
Appendix 7: Representation of the Survey Sample in Italy and Denmark
Appendix 8: MNEs Global Production

1 INTRODUCTION

Sustainability is, today, a term that has raised a lot of interest. In 1987, The Brundtland Report issued by the United Nations defined it as the *"development that meets the needs of the present without compromising the ability of future generations to meet their own needs"* (Brundtland, 1987). In this regard, the UN has defined 17 goals to achieve sustainable growth. The 17 SDG (sustainable development goals) provides a framework for the actions needed to tackle global issues affecting people, the planet, and prosperity (United Nations, 2015). The SDGs agenda aims at balancing the economic, the social, and the environmental level, and can therefore be determined as a blueprint to follow in order to achieve a better and more sustainable future for the world. In order to be able to implement them, businesses are essential players thanks, especially, to their strategic position in driving technological innovation that can support the movement towards a sustainable growth (Song, Zhan, Zhang, Xu, Liu, Zheng, 2022). Moreover, the business sector offers 90% of the employment opportunities and produces 84% of the GDP in developing countries (World Business Council for Sustainable Development, 2020), thus businesses have a great impact on the world economic system and have therefore the possibility to drive the change towards a sustainable growth.

Alongside with the concept of sustainability, the term *circularity* has lately gained particular interest as a metaphoric translation of the latter concept into a business environment. The objective now is indeed to move towards a circular economy, which means creating a system that approaches the "end-of-life" concept differently, by giving the products multiple lives. This is done in order to make full usage of the utility that a product can offer and to shift to the utilization of more renewable resources as well as to eliminate toxic chemicals that impair reuse and restoration of resources. The goal of the circular economy is to eliminate waste of resources through a better design of materials, products, systems, and innovative business models (Kirchherr, Reike, Hekkert, 2017).

Circular economy is now challenging the way businesses used to work since the industrial revolutions, as the economy has worked since then in a linear way. A linear economic model is in fact referred to as the “take, make, and dispose” model, which lacks crucial elements within the process of sustainability incorporation (Sillanpää & Ncibi, 2019, p. 1).
In the linear economy system, a high waste of resources is created, since materials and products are often used very little compared to the potential of utility that could offer, and sometimes valuable materials are dumped without even creating any utility, as they follow the linear path of “take-make-dispose”.

Resources can be characterized as renewable or non-renewable: a renewable resource (i.e., timber, wind, sun) can replenish itself at the rate it is used, while a non-renewable resource (i.e., coal, natural gas) has a limited supply, as it will not be able to regenerate, not even during one or two or more human’s lifetime (National Geographic, 2022). In order to produce the products that are bought and used in our everyday life, tons of different resources are employed in the process. Additionally, as the consumption pace has constantly speeded up in the last years (Marlin, 2021), many products other than the ones that are actually used, are produced and dumped straight in landfills along with the resources that were used to produce them. Moreover, the constant lowering of the quality, together with the more and more popular problem of the planned obsolescence, makes products’ life shorter, and hence natural resource-usage of products is not sustainable with resource scarcity; this holds true since the usage of resources, both renewable and non-renewable extremely exceeds the annual reproduction rate (National Geographic, 2019). At the same time, waste materials from production and consumption processes, with unnatural concentrations of harmful substances, are released in nature. As a result, companies, and all the different stakeholders, are now required to take urgent action in order to assure economic progress without jeopardizing natural resource depletion or climate change.

The SDGs, indeed, encourage organizations to replace the linear business model with a circular business model in order to pay more attention to the climate and to the natural resources. A circular economy can help reduce the environmental footprint while continuing to produce in a profitable way. Integrating corporate aims with sustainability goals might also result in “win-win” situations for economic advancement and long-term development (Burritt & Schaltegger, 2010). Even though the UN has set an important framework, alone it cannot produce the push that is needed in order to achieve a fully circular economy (CE): since a change in the whole economic system and at different levels (micro, meso, and macro) should occur, many different actors are involved in the change. Customers, enterprises, countries, supranational organizations, and international powers, all have to make a change in order to drive this transition and each one within their sphere of power. Governments should support through *law-making*, since rules and legislations should be adhering to this specific situation. Countries and institutions should instead act through both *targeted investments* and operational/structural changes to be more circular themselves while supporting the private and local actors in the transition. Often local economies can be locked-in and path dependent, thus resistant to such a complex and novel transition, and a national and supranational power can support with unlocking them and leading them towards the change (Norton, Costanza, Bishop, 1998).

At the business level, both large, medium, and small companies are required to take part in the transition. Also, many startups are emerging with their main goal being this transformation. Inside the corporate sphere, the transition should occur both in companies’ ontology and in the business model, meaning in the structure of the value creation process. Indeed, “*novel business models are an enabler in the transition towards CE*” (Kirchherr et al., 2017, p. 224). Such a change requires a lot of investments in terms of time, resources, and money, and at the same time the outcome is highly uncertain and not always fully satisfactory from a company point of view. Indeed, there is still a high degree of uncertainty in regard to the possible benefits and challenges that this transition could bring along. However, there are many companies that are slowly kicking off projects in this area and that are having a first approach to the transition.

Most of the projects are also supported by the Ellen McArthur Foundation, which is the main reference point when it comes to the circular economy; indeed, the organization brings together experts and companies to advance this transition and to support all parts of the systems and the key actors. From one side they offer help to any business that would like to embrace the change, while on the other side they also support them by sharing the knowledge and making the customer aware of the concept, so that they can get on board (Ellen MacArthur Foundation Website (EMF), 2022). The journey is still very long, but there are already many partners taking part in this challenge (and in the Ellen McArthur Foundation), such as large MNEs like Coca-Cola, IKEA, Danone, Google, Unilever, AbinBev, Amazon, Colgate-Palmolive, etc., as well as public institutions like NYC Mayor's office of sustainability, Mayor of London, City of Milan, City of Sao Paulo, and many universities and innovation hubs.

Among all of the partners, the name of IKEA stands out, because in the furniture industry, where IKEA is deemed as a leader, most companies continue to have a linear production line, which follows the path of a classic linear economy. On the contrary, IKEA has committed to become fully circular by 2030 and it has already rolled out many initiatives, which are allowing it to proceed at a fast pace towards its goal. IKEA's goal as a retailer might seem very contradicting, since its selling point and value proposition is to sell as many products as possible, which is completely against the ground concept of CE of giving products a long life; therefore, this is a great challenge that IKEA is facing. However, among the key corporate values of IKEA there has always been the respect for the environment and the reduction of waste. Their first sustainability statement was in 2012, but already in 1976 the founder of the company, Ingvar Kamprad, stated: "*waste is a mortal scene*", thus a smarter and more responsible use of resources has been pursued in IKEA values since then, and now it has been enhanced and brought forward by the transition towards a circular economy together with many other initiatives (EMF Summit, 2020).

The case of IKEA will indeed be analyzed in the paper in order to better understand how incumbent multinational corporations that have a great impact on the world's ecosystem can also help drive the transition towards a circular economy and a more sustainable growth.
Of course, the transition will have a positive impact both on the environment and on society, however it still must drive economic value. It is indeed challenging to understand how to proceed, therefore a strong and well-planned strategy should be created before starting the transition. Also, some of the possible strategic decisions that companies must undergo before starting the transformation is analyzed in this paper.

The level of analysis of the paper is of an incumbent MNE (Multinational Enterprise). Incumbents refers to companies that are well-established and have been playing for a long time in the market, thus have an important role within their industry of reference, while MNEs are those corporations that make business in different countries. The importance of this type of company is connected to the fact that one-third of global production is done by MNEs (OECD, 2018), thus their shift into the circular economy could have a great impact on the overall economic system. Moreover, thanks to their international business model, incumbent MNEs can access very broad value chains and an even greater customer base, which can be extremely beneficial for the creation of a circular economy. However, the implementation of a circular economy can be challenging both for the company and for the customers.
These companies are usually well established, have core values embedded in their way of doing business, strong brand recognition, and a stable and well-known business model. Therefore, it can be visionary for an incumbent company to undergo a circular economy transition, which requires the redesign of the business model that can also affect the value delivered to the customer. For customers it can be difficult to understand the business perspective, and therefore, sometimes, customers' expectation towards the transition cannot be immediately met. Therefore, the customer side perspective will be analyzed more specifically, through the observation of the changes in the value proposition of the company.

The transition towards a circular economy has been studied under so many different aspects and subjects as it involves many components, as many as the actors involved. Engineers, scientists, sociologists, lawyers, and business researchers have been digging into this idea in order to better understand its challenges and benefits in all its facets. Also, within the business studies, the transition of a company towards a circular business model can be analyzed under different perspectives as it involves all the departments of a company.

In the following paper, due to the above-mentioned reasons, an analysis at the strategic level, as well as at the customer relationship level, has been conducted.

Finally, as the level of analysis is the one of incumbent MNEs, the international perspective has been considered when analyzing the differences on the customer side. Additionally, a company that is working at the international level, such as IKEA, already has an international strategy and an international business structure in place, which must be taken into account during the transition, and it cannot be disregarded but should instead be integrated and leveraged.

All in all, there are for sure many challenges during the transition towards a circular economy; however, due to the relevance of MNEs in the global ecosystem, their transition could help drive a global movement, thus an exploratory research in regard to their transition will be offered in the paper.

1.1 THESIS OUTLINE

By and large, the outlook of the paper proposes the following.

First of all, a background literature review in regard to the topics treated in the paper will be depicted. The research questions and the reasoning that conducted the researchers to it will follow accordingly. Secondly, the research design, including the philosophy of science and the different methodologies applied, as well as a thorough explanation of the data collection and processing, will be explained in order to understand the tools and the philosophy that helped the researchers in answering the questions. Afterwards, the case study will be proposed, to give the reader the necessary knowledge to understand the research, since the event that has been analyzed is not commonly known yet. Following that, qualitative and quantitative data analysis will be conducted. Finally, the managerial implications together with the limitations and conclusion will be depicted.

2 THEORETICAL BACKGROUND

The circular economy provides a more sustainable form of production to the linear model, by aiming at rooting out the maximum value from the use of resources (EMF Website, 2022). In this chapter, literature on the circular economy and circular business models will therefore be synthesized, in order to provide an overview of what the circular economy means in theory. It will indeed be used as a starting point in order to draw meaningful connections and build further on that, as, according to Yin (2018, p. 13), “The literature review is a means to an end and not - as many people have been thought to think - an end in itself”. Specifically, the aim of this part is to provide relevant background information about linear and circular economy (hereinafter also referred to as CE), as well as business model innovation, meaning the circular business model, which is paramount in supporting the implementation of a circular business. Further, it will explore the role of customers and their importance for the creation of a sustainable circular business model, as well as the concept and relevance of the value proposition of the company. Finally, an overview of the concept of global enterprises and MNEs will be proposed as the case study used in the research is the one of an international corporation, thereby making it relevant to understand the theory behind. The aim of this theoretical review is to offer the reader the background knowledge behind the identified research questions.

2.1 LINEAR vs. CIRCULAR ECONOMY

The linear and circular economy can be seen as two paths that drive the industry wheel of production. In recent years, the circular economy has gained significant momentum over the wasteful linear system (Afteni et al., 2021), whose consequences have become clear to everyone. The blueprint of the current economic model is indeed becoming barely sustainable (Sariatli, 2017). These two kinds of models must, however, be supported by a solid backbone that includes all the processes and procedures useful to properly roll out the business.

Just to clarify the concepts, the distinction between the two is the following: the *linear economy* uses the cycle of “take-make-waste”, sometimes also referred to as “make-use-dispose”, while on the other hand, the *circular economy* is instead based on the 4R framework of reuse, refurbishment, remanufacturing, and recycling (which could reach up to the 9R, see Fig. 3 for more information).

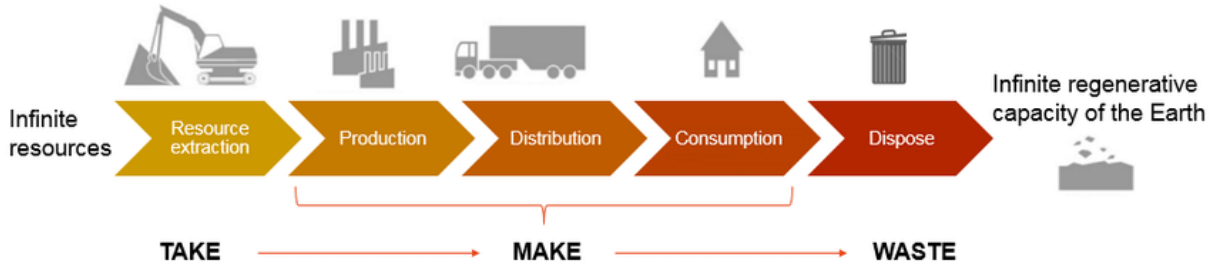


Fig.1: Linear Economy Flow. Retrieved from: Wautelet, (2018)

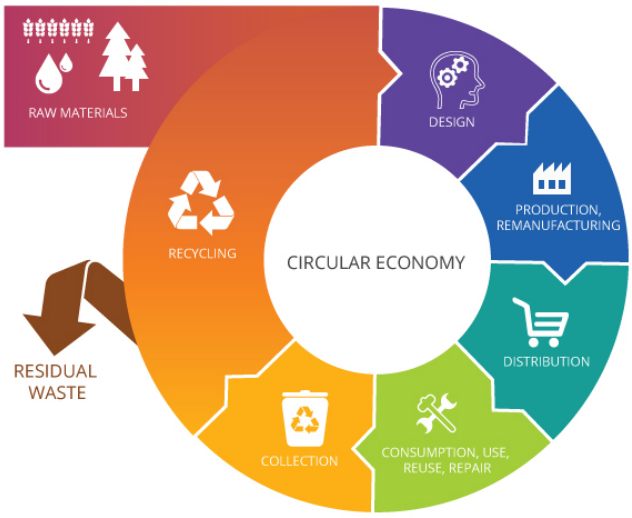


Fig.2: Circular economy. Retrieved from: European Parliament, (2015)

Here below, we delve into both of them one at a time, starting with the linear economy.
The linear system follows a straightforward sequence of steps, however it brings along several downsides such as its belonging consumption and production terms, as well as the resulting problems explored in the remainder of this section.

To give it a proper definition, the linear economy could be seen as a model of resource production and consumption that follows the step-by-step pattern of “take-make-waste” (Afteni et al., 2021) and that is built on two strong assumptions: boundlessness and easy availability of resources (energy and raw materials) as well as a limitless regenerative capacity of the Earth. Since the beginning of the third industrial revolution (began in the 1970s), the economic model that has developed and led ever since has been the so-called “linear economic model”, meaning a linear thinking approach that has resulted in growth and wealth in many regions of the world.

According to the Ellen McArthur Foundation (2013), the current linear economic model derives indeed from the abundance of resources of the global arena and the high density of people residing in the western societies - therefore leading to extensive use of materials and economic human work. In short, the Ellen MacArthur Foundation observed that the linear economy is governed by the principle of producing more products from the cheapest resources available, and with a short lifespan, in order to be able to produce the biggest quantity possible (EMF, 2013). Due to the abundance of exploitable resources, as it was considered as such in the past, the opportunity cost of obtaining resources was minimal. A linear model was the most efficient system of production at the time due to the minimal opportunity cost. In this model, resources were indeed extracted, created, distributed, used, and finally disposed of. Reusing and recycling is therefore not a part of the linear economy model (Sariatli, 2017).

By and large, it is one of the causes of our current sustainability issues, because the linear model entails using resources in an unsustainable manner and producing vast amounts of waste, both of which further degrade the environment. Much of this waste is even poisonous and damaging in other ways, making reusing it impossible (Jørgensen & Tynes Pedersen, 2018). The added value that could be extracted from the used material is lost due to its disposal. Yet, the linear economy model’s assumption that the Earth has a limitless regenerative capacity in terms of resources availability is testing the physical limits of the globe. Moreover, most of the economic theories are obsolete and, as made clear by the Doughnut Economic Model depicted by Kate Raworth in her 2017 book “Doughnut Economics: 7 Ways to Think Like a

21st-Century Economist", are failing on the issues of our times, such as climate change, inequalities, financial crisis, biodiversity loss, etc. Also, the significant growth in population has led to an increase in demand for resources.
Further, waste disposal entails some problems within the linear model. First, we often do not take into account the negative aspects of disposal - from decreased air quality, to incineration, to the harmful leakage from landfills. The other big problem with disposal is that consumers are frequently disposing of products prematurely, and they usually replace them with new ones. Most products, however, still contain some residual value even after being thrown away. So, when consumers throw away a product, they face the opportunity cost of disposal in addition to the cost of new material extraction and the energy cost to produce the new product (Seidel, 2018). It is, therefore, unsustainable, and a shift toward a circular economy is required (Esposito et al., 2018).

The linear model's successor is, in fact, the circular economy (CE), which seeks to reuse products and treats waste as a value loss. As observed by Strategy& analysis (2019) "Circular Economy. A new source of competitive advantage in the chemicals industry", the principles of the CE model are that it dictates the usage of finite resources, the maximum utilization of products, and the recovery of by-products and waste. In contrast to the linear economy, indeed, the CE implies a system that keeps as much of a product's added value as possible while reducing waste (Sariatli, 2017).

In the last decades, this new term has been brought to life. Pearce and Turner coined the term "*circular economy"* in 1990 to describe the feasibility of incorporating environmental considerations into economic processes by closing industrial loops.
As a consequence, the concept of the circular economy began to emerge in the scientific debate from that moment on (1990s), but the number of studies and scientific publications has begun to grow significantly over the past 5 years (Uvarova et al., 2019). The latter is thus referred to as circular economy, which scholars and practitioners have tried to define, however without reaching a common ground.

As noted by Kirchherr et al. (2017, p. 221), a total of 114 definitions have been gathered, mainly depicting it as a *"combination of reduce, reuse and recycle activities, whereas it is oftentimes not highlighted that CE necessitates a systemic shift"*. Nonetheless, Kirchherr et al. (2017) noted that, as also previously indicated by Geissdoerfer et al. (2017) as well as Schut et al. (2015), the most noticeable and employed definition to the term circular economy is: "[*CE] an industrial system that is restorative or regenerative by intention and design. It replaces the 'end-of-life' concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals, which impair reuse, and aims for the elimination of waste through the superior design of materials, products, systems, and, within this, business models*."

Yet, after a thorough analysis and coding framework, Kirchherr et al. (2017, p. 229) gave their definition to the term, resulting in the CE being "*an economic system that replaces the 'end-of-life' concept with reducing, alternatively reusing, recycling and recovering materials in production/distribution and consumption processes. It operates at the micro level (products, companies, consumers), meso level (eco-industrial parks) and macro level (city, region, nation and beyond), with the aim to accomplish sustainable development. It is enabled by novel business models and responsible consumers*".
The concept has gained momentum over the past years, while more and more companies are becoming aware of the urge for this transition from the not-anymore-sustainable linear economy to the much-discussed circular economy.

As per the definition given above, the transition to the circular economy needs to occur at three levels which can be interpreted as three levels of a pyramid that composes the CE system (Kirchher et al., 2017): *micro*, *meso*, and *macro* level. Firstly, in the bottom line we find the *micro* level (products, companies, consumers) that focuses on the micro-system perspective, especially on the individual enterprise level and what is needed to achieve circularity. At the middle level we find the *meso* level, that focuses on the perspective of "eco-industrial parks" - it might also be referred to as "regional level (Kirchher et al., 2017). Lastly, we find the *macro* level (cities, regions, nations), which could be deemed as the level that focuses on the perspective of the economy as a whole, in its entirety.

Furthermore, in the circular economy literature, scholars made a clear distinction between the various gradations or options for circularity, spanning from the 4R framework to far beyond, such as the 6R (Sihvonen & Ritola, 2015) or even 9R (van Buren et al., 2016; Potting et al., 2017), as seen in Fig. 3 below.

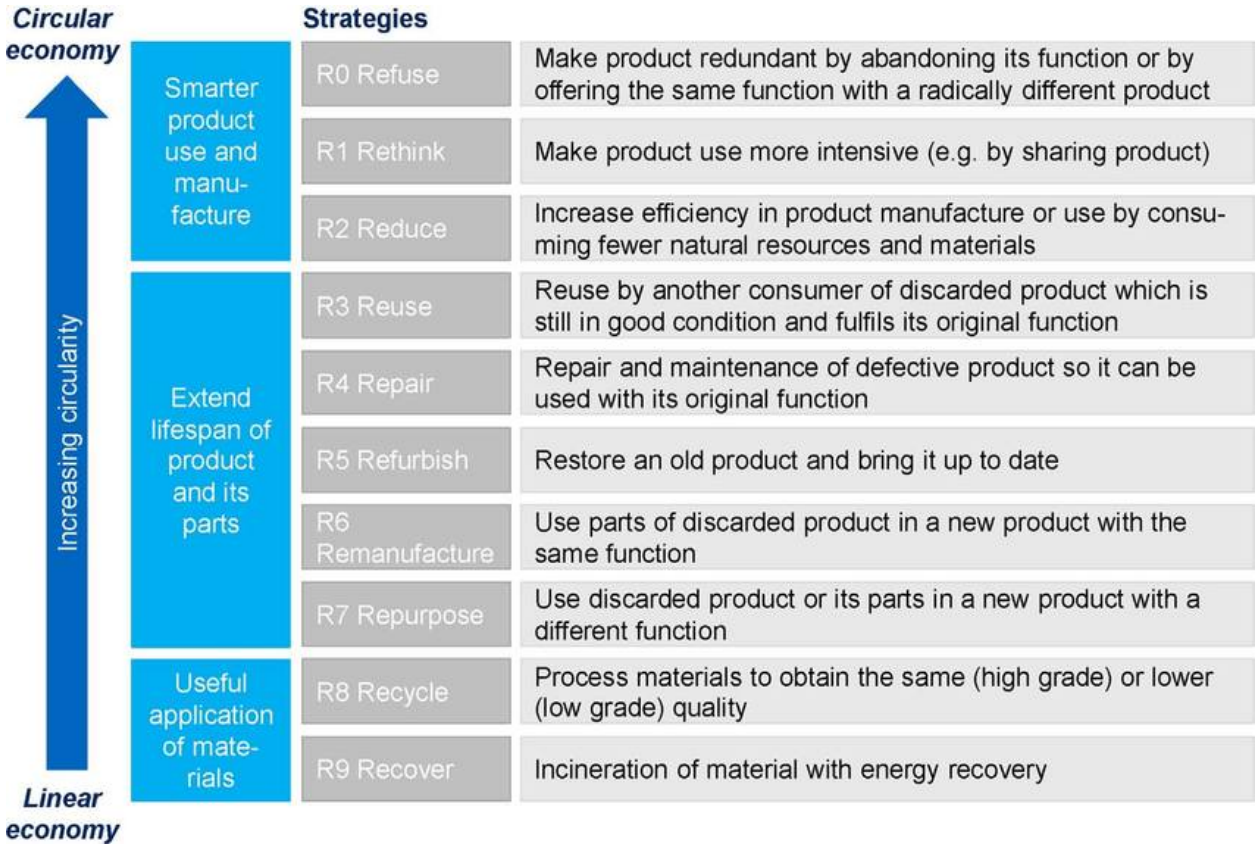


Fig. 3: The 9R Framework. Retrieved from: Kirchher et al., (2017), p. 224

With the characteristic of producing zero waste, the circular economy is a promoter of a new way towards a sustainable future. According to the Ellen MacArthur Foundation, the circular economy is based on three principles, driven by design:

- *Eliminate waste and pollution*
- *Circulate products and materials*
- *Regenerate nature*

As one of the keys to fight climate change and the countless hassles deriving from it, CE allows also for the growth of the economy based on sustainability principles. It advocates the values and benefits of the environment, the economy, and well-being of current and future generations.

Further, the circular economy could be seen from different perspectives, according to the extent to which a product has to be treated in order to be given a second life - this could be defined as “loop”. As one of the companies that stands out in this transition process, and in fact the company under study in this thesis, we consider the process of IKEA as very much relevant for this analysis. If the different loops of the circular economy illustrated here below are considered, different processes can be observed, each involving specific steps and requirements.

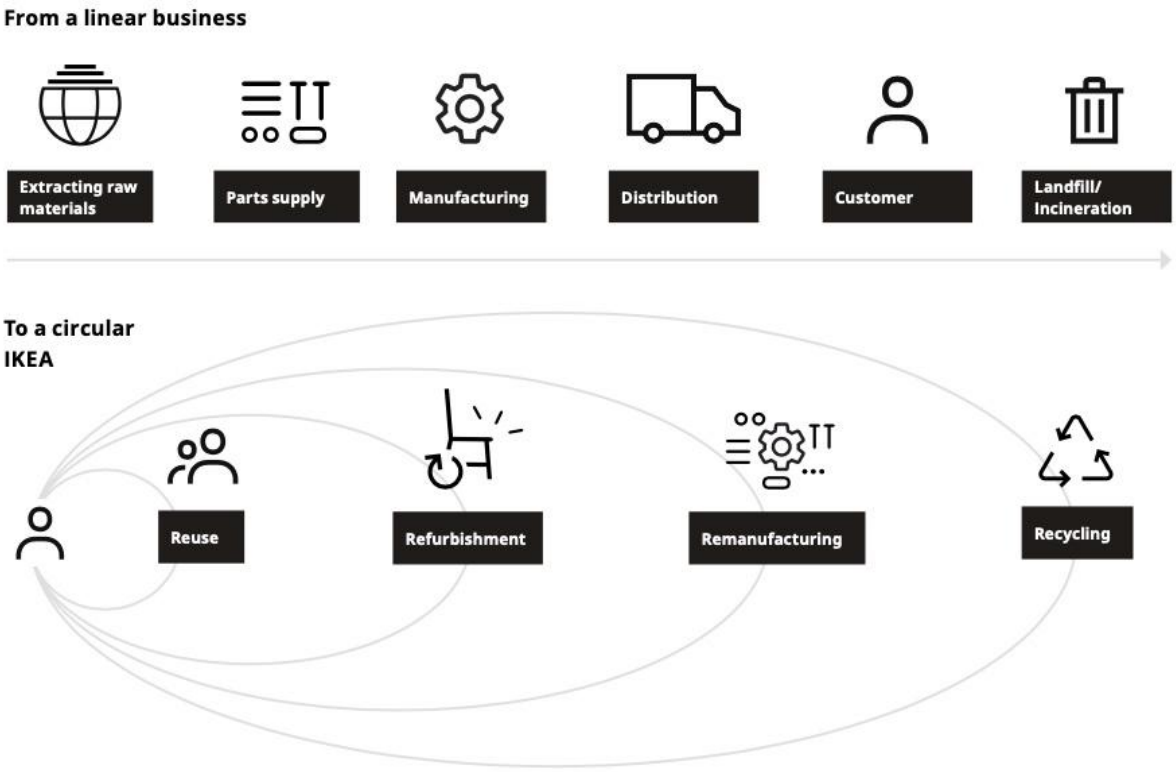


Fig. 4: IKEA moving from a linear to a circular business model. Retrieved from: Circular product design guide, (2021)

As it can be seen from Fig. 4 above, the processes that companies go through when adopting a classic business model, the one depicted by Osterwalder & Pigneur (2010), lead to a general waste of resources that prevent them from being given a second life. Except for some products or items, it is indeed possible to reuse, refurbish, remanufacture, or recycle them in a way that can be considered as environmentally sustainable and economically viable. In this regard, companies face a paradigmatic urgency of adopting a brand-new process structure that implies a shift from the classic business model, as we are used to know it, to a new concept: the circular business model.

The four main loops of circularity are the ones listed below (Kirchherr et al., 2017):

- *Reuse:* a situation where the discarded product, which is still in a good condition and fulfills its original function, is purchased by another consumer.
- *Refurbishment:* a situation where an old product is brought up to date; it is when the broken or malfunctioning parts of a product are replaced.
- *Remanufacturing:* a situation where parts of discarded products are used in a new product with the same function.
- *Recycling:* a situation where the material present in discarded products is processed to obtain the same or lower quality level of the original raw material.

All in all, what circularity aims at reaching, other than sustainability goals, environmental standards, and regulations compliance, is the economic viability for businesses, meaning the value creation over three main value dimensions.

As a management tool to make choices about how a company should operate, we can distinguish among distinct value dimensions corresponding to its different building blocks: what value is proposed, how value is created, delivered, and captured (Fig. 5).

Business model dimension	Corresponding questions	Business model elements
Value proposition	How does the company create value?	Offer and value proposition Customer segments Customer relationships
Value creation and delivery	How does the company deliver value?	Key partners Channels Key resources Key activities
Value capture	How does the company capture value?	Costs Revenues

Fig. 5: Core activities in a business model. Retrieved from: Nußholz & Milios, (2017)

However, when the circular business model comes into play, it is important to adapt these value dimensions to the circular strategies that can prolong the useful life of products, parts, and close material loops (Nußholz, 2018). Yet, this new business model concept must be designed to create and recreate value along the product lifecycle with less environmental impact in all the circularity loops (Fig. 6).

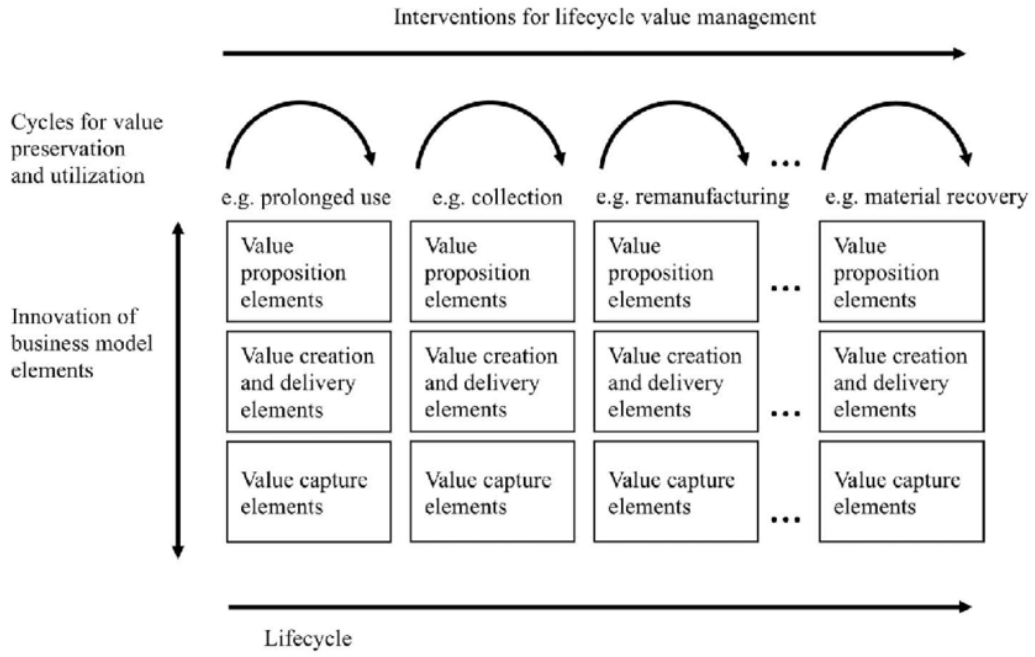


Fig. 6: A conceptual framework for circular business model innovation. Retrieved from: Nußholz, (2018)

2.2 CIRCULAR BUSINESS MODEL

According to Osterwalder & Pigneur (2010, p. 14), a business model "*describes the rationale of how an organization creates, delivers, and captures value*". Its main purpose is thus to outline the value creation processes by which a company extract economic value leveraging on the utilization of its resources and capabilities (Teece, 2010). It is made up of 9 sections or building blocks: key partners, key activities, key resources, value proposition, customer relationships, channels, customers segments, cost structure, and revenue streams. As explored by several scholars in the literature, it has been made clear that, however, this above-mentioned business model canvas (Osterwalder, 2005) is a useful tool to have an overview of how a business is run from end to end, and it cannot be standardized for all the operations within a specific business - it has to be adapted accordingly.

In fact, when a major transformation occurs within the company, the transition towards a new business model is required; that is where business model innovation comes into play. As sustained by Planing (2015) and Bakker et al. (2014), business model innovation is considered as a way to incorporate and capitalize on circular strategies. Changing business structures and implementing circular strategies are therefore fundamental steps that companies must take in order to not lag behind the competition. The circular economy relies in fact on businesses to be one of the main actors to help achieve the transition. Transitioning to the circular economy is challenging for all actors involved, especially since the linear model is so ingrained for businesses and consumers. Changing to new business models, developing new products, evolving customer relationships, creating complex reverse logistics, and changing the current definition of waste are all part of this transition.

Yet, according to the definition of Kirchher et al. (2017) and the majority of scholars, the circular economy is enabled by novel business models, as they *"enable economically viable ways to continually reuse products and materials, using renewable resources when possible"* (Bocken et al., 2016, p. 308).

This new just discussed type of business model is called circular business model (CBM) and it conceptualizes business models in the circular economy. It has been defined by Mentink (2014, p. 35) as "*the rationale of how an organization creates, delivers and captures value with and within closed material loops"*, and it is indeed helpful in indicating how the principles of the circular economy are related to specific components of the business model and how they are translated into business actions implementing the circular economy.

In terms of literature providing a framework for circular business models, there is no comprehensive framework commonly adopted such as Osterwalder & Pigneur's (2010) business model canvas; however, different authors conceptualized a general framing by adding few elements to the latter that allowed to incorporate, among others, social and environmental benefits. More specifically, Antikainen & Valkokari (2016, p. 8) depicted a framework that includes the idea of "*continuous iteration with sustainability and circularity evaluation of the business model*", which allows to integrate sustainability data into the model to optimize its processes and dynamics; on the other hand, Lewandowski (2016) added two further elements: "adoption factors", which included organizational capabilities and PEST factors, thus country-specific factors, and "take-back system", which considers the loop of material included in the reverse logistic process.

The circular business model canvas is therefore expanded and adjusted to incorporate the new transition towards circularity in the business model. As proposed by Lewandowski (2016), the two concepts added will help every kind of company in designing the take-back management system, and in setting up and managing various organizational capabilities and external factors. On top of that, a further structure was proposed by Braun et al. (2021), who consider the circular value creation perspective across company boundaries and cluster it into five modules depending on the recovery level of the circularity (recall on reuse, refurbishment, remanufacturing, and recycling). The template also considers horizontal integration that will allow the generation of synergy effects through collaboration, and it will also add cross integration to enable the sector-independent symbiosis.

Additionally, the template shows how the different areas of the business model canvas are affected by the different recovery levels (reuse, refurbishment/remanufacturing, recycle) (Braun et al., 2021, p. 700, Fig. 1&2), and how they are boundaryless to "*help create new circular forms of collaboration enabled by digital ecosystems*" (Braun et al., 2021, p. 702). In fact, the business model canvas is implemented with five modules that help investigate the individual recovery level's processes as well as the benefits for each party involved; namely, the five boxes are: *return diagnostic process*, *recovery system*, *recovery relationship*, *recovery channels*, and *recovery incentive system,* and they are represented as follows here below (Braun, 2021):

1. *Return Diagnostic Process:* includes the stage in which all the testing is done in order to assess how the post use of the product and of the material should be run in the most economically and ecologically way.
2. *Recovery System:* represents the potential benefits for the partners involved in the circular economy.
3. *Recovery Relationship:* aims to show how the value is created in a systemic ecosystem.
4. *Recovery Channels:* aims to explain how the circular economy is communicated and how to reach customers.
5. *Recovery Incentive System:* aims to show which are the innovative ways to capture and capitalize value for the used products and material.

As the different frameworks here above-mentioned entangle, circular economy implementation strategies require business model innovation.

However, before changing the business model, the Ellen MacArthur Foundation (2013) conceived six potential circular economy actions that are a useful tool to use when first approaching the implementation of a circular business. They indeed represent major circular business opportunities and are depicted by the ReSOLVE framework - the acronym stands for "*Regenerate, Share, Optimize, Loop, Virtualize, and Exchange*". "*Regenerate*" represents a shift to renewable energy or material. "*Share*" has the goal of maximizing the utilization of products through sharing among users as well as reusing products and prolonging their lives through repair and maintenance. Through "*Optimize*", meaning an increase in efficiency, a circular company can remove waste from the production process and the supply chain.

“*Loop*” refers to the idea that a company needs to aim to keep materials in closed loops, hence the word “Loops”. “*Virtualize*” aims to deliver utility virtually instead of materially. Lastly, “*Exchange*” means that a company should replace old materials with renewable ones.
The ReSOLVE principles create a solid framework to help companies think about what makes a business circular. All in all, the ReSOLVE principles create an overarching framework for circular business. Salvador, Barros, Freire, Halog, Piekarski & De Francisco (2021) have conducted an analysis to explore which part of the company is mostly affected when circular strategies are put in place. Indeed, Fig. 7 below aims to identify the most influential circular economy methods for managing each business model building block in circular firms, as well as the business model building blocks most influenced by circular economy strategies. The study has been conducted through a survey where respondents were specialists of the topic, more specifically, they were the authors of the 118 articles analyzed during the study. All in all, the majority of them were university professors, some were researchers in private and governmental institutions, and a few others were industry practitioners who had knowledge in regard to the topic. Thus, the results are not based on a numerical analysis.

All in all, the outcome of the study is that creating strategic alliances for circularity and involving stakeholders along the value chain, as well as digital technology to support circularity, are methods that have a higher impact on circular business modeling. Customer segments, customer connections, and important alliances are the building elements that are most impacted by circular economy strategies, as it is highlighted by the red box in Fig. 7 below.

CE Strategy	Customer Segments	Value Proposition	Channels	Customer Relationships	Revenue Streams	Key Resources	Key Activities	Key Partnerships	Cost Structure
Developing strategic partnerships for circularity and engaging stakeholders along the value chain	VIM	VIM	VIM	VIM	VIM	VIM	VIM	VIM	FIM
Design for circularity	VIM	VIM	VIM	FIM	FIM	FIM	VIM	VIM	FIM
Designing out waste	FIM	FIM	FIM	FIM	FIM	NUI	FIM	NUI	FIM
Industrial symbiosis	NUI	FIM	FIM	LIM	NUI	FIM	FIM	VIM	FIM
Reuse	VIM	FIM	FIM	FIM	FIM	NUI	FIM	NUI	FIM
Recycling	FIM	FIM	FIM	FIM	FIM	NUI	FIM	FIM	FIM
Reconditioning	FIM	FIM	FIM	NUI	FIM	NUI	FIM	NUI	FIM
Environmentally friendly material usage-driven practices	VIM	VIM	FIM	VIM	FIM	NUI	FIM	FIM	NUI
Extending product life	VIM	FIM	FIM	VIM	FIM	FIM	FIM	FIM	FIM
Take-back systems (tbs)	VIM	FIM	VIM	FIM	FIM	FIM	FIM	VIM	FIM
Product-service systems (pss)	VIM	FIM	FIM	FIM	VIM	FIM	FIM	VIM	FIM
Refurbishment	FIM	FIM	NUI	FIM	FIM	FIM	FIM	NUI	FIM
Remanufacturing	FIM	FIM	FIM	NUI	FIM	FIM	FIM	NUI	VIM
Repair and maintenance	VIM	FIM	FIM	VIM	VIM	FIM	FIM	FIM	FIM
Dematerialization	FIM	FIM	NUI	NUI	FIM	FIM	FIM	NUI	FIM
Digital technologies to enable circularity	VIM	VIM	VIM	VIM	VIM	VIM	VIM	FIM	FIM

Legend: UIM - Unimportant, VLI - Very Little Important, LIM - Little Important, NUI - Neither Unimportant nor Important, FIM - Fairly Important, VIM - Very Important, EIM - Extremely Important

Fig. 7: Circular economy strategies and their influence on each of the business model building blocks. Retrieved from: Salvador et al., (2021)

2.3 THE ROLE OF THE CUSTOMER

"*Consumers are at the heart of the whole economic activity and if customers stop buying the economy halts to a grind*" (Murray, 2016, p. 1).

Based on Fig. 7, it is visible how the customer segment cluster within the business model canvas is the one that is mostly affected when circular strategies are put in place.

It is indeed necessary to keep the customer requirements and needs in sight, and clearly know the targeted customer segment during the transition. Customers play a key role for the companies, as they are the final receiver of the products and services - without customers, companies would not have a reason to exist. The goal of a company, indeed, is to offer something to fulfill the needs and wants of its customers, by creating value for them. Yet, the customer can be identified in different ways, as it can be a single person, as well as a group of people or a company itself, and it could be private or public. Different types of customers lead to different types of customer-company relationships.

Additionally, these relationships have been changing over the years due to the companies' focus, as it has also been shifting from the product to the customer. Indeed, during the era of mass production, the relationship between customer and company was merely the exchange of the product, indeed the value was described as the one offered by the company in exchange (Heinonen & Strandvik, 2018). The Figure 8 below shows how the focus of value creation for companies has shifted from the goods and the products themselves to the services, then to the relations, and finally, in recent years, to the customers, and more specifically on the value creation for them. Thus, customers are seen as the value nexus for the companies, which is defined as the focal point of the value creation (Heinonen & Strandvik, 2018).

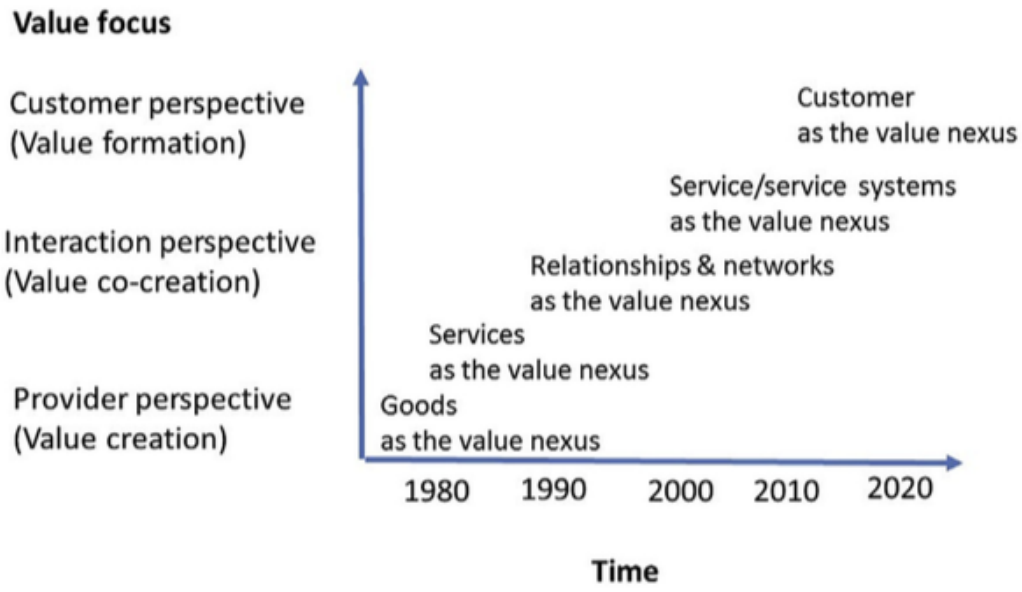


Fig: 8. The evolution of value nexus. Retrieved from: Heinonen & Strandvik, (2018), p. 6

This evolution can be explained as a reflection of changes that occurred in the market and in business environments. In the last decade, with the rise of technological innovation, which is having an effect on the whole society, the relationship between companies and customers has changed and has seen an increase in the power on the customer side. As a consequence, companies are facing difficulties in being seen, chosen both in the short and long term, as customers have a broader choice in regard to which company to choose and to engage with

(Heinonen & Strandvik, 2018). Thus, companies are focusing more and more on the customer, their behavior, and the creation of value for them. Indeed, competition today focuses more on establishing solid relationships with the customers, rather than on the sole differentiation through store format or mere products, since the techniques and tools to define the latter are well advanced and shared among all the businesses (Murray, 2016).

2.3.1 Customer Relationship

As mentioned hereinabove, the relationship with the customer has been gaining so much relevance that a specific branch of business studies focuses on its management. customer relationship management (CRM) plays an important role within the companies as it aims to build, develop, create, and maintain long-term relationships with the customer, through value creation. Having and maintaining a solid base of loyal customers is defined to be more important than continuing to try to attract customers away from competitors (Murray, 2016).

By focusing on the customer, companies overcome the transactional approach where the customer value is considered as embedded in the offering itself, while in a long-term relationship approach, customer total value is represented by the total lifetime value of present and future customers. Companies aim to maximize the lifetime value of the customer segment by successfully managing the relational exchange process (Malhotra, Uslay, & Bayraktar, 2016). Customer-value business strategy can increase enterprise profitability and shareholder value. Hence, it can lead to a competitive advantage for the companies and that is what makes it highly relevant (Peppers, Rogers, Kotler, 2016). Furthermore, Reichheld & Sasser (1990) found that customer's profitability increased with length of retention based on four factors: increased purchases, reduced operating costs, referral to other customers, and price premium. Thus, enterprises, while trying to attract new customers, aim to retain their current ones in order to increase the customer value. Factors that lead to customer retention are: customer loyalty, trust, customer satisfaction, service quality, and switching costs. Some of them alone, such as mere customer satisfaction, are not a direct indicator of customer loyalty and retention (Mathew, 2021; Alkitbi, Ali Shourideh, Al Kurdi, Salloum, 2021).

When it comes to the transition from a linear to a circular economy, the relationship with current customers can have different outcomes; consequently, this could have a positive or negative impact on the profitability of the enterprise due to a change of value in customer equity. Further, with the implementation of a circular business model, possibly new customer segments can be unlocked; however, if the value proposition of the company tends to change completely, old customers could possibly also decide to leave. Thus, a more in-depth analysis of the current literature more specifically in regard to the customer in the circular business model will be analyzed in the following paragraph.

2.3.2 Customers in a Circular Business Model

Based on the literature review of Camacho-Otero et al. (2018), an increasing relationship between consumption and circular economy had been found, due to the rise in the number of studies conducted in the last years in regard to the topic. The first studies investigating consumption in the specific context of the circular economy date back to 2015, however "*few papers have investigated how the circular economy will affect consumers and how it will be affected by consumption, providing much-needed insights" (*Camacho-Otero et al., 2018, p. 16). When companies engage in the transition from a linear to a circular business model, many changes are being triggered, such as the creation of new product processes, new revenue models, development of new or different products and services, and a different relationship with the customers. Indeed, the transition to a CBM requires the cooperation of many participants, which includes the customers, who need to engage in a systematic value co-creation process (Mostaghel & Chirumalla, 2021). The value creation for customers should be a priority and even more enhanced when companies transition from a linear to a circular business model.

Value creation and the focus on the customer must be delivered with CBM as well, and especially when requiring the customer to play an active role in the relationship (Braun, 2020). Indeed, the success of a business can be determined by the customer's acceptance of the new value proposition. This is challenging to understand in a new and complex concept like the CE, where established businesses are changing their current proposition, in order to integrate the circular one. Therefore, customer preferences for different value propositions are a key aspect for the implementation of a circular business model. Indeed, the shift from a linear to a circular

business model still needs to satisfy the specific needs of customers, rather than simply making circular-driven products available (Hankammer, Kleer, Piller, 2020). This has also been shown by the evidence of the resistance of certain types of customers towards more environmentally friendly options, despite the support from the macro-environment. Thus, the transition requires major changes in the nature and intensity of customer-company relationships (Urbinati, Chiaroni, Chiesa, 2017). When developing a new CBM and a new value stream for the customer, additional factors that influence the perception and the acceptance of circular solutions should be considered. Based on the literature review of Camacho-Otero et al. (2018), there are seven major themes that affect the customer's perception towards the circularity: personal characteristics, product and service offering, knowledge and understanding, experience and social aspects, risks and uncertainty, benefits, as well as other psychological factors. These should be taken into account when crafting the CBM, since the success of a CE depends on the decision from the customers to take part in it (Hazen, Mollenkopf, Wang, 2017). These different factors should be taken into consideration when developing the circular business model that will convey and sustain the circular value proposition of the company.

2.3.3 Customer Value Proposition

The value proposition and how it is impacted by the transition to the circular economy will be discussed and analyzed in the following research. Sustainable value creation and customer value proposition are a new and growing field of study, which, however, has had limited empirical evidence so far (Haas, 2019). Thus, an overview of the current theory and framework available for the analysis of customer value proposition for linear economies will be proposed in the following paragraph.

The value proposition is a key element defining the competitive advantage of a firm, as it explains why a customer would want to purchase a product from a company instead of purchasing it from a competitor (Helmold, 2020). Indeed, as also previously seen, it is one of the key elements of the business model canvas from Osterwalder & Pigeur (2010).

Customer value proposition has been studied for a long time and there are different approaches and frameworks to describe it. Rintamäki, Kanto, Kuusela & Spence (2006) with their work, offer a structure to define customer value proposition (CVP). They indeed divide the concept of value into three main areas which are then divided into two subgroups:

- *utilitarian value:* derived from price paid and the value that is given to the time and effort saved.
- *social value:* created from status and self-esteem.
- *hedonic value:* originated by the entertainment and exploration for the customer.

While Murray (2016) analyzes the value proposition more specifically from a retailer's point of view, he defines the three elements and building blocks on which a retailer's value proposition is built (this includes the values that can be delivered through the actual shopping process). Indeed, the three variables are: shopping environment (E), product selection (S), and customer's engagement (E). These elements should be balanced on the opposite side with the definition of a price that is charged in return. The price itself is not creating value, however it captures it and proposes it to the customer (Murray, 2016). These value drivers are especially important in the case of IKEA since it is one of the greatest examples of value delivery through ESE variables.

Also, value is created when specific customers' needs are fulfilled by product attributes (Kambil et al., 1996), which is relevant when developing a CE model. Besides the innovation and change on the product design, a CE includes other features that go beyond the product. Especially in the case under study, one of IKEA's circular initiatives (the Buy-back program) does not affect the product itself but it is an additional attribute. Moreover, Lindic & Marques de Silva's (2011) framework "PERFA" adds value delivery variables that should be considered. In order to identify the value proposition that innovations can deliver, with the Amazon.com case study, Lindic & Marques da Silva (2011) have conceptualized the "PERFA" framework. In their work, the different innovations are divided into five variables and show how value is created within them.

Based on the paper, the variables are defined as follows:

- *Performance:* defines how a company, through its activities, best serves their customers in a profitable way (Lindic & Marques da Silva, 2011).
- *Ease of use:* "*refers to the degree to which a person believes that using a particular system or product will be effort-free (i.e., the ease of search and acquisition, usability, personalisation, service and support)*" (Lindic & Marques da Silva, 2011, p. 1701).
- *Reliability*: defined as "*the ability of a product to deliver according to what it is expected to do based on its specifications*" (Lindic & Marques da Silva, 2011, p. 1701).
- *Flexibility*: it is internally oriented, and it signifies how the firm is able to reallocate and reconfigure its resources, process, and strategies to deal with external changes. Based on Teece, Pisano & Shuen (1997), it can also be seen as the dynamic capability of a company that enables it to integrate, build and reconfigure internal and external competencies to respond to environmental changes.
- *Affectivity*: it is the creation of feelings and emotions as a consequence of interaction with the company, or when using its products and services (Lindic & Marques da Silva, 2011).

In addition, Rintamäki, Kuusela & Mitronen (2007) define different categories of value propositions which are based on what the companies are focusing on, such as price, when offering *economic value*, solutions, when delivering *functional value*, experience, to create *emotional value*, and meanings, that create *symbolic value*. It is relevant to understand which value the company is aiming to deliver in order to define a value-creation strategy accordingly. Also, since the value proposition describes the core benefits that people get from purchasing from a company, in the strategy of the company it is important to define what is the benefit, thus the value, that will be delivered (Helmold, 2020).

Considering that the value proposition, as described hereinabove, is delivered through different variables, such as experience, the surrounding context can have a great impact and thus it affects how the customers perceive the value proposition highly dynamic and variable.

Therefore, Rintamäki & Kirves (2017) have tried to understand how the contextual issues can alter the perception of the customers so that it can be considered when the value proposition is developed. When including the circular economy in the business model, the company's value proposition will undergo a drastic context change, hence it is important to understand it and take it into consideration.

Finally, the first theories within this area of study focused on defining the steps in the definition process of value proposition delivery. The elements that are involved are: segmentation, targeting, differentiation, and positioning (Helmold, 2020).

Segmentation is the process of splitting the market into smaller pieces based on certain variables; targeting concerns the choice of the pieces of the market that will be selected in order to deliver the value, thus to purchase the service or the product; differentiation is how to make the product or service unique and different from competitors, so that customers can perceive specific or superior value; finally, positioning is the process of placing the offering of the company into specific markets (Helmold, 2020).

Of course, these elements cannot be disregarded when developing a CBM. However, when a company is transitioning, these elements are usually already defined by the linear model of the company. Therefore, instead of approaching these elements from scratch, they have to be approached considering the current position of the company.

This theoretical section should support the reader in understanding the different approaches that are present in the literature in regard to the definition of the customer value proposition, because when a transformation into a circular economy takes place, it is paramount to consider what customers truly consider as valuable, instead of simply thinking about what the company can offer them.

2.4 GLOBAL ENTERPRISES

Although sustainability and circularity have been shaping the business environment in the last decades, two other forces have also been affecting it in the past fifty years: on one side, fast technology development, and on the other side, internationalization, and creation of a global market. All of these factors offer great and different opportunities for businesses (Grant, 2016). In recent years, many companies have been arising with the tendency to be global ever since their birth, as their internationalization period is so rapid that they aim immediately to compete at a global level. For this reason, they are called “Born Global” (Hollensen, 2020). Other actors competing in the global market are MNEs (Multinational Enterprises), or also known as MNCs (Multinational Corporations). All these companies have a global strategy, which means that they see the world as a single market.

“An MNE is a firm that internalizes imperfect markets across national frontiers in the services of an intermediate product owned or controlled by the firm” (Buckley and Casson, 1976, p. 1). These companies have a strong impact in the global market at the business level as well as on society, countries, and environment. Indeed, the OECD have specific guidelines that suggest how to run the business responsibly, under different aspects of their influence (OECD, 2022). Businesses can be distinguished in different types based on the international level of their trades and their direct investments - *global industries* are those who feature high levels in both of them (Grant, 2016, based on Fig. 12.1, p. 313). Global enterprises have both a global strategy and a global business model. Having a global strategy can have different positive aspects and it means being able to see and leverage on linkages among countries to conduct the business internationally. Based on Grant (2016), there are five major benefits: cost benefits of scale and replication, serving global customers, learning benefits, and exploiting resources from different countries, which also leads to the possibility of having a different strategy than your local competitors, when competing locally - thus being able to compete strategically is also one of the benefits.

In order to exploit them and create a competitive advantage, global enterprises secure their position through highly functioning business models. Very often, the business model of these companies can be scaled globally, especially when it is a firm-specific advantage, and it is non-location-bound (NLB). Once the business model has been defined and works properly, it will be replicated in different countries. *"Replicating a business model in foreign markets allows global enterprises to exploit their resource (Penrosian) advantage by leveraging the unique, valuable and inimitable capabilities; to achieve the Bainian market power by improving the firm's bargaining position; and to secure the innovator's rents (of Schumpeterian type) by coming up with business model innovations in one context and then scaling them up to the global context"* (Osiyevskyy, Troshkova, Bao, 2020, p. 208).

By doing business in different countries and at the global level, global companies develop specific capabilities and acquire different resources and knowledge that can have an impact in case they decide to incur in a transformation from linear to circular.
In this regard, the resource-based view (RBV) should be considered, as it is a useful approach to analyze how a company gains and sustains its competitive advantage based on the resources that it owns. The set of resources, both tangible and intangible, together with the way in which they are organized, can become difficult to imitate and to substitute, especially when they are firm-specific, hence driving to a sustainable competitive advantage (Barney, 1991; Teece et al., 1997). Resources with certain characteristics can be even more valuable, more specifically, those that are defined as VRIN: valuable, rare, inimitable, non-substitutable or -transferable (Barney, 1991). They are valuable when they allow a firm to be efficient and effective; rare when they are owned only by few competitors or none; inimitable and non-substitutable if other firms cannot acquire similar ones and if there cannot be valid substitutes. Particular types of resources, that are usually the ones that are mostly valuable, are capabilities and knowledge. Capabilities are created through the integration of resources and through the development, exchange, and learning among the employees (Prieto-Sandoval, Jaca, Santos, Baumgartner, Ormazabal, 2019). While knowledge is the capacity-to-act, and it can sustain the competitive advantage of a firm (Nonaka, 1991).

To develop a circular business model, the access to resources such as material and products, together with design, creative capabilities, and knowledge embedded in the company, is critical for developing circular products and services (Prieto-Sandoval et al., 2019).
Incumbent enterprises, due to their long-lasting participation in a specific market, have access to different resources, capabilities, and knowledge that can be of vital importance during the transformation process. Those that have successfully managed to work at an international level, have also the opportunity to access and deal with knowledge and resources coming from different countries.

In contrast to MNEs, there are the SMEs (Small-Medium Enterprises), which can encounter difficulties when deciding to move towards a circular economy. Rizos, Behrens, Van der Gaast, Hofman, Ioannou, Kafyeke, Flamos, Rinaldi, Papadelis, Hirschnitz-Garbers, Topi (2016) analyzed the enablers, barriers, and challenges that SMEs encounter during the transition towards a circular economy. More specifically, the research defined eight major challenges, namely - in order of importance based on the study - the lack of support from supply and demand networks, lack of capital, lack of government support, administrative burden, lack of technical know-how, lack of information, company environmental culture, and others.
Additionally, it has also researched the enablers of the transition towards the CE, which were defined as: company environmental culture, networking, support from the customers, financially attractive circular business models, and others.
Some of the above-mentioned barriers are also applicable to larger companies, while others, considered as barriers for SMEs, can be a point of strength for MNEs - which could be leveraged upon. Among them, the main difference lies in the creation and in the access of a green supply chain. MNEs, and more specifically incumbent firms, in contrast to SMEs, usually cover a more powerful position within the supply chain, therefore they can push towards and require a greener supply chain, which can be afterwards used and unlocked as well from SMEs. As an outcome, this will lead towards a more circular system overall. Another factor for SMEs is the difficulty they encounter in valuing the benefit of the transition against the current costs, knowledge needs, and the actual consumer demand for green products (Rizos et al., 2016). However, this can also be applied to MNEs.

The transition, indeed, can be seen as an actual innovation that can be both architectural and disruptive (Pisano, 2015). This is because, for sure it requires a change in the business model, but, based on the industry and the processes, the transition can be done by either using existing technology or, in other cases, developing new technology is necessary (Pisano, 2015). As an innovation, the circular economy has a high degree of uncertainty, which leads to a great question, which is how to finance it. This, indeed, connects back to the second main issue that SMEs are encountering, which is the lack of capital, as in order to finance innovation there is a great need of equity and cash flow (Hall & Lerner, 2010). It is indeed easier for a large company to find capital that comes from other businesses (Hall, 2010) and that can be allocated to develop the innovation, which in this case is to develop a circular economy. The tradeoff between resources and structure is of course applicable to any kind of company, but for the larger ones, as they have access to a greater amount of resources, the tradeoff is reduced compared to the one required by a smaller enterprise (Hall & Lerner, 2010).

Usually, innovation can be done in different units of a company, while when transforming towards a circular economy, the innovation must be done in all the aspects simultaneously. Indeed, there is a need to change the products, the processes, the communication, and marketing towards the customer, as well as the business model.

All in all, the transition towards a CBM is affecting the company in its entirety, which, in the case of a global enterprise, also includes its international presence.

3 RESEARCH QUESTION

Research into circular business models is growing, and companies are taking steps towards this transition. The literature has shown how the circular economy can bring a competitive advantage to companies, indicated by an increase in return on assets as it has been seen in the Uvarova et al.'s (2020) work where it was empirically found that the ROA of company increased since the adoption of a CBM. It can also produce a positive effect on the corporate image (Chen, 2008), suppliers can develop competitive advantage (Chen, 2010), and there can be a reduction of costs, especially for the reuse of items (Kane et al., 2018; Guide & Van Wassenhove, 2009). Still, companies are often debating on whether to pursue the transition towards a CBM, as it can be perceived as costly and resource-consuming, or to continue with the business-as-usual. However, a well-planned strategy could lead to a successful and profitable transformation, that can go beyond the environmental and social benefits, and that could help companies move towards a sustainable growth. The challenge also resides in the transformation itself. While there are many new companies that are born embracing the circular economy, most of the production and business volume is still driven by well-established and multinational firms, which instead need to face a transformation process. Therefore, the research question proposed is the following:

"How can incumbent firms establish a circular economy system within their operating structure?"

The research focuses on the transformation of an incumbent MNE towards a circular business model, so that it can subsequently support the creation of a broader circular economy system. Further, it explores the effects that this has on the value proposition and consequently on customers, also considering the international environment. The above-mentioned research question will be built following a specific line of reasoning and a well-defined research design, that touches upon different topics regarding the relevant resources, the value drivers, the customer base characteristics, as well as country-specific considerations.

To further explore and discuss this line of analysis, the thesis will use IKEA as a case study to better understand what it takes and how an already worldwide established company can make use of its assets to achieve business circularity.
By and large, there will be three leading sub-questions that will guide the research towards the desired outcome.

Firstly, when it comes to company-level analysis, resources, the productive assets owned by a firm, and capabilities, so what a firm can do, are a source of competitive advantage (Grant, 2016) that can make the company stand out among its competitors. Hence, it is useful to analyze whether this claim holds true for a circular transition. Assets of companies might indeed help smoothen it. Therefore, the first sub-question reads as follows:

1. *What are the relevant resources and how can a company leverage them towards the transition from a linear to a circular economy system and to the implementation of a circular business model?*

Yet, the critical role of customers in this transition process has been underestimated (Mostaghel & Chirumalla, 2021), while they do play a key role as they drive the profitability of enterprises. The customer role has been changing in almost every industry, as customers are more and more aware of their consumption, in terms of habits and responsibilities (Circular product design guide, 2021). On the other side of the equation, companies must build their value proposition that creates benefits for them, by pleasing their needs and wants.
However, when it comes to sustainability and “green” consumption, how does the original value proposition of an incumbent company change and how is it affected by that? That is why the second sub-question recites like this:

2. *How does the value proposition of the company is affected by the establishment of a circular economy system?*

Lastly, as explored in the academic literature, culture can shape the acceptance of CBM (Camacho-Otero et al., 2018), as its development is highly embedded in the ecosystem. Accordingly, the degree of standardization applied to it can change, considering the effects that a transition towards a circular economy may have on customers, hence affecting their relationship with the firm. Thus, through a country-specific comparison (which will be used as a generalization for the international level), the thesis will examine if that holds true. It will help provide a better understanding of whether the discussed transition can be affected by the context, and whether a CBM can be deemed as global, thus without a location-dependency. As a matter of fact, a better understanding of the effect of location can support multinational companies that are considering the transition from a linear to a circular model to ponder their appraisal when developing a CBM. Is their current international presence and strategy in line with the circular economy's values and needs? Can it be beneficial? Consequently, the third sub-question proposes the following:

3. *How do countries' differences affect the implementation of a circular economy system and its circular business model?*

The analysis of the three sub-questions will help to disentangle the complex research driven by the main research question. The main question can bring even more areas of research; however, the paper will focus on the proposed sub-questions that represent possible mechanisms underlying the main concept of the CE transition. This concept will further be explicit in the research design chapter. The case of IKEA will be used to answer the questions. The analysis will be later on conducted by singular sub-questions and, at the end, an answer to all the sub-questions and, finally, to the main one will be proposed.
Here below, a depiction of the structure of the research paper is proposed.

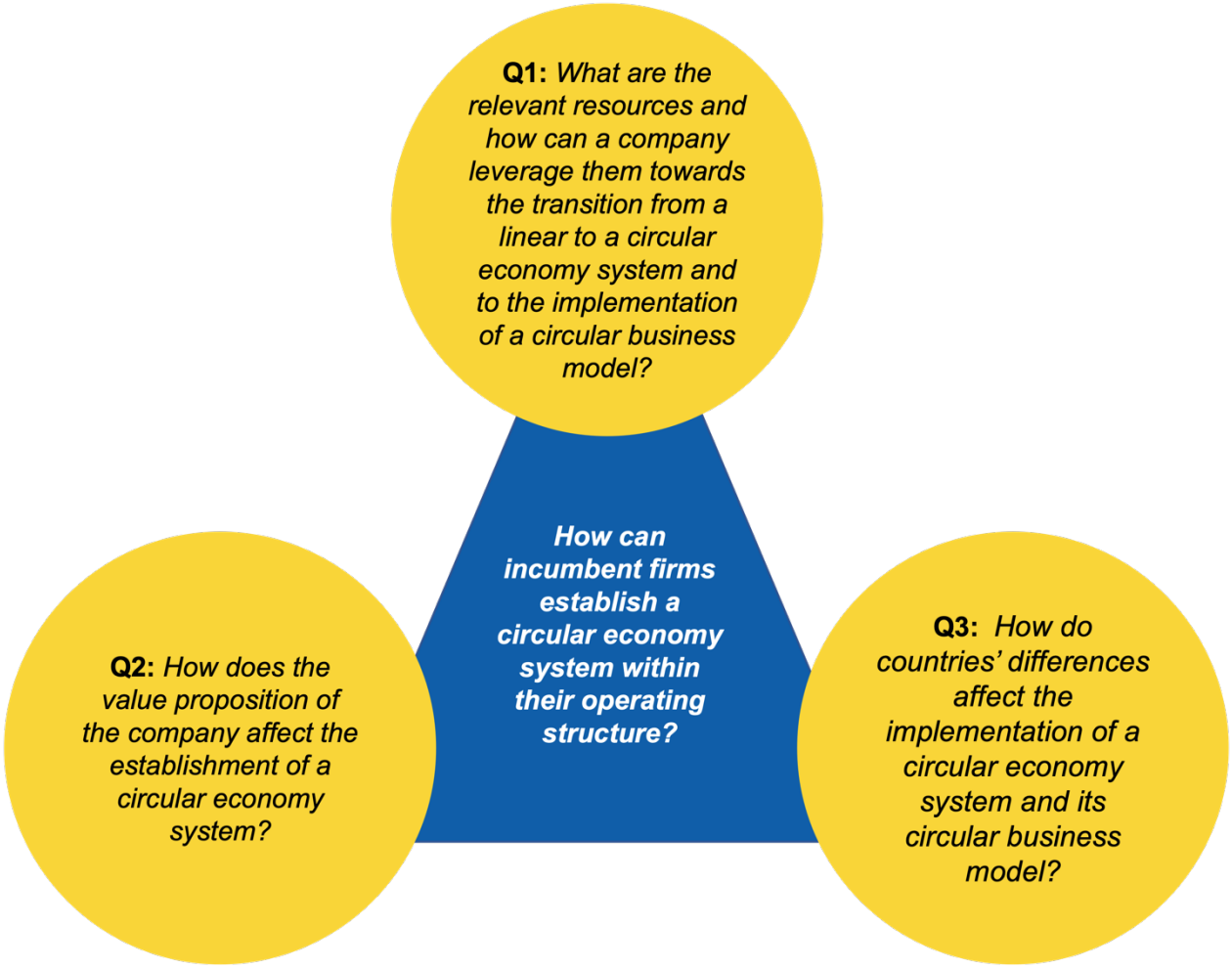


Fig. 9: Research structure: depiction of the research questions. Source: authors

4 RESEARCH DESIGN

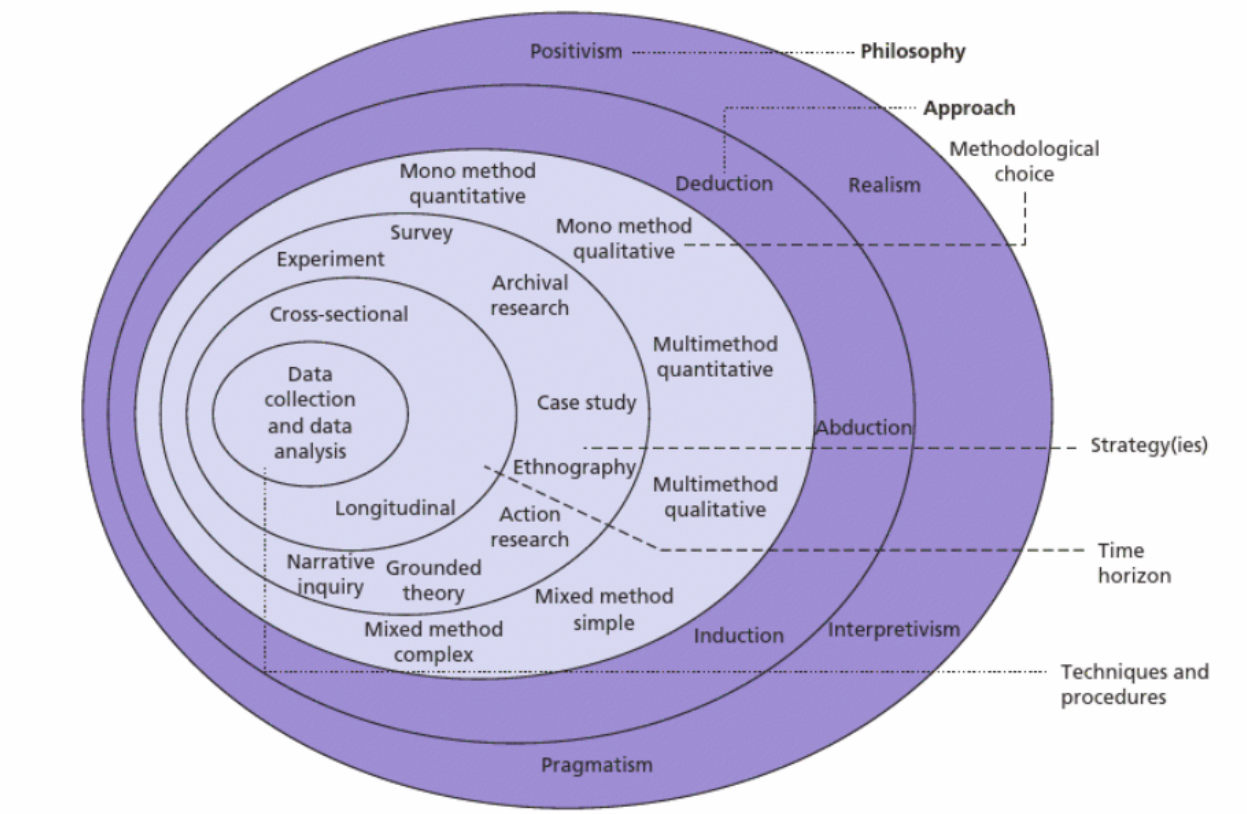


Fig. 10: Research Onion Framework Retrieved from: Saunders, Lewis, & Thornhill, (2012), p. 128

The following chapter builds on the Research Onion Framework by Saunders, Lewis & Thornhill (2012), see Fig. 10. Since the method is the key component in scientific research and the philosophy of science shapes the choices of the method, in order to provide a structured framework of our research design, first an analysis of the researcher's philosophy of science is provided. Secondly, the approach of the research and the type of research that the paper is offering will be depicted. Finally, the method and strategy will be defined (Malhotra, Birks, Nunan, 2017; Saunders, Lewis, Thornhill, 2012). In order to understand the decisions that have been taken in all the steps, the reasoning behind each of them will be explained in the following paragraphs.

4.1 PHILOSOPHY OF SCIENCE

Research and theory grow in symbiosis, since *"theory should inform research and the findings of research should inform theory"* (Emerald Group Publishing, 2022).

Empiricism and rationalism represent the first two contradictory and fundamental schools of thoughts within the philosophy of science. Thereafter, many research philosophies have been discussed and their rationale influences the way the research is designed and approached; thus, it is highly relevant to discuss which one will drive the research. The different philosophies can be analyzed based on two variables: one is epistemology, defined as what is considered acceptable knowledge, and the other is ontology, which represents the individual's position towards reality (Johnston, 2014; Saunders et al., 2012). The researchers' philosophy follows an empiricism approach, where knowledge is acquired and evaluated through experience, indeed the aim is to create knowledge and shed light on the topic based on data, observation, and experience. More specifically, the philosophy of science upon which this research paper will be structured is the post-positivist philosophy of *critical realism,* which finds its roots between positivism and interpretivism (Zachariadis, Scott, & Barrett, 2017). This philosophy arose in the 70s as a critique of both positivism and hermeneutics and finds its roots in the papers of Sayer, Bashkar, Lawson, and others. This school of thoughts is widely used in management and business research as it is highly compatible (Miller, 2005), because the business and management world is run by people, hence it is inevitable and impossible to completely erase the subjective element, as a radical positivist approach would suggest (Saunders et al., 2012). Indeed, the ontological basis of the school is realism, thus it assumes that the structures and relationships under study do exist in reality even if they cannot be clearly observed. Epistemologically, the researchers recognize that values and social conditions are part of science. However, the researchers will pay close attention to epistemologically relevant values while ignoring those that are irrelevant (Coghlan & Brydon-Miller, 2014). Indeed, in critical realism, things are experienced as sensations of things instead of direct observations, which only occur in the empirical layer, thus it acknowledges the subjectivity of scientists as it shapes the way they sense the mechanisms. Indeed, in the critical realism's perspective, the world is complex and hierarchically structured into layers (Bhaskar,1978) - this is especially true in the topic of circular economy that is analyzed in the paper, indeed while circularity has a

common goal, different outcomes can be achieved, and different mechanisms come into play during its development. Therefore, in order to build the knowledge of a stratum, an examination of the mechanism of the underlying strata need to be conducted (McAvoy & Butler, 2018).
The critical realism sees the world in three levels:

- *Real Level:* involves deep mechanisms and structures and their properties that allows actions and phenomena to develop.
- *Actual Level:* considers the events and phenomena triggered by the real level.
- *Empirical Level:* considers those events that can be observed and experienced.

Critical realism aims to uncover the invisible that is hidden in the real and actual level, after having observed an event in the empirical level (Egholm, 2014).
By wanting to understand and explain at the same time, while carving deeper into the mechanisms that are behind the empirical facts, the researchers are not trying to give a causal positivist explanation but are trying to understand and to define possible solutions that are, however, entangled in the context. In fact, the relationship between the real and the actual level is open (Egholm, 2014).

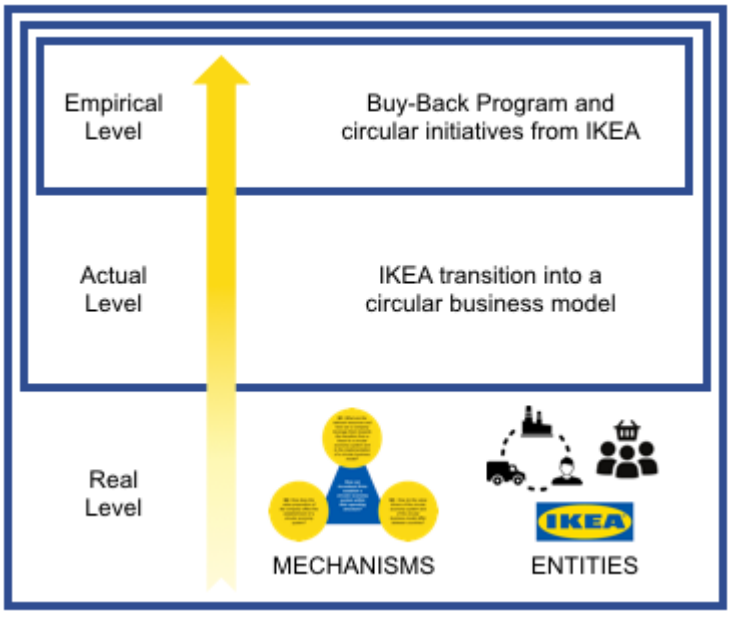


Fig. 11: Three layers world by critical realism philosophy adapted to the research case. Source: authors

The real object of science are the underlying structures that have possibly led to the observed events. Indeed, in the following paper, the empirical events have been identified in the launch of the Buy-back program as well as other circular activities.

It is therefore possible to observe them in the real world, as the services can be found in almost all IKEA stores and people are using them. However, the focus of the research is to understand in a broader sense what are the structures and mechanisms that have brought IKEA to create such initiatives. The Buy-back program is also one possible manifestation of the whole process of creating a circular economy.

After a first observation through the description of the program and an interview with the Sustainability Manager of IKEA, possible mechanisms have been depicted, where *"Mechanisms are nothing other than the ways of acting of things"* (Bhaskar, 1978, p. 14). Therefore, the researchers tried to understand which were the different actors and things that have possibly led to the launch of the Buy-back program and the other circular initiatives. The event of the creation of the program would then be used to understand the broader concept of how generally incumbent MNEs could transition towards a circular economy.

This step-by-step approach follows Wynn and Williams (2012) methodology, that defines five research steps to follow in a critical realist case study research. After observing the empirical case, the researchers developed the possible mechanism, which are explicit in the three research questions. In order to understand the proposed mechanism, a triangulation of multiple methods has been used in order to check for recurring patterns and avoid biases (Wynn & Williams, 2012; Egholm, 2014; Bygstad, Munkvold, Volkoff, 2016).

"*When activated, particular mechanisms produce effects in "conjunctures", which may be unique. According to conditions, the same mechanism may sometimes produce different events, and conversely the same type of event may have different causes*" (Sayer, 1992, p. 116). In the following research, indeed, the mechanisms underlying the Buy-back program, as the event that is visible in the real world, are studied, but different conjunctions might have produced a different outcome, which could be manifested in a different set up of the program or in a different circular economy initiative.

Moreover, some of the conditions under which the mechanism is taking place are highly embedded in the subconscious and are not easily observable. Indeed, topics such as value proposition, resources, culture, and knowledge are being analyzed in this research, which are difficult to understand as sometimes they lie or are triggered by the unconscious. Thus, they can be observed only as the action of the actors, which in this case are the customers and the company. Therefore, multiple tools have been used to analyze the case.
Indeed, the case study analysis was extended by implementing a survey where questions that aimed to understand the cultural difference or the value acceptance were requested, also by using open questions so that it was possible to dig deeper into the drivers of customers and to understand them (Egholm, 2014).

To better understand the causal relationship between how entities and mechanisms can lead to the event, a depiction of how entities such in this case IKEA and the customers (which have powers and liabilities) under certain conditions, can activate mechanisms that can lead to different events, which are then visible in the empirical world. Indeed, "*a causal explanation is one that identifies entities and the mechanisms that connect them and combine to cause events to occur*" (Easton, 2010, p. 122). The figure here below shows a possible example, and it has helped the researchers also when trying to disentangle the mechanisms behind the Buy-back program, however a perfect explanation is not always possible because of the complexity of the real world.

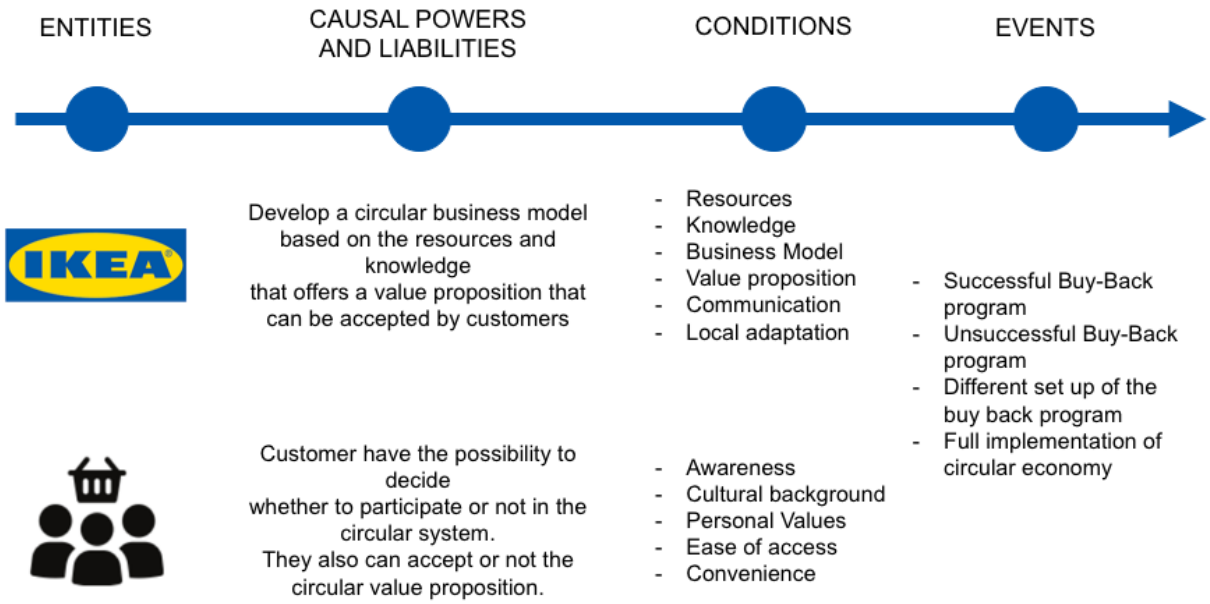


Fig. 12: Based on the structure of causal explanation by Sayer (1984). Source: authors

All in all, the philosophy of science guided the researchers throughout the collection and analysis of the data in order to find the best possible explanation to the main research questions. In the paper, three possible mechanisms have been tested to prove the causal explanation that led to the observed events.

4.2 RESEARCH APPROACH AND METHODOLOGY

"*Exploratory research helps researchers understand and define a problem which was not previously clearly understood or defined*" (Aytian, 2022).

With the following research, the aim is to understand and provide insights about the ongoing phenomena of the circular economy; even though it is widely discussed, it presents a high level of uncertainty for companies. Additionally, since the process of transition into a circular economy is still ongoing, the results of the activities are still unknown, which in turn leads to having still unstructured and undefined data such as secondary data, databases, and panels, making it difficult to conduct conclusive research at this stage (Malhotra, Birks, Nunan, 2017). Hence, an exploratory research design will be suitable for the goal, as it will allow the researchers to gather insight on the mechanism behind the creation of circular business models and on how the incumbent companies can drive the transformation towards a circular economy and gain a preliminary understanding of the topic (Erickson, 2017).

Phenomena can be explained and analyzed through different lenses. The reasoning behind the proposed research could be inductive, deductive, or abductive (Saunders et al., 2012). Induction involves moving from the particular to the general, which in case study research implies making empirical observations about the phenomenon in the case and form a theory based on them (Woiceshyn & Daellenbach, 2018). On the other hand, deductive approach aims to explain a direct link between variables and events, and it starts from the definition of a theory and hypothesis that will be consequently tested through observations - such an approach requires a high degree of reliability and replicability of the data to be conducted (Woiceshyn & Daellenbach, 2018). The topic that will be discussed in the paper is still not widely developed and only few companies have been active on it but not for a long time. Therefore, data is still in the process of construction, thus it is not possible to prove pre-defined theories with well-established insights.

Further, the abductive approach moves back and forth from theory to observations and vice versa. During the analysis of the case, an iterative and ongoing process between the empirical and the theoretical dimension has been pursued (Suddaby, 2006), thus the researchers are confident to state that an abductive approach will be adopted in the paper.

Initially, the abductive reasoning used in the paper brought the researchers to use a theoretical review for the generation of the research questions and for the identification of the mechanisms that are being explored in the research process. Afterwards, the researchers aim at producing new findings based on the analysis of the case study, which was supported by a survey and a semi-structured in-depth interview. It should be underlined that, during an abductive research, theory is not to be disregarded, but it has to be embedded in the process of knowledge creation, indeed the analysis through existing theories (Saunders et al., 2012), together with an overall analysis of primary and secondary data, supported the discovery of the possible explanation for the observation. This is how an iterative path has been followed between theory and observations.

The abductive approach was used in this paper with qualitative research. Qualitative research offers a certain degree of flexibility that allows the researchers to adapt to the situation encountered during the data collection, thus helping to better understand the complexity and richness of the different aspects of the transition towards a circular economy and a circular business model (Sreejesh et al., 2014).

Gaudet & Robert (2018) state that qualitative research is defined by two factors, the iterative process of knowledge production and the nature of the object, which should be historically situated, complex, multivocal, and based on subjective relationships. Since the aim of the research question is rather to explore the ongoing transformation of the circular economy and the object of study is highly entangled in society and in the organization, a qualitative research approach is best suited for the purpose of the project.

4.3 RESEARCH STRATEGY

Methods are "*a systematic and orderly approach taken towards the collection and analysis of data so that information can be obtained from those data*" (Jankowicz, 2000, p. 209).

After a theoretical review and in accordance with the philosophy of science and the abductive approach, a case study method has been pursued to answer the research question. A qualitative method such as the analysis of a case study has been used, while an in-depth interview and a quantitative exploratory survey served as a tool to deepen the researchers' knowledge and insights about the case under study. Indeed, qualitative research methods allow researchers to answer questions and to provide a basis for a solid description that makes new theoretical explanations possible (Woiceshyn & Daellenbach, 2018).

4.3.1 Case Study

Different methods offer different advantages. *"Case studies offer a perfect solution to when a "how" and "why" research question has been asked about contemporary events over which the researchers have little or no control, which suits the case of the following research"* (Yin, 2018, p. 13). Furthermore, the case study will illuminate on the ongoing phenomenon of the circular economy and the mechanisms that bring incumbent companies to drive the transformation. On the other hand, the usage of case studies has raised critical questions as well, that the researchers have taken in consideration. From literature, it is possible to sum them up into two main methodological concerns: small samples and potential for bias (Steel, Gonnerman, O'Rourke, 2017). Case studies can be seen as a not sufficient basis for generalizing science. To generalize, in the following case the researchers will use *analytical generalization,* a technique that differs from a *statistical generalization* where large samples and numbers are required (Yin, 2018). *Analytical generalization* can have two bases, either it challenges or advances theoretical concepts that have been used in the definition of the case study design or it creates new concepts that arise while completing it. With an *analytical generalization*, the researchers will overcome the concern of the small sample.

Nonetheless, also through the use of a single case study, a similar concern can arise - there is indeed a rationale behind this decision. Based on Yin (2018), there are five different situations, where the usage of a single case study should be pursued: critical, unusual, common, revelatory, and longitudinal. Among them, one will be driving the researchers' decision.

Due to the novelty of the topic, it is rare to find companies that are advanced in the process of changing from a linear to a circular economy, and for the purpose of the research the focus is on this transition. Moreover, an incumbent player of the market was needed, thus a well-established and worldwide-recognized company has been chosen. Additionally, as the research aimed also to understand the interaction and effects on the final customers, the researchers assumed that a retail company was most suitable for the research, due to its close interaction with customers and its relevance within the business model. Hence, the choice of the case was restricted to well-established retail companies that are facing this transition. Therefore, based on Yin's (2018) five rationales, the selection of a singular case is based on the *"unusual"* rationale, as the selected case offered a distinct opportunity that was worth documenting and analyzing.

Coming back to the aforementioned critics to the usage of a case study in the analysis, the second concern was in regard to biases, as they are sometimes created in a manner where selection, emphasis, and interpretation are not processed in an objective way. Within case study research, the three phases here mentioned are involved (Steel et al., 2017). The first stage consists of the selection of the case. Once selected, the researchers focused more attention to certain characteristics of the case, and eventually to the data in regard to the case being analyzed and interpreted. The selection of the case, which consists of choosing a case out of the many possible and carving its boundaries, was done based on the availability of information and the characteristics of the company that were suitable to answer the research question and that would have given a good representation of the subject of study. This was done in order to be able to run analytical generalization; after that, the researchers were able to understand the dynamic process thanks to the details that the case has provided. Indeed, illustrative case study aims to provide details in order to study processes that are embedded in constant and rapid changes at the organizational level.

As a matter of fact, the case study offers the possibility of an iterative path between theory and data as it is required by the abductive approach (Eisenhardt, 1989).

After the selection, the second step that can be biased is emphasis, which concerns which aspects of the case are treated as salient and important, and which are consigned to the background (Steel et al., 2017). In order to overcome a possible bias, different initiatives have been put in place. Firstly, a wide range of resources have been used, in order to gather different information and focus on topics that have been recurrent throughout the different resources. Secondly, the usage of many different data, both primary and secondary, internal and external to the company, has allowed the researchers to have a full overview and avoid being restricted to only certain aspects of the case. Finally, “emplotment” is concerned with how to connect together the events and construct the story that can deliver a coherent message - it can also be referred to as interpretation bias (Steel et al., 2017). Interpretation, when misplaced, may lead to generalizations that go wrong, and finally to problematic conclusions. In order to avoid misinterpretation, the case was supported with a survey; moreover, the data of the in-depth interview was separately analyzed by the two researchers alone and the outcome was discussed together afterwards.

All in all, every research tool has its benefits and pitfalls. In the case of a single case study, the major benefit is that it leads to a more detailed and precise analysis (Dyer & Wilkins, 1991), which fits perfectly with the research topic due to its novelty and complexity. In the meantime, the researchers have put in place different tactics to overcome biases and pitfalls of the research strategy that was selected.

4.4 DATA COLLECTION

4.4.1 Primary and Secondary Data Collection

To approach the case study, different information was gathered. An important source of secondary information has been IKEA's official website, as well as the Ellen McArthur foundation - IKEA is a partner of the Foundation and much information has been published there, hence retrieved from the website. Also, important sources of information have been Business Source Complete (EBSCOhost) and Copenhagen Business School LibSearch. Other newspapers and online articles offered some other perspectives too. Moreover, a lot of information has also been retrieved from videos and previous interviews to IKEA Managers that were available on the YouTube page of Ellen McArthur Foundation. Moreover, a collection of corporate reports was downloaded from the official website of IKEA. These reports included: sustainability report, corporate social responsibility report, and annual report of the year 2021 available online. These have supported mainly with the definition of the resources, the analysis of the IKEA case, and the different circular economy activities that were launched.
As introduced in the research design chapter above, the approach that has been executed for this research is the one of a case study where different tools were combined to gather primary data, knowledge, and a full overview of the case under study.

4.4.2 Interview Process

Different tools can be used for primary research. Primary data is the data that is solely collected for the use of a particular problem and is therefore specific and helpful in regard to the problem at hand (Malhotra et al., 2017). In-depth interviews are a type of qualitative primary data collection, which is in line with the research design of this paper. The selection of conducting an in-depth interview with an interviewer helps to understand a participant's motivations, thoughts, and feelings about the research topic, leading to derive useful information about the underlying problem (Malhotra et al., 2017, p. 209). Indeed, the aim of the in-depth interview is to gather more and different kinds of information such as opinions, facts, and stories, trying to be as complete and unbiased as possible, so to increase the researchers' understanding of the topic or question based on the viewpoint of an insider (Coombes et al., 2009).

During an in-depth interview, it is important to ask open questions, rather than closed yes/no questions, which require an affirmation rather than description (Ritchie & Lewis, 2003). Open-ended questions begin with “why” or “how” in order to give the interviewee the freedom to use its words while answering the questions (Guion et al., 2001). Semi-structured in the context of these interviews means that a list of questions was prepared for the interview beforehand. Most of the questions are open ended, however some of them were narrower and more specific as the researchers were aiming to understand the context more in depth (Ritchie & Lewis, 2003).

In order to gather specific information and insights that enabled the researchers to better understand the case, an in-depth interview with the Sustainability Manager of IKEA was conducted. A semi-structured interview was chosen for the purpose of strengthening the data collection. This kind of interview facilitates in displaying underlying contextual elements about IKEA and its plans around the circular initiatives. Moreover, this is the easiest and quickest way to gain valuable information regarding IKEA along with some inaccessible furniture industry insights (Malhotra et al., 2017).

On top of that, the interview was executed online, and the flow of the interview was divided into two parts: email/LinkedIn InMail exchanges where IKEA’s Sustainability Manager gave valuable insights from the perspective of an industry expert, which was followed by an online interview in which the process of gathering information was directed towards the overview of the circular business concept development. The interview was based on the following topics: *circular business model, customer-company relationship, and internationalization*.

The goal was to employ an exhaustive and all-round approach to get insights into IKEA’s circular business and all the changes that it has brought along. Moreover, interview topics and questions (Appendix 1) were given to the participant beforehand to have support in the interview preparation and to increase overall credibility of the process (Saunders et al., 2012). However, the interview explored further discussions, such as specific clarifications regarding the topics of interest. The interview took place online through Microsoft Teams, it lasted around 1 hour, and it was recorded. Both of the researchers were present and participated in the interview. Consequently, the interview was fully transcripted in order to better analyze it, and the results provided a base of information for the survey subsequently conducted.

All in all, the interviewee, Sustainability Manager of IKEA, was selected based on her position and knowledge about the topic, as she has been following the development of the Buy-back program and IKEA's transition towards circularity since the beginning, thus having a full overview of the process.

4.4.3 Online Survey

Depending on the research question under study, different methods can be used to achieve the expected results (Fincham & Draugalis, 2013). However, interviews and focus groups do not allow for a generalization as much as a survey does, as it indeed considers a wider group of consumers - hence making it more relevant to the research at hand. As a matter of fact, for the purpose of this paper, a survey was proposed. A survey research is defined as "t*he collection of information from a sample of individuals through their responses to questions*" (Check & Schutt, 2012, p. 160).

The survey was used to collect data and gather relevant results in terms of customers' habits and preferences regarding IKEA's linear value proposition, IKEA's circular initiative, as well as their knowledge of circular economy. The questionnaire survey strongly helped the researchers, as it is indeed the most common method used in research on generalization of users' preferences and perceptions (Kabisch et al. 2015). Eventually, after the data collection part, descriptive statistics were used to analyze it. However, to check its relevance, a chi-test analysis was performed to look for significant or less significant differences between the two population groups collected, as well as to check relevance of certain questions posed.

The choice of survey has been an online exploratory survey, see Appendix 2 (Malhotra et al., 2017). From an online survey, the research gains speed by reaching out to more participants at a lower cost, rather than delivering it in an in-person format.

Moreover, the online survey improved the quality of findings, in fact giving them a strong validation with relevant data, as it was seeking to obtain as much information from the customer base as possible. Here, the questions were built following a precise structure: after a brief introduction of the purpose of the survey, it asked questions related to the value proposition of IKEA, general consumer perception about circular economy, and the value proposition of IKEA from a circularity point of view.

Then, questions regarding circular economy awareness were followed by socio-demographic queries. The quality of responses gained from the way consumers perceived IKEA and circular economy in general were presented in a way that would put them in the right frame of mind to elicit as much as possible from them (Malhotra et al., 2017). The survey focused specifically on the Buy-back program as an initiative and representation of the circular economy and a step towards the transformation.

Overall, the main goal of the survey's data collection was to get the participants to present valuable insights that could be captured and applied to answer the research questions and followingly the research problem. After a few weeks of running it, the survey collected 199 responses, with a balance of 60% of answers from Italy and 40% from Denmark, as they were the two selected countries to look upon from an international perspective. Among the whole sample, 188 answers were used for the data analysis.

4.4.4 Target Population

As briefly introduced above, the chosen target population revolves around the selected markets, Italian and Danish. The two countries were taken into consideration and were assessed based on whether they showed differences, both in the knowledge level in regard to circular economy and in the acceptance of the value proposition. They were taken into consideration as being two easily accessible markets for the researchers. The target population of the thesis was then determined: *people above 18 living in either Denmark or Italy who buy or possess IKEA's furniture*. As a consequence, people not meeting these criteria were led to the end of the survey, after being asked about the motives behind not being an IKEA customer - it was therefore a requirement to own/have owned furniture of the brand. On the other hand, prior knowledge of the circular economy was not required.

4.4.5 Design of the Questionnaire

The design of the survey Appendix 2 has been laid out in order to capture relevant insights from all the respondents. It included two language options, Italian (specifically designed for the Italian market) and English, as the level of English in Italy is very low, thus presenting a peril of misinterpretation of the questions leading to not reliable results.

On the other hand, the Danish market has a higher average level of English knowledge, thus the researchers assumed that English would have been understood by the target population. To achieve the most accurate results possible, different sets of answers were displayed in the survey, spanning from multiple-choices, open-ended, Likert scales, to simple yes/no answers. The yes/no answers were sustained by a third neutral option, “I am not sure/Undecided”, which was provided to ensure that the respondents could actually avoid answering specific questions where they genuinely could not pick a suitable answer from the multiple choice; this allowed the decrease of response bias (Malhotra et al., 2017). Further, the Liker scale type of answer always proposed as 1 (lowest) to 5 (highest) has been used to indicate consumers attitude and opinion on both general statements regarding factors influencing purchases from IKEA and value drivers of second-hand purchases (Malhotra et al., 2017).

Additionally, open-ended questions were then posed to enable respondents to give their personal opinion and individual perception of specific matters of both IKEA and circular economy. Open-ended questions would allow the researchers to gain better insights from the customer side. Moreover, since qualitative research is being conducted, open-ended questions are suitable and offer a good method to explore the topic and the mechanisms that are driving the customer in accepting the value proposition and in taking part in the circular economy loops. Lastly, regarding the socio-demographic questions, sensitive information such as gender, educational level, and employment status were approached with consideration, including an “Prefer not to disclose” option and interval categories (Malhotra et al., 2017). By and large, questions regarding circular economy awareness and habits/behaviors were not referred to individual perceptions, but rather they assumed a more general aspect: they indeed referred to participants’ acquaintances (or people in general) rather than themselves, as this could have led to an unconscious bias for respondents. Particularly, since the topic under study is rather urgent nowadays, they would have most likely given partially true responses just to publicly appear as sustainable and interested in the matter.

4.4.6 Validity and Reliability

Validity and reliability can judge the quality of the research design that was selected for this research. As explored by Saunders et al. (2012), validity is about the truth of the findings and the extent to which the methods accurately measure what they are supposed to measure, while reliability concerns whether the results would have been the same if the study had been conducted by other researchers. Yin (2018) proposes four tests to define and certify the quality of an empirical research, including case studies: *construct validity*, *internal validity*, *external validity*, and *reliability*.

- *Construct validity* is about determining appropriate measures for the concepts under study and avoiding subjective judgements in the process of data collection (Yin, 2018). Theory was used to both lead to the creation of the research question and to guide the researchers in the analysis of the data and the data collection (Yin, 2018). Moreover, the research is based on multiple sources of evidence, in which the data are conveyed in a triangulation approach to develop a more accurate and holistic portrait of the object being studied (Yin, 2018). Indeed, the secondary data gathered from IKEA webpage, Ellen McArthur Foundation, and other online sources, support and integrate the findings. The data collection includes both interviews and written documents. In addition, Saunders et al. (2012, p. 146) argue that the triangulation of data ensures "*that the data are telling you what you think they are telling you*".

- *Internal validity* only concerns explanatory or causal studies, and therefore it does not apply to this research (Yin, 2018).

- *External validity* concerns whether a generalization of a study's findings is possible. Single case studies have often been criticized for providing little generalization. However, as mentioned before, the current transition status of IKEA is unique, and the research has the aim to expand from existing theories (Yin, 2018).

- *Reliability* concerns the truth about the findings, which means that the same conclusions and findings should be presented even when the research was conducted by different researchers (Yin, 2018). Documentation of the procedures that have taken place during this study have been gathered and offered in the Appendices, including the interview guide and the transcription of the interview carried out by the researchers. Moreover, the analysis, especially the one of qualitative data, was run independently from the two researchers, then confronted and finally merged together; this presents a low bias level and thus a higher reliability.

4.4.7 Research Ethics and Data Management

When publishing a survey that includes involvement and treatment of revealed information from participants, it is decisive to have a data management plan. This is to ensure that the anonymity and confidentiality of all participants are assured and kept according to both ethical and legal reasons. As Malhotra et al. (2017) sustain, a well thought through data management plan will make the research more effective.

Firstly, all respondents have been ensured of anonymity since data was collected without the possibility to identify personal information. Next, all questions were created with considerate and cautious intention to ensure the participants did not feel forced to answer anything they were not comfortable with. This was done by including “Prefer not to disclose” in sensitive topics, such as gender and other socio-demographics, as well as having a “I am not sure/Undecided” for most of the questions. Lastly, all collected answers have been treated with full confidentiality, as the data is only being accessed by the authors. This was all announced in the introduction part at the beginning of the survey, where the participant had to confirm their approval of the “terms and conditions” to progress. Moreover, a disclaimer in the latter indicated that all data and answers would have been only used for the purposes of the research. The data collected through Qualtrics were only available and exported to Excel by the authors of the thesis for analysis purposes, hence maximizing the security.

On the other hand, data confidentiality was also respected in the interview. A non-disclosure agreement (NDA) was provided to the interviewee beforehand and signed by both parties. Moreover, the interviewee approval and agreement to record the interview was requested up front. The recording has been saved only on the authors laptops, which were accessible only through personal passwords. The transcript of the interview was processed similarly. Also, the interview was used with the sole scope of the research and was not disclosed

4.5 DATA PROCESSING

4.5.1 Interview

After defining the data collection part, in the following section it will be mentioned how analysis of qualitative and quantitative data will take place.

Qualitative data analysis will be divided into four categories, according to Malhotra et al. (2017): data assembly, data reduction, data display, and data verification. These categories allow for the coding of data, which is the breaking down of qualitative data into chunks and the grouping of those chunks into references (Malhotra et al., 2017).
The interview was transcripted from an audiotape recording, as shown in Appendix 3. After the data assembly and transcription, the following step is to divide the received transcripted results into different categories, meaning data reduction. The data display was indeed based on the similarity of the answers given by the interviewee, thus different labels were appropriately given (Appendix 4). The reason for that was to have a systematic order and organization of the information collected, so the possibility of losing it in this part of the process was minimized. Afterwards, data verification encompasses seeking different explanations employing supplementary data sources to certify discoveries (Malhotra et al., 2017).

The interview was analyzed based on Gioia et al.'s (2012) methodology. To avoid biases, the researchers of this paper did two separate analyses applying the just mentioned methodology, which were later confronted and merged into one common outcome (Appendix 4).

Specifically, the methodology considers the arrangement of a data structure that allows the researchers to think about the data in a theoretical way (Gioia et al., 2012). After the full transcription of the interview, core topics of the conducted interview are identified. This analysis, known as First-Order coding, enables an initial categorization of the main topics discussed. Thus, relevant text passages in the transcript were highlighted and paraphrased, so that the original tone was followed, and no categorization was made. This allowed a fine slicing of the data and the establishment of a more accurate view of the materials (Gioia et al., 2012).
Subsequently, the researchers structured the First-Order categories and grouped them into Second-Order themes, covering broader outstanding and recurring topics in the data. The second step allowed the researchers to reduce the large number of codes to a controllable degree as well as to incrementally combine the individual codes into Second-Order themes, representing more abstract and researcher-induced interpretations (Gioa et al., 2012). Lastly, the Second-Order themes are grouped into main labels, Third-Order coding, referring to the main research questions and topics of interest, from which conclusions have been drawn.

4.5.2 Survey

Due to the novelty of the topic, as well as considering that the launch of the initiative happened only recently, not much data was available to understand and answer the research question of the paper. Therefore, a quantitative tool such as the survey was used to analyze the CE transition from a customer perspective and the differences among countries in relation to the circular economy. The approach of the survey, in line with the one of the whole research, is exploratory, thus both the questions and the analysis were run based on this view. The survey allowed the researchers to gather relevant insights and be able to draw accurate conclusions/recommendations, a set of various tools has therefore been employed to reach this goal. The analysis contains indeed an overview of descriptive statistics together with relevancy tests run through a chi-test, as well as an analysis of the open-ended questions.
Firstly, the survey ensured answers to come solely from respondents that had already bought something from IKEA. By analyzing the survey data, it was noticed that an all-comprehensive number of respondents, amounting to 199 took part. Of this number, 3 respondents are

considered as non-IKEA customers, meaning that they chose the "*No*" option when asked "*Have you ever bought anything at IKEA?*"; therefore, the number decreased to 196.
To dig even deeper, and to have a more reliable and truthful sample of participants, the survey forced a second filter that ruled out all those respondents (8) that, even though IKEA's customers, had never bought any furniture there - the reasons for that being: that they believe it is low quality furniture, that they have never had the need to buy something there, or that the store is not close to where they live. After all these considerations, the final, exploitable sample of participants became 188.

To understand whether a good representation of the population was collected in the sample, different socio-demographic aspects were analyzed, such as age, educational background, employment status, and country of residence.
Looking at the total number of the survey sample based on age diversification, the sample was split quite evenly among the age groups, indeed the results are as follows: 18-25 years old (44), 26-35 years old (45), 46-55 years old (39) and 56-100 years old (34). Additionally, participants' age considering the country-specific differences was investigated.
In terms of sample investigation, further socio-demographic characteristics were gathered in order to better understand how the latter was distributed. The educational level and the employment status were therefore examined at the end of the survey to gather more specific information regarding the sample under study.
As a whole, a high number of Master's degree levels of educational background took part in the survey (94 out of 188), followed by people that hold a high school diploma (46) and followed by Bachelor's degree students. The educational level was requested as it could have an impact, since the researchers assumed that people owning a higher degree, also have a higher knowledge level and a better understanding of the critical issue related to sustainability, thus they could be more sensitive to the topic.
Moreover, 95 of them are full-time employees, followed by 33 students and 28 self-employed people. This information was requested in order to understand whether the sample was a good representation of the entire population.

5 IKEA CASE STUDY

IKEA is a global market leader in home furnishing products, and it was founded by Ingvar Kamprad in 1943 in Älmhult, southern Sweden. With IKEA, Kamprad began selling products such as pens, watches, and frames through a mail order from a catalog, which later on expanded to furniture (IKEA Global, n.d). The resource-saving thinking was embedded in the company already since its foundation and a smart and responsible use of resources has been embedded in IKEA values ever since (EMF Summit, 2020).

IKEA has set a goal to become climate positive and fully circular by 2030 while continuing to grow its business. The ultimate ambition is to achieve a business with an overall positive impact on people, society, and the planet - balancing economic growth with positive social and environmental impact. The cornerstone of this strategy is to enable a fully sustainable business model by changing its processes, value chains and overall approach for how IKEA does business from linear to circular. The journey is composed of several different initiatives that involve three focus areas which can be seen as the main strategic pillars: Healthy & Sustainable Living, Circular & Climate Positive, Fair & Equal. The circular economy is one of three focus areas in IKEA's sustainability strategy - People and Planet Positive (IKEA Sustainability, 2022). IKEA's sustainability agenda includes transforming to a circular business model and, in order to achieve its goal, the company is investing in circular solutions across its operations. This would consist in the launch of different activities that will allow it to create more opportunities and to implement different circular loops to meet its ESG (Environmental, Social, and Governance) commitment and target (Ellen MacArthur Foundation, n.d).

IKEA can be subdivided into two main groups: on one side there is *Inter IKEA Group*, which is the company that makes and designs all the products, meaning how the products are made, designed, produced, manufactured, and finally transported; on the other side sits *Ingka IKEA Group*, which is the company that manages the majority of the retail operations, together with other retailer franchisees, meaning how the products actually make their way to the customer. *Ingka IKEA* is responsible for 32 markets, thus the shops that are in Europe, North America, China, Australia, etc. (IKEA Sustainability, 2022).

Therefore, there is a split in responsibility regarding how the company is managed and this is reflected in the circular world as well. Within the initiatives of the *Ingka IKEA Group*, there is a high level of collaboration with the customers, while *Inter IKEA* focuses more on the design phase and on how to make the products more circular from the get-go.

Based on the four circular economy loops, IKEA has identified eight circular design principles that are considered when developing new customer offerings. These are built upon IKEA's five dimensions of *democratic design*, which is a tool used by IKEA in developing and evaluating any product and which has five dimensions: *form*, *function*, *quality*, *sustainability*, and *low price* (Circular product design guide, 2022).

Fig. 13: Design Principles. Retrieved from: Circular product design guide, (2022)

The principles that apply in the moment of the product design are mainly based on the choice of the circular loop that each product is included into (Circular product design guide, 2022).

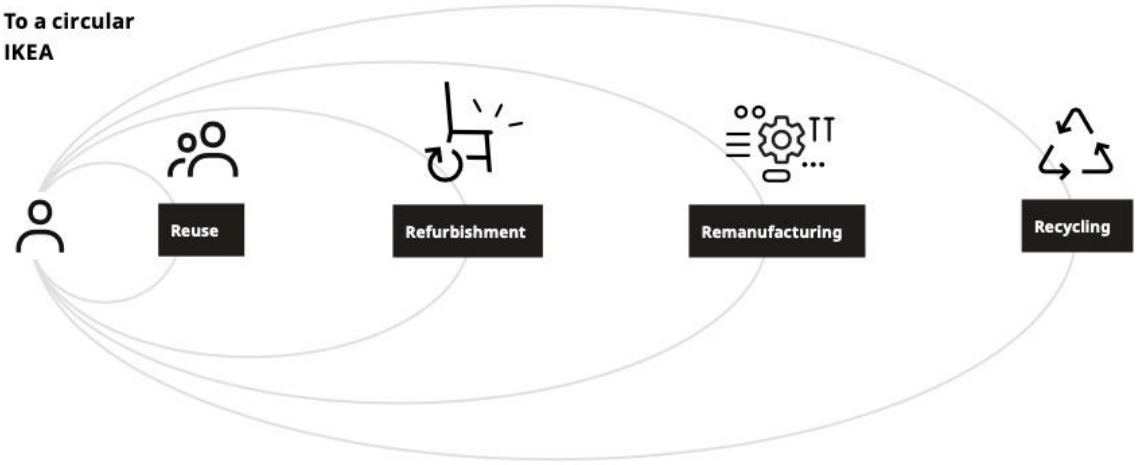


Fig. 14: Circular economy of IKEA. Retrieved from: Circular product design guide, (2021)

- *IKEA Reuse*: launch of the Buy-back program, flagship initiative of the company.
- *IKEA Refurbishment*: there are two types of refurbishments. One is made by the company where the furniture is refurbished before selling it in the second-hand part of the store. The other is the one that customers can make thanks to the sale of spare parts, where, indeed, customers can buy and fix the furniture on their own. At the moment, it is already possible to buy some spare parts and refurbish the broken furniture - 7.200 spare parts are available to customers (IKEA Sustainability, 2022).
- *IKEA Remanufacturing:* IKEA is working to improve even more the modularization of its product, so that it is possible to remove only the broken part and substitute it with spare parts. The process is ongoing, but it is a long one, and it starts with changing the design of the product to make it suitable for this. Standardization and optimization of the product design enable spare parts re-utilization. IKEA has reviewed the product design of almost all its products (around 11.000 products range) in order to move from a made-to-assemble mindset, to a made-to-disassemble one. This allows customers to be able to disassemble the product in a more efficient way and to separate the different parts of the furniture and to recycle them in a better way, and at the same time to fix them.

- *IKEA Recycling:* Recycle of production waste and of broken final products before they are sold. Recycling from customers' used products is not being pursued yet. The recycling loop is focused on the production waste and internal waste.

IKEA is well on its way to being a leader in the circular economy and it is embedding sustainability into the heart of the business.

5.1 IKEA BUY-BACK PROGRAM

One of the main circular initiatives rolled out by IKEA is the Buy-back program, which is targeted towards consumers, who wish to acquire new furniture and no longer have a need for their old ones. The idea behind it is quite simple: *giving old IKEA furniture a second life, if it is still in good condition*. IKEA's initiative is to allow company's customers to return their used IKEA furniture back to the shop, and in return receive a compensation in form of an IKEA's voucher, based on the quality of the items sold. Accordingly, this represents a motivational factor that persuades customers to not only dispose of their old items in an environmentally and socially responsible manner, but additionally gain value from them. Moreover, IKEA also benefits if customers return to the store to acquire new furniture with their voucher.

The process of bringing back, or tacking back, if seen from the perspective of the customer, is straightforward. Customers can fill out a form on IKEA's website, to estimate the furniture's Buy-back value. They then must bring their assembled IKEA furniture, together with the estimate, to an IKEA store. An IKEA worker will inspect the furniture before accepting it, and giving the final agreed value as an IKEA gift card. The furniture is then resold at a lower price in the designated part (called As-Is) department of the store. By providing an IKEA gift card in exchange for the unwanted furniture, customers are encouraged to shop again at IKEA. The vouchers will have no expiration date, so customers have the option to buy things only when they need to.

The pricing structure of the program follows specific criteria. Indeed, there are three different standards that the items can adhere to. IKEA furniture in “new” condition with no scratches could receive 50% of the purchase price; furniture in “very good” condition, with minor scratches, may receive 40% of the original price; and “well-used” items, with several scratches, could receive 30% of the original price. All items have to be brought back fully assembled from the customers.

However, not all of the company’s furniture are eligible for it. Among the items that the program accepts we can find dressers, bookcases and shelf units, small tables, cabinets, dining tables and desks, chairs and stools without upholstery, and chests of drawers.

More specifically, the accepted products are those that meet the following criteria or that fall into the following list: IKEA product and in good, resellable condition; complete and fully functional; properly assembled when returned; clean and unmodified; dressers, office drawer cabinets, small structures with drawers, display storage, sideboards, chests of drawers; bookcases and shelf units; small tables; multimedia furniture; cabinets; dining tables and desks; chairs and stools (IKEA Buy-back, n.d.; Independent, n.d.).

On the other hand, the not-accepted ones are the following: non-IKEA products; products that have been used outside including outdoor furniture; hacked or modified products; mattresses and bed textiles such as blankets and mattress protectors; sofas and armchairs; other soft furnishings such as pillows, towels, etc.; items containing glass; kitchens including benchtops, cabinets and fronts; PAX Wardrobes and accessories; other oversized items; appliances or other electrical items; children’s and baby product such as cots, mattresses and changing tables; unassembled products or parts (IKEA Buy-back, n.d.; Independent, n.d.).

Here shown is a brief analysis of the Buy-back's business model strategy and values, crafted from Nußholz's (2017) framework with data retrieved from Circular X (2021).

Business model strategy	IKEA is trialing a strategy to give old IKEA furniture a second life, if it is still in good condition.
Value Proposition	Giving a second life to old furniture – an affordable and sustainable solution.
Value Creation & Delivery	Customers can fill out a form on IKEA's website, to estimate the furniture's Buy-back value. Then they must bring their assembled IKEA furniture, together with the estimate, to an IKEA store. An IKEA worker will inspect the furniture before accepting it and giving the final agreed value as an IKEA gift card. The furniture is then resold at a discount in the AS-IS department (Bargain section) of the store.
Value Capture	By providing an IKEA gift card in exchange for the unwanted furniture, customers are encouraged to shop again at IKEA. The vouchers will have no expiration date, so customers have the option to buy things only when they need to.

Tab. 1: Adapted from Case study: IKEA "Buy-back" Program. (Circular X, 2021)

6 DATA ANALYSIS

This section explores what is needed to achieve the transition to a circular economy system, in terms of resources of the company, value proposition, value drivers, customer base, and international expansion. By relying on both qualitative and quantitative analysis, the chapter will discuss the analysis of the data in relation to the three sub-questions. In the first part, the resources of IKEA are defined, and it is explored how they are leveraged during the transition. Next, a discussion about the connection between the circular economy and the value proposition of the company, including a discussion on how customers perceive it, will take place. Lastly, the chapter will explore country-specific characteristics, considering Denmark and Italy, as well as evaluating whether local adaptation is required when developing a circular system.

The first part of the analysis will try to determine the most relevant issues brought up throughout the interview, which was used as a general understanding of the topic at hand. After drawing some initial conclusions, as well as making qualitative assumptions regarding the topics discussed, the data collected through an exploratory quantitative survey helped to give empirical support to what was discovered in the discussion with IKEA's Sustainability Manager - this data was in fact important to tailor the analysis to the specific needs of the research.
Based on the conducted interview, lots of interesting topics emerged, spanning from circular transition to customer involvement, from IKEA's effort to become fully circular to the value of resources when developing it at the global level.

The analysis of the interview, therefore, aimed at wrapping up and grouping the main recurring topics into specific categories. While working on the analysis, indeed, the researchers assigned precise keywords to the sentences taken from the interview, which conferred a more structured landscape of insights that would have been further narrowed to other precise keywords. Some of these instances strongly led to the creation of further keywords, to better understand the matter at hand. Examples of codes that were gathered include *"resources"*, "*transformation process*", "*product design*", "*circular business model*", "*customer involvement*", "*value proposition*", "*awareness*", "*localization*", "*global structure*", and many others.

After having coded everything properly, these had been regrouped into even broader categories; the three final categories proposed are: *Circular Economy Transition*, *Consumer Value Proposition*, and *Internationality*, which can be connected to the three main research sub-questions. A representation of the coding framework can be found in Appendix 4.

All in all, starting from the concepts that were mostly discussed, some mechanisms underlying the Buy-back program and the circular economy of IKEA were defined. Here below an analysis of all the gathered data is offered based on the three different sub-questions.

6.1 RESEARCH QUESTION 1

What are the relevant resources and how can a company leverage them towards the transition from a linear to a circular economy system and the implementation of a circular business model?

"*Firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness*" (Barney, 1991, p. 101).

A general strategic appraisal of resources is what has been conducted with the analysis of this data, which afterwards led to the understanding of how the resources can support the transition towards a CE. The analysis was conducted in relation to the resource-based view (RBV) theory, hence the strategic resources have been thoroughly observed in relation to how they sustain the competitive advantage of the company and how they can continue to sustain the advantage also during the transition, by leveraging the resources the company already has.
The concept of VRIN resources has been applied, thus the resources that are defined as valuable, rare, inimitable, and non-substitutable are those that will be analyzed and on which the company can leverage upon. This is because the VRIN characteristics are necessary for the resources to be defined as valuable.

In order to gather the different resources and define the VRIN ones, different tools have been utilized, such as the in-depth interview and secondary data, IKEA Financial statement FY21, IKEA Sustainability report FY21, and interviews available in the Ellen McArthur Foundation website and YouTube page. Further, in order to analyze the resources and have an overview of the business and the value creation process of the company, a circular business model canvas based on Braun's (2020) framework has been developed for the case. The output has been created considering also different data, both primary and secondary.

Braun's CBM canvas shows two different and relevant aspects: on the top of the framework, it shows how IKEA runs its operations and how it creates value for the customer; in the lower section, it shows the implementation of circular initiatives and how these are created, how they produce value and reuse the resources. Moreover, the CBM helped to identify the key resources of, and to clearly define, the value proposition and the customers of the company. Well-formed business model canvases provide a holistic view of a company, showing how the company's internal structure looks like, and very importantly, how it connects with its external environment (Chesbrough & Rosenbloom, 2002).

Based on the interview, *"we are in a waste hierarchy, we are eliminating landfill and incineration from possible waste options and recycling being sort of the last resort, and also working a lot on reuse, both kind of directly in our own operations*" (Keaney, 2022), only two loops are currently being implemented within IKEA, which are the *reuse* and *refurbishment* loops. As a matter of facts, the recycling part is done only with the waste produced internally. The customer waste is not used in the production loop again. Thus, it is visible in Appendix 5, where the CBM is depicted, that only in these two loops activities are performed.
Starting from a basic conceptualization of the resources, they can be divided into tangible and intangible, as well as quantifiable and non-quantifiable. When they are quantifiable, they are shown in the balance sheet of the company among the company assets. Otherwise, they are simply intangible resources that the company can leverage, such as internal knowledge and absorptive capacity.

6.1.1 Brand

One of IKEA's intangible and quantifiable resources is the brand. Thanks to its presence in the market in the last 70 years at a global level, the brand is well recognized and highly valuable. The value of the brand can be seen from multiple facets and from different data that has been used, such as the circular business model canvas, the financial statements and, finally, as a result of the survey.

However, based on the perspective that it is taken from, the resource is valued in a different way accordingly. When it is considered in the balance sheet, it can be found under the intangible fixed asset together with patents, indeed *Inter IKEA Group* purchased the rights for the brand for EUR 11.8 billion in 2012. The importance and the impact of the brand are so high that the costs of these investments are depreciated over 45 years, which means that they are expecting to have positive returns from the brand for such a long time (IKEA Financial Report, 2022) - this also shows the importance of the resource. On the other hand, the survey that was conducted showed the value of the brand based on how it is perceived from customers.

In order to better understand the relevance of this resource on the survey, two open-ended questions were asked. One of them was conducted to understand how the brand is recognized by customers, which in turn helps to obtain customers' perception without having biases. The question was indeed asked at the beginning of the survey, without including any information, but the logo of the company.

After translating and gathering together the different descriptions, some recurring definitions of the brand were found. The brand is perceived mainly as: cheap, easy, functional, simple, and convenient. However, surprisingly, among others, recurring descriptive words such as *innovative*, *trustable*, and *sustainable* were listed. The brand itself, and how it is perceived, is a valuable resource for the company; what is more, in some industries, brand recognition can be at the base of the competitive advantage of a company. By already being recognized as *sustainable*, *trustable*, and *innovative*, IKEA starts from an advantageous position that can be leveraged during the transition towards a CE; in fact, a company that does not have such recognition might encounter more difficulties. IKEA’s brand is indeed already recognized with the values that are driving the circular economy, which makes the transition easier to accept from the customer side.

Moreover, the company can use and leverage its brand to promote and communicate the transformation. A brand that is perceived with characteristics that go against the concept of the CE and innovation, or a brand that people do not trust, could have an impact during the transition, since customers might not be willing to take part in the circular loops as they might not trust the process, or they might find it contradicting to what they are looking for in the brand. Therefore, the brand itself can be valuable if it is both well recognized and its recognition is aligned with the circular economy view. Overall, it can be seen as one of the resources that can affect the customer side during the transition.

6.1.2 Customer Relationship

Further, the relationship with the customer is a strategic resource for the company as well, as it can indeed be leveraged upon. IKEA has a solid and stable customer base, with which it keeps a long-lasting relationship, which is shown by IKEA owning one of the world's largest customer clubs. IKEA Family is for everyone and with over 150 million members (IKEA Family, 2020). In addition, over a sample of 196, only 8 people, thus only the 4%, has never bought furniture from IKEA, which also represents the global reach of the company. Additionally, among the respondents, almost nobody declared to buy very often from shops other than IKEA, thus its customer base can be defined as very stable, based on the survey's sample.

To tailor it to the case under study, the experience offered to customers, the IKEA experience, is fairly connected to the relationships that these ones will create with the company. This, in turn, makes the relationship a driver of competitive advantage. In the survey, customers have been asked *"what do you love about IKEA?"* to understand what are the emotional connections that drive them to the shops. Among the answers, there were: *design*, *simplicity*, *products*, and *variety*, as the ones quoted the most. Moreover, surprisingly highly quoted, there were factors that go beyond the characteristics of the products and the core value proposition of the firm, which actually led back to the concept of the IKEA experience, such as *food*, *meatballs*, *childcare*, *environment in the shops*, *services*, and *experience* (see Appendix 6).

When it comes to the Buy-back program, however, there is a lack of IKEA experience for customers. Also, during the interview, the Manager stated: "*we are not giving them this truly great customer experience by eliminating all the barriers to participating in a circular economy, we are still asking a lot to the customer, which we have tried to eliminate asking in all of the other areas of the business*" (Keaney, 2022). Yet, by looking at the CBM, specifically at the recovery system and incentive, there is a lack of the latter for the customer, as the only thing available is the voucher, while the effort needed is very high. The system indeed has low accessibility and ease of use, due to the fact that customers have to bring back by themselves the furniture still assembled, which is in contrast with the IKEA experience that offers *simplicity* and *accessibility.*

Another aspect that should be considered within the customer relationship is the concept of *consumption works.* Consumption works are defined as the work that the customers have to do in order to enjoy the product or the services that the company is offering them (Hobson, Holmes, Welch, Wheeler, Wieser, 2021). Most of the companies try to eliminate consumption works by creating the perfect setting of product and services that allows customers to avoid any effort. On the other hand, IKEA has used consumption works as a strategic move to create a bond between the customer and the product, and at the same time to reduce costs, so as to offer the products at the lowest price. In exchange for the efforts that customers have to make in order to enjoy the furniture, IKEA offers an incredible 360° sensorial experience. Since this experience is a strategic resource for IKEA, it should not be forgotten when implementing the circular business model - it should indeed be deemed as a key resource to attract the customer to participate in the circular loops. IKEA customers are indeed used to high consumption efforts, thus the participation to bring back the furniture should not be an obstacle, however, in exchange, an experience should be rewarded. IKEA can take advantage from the relationship with its customers, but the relationship must be nourished and, in order to do so, the customer must benefit from participating in the initiation of the circular loop.

6.1.3 Supplier Network

By looking at the value creation process depicted in the business model canvas, there are two sides: the supply chain side and the customer side (as of now, the resources affecting the customer side have been thoroughly analyzed).

On the supply chain side, one of IKEA's main resources lies in the relationship with its suppliers, hence "*Inter IKEA Group manufactures about only 11% of the IKEA product range and sources the remaining 89% from nearly 1,000 external suppliers. This includes both home furnishing and food products*" (IKEA Financial Report, 2022). IKEA's network and embeddedness within the entire supply chain plays both a strategic role and a huge challenge. In general, it can be seen as an advantage, as in fact IKEA benefits from a strong and well-connected value chain that sustains it in every business operation.

IKEA, indeed, shares knowledge with its suppliers that helps them improve their value chain and business towards a CE. For example, "*the IKEA business launched a new programme to accelerate suppliers' transition to only consume renewable electricity. The programme supports over 1,600 direct suppliers and will be introduced in three of the largest purchasing countries: Poland, China, and India. Achieving 100% renewable electricity in these countries will save 451,000 tonnes of CO2 eq emissions per year. That's equivalent to approximately 2% of the total climate footprint of the IKEA value chain*" (IKEA Sustainability, 2022).

By helping the suppliers to become greener, IKEA is building a strong relationship which could later on benefit back during the transition. This is a perfect example of the theory that was previously analyzed in regard to the lack of access from SMEs to a green supply chain. It is indeed very difficult to have an impact for an SME to change the supply chain into a green one, or to access a green supply chain, while for a large and incumbent company such IKEA, that can influence the suppliers thanks to its power within the supply chain, it is possible to turn the supply chain into a greener one.

Also, this allows the suppliers to access certain knowledge that otherwise could not be accessible. Among that, the reverse logistics process that allows to take back the furniture is a necessary capability to master. Thanks to this strong relationship with the suppliers, IKEA has developed a responsive supply chain that allows them to put in place a circular economy value chain, where the customer can bring back their products. This should also be better

implemented with service suppliers as well, such as those dealing with transportation, in order to give the chance to the customer to return the product without having to bring it themselves, which would be more in line with IKEA's linear business model values.

Another issue that the Buy-back program is currently facing, that could be overcome through a better usage of such a strategic resource, is that not all the furniture it sells can be taken back to be given a second life - just products with high Marginal Value of Time, meaning those that are not too old or damaged (Blackburn et al., 2004). Based on the conducted interview, in fact, it came clear how this process comes with hurdles, as it is not easy to translate to a circular economy all at once: "*There is a general understanding of why we start with a limited range, why we cannot take back everything right from the start. We need to learn how to do this, how to do it successfully, and how to do it profitably. And then we can hopefully develop and expand it. [...] But the reality of a green transition is that you have to move in steps and that can sometimes be frustrating when you want to see the full progress happen more quickly than it is, but it is the reality.*" (Keaney, 2022).

Hence, as just stated hereinabove, IKEA is currently accepting just a limited variety of products, rejecting all those that are difficult to recycle. The idea of the ecosystem comes into play again, IKEA is not fighting out there as a sole player, but it sees this whole circular system to function as an ecosystem involving different players, as pointed out by the Ellen McArthur Foundation, with the customer playing a great part in the process. This is also aligned with Braun's (2021) research which incorporated the CBM synergy effects through collaboration. The creation of the supplier ecosystem is a long process that could be speeded up in case there was already a well-established relationship among the companies that are going to build it. In order to create a system, the different companies have to trust each other, and the process of trust-creation and relationship-building is a long term one (Hall, 2009). However, in this case, IKEA already had a well-established relationship before undergoing a circular transformation, and, hence, the process could be speeded up.

6.1.4 Product Design

Still on the side towards the beginning of the value chain, another key resource for IKEA is the knowledge of product design. It is analyzed as being part of the beginning of the value chain, as the design of the product does not directly have an impact on customers, and it revolves around how the product is built and made. Product design is a resource that plays a vital role for the company. Generally, products are designed under a linear concept. Thus, not being suitable to be used in a circular loop, they need to be adapted to a circular design. In the case of IKEA, product design is a key focus, as it is one of the key activities that the firm has leveraged upon. Indeed, since the beginning of the year (2021), IKEA has reviewed the design of around 9.500 products, almost the entire range - 11.000 products - to determine how well existing products in the offer fulfill the circular product design principles. As a result, in FY21 the lowest-performing product rate was 36% (FY20: 28.6%) (IKEA Sustainability, 2022).
IKEA has 8 design principles, of which two apply to all of them, meaning the principle of designing for renewable and recyclable materials, while the others are dependent on which loop the product is meant to go through (EMF Summit, 2020).

Under the product design resource umbrella, another main resource for IKEA is the very high modularization of its products. Indeed, one of the design principles refers to standardization. Due to its product type together with the concept of the flat package that they patented, IKEA products have a high degree of modularity and standardization. This allows two things: first, it makes it possible to produce the products with similar materials and shapes, which can bring scale economies that can be utilized both in the linear and in the circular economy; secondly, thanks to the modularity of the products, it allows customers to buy spare parts and refurbish their old furniture.

Yet, IKEA in 2021 has sold more than 18 million spare parts among 7.200 different types. This allows customers to prolong the life of their products and reduce resource consumption. The prolonging of the life of the products is also an aspect of the circular economy and it can be adjusted by designing the product accordingly, in order to make products suitable for a longer life. An example from IKEA is the creation of a new technique that eases the assembly,

disassembly, and eventual reassembly of IKEA furniture. Another example is extendable beds for kids, which can then be used for a longer time (IKEA Sustainability, 2022). On the other hand, when the product has a really short life expectancy since its beginning, IKEA tries to use renewable and more sustainable material, so that, in case they end up in the landfills, they will not be as harmful. Moreover, in example with food, where the life expectancy is very short and it is impossible to modularize it, as all the raw materials are merged together, the design of the production process is done in order to use only natural resources and in order to consume the least possible amount of them.

All in all, it can be extracted from the analysis of IKEA that, based on the level of modularization and the expected life length that the product has, different loops can be developed. This concept can be better summed by the following framework (Fig. 15).

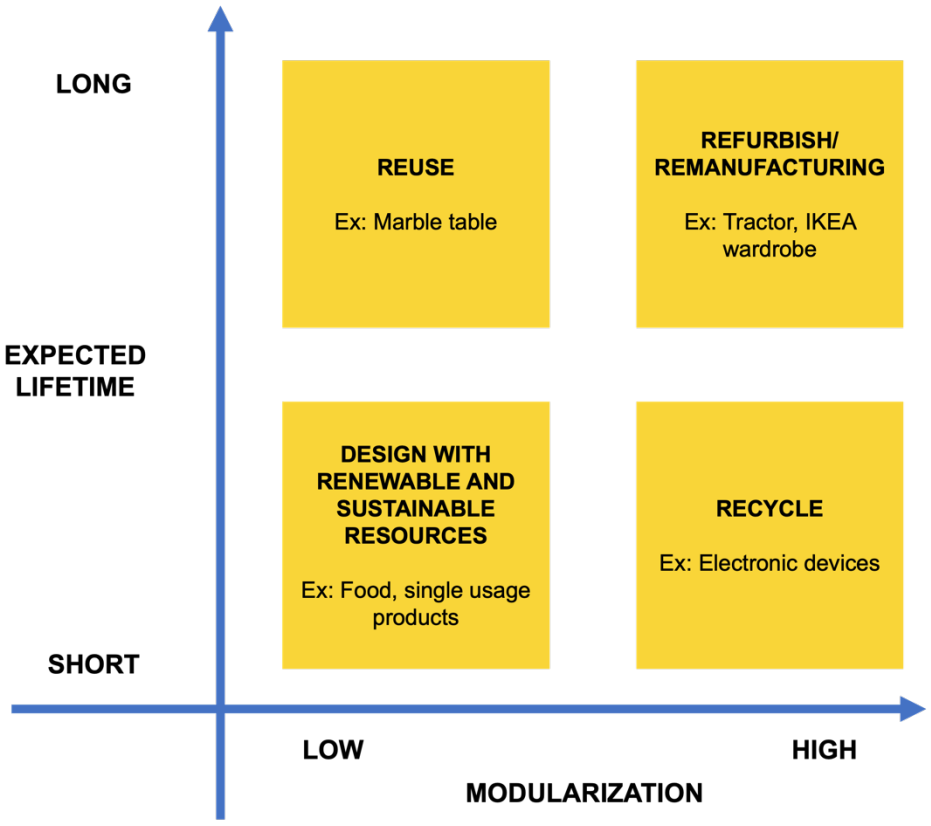


Fig. 15: Decision on loops based on product design. Source: authors

This framework can be applied to any type of industry, and it can support the managers in the decision making, when having to decide from which loop to start the transformation, based on the products that they are dealing with.

6.1.5 Digital Knowledge

As a pillar of any transformation process that is happening nowadays, a digital backbone is paramount when rolling out any kind of initiative. As a matter of fact, the circular initiatives that IKEA is currently pursuing involve a digital journey, especially when they are customer-facing. In particular, IKEA's omnichannel approach and online presence is cardinal in delivering a circular initiative as the Buy-back.

Here below (Fig. 16), a representation of the distribution of the sales divided by channel is offered (IKEA Financial Report, 2022). During the last year, especially due to Covid-19, store sales have declined, however the total retail sales have risen by 5.8% compared to FY20, driven mainly by the increase of online sales (73%). Even though some of the increase might have been driven by the pandemic situation, all in all the increase of online sales has been exponential.

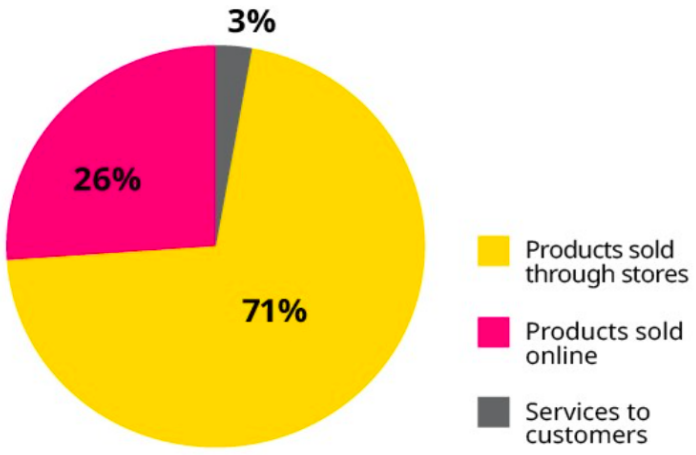


Fig. 16: Sales per channel of IKEA. Retrieved from: IKEA Financial report FY21

This, not only shows IKEA’s resource advantage connected to the already well-developed channels of interactions with the customers, but also shows IKEA's capability to be flexible with the changes. These resources are cardinal when transitioning, as the company can connect with its customers through different channels that are already well-developed. Moreover, since the company already has this structure for the linear economy, it is believed that it also owns the necessary capabilities to develop the same for a circular economy.

Generally speaking, IKEA has been advancing a lot in the digitization process, specifically by launching many online services, such as the planning and design platform, and by using social media as a means of communication. It also has a well-implemented online retail shop that allows customers to shop online. In a world that is constantly moving towards a complete digitalization, having this knowledge and resources is definitely a value added.
IKEA has partially used these resources for different curricular activities. In order to share the knowledge concerning circular products, it launched an online, easy-to-use interactive tool that can be used by designers, companies, etc., to assess the level of circularity of the furniture and home furnishing products they already have at home; moreover, other than offering the assessment of the furniture, this online service provides customers with the possibility of booking the appointment online as well as completing other related tasks. However, it could be better leveraged in order to offer a broader IKEA experience of the Buy-back program online. A similar online retail shop could also be offered for the second-hand products, so that people could purchase them online in a similar way as of the normal products. *“As we become more digital and omnichannel and how we approach customer behavior, we need to make sure we do the same when it comes to our circular services and offers.”* (Keaney, 2022).

All in all, the digital resources are highly strategic and should be used in order to access the customer base and involve it into the loops. Additionally, these resources should be used in favor of the supplier side, in order to integrate the value chain and support it with the knowledge flow for a better circular transition, since, as Braun (2021) states, a digital ecosystem that includes the supply chain side as well is paramount for a successful development of a CBM.

6.1.6 Global Structure

IKEA is a multinational enterprise that works in many different countries. Both its suppliers and customers are spread all over the world. Its business model could be defined as a global business model that runs similarly in all the countries, "*IKEA operations run fairly similarly in every market or in every country. That is somewhat uniform across all the countries*" (Keaney, 2022). The selected internationalization strategy is the franchising strategy for the retail part, while adopting both FDIs and partnerships for what concerns the supplier side. IKEA's international presence and its global structure are, once again, one of its strategic resources. Thanks to its size and global reach, IKEA is able to take advantage of economies of scale and can benefit from the linkages among countries' differences. The impact of its global structure was mentioned during the interview with the Sustainability Manager that claimed: *"I think understanding the impact that comes from having a common structure and a common organization across all of our markets, again at least in the backbone, in the skeleton of the service, is so valuable that it is worth those compromises*" (Keaney, 2022).

When a change in the business activity is pursued by IKEA, a global *SOP*, or Standard Operating Procedure, "*that guides how any new service or initiative that is going to operate on a global scale, or at least on a partially global scale, should get implemented in each country*" (Keaney, 2022), is shared among the countries. Moreover, the harmonization of the process at the global level can drive economies of scale. As an example, this is visible from "*we also launched our easy-to-use online spare parts ordering solution globally – it is available through each market's specific IKEA.com site*" (Keaney, 2022). By having a common platform where to order spare parts, indeed, its production can be done by gathering together the requests of different countries and this will, in turn, decrease the costs of production of the single part thanks to the decrease of marginal costs.

By having such a large reach, IKEA can access a large number of returned products, which could in turn lower the costs of processing them. The recycling process is indeed the most complicated and costly in the circular loops, so only when a large amount of material is processed, the costs for implementing the process can be covered.

Therefore, it could be possible for IKEA to develop a recycling loop as well, while it could be almost impossible for the majority of companies that cannot access such a broad market. Finally, IKEA's global structure allows the company to reach different resources and knowledge also in regard to how to make their products more circular. For example, thanks to IKEA's activities with the cotton fields and cotton production all over the world, they are fully aware and have the knowledge on how to make that material and the products derived from it more circular (IKEA Sustainability, 2022).

6.1.7 Financial Resources

The most basic resource that a company needs in order to be able to do business is the financial one. If a company does not have enough liquidity and equity to invest, it will be hard to kick off the transition, because high costs due to the high innovation requirements are needed during the transformation. Therefore, cost increases connected to the transition must be considered, and the definition of how to finance the transformation is also something to define a priori.

In the case of IKEA, from the EUR 1.433 millions of profit achieved in FY21, EUR 433 million will be added to the equity of the group, which means that around 30% of IKEA profits are reinvested within the company, and that gives the opportunity to have additional financial availability to be invested for the activities of transition as well as to achieve IKEA's 2030 sustainability goal. The investments are highly needed due to the increase of costs, since based on IKEA financial statement (2022) overview of FY21, there were indeed additional costs that IKEA had incurred: *"Costs arose for recruiting additional staff to handle a complex transport and shipping environment in efforts to secure the availability of products in IKEA markets. Further additional costs came from building up and securing capabilities to address the necessary strategic and transformational changes to improve the whole IKEA value chain*" (IKEA Financial Report, 2022).

Moreover, as introduced in the theoretical background, the outcomes of the innovation in the area of the circular economy are uncertain, therefore it is difficult to finance them from external sources (Hall & Lerner, 2010), thus large enterprises like IKEA have an advantage as they can invest much more into the projects as they already have the resources to do it internally.

A smaller and not well-established company might have a limited budget and might therefore invest in other types of innovation that help them establish in the market, thereby disregarding the circular ones. Since the incumbent companies are already well positioned and most luckily have the financial capabilities to invest into circular innovation, they could lead the transformation towards a circular economy.

6.1.8 Absorptive Capacity

Furthermore, an important resource lies in the absorptive capacity of the company, which in a situation of transition, such as the one under analysis, plays a key role.

Absorptive capacity is defined as *"The ability of a firm to recognize the value of new, external information, assimilate it and apply it to commercial ends"* (Cohen & Levinthal, 1990, p. 1). Absorptive capacity is fundamental for the development of innovative capabilities. A great example of IKEA's absorptive capacity is the launch of an interactive online circular design tool based on learnings from the assessment of 9.500 products in the IKEA range, published on IKEA.com (IKEA Sustainability, 2022). This shows how IKEA is able to develop and improve the design of its product to make it consistent with the need of a circular economy by seeking for knowledge and capabilities from the external world as well and how is it absorbing it within the company. Another example that shows the high level of the absorptive capacity of IKEA is the partnership with MUD Jeans, with which they developed a sofa cover with recycled denim. The sofa cover is only a limited collection, however IKEA states that "*the insight from the collaboration will inform future IKEA work with recycled denim*" (IKEA Sustainability, 2022). The real advantage of this partnership from IKEA's side is the gain of knowledge and capabilities to deal with a type of material that is usually external to IKEA's products, but that could be useful for the transformation of products and the saving of resources.

6.1.9 Resource Framework

Here below, a recap of the most valuable resources of IKEA that were previously analyzed is offered based on the VRIN analysis. Thus, it shows how the considered resources are creating a competitive advantage for IKEA and how they can be used to create a framework where the

most valuable resources are leveraged and upon which it is possible to define a roadmap for the transformation process.

RESOURCES	VALUABLE	RARE	INIMITABLE	NON-SUBSTITUTABLE
BRAND	Economic value Easy to trust and recognize	The brand is only one and unique	Leading the furniture market and well known by everyone.	Long presence of the brand on the market.
CUSTOMER RELATIONSHIP	Allow to access customer information.	The customers' information has been gathered for long time, which is rare.	The relationship with the customer is unique between the customer and the company. Can be imitated but not exactly the same.	Strong relationship with the customer can't be easily substituted by price competition.
SUPPLIER NETWORK	Allow the company to access knowledge, resources and a fast and efficient supply chain, which can also bring cost efficiency.	The network relies on trust, which takes time to build and it is not given to any companies, but only among companies that delve themselves to one another.	To develop a strong connection and to rely onto the partners takes time and trust, that can't be easily imitated.	The suppliers network it is not substitutable with other type of resources because it is key to have an efficient value chain.
PRODUCT DESIGN	Modularization level and know-how.	Modularization of the product is the key capabilities of the company and not everyone is able to implement at such an high level.	Products, designs and technology are patented.	It can be substituted, however certain design are strictly connected with the company
DIGITAL KNOWLEDGE	Knowledge already within the company, doesn't have to be access from outside, thus can be applied to new activities and innovations. Allow the company to communicate directly with the customer.	Proprietary and independent digital platforms.	New technology for order processes. Customer knows already the website and the digital platform of the company.	It can't be substitute by other means, but must be integrated. IKEA has indeed an omnichannel approach.
GLOBAL STRUCTURE	Allow the customer to feel the IKEA experience.	Difficult to implement at such a global level and with such a world wide extension.	Can be imitable, but requires long time and very high investments. Impossible in the short term	Physical presence in each market can't be substitute it
FINANCIAL STRUCTURE	Allows to finance the circular economy transformation.	Not all the companies can access such a stable financial structure	Cash-flows are very high and not imitable from other industries. While a strong and stable franchisee structure is not imitable in the the short term.	It is hard to get financing from outside, when it comes to innovation. So the internal opportunity of investment are not substitutable with outside financing.

Tab. 2: Resources characterization based on VRIN concept.

All in all, the strategic resources of IKEA and how they can provide an advantage in the transformation process towards a CE have been analyzed. This analysis will be afterwards useful to apply the same reasoning of resource analysis for different companies. Finally, in order to better understand the analysis and to have a whole overview of the paragraph, a graph (Fig. 17) has been created: the strategic resources lay on the X axis, while the circular loops showing how they can be leveraged in the different loops lay on the Y axis.

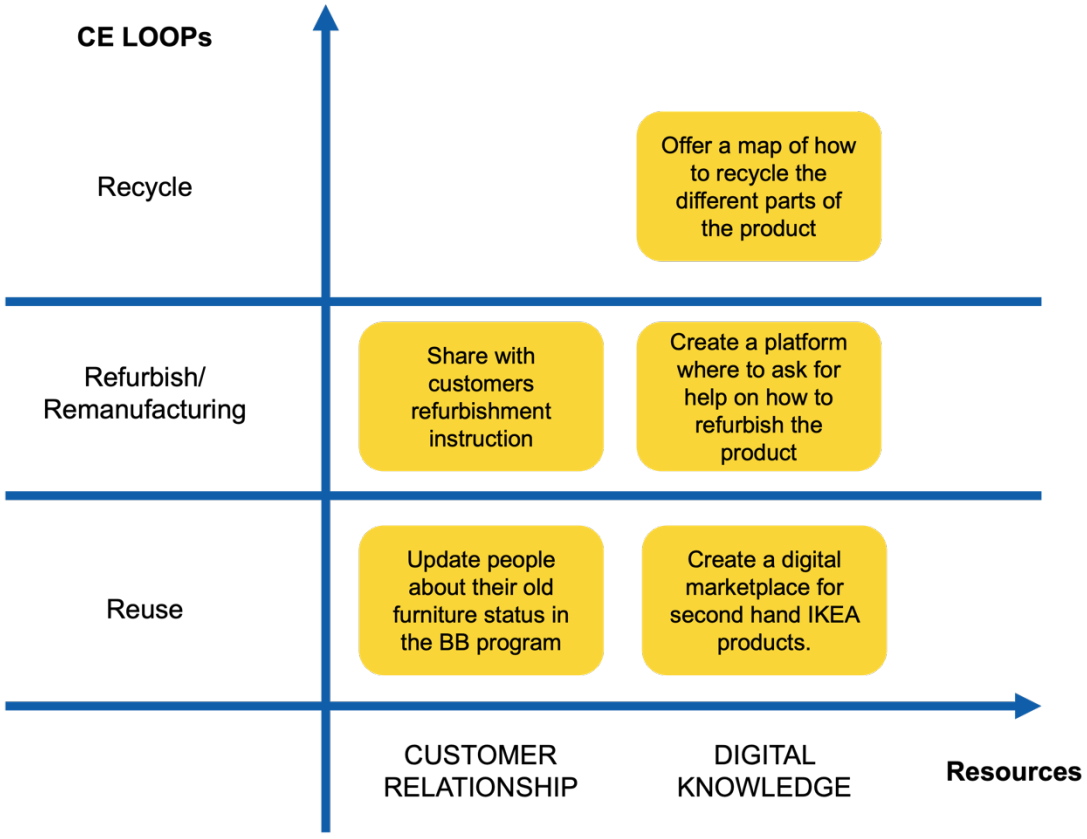


Fig. 17: Example of application of how resources can be leveraged in supporting the different loops. Source: authors

6.2 RESEARCH QUESTION 2

How does the value proposition of the company affect the establishment of a circular economy system, and the relationship with its customers accordingly?

As already explained in the previous chapters, the reuse loop of the CE needs two ends in order to properly function: the first is the need for customers to bring back their used furniture and the second is that they must be attracted to buy second-hand products too, therefore allowing for a circular loop. However, both these directions have to satisfy specific criteria to be seen as valuable by customers. In order to answer this question, an analysis of the results of the survey had been conducted in this regard.

The value proposition is what drives the customer to purchase from a specific company instead of another one, as already seen in the literature review. As it is visible from the CBM, the value proposition is among the key elements of a business model, thus when the model switches from linear to circular the value proposition is affected accordingly. As it is visible from the CBM in Appendix 5, IKEA's key propositions are: convenience, customization, affordable products, IKEA experience, ease of usage, accessibility, functionality, low price, and wide range of products. This was also confirmed in the interview with IKEA's Sustainability Manager, as she claimed, "*we cannot rely on us just offering a circular service that's enough to expect a customer to take part in; we have to make it as convenient and accessible and easy to use as any other service or offer we might be developing*" (Keaney, 2022).

However, price has not to be forgotten: "*two biggest deciders in a purchase are cost and convenience. It is not sustainability, unfortunately, but that is just the reality of what our consumers tell us today*". As a matter of fact, price was positioned in the first place in the survey, specifically in the selection of factors that were driving people's willingness to not only bring back the product, but also when buying second-hand products. Since the mentioned initiative would require customer participation, it was rather relevant to understand customers' willingness/attitude towards it. In turn, the researchers have gathered information that provides relevant insights into this aspect.

To appropriately approach the analysis and followingly understand how the value proposition/drivers of IKEA affect the circular economy system and the relationship with its customers, the survey proposed a list of characteristics that the implemented service would need in order to be used by customers, since, as demonstrated by the survey data, the willingness to make a purchase change if different factors come into play. Accordingly, factors related to the process of bringing back the furniture and the process of buying second-hand products, respectively, will be displayed progressively.

To give meaning to this quantitative analysis, it is relevant to say that the latter was run based on IKEA's current values, those inherited in its roots, that had been drawn from both secondary as well as primary data gathered from the interview. By presenting some essential features to participants, that the Buy-back program has to have, the survey tried to appraise the situation that IKEA desires in order to implement a circular economy system compared to the status quo that IKEA has had since the get-go, meaning its strong values and, in turn, its value proposition. Proposing therefore structured questions that looked into specific components of the Buy-back program, it is noticeable how different values are triggered when consumers are asked about circular matters. For this specific case, as previously noted from the Buy-back business strategy, the value proposition has been made up from scratch, "*giving a second life to old furniture*". In regard to the process of bringing back, the survey explored the motives that affect customers' willingness to return the products. The variables utilized were selected to reflect on one side, the value drivers that were also analyzed in the linear IKEA experience, and, on the other, those value drivers that were new and more tailored to the Buy-back program. In particular, the variables were: *return process* (online assessment including information about compensation, appointment scheduling), *ease of return* (transportation, disassembling process, etc.), *value/amount of the compensation*, *need to get rid of the product*, *span of products that can be returned*, *compensation for returning*, *location proximity, economic return, personal fulfillment, and opportunity to have other types of rewards*.

In a scale from 1 to 5, the analysis identified the first three considerations listed as the ones being more appreciated by the respondents, respectively *return process* (4.24), *ease of return* (4.11), and *value/amount of the compensation* (3.90) (see Tab. 3 here below). On the other hand, in regard to the process of buying second-hand products, respondents would indeed be pleased to use the Buy-back service if some specific standards were respected. Considering a 1-to-5-point scale, among the 8 factors listed (price, brand, design, convenience, easiness of use, perceived quality, accessibility, online purchase option), the analysis showed the following results (see Tab. 3).

LINEAR IKEA VALUE PROPOSITION		IKEA SECOND HAND SHOP VAKUE PROPOSITION		BUY BACK PROCESS VALUE	
PRICE	4,37	PRICE	4,12	Return process (online assessment including	4,24
CONVENIENCE	4,27	CONVENIENCE	4,07	Ease of return (transportation, disassembling process, etc...)	4,11
EASE OF USE	4,10	DESIGN	3,91	Value/Amount of the compensation	3,90
DESIGN	4,09	EASE OF USAGE	3,89	Need to get rid of the product	3,89
QUALITY	3,51	ACCESSIBILITY	3,84	Span of products that can be returned	3,89
SUSTAINABILITY OF THE PRODUCT	3,49	QUALITY	3,78	Compensation for returning	3,85
SERVICES	3,27	ONLINE PURCHASE	3,34	Location Proximity	3,54
FAMILIARITY WITH THE STORE	3,23	BRAND	2,70	Economic return	3,54
PERSONALIZATION	2,64			Personal fulfillment	3,24
UNIQUENESS	2,59			Opportunity to have other types of rewards	3,10

Tab. 3: Value proposition drivers. Average of the responses for each driver from the whole sample. Responses on scale 1-5 (1 being the lowest and 5 the highest).

It is visible how the value drivers that are appreciated from IKEA in its linear offerings are also the ones that define the acceptance of the Buy-back program, which is the explication of the circular IKEA. In the case of the action of buying, the drivers are exactly the same, such as price, convenience, ease of usage, and design. Also, in the return process the same value drivers appointed as the most relevant for the customer, which in the case of the return process they take the shape of *ease of return*, *value/amount of the compensation*, which could be compared to the price in a linear offering, and the *return process*, which can be compared with the concept of convenience in the linear proposition.

This allows the researchers to state that indeed the value proposition of the company originally drives the value proposition of the circular business model. Moreover, in both of these processes' directions, the survey acknowledges country-specific differences that are worth analyzing (see next chapter).

With the introduction of the circular economy, though, IKEA has to tailor its value proposition according to the circularity needs. However, as IKEA's Sustainability Manager clearly stated, "*We are not wowing them. We are not giving them this truly great customer experience by eliminating all the barriers to participating in a circular economy. We are still asking a lot of the customers [...]*" (Keaney, 2022).

Furthermore, when it comes to sustainability and "green" consumption, the customer-company relationship is affected accordingly. Hence, the further analysis of customer behavior in terms of furniture management, has provided a deeper look into respondents' choices. Based on that, the survey explored the different consumer habits that concern the usage of the furniture from different perspectives. When asked about the longevity of their furniture, specifically "*are you concerned about how much your furniture lasts?*", customers showed different opinions based on what they believe. The majority of them, 92 participants out of 188, said that they do not like to throw it away, thereby caring about buying furniture that lasts long. Moreover, other 59 participants said that their purchase of furniture is price dependent, as they do not like spending a lot of money on furniture, so they look for long-lasting options accordingly. Another small group of the sample (33) is not really affected by the durability of the furniture, as they just do not think about it, they simply buy what they like the most. All in all, the above-mentioned results showed that participants are mostly likely aware of their purchase options.

Additionally, further analysis regarding customer behavior from a sustainability perspective, has well displayed a significant difference according to the status of their furniture. Participants were provided with multiple-choice options and with two possible answers to be given. The two questions asked were "*If you had to change your furniture, what would you do with the old ones?*" and "*If your furniture broke, what is the first thing you would do?*".

Considering the bias in giving them two possible answers, the biggest portion of the sample picked as first two extreme options, making it hard to draw a specific conclusion: people said that if they had to change their furniture, they would either sell it on second-hand websites (142)

or directly trash it (109). As a consequence, it might be that customer awareness on the topic has to be increased. Additionally, most of the customers did not have knowledge of the Buy-back program which is also a testimony of their low awareness.

On the other hand, if their furniture *broke*, the first thing they would do would be buying spare parts of the broken furniture in order to repair it (91); another big portion of respondents indicated that they would pay for maintenance from where they bought it (91) or pay someone to get it repaired (48), rather than repairing it themselves. What is more, it also came out that 58 of them would trash it. Hence, it could be argued that consumers who already have dealt with, as well as the ones who have not yet done that, have different perspectives about what to do with an old/broken furniture. Again, both of these questions showed country-specific differences that are worth analyzing (see next chapter).

If you had to change your furniture, what would you do with the old ones?	
Sell it on second-hand websites	142
Trash it	109
Gift it to someone else	35
Sell it to second-hand stores	24
Go back to where you bought it	8

If your furniture broke, what is the first thing you would do?	
I buy spare parts and repair it myself	91
Pay for maintenance from where you bought it	72
Trash it	58
Pay someone to get it repaired	48
Sell it on second-hand websites	27
Gift it to someone else	18
Sell it to second-hand stores	4

Tab. 4: Customer behavior regarding how processes used furniture. Based on survey results.

Overall, based on the collected data and subsequent results, it could be concluded that, even though people show a medium-high level of care towards sustainability matters, there is a high difference in terms of habits and behaviors that they adopt when managing their furniture.

Also, even though they showed concern about their furniture, there is still a high number of people that would trash it when they want to change it, thus without considering other more circular options. Lastly, the survey shows everything is more or less price related, in fact proving how people would be willing to buy second-hand furniture, but that would happen to a greater extent if the price was comparably lower than any other option.

Yet, since the customer involvement increases, as customers become active players in the process of bringing back and buying second-hand products, IKEA has therefore to adapt its value proposition towards these new requirements, as the interaction with them changes

accordingly. However, there is a sort of path dependence understanding that comes into play, which is seen as a trendy way to say that history matters (Page, 2006), meaning that temporally remote events could exert important influences upon the eventual outcome and accordingly alter the course of history (David, 1985). In fact, meanwhile some components of the original business model canvas, now circular, are influenced by these changes, the company needs to hold true to its original value proposition. Indeed, the value proposition is strongly affected by the value of the brand and customer perception: "*when you are a big company that is known for selling low-cost products, people might have a perception that you sell something that you could treat poorly, and it is fine because you can buy it again at a low cost. I think that it is very important to show that we do not think that that is true with our products, actually they can take good care of them, and they can last a very long time*" (Keaney, 2022). To paraphrase IKEA's Sustainability Manager's words, merging circular economy's values with the current company's ones, to stay in line with current times and initiatives, is essential not to lose customers during the transition towards a CE.

The survey also inspected the possible touch points where people would most likely buy second-hand furniture. With three options available, such as *social media platforms*, *second-hand shops*, and *online websites*, plus the option "*others*" as well, the survey revealed a well-balanced distribution of the answers, with 68 respondents picking *social media platforms*, 60 picking *second hand-shops*, and 58 picking *online websites*; 2 of them selected "*others*", providing a specific website name and a "I don't know" type of answer. This signifies that respondent do not have a strong preference on the location/touchpoint where they would buy second-hand furniture. Accordingly, the value proposition needs to integrate the digital services. In fact, as argued by IKEA's Sustainability Manager, "*as we become more digital and omnichannel and we approach customer behavior, we need to make sure we do the same when it comes to our circular services and offers that are developing*" (Keaney, 2022). In regard to customers' purchasing habits, an outcome in line with the data of IKEA's Financial Statement (2022) has been achieved (overall sales taken into consideration): in general, the online presence of IKEA is very important and appreciated, indeed 15% of customers are buying online. Another insight that can be drawn from these results is the importance of the side

services (i.e., transportation, build-up service) offered. Indeed, here below, it is possible to see the different customer's purchase path preferences. It is in fact visible how the home delivery option is quite an important value driver for customers (Fig.18).

Fig. 18: Purchase preferences of the customers. Based on survey results.

This is also reflected in the Buy-back program. Indeed, the two main value drivers that would push customers into becoming willing to participate are the return process through the online assessment and the ease of return (which includes the transportation). Therefore, customers are seeking the same type of purchase path both in the linear and in the circular program - this also shows a path dependency in customer behavior. To do an overall assessment of the initiative from a value proposition point of view, one could see the Buy-back program as an innovation that brings added value to the company, and particularly to its customers. Therefore, the "PERFA" framework, previously introduced in the literature review, can be used to analyze the additional value proposition that the Buy-back can deliver to customers as an innovation. In fact, this framework helps in providing "*an overview of customer value propositions which can be generated by delivering innovations"* (Lindic & Marques da Silva, 2011) - in this case, the innovation is the Buy-back program.

Indeed, here below in Tab. 5, a snapshot of how the value for the customer of the mentioned IKEA's service is provided.

Performance	Allowing customers to bring back their used furniture offers an additional problem-solving option for them. First-mover in home furniture CE.
Ease of Use	Customers can fill out a form on IKEA's website, to estimate the furniture's Buy-back value. Modularization of product.
Reliability	Fair assessment of the product. Voucher utilization. Customer support.
Flexibility	Supply chain network. Logistics capabilities. Adaptation of the BM into a CBM.
Affectivity	Leverage on IKEA's brand. By providing an IKEA gift card in exchange for the unwanted furniture, customers are encouraged to shop again at IKEA. Vouchers have no expiration date, so customers have the option to buy whenever they want to. Monetary return. Environmental impact.

Tab. 5: Value proposition of Buy-Back program, analyzed based on PERFA framework.

The framework hereinabove briefly sums up how the value proposition of the company is twisted together with the value proposition of the Buy-back program.

6.3 RESEARCH QUESTION 3

How do countries' differences affect the implementation of a circular economy system and its circular business model?

As previously introduced, the survey acknowledges country-specific characteristics that are worth analyzing. Yet, a further review of the survey data has provided relevant insights into the identification of consumer differences towards the concept of circular economy, sustainability, and how they usually handle waste - in regard to the country they live in, Italy and Denmark in this case.

To provide a general overview of the two samples, it can be stated that respondents residing in Italy were mostly 46 to 55 (28%) and 55 to 100 years old (25%), thereby accounting for the oldest portion of the overall sample. On the contrary, people living in Denmark were definitely younger, meaning 18 to 25 (36%) and 26-35 years old (33%). Also, as it can be easily deduced, the current employment status of those living in Denmark was either full-time employee (49%) or student (13%), with the majority of them holding or attending a Master's degree (49%), followed by Bachelor's degrees (28%) and high school degrees (16%). In regard to the Italian portion of the sample, the majority of participants were either full-time employees (52%) or self-employed (12%), and they mostly hold, or were attending, a Master's degree (51%), followed by high school degrees (30%) and Bachelor's degrees (10%) (see Appendix 7 for a full overview of the two samples).

Firstly, some considerations can be gathered from the in-depth interview with IKEA's Sustainability Manager. Even though the current company's structure is replicable at the global level, it does not imply that IKEA can spread out its initiative worldwide without any changes, thereby an adaptation based on countries-specific analyses is required. In this specific case, for the Buy-back initiative as well, IKEA benefits from a so-called *Global SOP*, an acronym that stands for *Standard Operating Procedure,* and that "*guides how any new service or initiative that is going to operate on a global scale, or at least on a partially global scale, should get implemented in each country*" (Keaney, 2022). High levels of localization are usually not an

option for IKEA, as it leverages on its size and procedures to adopt a somewhat similar way of handling the business at the global level. However, IKEA also understands the importance of assessing countries' differences while leveraging on its global structure, indeed: "*it's not to downplay the importance of localization and adapting to your local market because it is crucial that customers are going to take up a service. But I think it would be strange, and sort of working against the things that help you, meaning the things that give you some kind of advantage*" (Keaney, 2022). Here, a first glance of the *"glocalization"* concept arose and was taken into consideration. It indeed enables companies to utilize the synergies arising from being both "local" and "global" at the same time - "*think globally, but act locally*" (Hollensen, 2019, p. 16).

Therefore, a group of questions were targeted to assess the consumers' behavior in terms of furniture management and has provided a deeper look into respondents' choices. This has allowed the researchers to understand the country's differences in regard to the awareness and the perception of sustainability about people living in Italy and people living in Denmark. The analysis was done by observing descriptive statistics and their difference between the two countries. A statistical analysis was not run, as the results were sufficiently clear to prove a country-specific difference, however this could be included in further research taking into consideration more countries.

Two other questions were asked to understand how customers would normally proceed when having to deal with old furniture. The two questions were "*If you had to change your furniture, what would you do with the old ones?*" and "*If your furniture broke, what is the first thing you would do?*". An interesting difference that came out of the analysis is the higher percentage of people living in Denmark that would trash the furniture if they had to change it, 41%, compared to the relatively low 13% scored by people living in Italy. The percentage of respondents that would sell it on second-hand websites in Denmark, however, is almost the same as the one previously indicated, increased by just one percent (42%). On the contrary, in Italy, rather than trashing it, people are surprisingly more prone to gift the furniture to someone else (47%) or to sell it on second-hand websites (29%).

Apparently, in Italy old furniture is perceived as relatively more valuable, or containing more value, thus instead of trashing them it is preferred to give them a second life through a change of ownership. This is very relevant, as the customer has to initiate the circular loop and if the customer knows that there is still existing value within the product, it might be easier and more willing to participate in the process. On the other hand, based on the topic of the broke furniture, the Italian market manifested a predisposition to pay someone to get it repaired (29%), followed by "*I buy spare parts and repair it myself*" (25%), and "*pay for maintenance from where you bought it*" (22%). Conversely to what was seen from people living in Italy, where the option "*Sell it on second-hand websites*" scored pretty low (6%), Danish residents showed a higher tendency to "*sell it on second-hand websites*". This option inserts itself in between the lot mentioned "*I buy spare parts and repair it myself*" (33%) and the "*pay someone to get it repaired*" (14%). Again, consumers have arguably different perspectives about what to do with an old/broken furniture.

Besides, to deepen the level of analysis and integrate the international aspect, it was important to explore and understand IKEA's customers' habits and behaviors. Thus, with questions such as the likelihood of respondents' friends buying second-hand furniture. In the results, the situation leans towards a majority of positive answers for both Italy and Denmark, with a particular predisposition of those living in Denmark. Indeed, when confronted with the question "*Would your friends buy second-hand furniture?*", 44% (32 out of 73) and 38% (28 out of 73) of them opted for the options "Yes" and "Yes, but only to spend less", respectively. In Italy, instead, the numbers were quite lower, as just 29% (32 out of 109) and 35% (38 out of 109) indicated "Yes" and "Yes, but only to spend less", respectively. All in all, this shows again how price-dependent is the decision of taking part in the circular loop.

When asked about the longevity of their furniture, specifically "*are you concerned about how much your furniture lasts?*", the majority of respondents for both countries exhibited a somewhat high purchase options' awareness, as the most frequent response was that they do not like to throw away the furniture, thereby caring about buying furniture that lasts long.

All in all, there is no difference in how people purchase based on the durability of the product, however in both countries there was also a small sample (12 in Denmark and 21 in Italy) that declared not to be really affected by the durability of the furniture, as they just do not think about it, but they simply buy what they like the most. In this case, there were no relevant differences between the two countries.

In terms of interest towards sustainability, a 5-point scale question regarding how much respondents thought that people around them care about sustainability was posed. To this end, both countries showed a medium-high level of care towards sustainability; however, a slightly higher interest was found in Denmark, with a mean of 3.30 compared to the 3.23 of Italy.

In this regard, an investigation on respondents' sustainability awareness was conducted through a question, which assessed it by asking about the general country's knowledge of recycling. Danish responses revealed that respondents think that people around them, on average, know how to recycle "*only little*" (32 out of 76); yet some of them (7) think that people know how to properly recycle "*to a great extent*". All in all, on a scale from 1 to 5, where 1 represented a low knowledge of recycling and 5 a high recycling knowledge, a mean of 2.96 demonstrates a higher conviction of the respondents that people do not know well how to properly recycle. However, on the flip side, this result is comparably higher than the one extracted from the Italian market (2.16). To support this assertion, the most revealing data gathered from respondents living in Italy is the 0 number of responses that appeared in the "*to a great extent*" option. As it held true for Denmark, also in Italy, participants thought that people know how to properly recycle "*only little*" (65 out of 112).

Even though some differences between the countries have been noticed, as already mentioned, when respondents were asked about their knowledge about CE both countries have shown to have a general knowledge about it, indeed around 80% of them stated that they knew what a circular economy is.

On the other hand, other responses presented also certain similarities among the two countries. For example, when asked about possible touch points where people would most likely buy second-hand furniture, both countries scored higher in the option "*social media platforms"*, with 39 respondents out of 112 (34%) in Italy and 29 out of 76 (38%) in Denmark.

All in all, as previously introduced, countries' differences lead to the necessity of the implementation of a CBM by means of a glocalization strategy. All the theories regarding MNEs, meaning companies with an international scope, are in regard to how, where, and what to internationalize. Therefore, internationalization is a variable that has to be defined. However, when it comes to the transition process towards a circular economy of a multinational enterprise, the internationalization concept is not a variable, but a status quo. Indeed, the question is not whether to internationalize or not, but the internationality of the company is the starting point, which must be integrated and considered when starting the transition process - it can indeed have a great impact on it, since the countries where the companies are working offer a different kind of resources and, additionally, the customer base's knowledge might differ or might be similar depending on the specific country. This is highly connected to the national innovation system of a company, which includes the education system, the interconnections among the actors, and the regulatory framework.

By analyzing the topic with the institutional based view, Italy and Denmark could be seen as very similar, especially in regard to their NIS (national innovation system) (Elia & Santangelo, 2017). The two countries show that they are both acknowledged about the concept of sustainability and circular economy, and they are also similar in how they would participate in the circular economy, this most probably due to the fact that they are both well developed countries with a solid education system and with high resources available to develop and spread the concept of sustainability. The NIS represents a country's ability to produce new knowledge and can be at a different level in the different countries. In the case of Italy and Denmark, they are both located in Europe and are both part of the EU and OECD. Thus, they have a similar regulatory system, due to their belonging to the EU and have a similar and high level of education system.

Therefore, for a company they can be seen similarly from an institutional based point of view. However, especially for a firm like IKEA, that operates in developed, developing, and underdeveloped countries, the customer has access to different levels of knowledge and education, which of course has an impact when implementing a circular business model. Moreover, the regulatory system has a completely different setting and informal institutions can have high impact, based on the second principle of the institutional based view and this can also have an impact in the creation of a CBM (Peng, Sun, Pinkham, Chen, 2009), especially if the informal system is well entangled with the waste management of a country.

Yet, as CBM requires customers to participate in the initiative, they should have a general understanding of the topic and its relevance, and, again, customers of different countries might have a different perception. Consequently, this will also have an impact on how customers will evaluate and accept the value proposition of the company within a circular business model. As shown by this analysis, customers perceive sustainability and the management of the waste differently between countries, and this will in turn affect their willingness to participate and initiate the circular loop and accept the CE initiatives. It is on the company, to communicate and attract customers according to their knowledge level in regard to the topic.

7 INTERPRETATIONS OF THE FINDINGS AND MANAGERIAL IMPLICATIONS

This section of the paper is dedicated to the analysis of findings from the data research aiming to identify and describe potential managerial implications of the transition towards a circular economy system. A wrap-up of the findings can be found at the end of the chapter (Fig. 20).
In order to understand how any incumbent firm can establish a circular economy system transitioning from a linear to a circular approach, many aspects impacting on the operating structure have been analyzed. Potential managerial decisions are presented in terms of how to leverage the resources of a company, how to adapt the value proposition as well as value drivers, taking into consideration the characteristics of the customer base, and not less important, the international exposure of the company. The gathered data has displayed several attributes needed when transitioning from linear to circular.

First and foremost, from a managerial perspective, it is important to assess which are the strategic resources that are available and are driving the competitive advantage of the company. Afterwards, the management should understand how they can be applied and replicated within the different loops of the circular economy.
Company's resource assessment (which might include people skills, supplies, logistics, technology, etc.) will help to avoid investing money in seeking external resources that might not be needed, and at the same time to capitalize on the existing internal ones useful to the transition to the circular business approach. Moreover, if the assessment results in a lack of resources required to complete the transformation process, this gap can be the starting point of the transformation in terms of what it is needed and how to source it externally.

An additional benefit for the management, provided by the suggested initial resource assessment, can be the starting point for the creation of the circular business model that the company would like to achieve with the transformation process. Another take away for managers is that the transition towards the circular economy does not have one unique answer, but it presents different facets that depend on the company itself. As it is possible to see from the general resource framework (Fig. 19), different activities should be implemented, based on the resources available and the loops that the companies position themselves into.

Indeed, the framework facilitates companies in conducting an advanced resource assessment helping to design the company's unique approach to the circular transformation. Different activities are required and can be implemented in parallel or in loop, based on the resources available and expected timeframe. In principle, small and continuous changing steps within a clear roadmap are always more suitable to achieve a major transformation then a "Big Bang" - "based on the ground concept of change management, when changing everything at the same time, at the end nothing will actually change" (Sirkin, Keenan, Jackson, 2005).

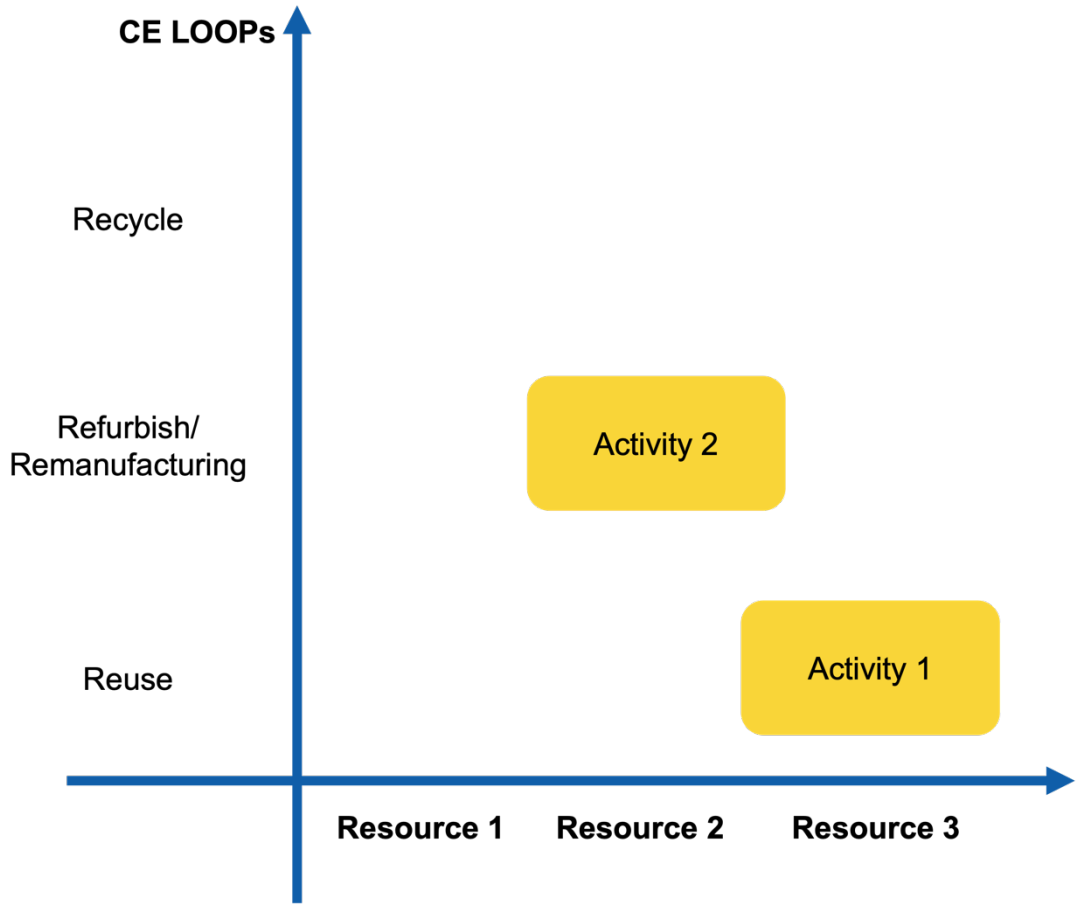


Fig. 19: General Resource Framework. Source: authors

The management should also assess their type of product based on the level of modularization and the expected lifetime. The usage of framework in Fig. 15, *"Decision on loops based on product design",* can support the management to define which loop it is mostly suitable to approach first. This will also help when planning the roadmap. Usually the recycling phase - also seen as the last closing loop - where the products are processed in order to bring them back to their raw materials or a similar version, is seen as the final step. However, in case the product has the perfect characteristics for this loop, it should be approached immediately.

Moreover, a key take-away of this paper for managers is that a key resource needed in the transformation process is *absorptive capacity.* As the case has shown, this transition is not for sole players, but it requires a high degree of interactivity among all the actors in the ecosystem. Therefore, companies have to learn from one another - hence it is important for managers to know how to be able to absorb resources and knowledge from outside.

Together, *dynamic capabilities* are important to undergo such a transformation process, in order to change and adapt as well as to absorb the needed knowledge. Before starting the process, it is therefore important to develop dynamic capabilities, either within the company itself or by purchasing or integrating them from the external environment. Just to bring an example, if IKEA designers were lacking knowledge on how to change the product design in order to make it circular or if they only thought that in order to change the product design they had to create new products from scratch and waste everything that was designed so far, IKEA should look for external resources, maybe hire new designers, or maybe work with universities to access to open innovation, in order to develop the necessary dynamic capabilities. Nonetheless, in the case of IKEA, these capabilities were already well-developed, while many others needed to cooperate with external actors. All in all, after assessing the resources available internally, that could help with the development of a circular system in different areas, those missing must be either developed or accessed externally.

Not less important is to define how to finance the transition. Since it has a high uncertainty level, it should be internally financed, as it is difficult to assess the outcome. The research was based on the assumption that the projects of transformation were financially efficient. However, it must be recognized that high costs can be expected as well as that the profit returns might require a long time. It is indeed important to understand whether the internal financial resources are enough to support the transition. The internal resources must be defined and clearly dedicated to the transformation process and activities. In case that the internal finances were not enough, the management should think about how to gather external financing by approaching the topic as it would do for the financing of an innovation. Accordingly, the uncertainty of the outcome is very high, therefore the additional value stream that the transformation can bring must be well defined as it could increase the chance of getting financing from external sources.

The strong customer relationship that incumbent companies hold, can help to transit towards a circular economy system. By leveraging on the relationship, that they already have, they can attract customers to participate and initiate the loop.

When transitioning from a linear to a circular economy system, the value proposition of the company should not abruptly change, however, it must be integrated with the new initiative as it can bring new values as seen by the PERFA analysis (Tab. 5).

The fact that the value proposition should not change abruptly means that the values inherited in the company should not be changed for the transition process. Instead, when the business model is undergoing an innovation to become circular, the value proposition of the CBM should be in line with the original values of the company.

That is because the original value delivery that the company is offering does have an impact on customers. As it was visible by the outcome of the survey, customers sought the same values of the linear model also in the circular initiative proposed.

Customers are not willing to give up on the original value proposition and, as a matter of fact, they should not, especially when the company chooses to transform.

For the management, it means that a thorough analysis of the value drivers must be conducted and, once the drivers are defined, through design thinking, managers should find a solution on how to implement those drivers within the circular model.

In simple terms, if the value driver is that through the luxury product X customers can show their wealthy status, when the company implements a circular business model, it should implement it by thinking that customers still want to have the same value, thus, to show through the usage of the product their economic status. When implementing a CBM, an example would be the creation of return points that are extremely luxurious, or by giving them a luxurious gadget that symbolizes commitment.

Next, when it comes to the implementation of the circular business model to sustain the circular system, its development should be thought based on the effort reduction for customers, meaning to eliminate all those burdens that would make them avoid taking part - and this should not happen, as it is the customer that activates the circular loop. Indeed, the customer role is not anymore the same as it used to be, as, on top of their usual role, they also become "suppliers" of the used products that must be returned to the company. However, it is important to notice that generally customers as suppliers are not just economically driven, because they do not need to sell their furniture in order to survive; therefore, to attract and push customers in initiating the loop, different strategies and rewards should be offered, based on their preferences.

Moreover, when conducting the transformation of a business at an international level, the companies' operations might be standardized and might own a common structural backbone; however, a customized approach towards specific countries will result in a winning strategy. Here, the glocalization concept comes into consideration. It enables companies to utilize the synergies arising from being both "local" and "global" at the same time - "*think globally, but act locally*" (Hollensen, 2019, p. 16). While acknowledging the relevance of specific countries' market characteristics and the importance of local adaptation, the glocal strategy "*tries to optimize the balance between standardization and adaptation of the firm's international marketing activities*" (Hollensen, 2019, p. 19).

A glocalization approach during the transformation is required and it should also be implemented based on an assessment of the NIS of the countries as well as their institutional development level. It is necessary to act locally, especially in those countries where the regulatory framework is not well developed and where the customer base cannot access a good educational level, thus might not be aware of the concept of circular economy and sustainability. The differences of the countries where the company is already a player must be assessed when approaching the transformation. Indeed, an in-depth analysis of the customers' knowledge in regard to the sustainability topic must be conducted.
Finally, countries with similar NIS can be approached similarly. However, as also recommended by IKEA's Sustainability Manager, communication and marketing initiatives are paramount in achieving the desired result of customer awareness and to bring the customers onboard.

As a wrap up of the findings, if the management of an incumbent MNE takes in consideration the here below stated findings and suggestions when developing its circular business model, a strategic and well-structured model can be put in place and could lead, in future, to a circular economy ecosystem, that will finally unlock a competitive advantage for the firm.

Fig. 20: Research findings overview. Source: authors

8 LIMITATIONS and THEORETICAL REFLECTIONS

In this paragraph, an overview of both the limitations that had been encountered and some theoretical reflections embedded in the research will be offered. Moreover, a review of the theories that had been used and applied during the research will be conducted, to understand what could have been improved, but at the same time what has offered a great level of analysis.

8.1 LIMITATIONS AND REFLECTIONS CONNECTED TO THE PHILOSOPHY OF SCIENCE

"*The strength of the knowledge generated is evaluated according to whether it can reveal invisible and oppressive structures*" (Egholm, 2014, p.115).

The research has analyzed three possible structures underlying the event, however, due to the complexity of the transition process, together with all the different actors involved, it is believed that many more structures can be discovered.

Hence, the analysis that was run was focused on the structures that the researchers were able to discover based on the available data. Probably, different datasets could have led to the understanding of different mechanisms that could have also had an impact on the final event. As an example, the research has not deeply considered the supplier's system, which can also have an impact on the outcome of the empirical event of the Buy-back program. In this regard, a simplification was needed due to time constraints and resources: since the topic is very broad, a larger study could be conducted. Moreover, the underlying structures that had been discovered are a product of the knowledge of the researchers. Different knowledge backgrounds could have led to the discovery of different mechanisms, however researchers with similar backgrounds would have found the same ones, since the research followed a structured method that could be replicated.

8.2 LIMITATIONS AND REFLECTIONS CONNECT TO THE RESEARCH METHOD

The use of a single case study can be misleading as it could bring up topics that are too firm-specific and that could limit the replicability of the results. Indeed, a multiple case study could, firstly, focus only on variables that are relevant within different companies and, secondly, can take into consideration more facets of the mechanism underlying the circular economy transition, that could be discoverable only by using different cases.

Based on the two cornerstones of the scientific methods, namely the assumptions that events in nature have a cause and a natural explanation, and that they could be reproducible under similar conditions, these two concepts constitute therefore the empirical cornerstone of the scientific method (Aityan, 2021):

i. **Causality**: assumes that every effect has a cause. However, this should not be applied mechanically, since the real world can sometimes be probabilistic or have some other kind of nondeterministic nature (Aityan, 2021). In this research, in order to overcome this potential misleading connection, the researchers used theory to find connections. Moreover, after defining potential mechanisms that could have caused the events visible at the real level, the connections were verified after a thorough analysis of different data coming from different sources.

ii. **Reproducibility**: "*The cause-effect philosophical paradigm leads to the conclusion that we would expect to get similar results under the similar conditions*" (Aityan, 2021, p. 31). By logical connection, the researchers believe that the mechanisms that have been studied can be seen in similar situations, thus in large companies that have access to the same or similar resources, that have a power position within the supply chain, and that are already present in multiple countries. All in all, the reproducibility of this case's findings can be applied to incumbent MNEs with a well-established value proposition.

8.3 LIMITATIONS AND REFLECTIONS CONNECTED TO THE TOOLS

In regard to the in-depth interview, the interviewee was Sustainability Manager of IKEA Denmark, in charge of driving the company's transformation in the respective country. It could be seen as a limitation; however, Denmark can be defined as a country well-advanced in terms of sustainability, both at the business level and among the population. Denmark, indeed, scored as the highest Environmental Performance Index in 2020 (Statista, 2021). This, consequently, led the researchers to consider it as a highly insightful starting point thanks to their advancement in the topic.

Also, within the sample, even though there was a good representation based on the age and the countries that were analyzed, most of the respondents' educational background was of higher-level education, more specifically a Master's degree. This can create a bias since a higher education background could lead to a higher sensibility and understanding of the topic under analysis. Moreover, within the real population of the two countries, the percentage of people with such a high education level is way lower than the one represented in the sample. Therefore, this must be taken into consideration. However, no statistical inference or correlation was done using the educational background variable. At the same time, this could be a point for future analysis, where the educational background is considered as a variable that can affect the acceptance of a circular business model.

The two countries that were selected, Italy and Denmark, were chosen based on the accessibility of the researchers to the customer base. However, they are both developed countries, both in the European Union, which makes them very similar, also in regard to their NIS level as already mentioned in paragraph 6.3. More interesting insights could be gathered by running the survey in both developed and emerging countries. This would allow a broader understanding of more potential differences and would allow companies to have a more holistic view in regard to the third sub-question of the research.

Finally, a limitation connected to the tool of the survey on its own is about "construct validity", which refers to whether the items of the questionnaire actually measure the underlying attitudes and viewpoints that they are meant to measure. In the case of the survey used in this research,

the analysis is in regard to deep and intrinsic behavior of the customers, their perception and culture. These topics are highly context dependent and are highly variable and deeply embedded in the subconscious, thus it should be acknowledged the possibility of the misinterpretation or misrepresentation of the intrinsic truth in regard to these topics. This limitation is applicable to any research in the above-mentioned fields.

8.4 LIMITATIONS AND REFLECTIONS CONNECTED TO ASSUMPTIONS

The assumption is that the CBM is also cost negative, thus that it does not affect the company profit. If the implementation of the CBM has a negative cash flow, then of course it is already not strategic to put it in place, because a company should first think about the profitability of all its projects. The development of a CBM, indeed, should not affect the results of the company, but it should instead be designed to drive profitability. This, however, has been fully explained in previous sections.

8.5 THEORETICAL REFLECTIONS

Moreover, most of the theories and framework used in regard to internationality, refer to it as a point of questioning, which means that most of the theories are meant to understand whether to expand or not in new countries. In this case, the international presence is already present and static, therefore the frameworks considered are used to assess the differences between countries and to develop a strategy, considering that the internationality aspect is already present.

There is indeed a lack of theory that approaches the internationality topic where the international presence is the starting point. Also, there is a lack of theory in regard to the circular economy and the international aspect.

Indeed, the decision to transit towards a circular economy should not affect a company's international status but should be embedded in the transformation. Some companies could also benefit from their international status during the transition, by accessing resources from different countries and by exploiting the linkages among them. Indeed, as it is known, the waste of someone can be the treasure for someone else.

In order to answer the first research sub-question, the resource-based view has been selected. However, even though RBV has multiple benefits, it also comes with some downfalls, for instance often crucial assumptions are not made explicit, thus they can be highly questionable such as in relation to tacit knowledge and the difficulty in transferring it (Buckley, 1976). Kraaijenbrink, Spender, & Groen (2010) brought together the general critical points of RBV, and they grouped them into eight main points, where three of them are effective challenges when wanting to use RBV to explain the creation of competitive advantage. The critical points are, namely: *(a) the RBV has no managerial implications, (b) the RBV implies infinite regress, (c) the RBV's applicability is too limited, (d) sustainable competitive advantage is not achievable, (e) the RBV is not a theory of the firm, (f) VRIN/O is neither necessary nor sufficient for sustainable competitive advantage, (g) the value of a resource is too indeterminate to provide for useful theory, and (h) the definition of resource is unworkable* (Kraaijenbrink, Spender, Groen, 2010). The last three points are those defined as more challenging in regard to RBV. These critiques and limitations must be acknowledged when using RBV as a theory to explain the competitive advantage of a company.

Moreover, the KBV (Knowledge Based View) could have been of great support in the analysis of the case. This is because knowledge and knowledge interchange are highly valuable in, firstly, a multinational company such IKEA and, secondly, during a transformation process as the one that has been considered. The knowledge management capabilities of a company are highly relevant, also due to the fact that, as already pointed out during the paper, the transformation process involves the whole ecosystem, therefore it is almost impossible to think to be the sole player in the transformation. However, this means that companies embracing this transition must also pay attention to the knowledge that they share, to avoid spillovers that could put their competitive advantage in danger. IKEA, for instance, is sharing much knowledge that they are gaining during their transition, however it is important that the strategic knowledge is not shared.

That is why the KBV could have been a helpful tool to be used in the research, to better analyze the relevant knowledge of IKEA, how are its knowledge management capabilities, and how the company is managing this resource in the international business environment.
In addition, in order to develop and understand the CBM, the model of Braun has been chosen. However, different other models could have been selected. As of now, there is not a final and defined business model canvas for circular models in place.
Braun's model, indeed, does not take into consideration other factors such as the PESTLE analysis, as Lewandowski (2016) does in Designing the Business Models for Circular Economy - Towards the Conceptual Framework. Additionally, Antikainen & Valkokari (2016) discuss relevant matters when constructing a circular business model, as they consider other pertinent aspects such as the business ecosystem level and the general sustainability impact of it. Nonetheless, since these traits as well as main country differences were later on analyzed through other methods, Braun's model was selected as the preferred one.

8.6 FURTHER RESEARCH

To conclude, considering the different limitations, further research could be conducted. Firstly, a statistical analysis could be done to assess the statistical significance among the variables analyzed. Also, an exploration of specific socio-demographic patterns among consumers should be conducted; in particular, specific variables could be chosen as fixed to check how they affect the acceptance of a circular business model. Additionally, insights could be gathered by running the survey in both developed and emerging countries: this would allow a broader understanding of more potential differences and would allow companies to have a more holistic view in regard to global transition. Yet, more in-depth research with focus groups would be useful to gain deeper insights from the customer base. Finally, an additional multi-industry analysis could be done to check how differences among industries can affect the development of a circular economy system and whether there are industry-dependent differences and obstacles.
Moreover, in regard to the first sub-question, an analysis with both the industry and the knowledge-based view, could be useful to understand and to disentangle further mechanisms that could drive incumbent MNEs in the transformation.

Also, a multiple case study approach could be implemented, in order to evaluate the findings better and understand better how to apply them into different industries. This will also allow the researchers community to understand whether the findings in regard to the resources can be implemented when different industries are taken into consideration.

9 CONCLUSIONS

The overall impact of a change towards a circular economy of MNEs could be so strong that it can possibly drive a change in the whole economic system and will, as an end goal, offer social and environmental benefits to the whole world.
It may be asked, however, what are the reasons behind the implementation of this much discussed transformation, meaning why would a company decide to put effort on it, and why it needs to be strategically planned.

Incumbent MNEs have access to incredible resources and a power position within the entire value chain as they hold strong negotiation power on the side of the supply chain and great marketing and communication capabilities that can understand and affect customer behavior. The paper has offered a review of relevant points that can support and push MNEs in embarking on this transformation and help them do it in a strategic way. At the end of the day, only those with an already established CBM will be able to survive and compete in the future.

Circular economy, indeed, should be implemented for helping the company to sustain growth in the long run. As a matter of fact, in the short term it might not lead to a sustainable competitive advantage; however, in the long run, as resource scarcity and a lack of raw material is approaching, companies need to foresee this peril and adapt accordingly.
Since the transformation process requires a long time to be put in place, it would be too late to transform, once the resource scarcity will truly hit the economic system. Moreover, three additional reasons follow on why the CE system should be laid down:

- During the actual transition of the company on customer side there is still the opportunity to choose among different options that also include linear products, those which usually customers are already comfortable with. However, in the future, it is expected that customers might prefer companies that embrace circularity in their products/services. This is because customers are changing their consumption, as it is beneficial for their future, both at the social and environmental level. Therefore, it is important for companies to offer a CBM.

- The transition takes long time to complete, therefore it is beneficial for companies to already start it and plan it in a strategic way. So that in case it was suddenly not possible to produce in a linear way due to resource scarcity, the company would be ready and able to continue to compete without losing its market position - for example, in case something like the war in Ukraine happened, companies that are able to rely solely on renewable energies in some of the countries, such as IKEA, would be able to be independent and continue with the business as usual, thus bringing a competitive advantage to the company.
- In the long term, it is expected to see an increasing rise of companies with the main aim of the circular economy, which therefore already possess related knowledge and capabilities, so they might overlap existing players, even leaders and incumbent players, if these do not change.

Unsustainable and resource-consuming, the linear model does not permit the reutilization of material and resources once the product is no longer in use. Given this circumstance, the linear economy model that has always been in use, meaning the one following the cycle of “take-make-waste”, cannot persist in today’s world. Therefore, circular economy is considered as the most relevant to replace the latter and the only possible way to continue to do business.

Nowadays, it is implicitly mandatory for companies to adhere to and catch up with this transformation, not to fall victim to external pressures. For the purpose of the thesis, IKEA was taken as a lighthouse of this transition from linear to circular economy, as the Swedish home-furnishing behemoth was indeed considered a first mover in this circular economy, and it was therefore used to evaluate the transition process and to draw meaningful conclusions. Primary qualitative and quantitative data was gathered through an in-depth interview and a consumer survey, respectively, together with also secondary data available. The subsequent analysis resulted in a mix between the multiple sources, and, after a thorough, segmented analysis based on the topics of interest, it provided readers with an all-comprehensive overview of how incumbent MNEs can establish a circular economy system within their operating structure.

To get to the point, for companies to change, the transition comes with challenges. The set-up of a circular economy within the company requires indeed a paradigmatic change in how the business is run - thus asking for a shift in the business model, which of course has repercussions on the final customer. Moreover, multinational companies are also facing the matter by integrating their global presence in the transition. Hence, the effects of the implementation of circular initiatives within a company, and how the relationship with its customers is affected according to that, were explored.
Three key elements were founded to be highly relevant for the management when approaching the transformation and they were discussed in the findings and managerial implication section. Hopefully, this research can support managers of incumbent MNEs when taking strategic decisions in regard to the development of a circular economy in order to deliver it in a successful way, so that it can finally lead to a transformation of the whole economic system.

Finally, a circular economy system can be then eventually seen as a strategic move, not only in terms of benefits for the environment and the society, but also in terms of economic returns at the company level, as well as to face off the competition. It is now in the hand of incumbent MNEs to start the transition towards such a system.

REFERENCES

Afteni, C., Paunoiu, V., Afteni, M. (2021). Study on the Transition from the Linear Economy to the Circular Economy. Annals of Dunarea de Jos University of Galati. 39. 10.35219/tmb.2021.1.08.

Aityan, S. K. (2021). Business Research Methodology Research Process and Methods. Springer International Publishing AG.

Alkitbi, S. S., Alshurideh, M., Al Kurdi, B., Salloum, S. A. (2021). Factors Affect Customer Retention: A Systematic Review. In: Hassanien, A. E., Slowik, A., Snášel, V., El-Deeb, H., Tolba, F. M. (eds). Proceedings of the International Conference on Advanced Intelligent Systems and Informatics 2020. AISI 2020. *Advances in Intelligent Systems and Computing*, Vol. 1261. Springer, Cham. https://doi.org/10.1007/978-3-030-58669-0_59.

Antikainen, M., Valkokari, K. (2016). A Framework for Sustainable Circular Business Model Innovation. *Technology Innovation Management Review*, 6 (7), 5-12. DOI:10.22215/timreview/1000.

Bakker, C., Wang, F., Huisman, J., den Hollander, M. (2014). Products that go round: exploring product life extension through design. *Journal of Cleaner Production*, 69, pp. 10-16.

Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17 (1), pp. 99.

Bhaskar, R. (1978). A Realist Theory of Science. Hassocks, UK: Harvester Press Limited.

Blackburn, J., Guide, V., Souza, G., Van Wassenhove, L. (2004). Reverse Supply Chains for Commercial Returns. *California Management Review*, 46 (2), pp. 6-22.

Bocken, N. M. P., de Pauw, I., Bakker, C., van der Grinten, B. (2016). Product design and business model strategies for a circular economy. Journal of Industrial and Production Engineering, 33(5), 308–320. https://doi.org/10.1080/21681015.2016.1172124

Braun, A.-T., Schöllhammer, O., Rosenkranz, B. (2021). Adaptation of the business model canvas template to develop business models for the circular economy. 14th CIRP Conference on *Intelligent Computation in Manufacturing Engineering*, CIRP ICME `20, pp. 698-702.

Brundtland, G. (1987). Report of the World Commission on Environment and Development: Our Common Future. United Nations General Assembly document A/42/427.

Buckley, P. J., Casson, M. C. (1976). The Future of the Multinational Enterprise. Macmillan, London.

Burritt, R. L., Schaltegger S. (2010). Sustainability accounting and reporting: fad or trend? *Accounting, Auditing & Accountability Journal*. ISSN: 0951-3574.

Bygstad, B., Munkvold, B., Volkoff, O. (2016). Identifying Generative Mechanisms through Affordances: A Framework for Critical Realist Data Analysis. *Journal of Information Technology*, 31. 10.1057/jit.2015.13.

Camacho-Otero, J., Boks, C., Pettersen, I. N. (2018). Consumption in the Circular Economy: A Literature Review. *Sustainability 2018*, 10, 2758. https://doi.org/10.3390/su10082758.

Check, J., Schutt, R. K. (2012). Survey research. Research methods in education, pp. 159-185. Thousand Oaks, CA: Sage Publications.

Chen, Y. S. (2008). The Driver of Green Innovation and Green Image – Green Core Competence. *Journal of Business Ethics*, 81, pp. 531-543 https://doi.org/10.1007/s10551-007-9522-1.

Chen, Y. S. (2010). The Drivers of Green Brand Equity: Green Brand Image, Green Satisfaction, and Green Trust. *Journal of Business Ethics*, 93, pp. 307–319. https://doi.org/10.1007/s10551-009-0223-9.

Chesbrough, H., Rosenbloom, R. S. (2002). The role of the business model in capturing value from innovation: evidence from Xerox Corporation's technology spin-off companies. *Industrial and Corporate Change*, 11 (3), pp. 529-555. https://doi.org/10.1093/icc/11.3.529.

Circular product design guide. (2021). Guide to Navigating Through the Process of Designing Circular Products. IKEA Website. Retrieved from: https://gbl-sc9u2-prd-cdn.azureedge.net/-/media/aboutikea/newsroom/documents/512088_v2.pdf?rev=cd1d03b6b74c4544b1705c7a73df31f2&hash=49420E99AFDD82C3F7C6BC0CB52AFD8B.

Circular X. (2021). Case study: IKEA "Buy Back" Program. Retrieved from: https://www.circularx.eu/en/cases/23/ikea-buy-back-program#:~:text=Business%20model%20strategies%3A%20IKEA%20is,is%20still%20in%20good%20condition.&text=The%20furniture%20is%20then%20be,store%20(IKEA%2C%202020b)

Coghlan, D., Brydon-Miller, M. (2014). The SAGE encyclopedia of action research, Volumes 1-2. London: *SAGE Publications Ltd*. DOI: 10.4135/9781446294406.

Cohen, W. M., Levinthal, D. A. (1990). Absorptive Capacity: A New Perspective on Learning and Innovation. *Administrative Science Quarterly*, *35* (1), pp. 128-152. https://doi.org/10.2307/2393553.

Coombes, L., Allen, D., Humphrey, D., Neale, J. (2009). In-depth Interviews. Research Methods for Health and Social Care (197-210). Basingstoke: Palgrave Macmillan.

Guide Jr, V. D. R., Daniel, V., Van Wassenhove, L. N. (2009) OR FORUM—The Evolution of Closed-Loop Supply Chain Research. *Operations Research*, 57 (1), pp. 10-18. https://doi.org/10.1287/opre.1080.0628.

David, P. A. (1985). Clio and the Economics of QWERTY. *The American Economic Review*, 75 (2), pp. 332-337. Papers and Proceedings of the Ninety-Seventh Annual Meeting of the American Economic Association (May, 1985). American Economic Association.

Dyer, W. G., Wilkins, A. L. (1991). Better stories, not better constructs, to generate better theory: A rejoinder to Eisenhardt. The Academy of Management Review, 16 (3), pp. 613-619. https://doi.org/10.2307/258920.

Easton, G. (2010). Critical Realism in Case Study Research. *Industrial Marketing and Management*, 39, pp. 118-128. https://doi.org/10.1016/j.indmarman.2008.06.004.

Egholm, L. (2014). Philosophy of Science. Perspective on organisations and Society. Hans Reitzels Forlag.

Eisenhardt, K. M. (1989). Building Theories from Case Study Research. The Academy of Management Review, 14 (4), pp. 532-550.

Elia, S., Santangelo, G. D. (2017) The evolution of strategic asset-seeking acquisitions by emerging market multinationals. *International Business Review*, 26 (5), pp. 855-866.

Ellen MacArthur Foundation. (2013). Towards the circular economy Vol. 1: an economic and business rationale for an accelerated transition. Retrieved from:

https://ellenmacarthurfoundation.org/towards-the-circular-economy-vol-1-an-economic-and-business-rationale-for-an.

Ellen MacArthur Foundation. (n.d). IKEA. Retrieved from: https://ellenmacarthurfoundation.org/ikea.

Ellen MacArthur Foundation Summit. (2020, September 11). Including Circular Design in Your Business Model: IKEA Case Study | Summit 2020 [Video] YouTube. https://www.youtube.com/watch?v=dZ9THp2WtJQ.

Ellen MacArthur Foundation Website. (2022). Our network Retrieved from: https://ellenmacarthurfoundation.org/network/overview.

Emerald Group Publishing. (2022). *How to conduct empirical research*. Retrieved from:https://www.emeraldgrouppublishing.com/how-to/research-methods/conduct-empirical-research.

Erickson, G. (2017). Exploratory research design. *New Methods of Market Research and Analysis*. Cheltenham, UK: Edward Elgar Publishing. DOI: https://doi-org.esc-web.lib.cbs.dk:8443/10.4337/9781786432698.00008.

Esposito, M., Tse, T., Soufani K. (2018). Introducing a Circular Economy: New Thinking with New Managerial and Policy Implications. *California Management Review*, 60 (3).

European Parliament. (2015, December 2). Economia circolare: definizione, importanza e vantaggi. Retrieved from: https://www.europarl.europa.eu/news/it/headlines/economy/20151201STO05603/economia-circolare-definizione-importanza-e-vantaggi.

Fincham, J. E., Draugalis, J. R. (2013). The Importance of Survey Research Standards. American Journal of Pharmaceutical Education, 77 (1), Article 4.

Gaudet, S., Robert, D. (2018). A journey through qualitative research. SAGE Publications Ltd. https://dx.doi.org/10.4135/9781529716733.

Geissdoerfer, M., Savaget, P., Bocken, N., Hultink, E. J. (2017). The Circular Economy – A new sustainability paradigm?. *Journal of Cleaner Production*, 143, pp. 757-768. Project: Circular economy. DOI:10.1016/j.jclepro.2016.12.048.

Gioia, D. A., Corley, K. G, Hamilton, A. L. (2012). Seeking Qualitative Rigor in Inductive Research: Notes on the Gioia Methodology. *Organizational Research Methods*, 16 (1), pp. 15-31.

Grant, R. M. (2016). Contemporary Strategy Analysis: Text & Cases.

Guion, L. A., Diehl, D. C., McDonald, D. (2011). Conducting an In-depth Interview, University of Florida. Retrieved from http://edis.ifas.ufl.edu/fy393.

Haas, Y. (2019). Developing a generic retail business model - a qualitative comparative study. *International Journal of Retail and Distribution Management*, 47 (10), pp. 1029-1056.

Hall, B. H. (2010). The Financing of Innovative Firms. *Review of Economics and Institutions*, 14. 10.5202/rei.v1i1.4.

Hall, B. H., Lerner, J. (2010). The Financing of R&D and Innovation. *Handbook of the Economics of Innovation*, *1*, pp. 609-639. https://doi.org/10.1016/S0169-7218(10)01014-2.

Hall, V. (2009). The truth about trust in business: How to enrich the bottom line, improve retention, and build valuable relationships for success. Emerald Book Co.

Hankammer, S., Kleer, R., Piller, F. T. (2020). Sustainability nudges in the context of customer co-design for consumer electronics. *Zeitschrift Für Betriebswirtschaft*, 91 (6), pp. 897-933. https://doi.org/10.1007/s11573-020-01020-.

Hazen, B. T., Mollenkopf, D. A., Wang, Y. (2017). Remanufacturing for the Circular Economy: An Examination of Consumer Switching Behavior. *Business Strategy and the Environment*, 26 (4), pp. 451-464. https://doi.org/10.1002/bse.192.

Heinonen, K., Strandvik, T. (2018). Reflections on customers' primary role in markets. *European Management Journal*, 36 (1). ISSN 0263-2373.

Helmold, M. (2020). Creating the Value Proposition. In: Total Revenue Management (TRM). *Management for Professionals*. Springer, Cham.

Hollensen, S. (2020). Global Marketing (8th edition). Pearson.

Hobson, Holmes, H., Welch, D., Wheeler, K., Wieser, H. (2021). Consumption Work in the circular economy: A research agenda. *Journal of Cleaner Production*, 321, 128969–. https://doi.org/10.1016/j.jclepro.2021.128969.

IKEA Buy-back. (n.d.). Retrieved from: https://www.ikea.com/es/en/customer-service/services/buy-back-resell/.

Independent. (n.d.). Retrieved from: https://www.independent.co.uk/life-style/ikea-buy-back-unwanted-furniture-customers-second-hand-black-friday-b1010936.html.

IKEA Financial Report. (2022) - Retrieved from: https://www.inter.ikea.com/en/performance/fy21-financial-results.

IKEA Global. (n.d). Retrieved from: https://www.ikea.com/.

IKEA Sustainability. (2022) - Retrieved from: https://about.ikea.com/en/newsroom/2022/01/17/sustainability-report-fy21-and-climate-report.

IKEA Family, 2020 October 5th “IKEA Family reaches 150 million members” Retrieved from: https://www.ingka.com/news/ikea-family-reaches-150-million-members/#:~:text=IKEA%20Family%20is%20for%20everyone,across%2030%20Ingka%20Group%20countries.

Jankowicz, A. D. (2000). Business Research Projects. Thomson Learning.

Johnston, A. (2014). Rigor in research: theory in the research approach. *European Business Review*, 26 (3), pp. 206-217. https://doi.org/10.1108/EBR-09-2013-0115.

Jørgensen, S., Pedersen, L. J. T. (2018). The Circular Rather than the Linear Economy. *RESTART Sustainable Business Model Innovation*. Palgrave Studies in Sustainable Business in Association with Future Earth. Palgrave Macmillan, Cham, pp. 103-120. (https://link.springer.com/chapter/10.1007/978-3-319-91971-3_8).

Kabish, N., Qureshi, S., Haase, D. (2015). Human-environment interactions in urban green spaces - A systematic review of contemporary issues and prospects for future research. *Environmental Impact Assessment Review*, 50, pp. 25-34.

Kambil, A., Ginsberg, A., Bloch, M. (1996), Re-inventing value propositions. *Working Paper Serie*s, Stern IS-96-21, New York University, New York, NY.

Kane, G. M., Bakker, C. A., Balkenende, A. R. (2018) Towards design strategies for circular medical products. *Resources, Conservation and Recycling*, 135, pp. 38-47, ISSN 0921-3449. https://doi.org/10.1016/j.resconrec.2017.07.030.

Keaney, M. (2022). Master’s Thesis Interview.

Kirchherr, J., Reike, D., Hekkert, M. (2017). Conceptualizing the circular economy: An analysis of 114 definitions. *Resources, Conservation, and Recycling*, 127, pp. 221-232.

Kraaijenbrink, J., Spender, J. C., Groen, A. J. (2010). The Resource-Based View: A Review and Assessment of Its Critiques. *Journal of Management*, 36 (1), pp. 349-372. DOI:10.1177/0149206309350775.

Lewandowski, M. (2016). Designing the Business Models for Circular Economy - Towards the Conceptual Framework. *Sustainability*, 8 (1), 43. DOI:10.3390/su8010043.

Lieder, M., Asif F., Rashid, A., Mihelic, A., Kotnik, S. (2017). A conjoint analysis of circular economy value propositions for consumers: Using “washing machines in Stockholm” as a case study. *Journal of Cleaner Production*, 172. 10.1016/j.jclepro.2017.10.147.

Linder, M., Williander, M. (2017). Business Strategy and the Environment, 26 (2), pp. 182-196. Wiley Online Library.

Lindic, J., Marques da Silva, C. (2011). Value proposition as a catalyst for a customer focused innovation. *Management Decision*, 49 (10), pp. 1694-1708.

Marlin, L. (2021). Types of Natural Resources: What you Need to Know to Live an Eco-Conscious Lifestyle. *GreenCoast.* Retrieved from: https://greencoast.org/types-of-natural-resources/.

Malhotra, N. K., Nunan, D., Birks, D. F. (2017). Marketing Research - An Applied Approach (5th ed.). United Kingdom: Pearson Education Limited.

Malhotra, N. K., Uslay, C., Bayraktar, A. (2016). Relationship marketing re-imagined: marketing’s inevitable shift from exchanges to value co creating relationships (First edition). Business Expert Press.

Mathew, J. (2021). Drivers of Customer Retention: An Introspection Into Indian Retail Customers. Vision. https://doi.org/10.1177/09722629211043592.

McAvoy, J., Butler, T. (2018). A critical realist method for applied business research. *Journal of Critical Realism*, 17 (2), pp. 160-175. https://doi.org/10.1080/14767430.2018.1455477.

Mentink, B. (2014). Circular Business Model Innovation: A process framework and a tool for business model innovation in a circular economy. MSc thesis Industrial Ecology.

Miller, K. D. (2005). The problem of method and the practice of management research. *Research Methodology in Strategy and Management*, 2, pp. 143-177. Elsevier Ltd.

Mostaghel, R., Chirumalla, K. (2021). Role of customers in circular business models. Journal of Business Research, 127, pp. 35-44. https://doi.org/10.1016/j.jbusres.2020.12.053.

Murray, Pearson, B., & Pearson, B. (2016). The american retail value proposition: crafting unique experiences at compelling prices. University of Toronto Press. https://doi.org/10.3138/9781442624771

National Geographic. (2019, October 24). Non-Renewable Resources. Retrieved from: https://www.nationalgeographic.org/encyclopedia/non-renewable-energy/#:~:text=Resources%20are%20characterized%20as%20renewable,include%20coal%20and%20natural%20gas.

Nonaka, I. (1991). The knowledge creating company. *Harvard Business Review*, 69 (6), pp. 96-104.

Norton, B., Costanza, R., Bishop, R. C. (1998). The evolution of preferences: Why 'sovereign' preferences may not lead to sustainable policies and what to do about it. *Ecological Economics*, 24, pp. 193-211. Elsevier.

Nußholz, J. L. K, Milios, L. (2017). Applying circular economy principles to building materials: Front-running companies' business model innovation in the value chain for buildings.

Nußholz, J. L. K. (2018). A circular business model mapping tool for creating value from prolonged product lifetime and closed material loops. *Journal of Cleaner Production*, 197, pp. 185-194.

Nußholz, J. L. K. (2020). Circular Business Model Design Business Opportunities from Retaining Value of Products and Materials. IIIEE Dissertations 2020:02. ISBN 978-91-87357-56-5 ISSN 1402-3016.

OECD (2022). OECD Guidelines for Multinational Enterprises. Retrieved from: https://mneguidelines.oecd.org/mneguidelines/.

OECD, 2018 May. Multinational enterprises in the global economy: Heavily debated but hardly measured Retrieved from: https://www.oecd.org/industry/ind/MNEs-in-the-global-economy-policy-note.pdf.

Osiyevskyy, O., Troshkova, M., Bao, Y. (2020). What Makes a Global Business Model?. *Sustainable Business*, pp. 203-223. DOI: 10.4018/978-1-5225-9615-8.ch010.

Osterwalder, A., Pigneur, Y., Tucci, C. (2005). Clarifying Business Models: Origins, Present, and Future of the Concept. Communications of the Association for Information Systems, 16 (1). https://doi.org/10.17705/1CAIS.01601.

Osterwalder, A., Pigneur, Y. (2010). Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers. Wiley, New Jersey.

Page, S. E. (2006). Path Dependence. *Quarterly Journal of Political Science*, 1, pp. 87-115.

Peppers, D., Rogers, M., Kotler, P. (2016). Managing Customer Experience and Relationships: A Strategic Framework. *Managing Customer Experience and Relationships* (3rd ed.). John Wiley & Sons, Incorporated.

Peng, M. W., Sun, S. L., Pinkham, B., Chen, H. (2009). The institution-based view as a third leg for a strategy tripod. *Academy of Management Perspectives*, 23 (3), pp. 63-81.

Pisano, G. P. (2015). You need an innovation strategy. *Harvard Business Review*, 93 (6), pp. 44-54.

Planing, P. (2015). Business Model Innovation in a Circular Economy Reasons for Non-Acceptance of Circular Business Models. Open Journal of Business Model Innovation, pp. 1-11. ScientificOnline.

Potting, J., Hekkert, M., Worrell, E., Hanemaaijer, A. (2017). Circular economy: Measuring innovation in the product chain. Policy Report. PBL Netherlands Environmental Assessment Agency.

Prieto-Sandoval, V., Jaca, C., Santos, J., Baumgartner, R. J., Ormazabal, M. (2019). Key strategies, resources, and capabilities for implementing circular economy in industrial small and medium enterprises. *Corporate Social-Responsibility and Environmental Management*, 26 (6), pp. 1473-1484. https://doi.org/10.1002/csr.1761.

Rattalino, F. (2017). Circular advantage anyone? Sustainability-driven innovation and circularity at Patagonia, Inc. *Thunderbird Int Bus Rev*, 60, pp. 747-755. Wiley Periodicals, Inc.

Reichheld, F.F. and Sasser, W.E. (1990), “Zero defection: quality comes to services”, Harvard Business Review, Vol. 68 No. 5, pp. 105 -111.

Rintamäki, T., Kanto, A., Kuusela, H., Spence, M. T. (2006). Decomposing the value of department store shopping into utilitarian, hedonic and social dimensions: evidence from Finland. *International Journal of Retail Distribution Management*, 34 (1), pp. 6-24.

Rintamäki, T., Kirves, K. (2017). From perceptions to propositions: Profiling customer value across retail contexts. *Journal of Retailing and Consumer Services*, 37, pp. 159-167. https://doi.org/10.1016/j.jretconser.2016.07.01.

Rintamäki, T., Kuusela, H., Mitronen, L. (2007). Identifying competitive customer value propositions in retailing. *Journal of Service Theory and Practice*, 17 (6), pp. 621-634.

Ritchie, J., & Lewis, J. (2003). Qualitative Research Practice: A guide for Social Science Students and Researchers. SAGE Publications Ltd

Rizos, V., Behrens, A., Van der Gaast, W., Hofman, E., Ioannou, A., Kafyeke, T., Flamos, A., Rinaldi, R., Papadelis, S., Hirschnitz-Garbers, M., Topi, C. (2016). Implementation of Circular Economy Business Models by Small and Medium-Sized Enterprises (SMEs): Barriers and Enablers. *Sustainability 2016*, 8 (11), 1212. https://doi.org/10.3390/su8111212.

Salvador, R., Barros, M. V., Freire, F., Halog, A., Piekarski, C. M., De Francisco, A. C. (2021). Circular economy strategies on business modelling: Identifying the greatest influences. *Journal of Cleaner Production*, 299, 126918. https://doi.org/10.1016/j.jclepro.2021.126918.

Sariatli, F. (2017). Linear Economy Versus Circular Economy: A Comparative and Analyzer Study for Optimization of Economy for Sustainability. *Visegrad Journal on Bioeconomy and Sustainable Development*, 6(1). De Gruyter Open Sp. z o.o.

Saunders, M. N. K., Lewis, P., Thornhill, A. (2012). Research Methods for Business Students. Pearson Education UK.

Sayer, A. (1984). Method in social science. London: Routledge.

Sayer. (1992). Method in social science: a realist approach (2. ed.). Routledge.

Seidel, A. (2018). Closing the Loop: Exploring IKEA's Transition to the Circular Economy. Pomona Senior Theses. 192. http://scholarship.claremont.edu/pomona_theses/192.

Sihvonen, S., Ritola, T. (2015). Conceptualizing ReX for Aggregating End-of-life Strategies in Product Development. Conference: The 22nd CIRP Conference on Life Cycle Engineering. Volume: Procedia CIRP Volume 29, 2015, pp. 639-644. DOI:10.1016/j.procir.2015.01.026.

Sillanpää, M., Ncibi, C. (2019). The Circular Economy, *Academic Press,* ISBN 9780128152676.

Sirkin, H., Keenan, P., Jackson, A. (2005). The Hard Side of Change Management. *Harvard Business Review*, October 2005.

Song, L., Zhan, X., Zhang, H., Xu, M., Liu, J., Zheng, C. (2022). How much are global business sectors contributing to sustainable development goals?. *Sustainable Horizons*, 1, ISSN 2772-7378.

Sreejesh, S.,Mohapatra, S., Anusree, M. R. (2013). Business Research Methods. Springer, USA.

Statista. (202, March 9). Countries with the highest Environmental Performance Index (EPI) value 2020. Retrieved from: https://www.statista.com/statistics/827292/countries-with-the-highest-environmental-performance-index/.

Steel, D., Gonnerman, C., O'Rourke, M. (2017). Scientists' attitudes on science and values: Case studies and survey methods in philosophy of science. *Studies in History and Philosophy of Science Part A*, 63. 10.1016/j.shpsa.2017.04.002.

Strategy&. (2019). Circular Economy. A new source of competitive advantage in the chemicals industry.

Suddaby, R. (2006). FROM THE EDITORS: WHAT GROUNDED THEORY IS NOT. *Academy of Management Journal*, 49 (4), pp. 633-642. https://doi.org/10.5465/AMJ.2006.22083020.

Teece, D. J. (2010). Business Models, Business Strategy and Innovation. *Long Range Planning*, 43, pp. 172-194.

Teece, D., Pisano, G. (1994). The Dynamic Capabilities of Firms: An Introduction. *Industrial and Corporate Change*, 3 (3), pp. 537-556.

Teece, D. J., Pisano, G., Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18 (7), pp. 509-533. https://doi.org/10.1002/(SICI)1097-0266(199708)18:73.0.CO;2-Z.

Urbinati, A., Chiaroni, D., Chiesa, V. (2017). Towards a new taxonomy of circular economy business models. *Journal of Cleaner Production*, 168, pp. 487-498. https://doi.org/10.1016/j.jclepro.2017.09.04.

Uvarova, I., Atstaja, D., Grinbergs, U., Petersons, J., Gegere-Zetterstroma, A., Kraze, S. (2020). Transition to the circular economy and new circular business models - an in-depth study of whey recycling. *Earth and Environmental Science*, 578. IOP Conf. Ser.: Earth Environ. Sci. 578 012019.

Van Buren, N., Demmers, M., van der Heijden, R., Witlox, F. (2016). Towards a Circular Economy: The Role of Dutch Logistics Industries and Governments. Sustainability 8 (7), 647. DOI:10.3390/su8070647.

Wautelet, Thibaut. (2018). Exploring the role of independent retailers in the circular economy: a case study approach. 10.13140/RG.2.2.17085.15847.

Woiceshyn, J., Daellenbach, U. (2018). Evaluating inductive vs deductive research in management studies: Implications for authors, editors, and reviewers. *Qualitative Research in Organizations and Management*, 13 (2), pp. 183-195. https://doi-org.esc-web.lib.cbs.dk:8443/10.1108/QROM-06-2017-1538.

World Business Council for Sustainable Development. (2020). World Business Council for Sustainable Development. https://sdgessentials.org/what-the-sdgs-mean-for-business.html.

Wynn, D. J., Williams, C. K. (2012). Principles for Conducting Critical Realist Case Research in Information Systems. *MIS Quarterly*, 36 (3), pp. 787-810.

Yin, R. K. (2018). Case study research and applications: design and methods (6. edition). SAGE Publications, Inc.

Zachariadis, M., Scott, S. V., Barrett, M. (2017). Methodological Implications of Critical Realism for Mixed-Methods Research. *MIS Quarterly*, 37 (3), pp. 855-879. DOI:10.25300/MISQ/2013/37.3.09.

APPENDICES

Appendix 1: **INTERVIEW GUIDE**

General questions about the circular economy and the circular business model will be followed by more specific ones regarding the research question of the thesis:

"How does the adoption of a circular business model affect the relationship between the customer and the firm?"

The interview that we will run will therefore touch upon different topics such as the ***circular economy of IKEA*** *in order for us to understand its various nuances and proceed on IKEA's analysis, and the* ***conception of business model innovation****, meaning the shift towards the circular business model. Later, it will be interesting to discuss* ***the role of the customer*** *and* ***how the circular business model affects the relationship between the latter and the company****. Moreover, there will be a few questions regarding the* ***international approach*** *of the circular business model.*

After conducting the interview, the latter might be followed by a general discussion on the topic. Also, please note that follow-up questions might arise.

<u>1st part</u>

QUESTIONS ABOUT CBM (circular business model):

- How would IKEA define a circular business model?
- What are the main changes that you have adopted by shifting from a linear business model to a circular business model?
- What activities did IKEA implement within the circular business model? And which one has had a direct impact on the relationship customer-company?

- Did you implement activities in all the loops? (in reference to the loops in the butterfly diagram → see Ellen MacArthur Foundation) (Reuse, Refurbishment, Remanufacturing, Recycling)
- What is IKEA missing in order to become fully circular?

2nd part

QUESTION ABOUT THE CHANGES IN THE RELATIONSHIP CUSTOMER-COMPANY:

- Have you experienced any changes in the relationship with your customers after the implementation of the CBM? And during the transition?
- How do you think the relationship between customer-company has changed after the implementation of a CBM?
- Have you experienced an increase in customer loyalty, customer satisfaction, or overall customer retention?
- Do you believe that with the CBM the customer could have a better understanding of the products and the company? Would that lead to an increased trust in the company?
- How do you think the CBM changed the customer experience in IKEA? Do you think their experience is better now?
- If not, may we ask you if the activities that you have implemented had any KPIs in reference to customers? If yes, which ones? And were they achieved?
- How did the customer react to the activities that you have implemented?
- Do you have any data in relation to the customers and the CBM that it is possible to share with us? (example: customer satisfaction, customer retention indexes, CLTV, etc.)
- What is the specific value that you intend to create?
- How can IKEA improve the current circular offering and develop new ways of meeting their customers' needs in a sustainable manner?
- What they hope to gain in terms of customer relationship.

- Do you have any measure of how it would affect customer loyalty?
- Do you have numbers on cost of acquiring customers, the fraction of who re-purchase, or other concrete data that you could share with us?

Then, we are analyzing how the relationship between customer-company and the new CBM is affected by the location. We would like to understand how it changes, if it does, at the international level, and if there is a necessity of adapting the CBM depending on the country of interest - since CBM is usually deemed to be very dependent on the ecosystem.

3rd part

QUESTION ABOUT THE DIFFERENT OUTCOMES BASED ON THE COUNTRY:

- Did you adapt the CBM to different countries? Do you, therefore, think that the circular business model is location-dependent? Please provide some examples.
- Did the countries have a different response/acceptance of the new model?
- With the buy-back program, did you implement it at the global level without changes?
- Do you believe that the culture affects the acceptance/ feeling towards CBM?
- Do you have any data showing how the activities implemented in the different countries carried a different output from the customer?
- How can the circular initiatives scale and grow at an international level?

Appendix 2: **SURVEY**

Master's Thesis - IKEA

Start of Block: Intro

Q0 Dear Respondent,

We are two master's students from Copenhagen Business School, who are writing a thesis about customer's perception of circular initiatives. We now need your help as we are conducting a survey in order to learn more and to make our thesis as business relevant and realistic as possible. This survey is completely anonymous, and your answers will be treated with full confidentiality. The data collected will only be used for the purposes of this study. It will take approximately 5/7 minutes to complete the survey.

You can select the language to respond on the button on top right corner :)
Puoi selezionare la lingua per rispondere con il bottone in alto a destra :)
Please respond by **April 26th.** Thank you in advance for your answers!

By participating in this survey, you agree to allow the use of your provided answers in our thesis. Any responses you provide will be anonymized and only accessed by our team for the thesis purposes only. *By selecting **"I agree",** you are consenting to the conditions described above and allow the use of your provided data.*

- ○ I agree
- ○ I disagree

Skip To: End of Survey If Q0 = I disagree

End of Block: Intro

Start of Block: General Question

Q1 Have you ever bought anything at IKEA?

- Yes
- No

Page Break

Display This Question:

If Q1 = Yes

Q2 Please list 3 things you love of IKEA.

_____

Display This Question:

If Q1 = No

Q3 If "No" was selected, what were the reasons behind your choice?

- ○ I believe it's low-quality furniture
- ○ I prefer other brands
- ○ The store is not close to where I live
- ○ I have never had the need to buy something there
- ○ Others _____

Skip To: End of Survey If Q3 = I believe it's low-quality furniture

Skip To: End of Survey If Q3 = I prefer other brands

Skip To: End of Survey If Q3 = The store is not close to where I live

Skip To: End of Survey If Q3 = I have never had the need to buy something there

Skip To: End of Survey If Q3 = Others

Skip To: End of Survey If Condition: Others Is Not Empty. Skip To: End of Survey.

Page Break

End of Block: General Question

Start of Block: Value Proposition

Q4 Do you own or have you ever owned an IKEA furniture (sofa, chairs, closets, etc.)?

- Yes
- No

Page Break

Display This Question:

If Q4 = No

Q5 If "No" was selected, what were the reasons behind your choice?

- ○ I believe it's low-quality furniture
- ○ I prefer other brands
- ○ The store is not close to where I live
- ○ I have never had the need to buy something there
- ○ Others _____

Skip To: End of Survey If Q5 = I believe it's low-quality furniture

Skip To: End of Survey If Q5 = I prefer other brands

Skip To: End of Survey If Q5 = The store is not close to where I live

Skip To: End of Survey If Q5 = I have never had the need to buy something there

Skip To: End of Survey If Q5 = Others

Skip To: End of Survey If Condition: Others Is Not Empty. Skip To: End of Survey.

Page Break

Display This Question:

If Q4 = Yes

Q6 How often do you buy furniture from stores other than IKEA?

- Never
- Rarely
- Sometimes
- Often
- Always

Page Break

Q7 What do you think about IKEA as a company/brand in 3 words? Please provide 3 adjectives.

_____

Page Break

Q8 Where and how do you usually purchase IKEA furniture?

- ○ Online with home delivery
- ○ Online with self pick-up at the store
- ○ In the store with home delivery and construction service
- ○ In the store with home delivery, but I build it myself
- ○ In the store, I bring them at home and build them myself

Page Break

Q9 Please indicate the importance of the following factors when buying furniture from IKEA.

Price	☆	☆	☆	☆	☆
Convenience	☆	☆	☆	☆	☆
Sustainability of the product	☆	☆	☆	☆	☆
Quality	☆	☆	☆	☆	☆
Features/Design	☆	☆	☆	☆	☆
Uniqueness	☆	☆	☆	☆	☆
Ease of use	☆	☆	☆	☆	☆
I am familiar with the store	☆	☆	☆	☆	☆
Personalization	☆	☆	☆	☆	☆
Services (design platform, delivery service, furniture build-up service)	☆	☆	☆	☆	☆

End of Block: Value Proposition

Start of Block: Consumer perception about CE

Q10 If you had to change your furniture, what would you do with the old ones? You can select up to 2 options.

- [ ] Trash it
- [ ] Gift it to someone else
- [ ] Sell it on second-hand websites
- [ ] Sell it to second-hand stores
- [ ] Go back to where you bought it

Q11 If your furniture broke, what is the first thing you would do? You can select up to 2 options.

- [ ] Trash it
- [ ] I buy spare parts and repair it myself
- [ ] Pay someone to get it repaired
- [ ] Pay for maintenance from where you bought it
- [ ] Gift it to someone else
- [ ] Sell it on second-hand websites
- [ ] Sell it to second-hand stores

Q12 Are you concerned about how much your furniture lasts? Please select the option that most appropriately describes your attitude towards it.

- ○ It's not important to me, as I like to renew my furniture often anyway
- ○ I don't like spending lot of money on furniture, so I look for long-lasting options
- ○ I don't like to throw it away, thereby I care about buying furniture that lasts long
- ○ I just don't think about it, I simply buy what I like the most

End of Block: Consumer perception about CE

Start of Block: IKEA buy-back's value proposition

Q13 Did you know that you can now bring your old IKEA furniture back to IKEA?

- ○ Yes
- ○ Yes, but I am not interested
- ○ No
- ○ No, but I am not interested

Q14 **Buy-back program**

IKEA’s buy-back program is an initiative targeted towards consumers, who wish to acquire new furniture and no longer have a need for their old ones. To reduce this waste consumption problem and create additional value, IKEA has decided to offer a solution. The idea is to allow customers to return their used IKEA furniture back to the shop, and in return receive a compensation in form of an IKEA’s voucher, based on the quality of the items sold, ranging from 30 to 50% of the purchasing value. The product that can be returned are only certain type of furniture and the product must be returned fully assembled at an IKEA store. A first assessment online is available to understand the possible revenue and when it is possible to do the return. The returned furniture will be sold at the IKEA store in a specific section of the shop.

Based on the service described above, what would affect your willingness to use it? Please select the amount of stars based on how much these factors matter to you.

Compensation for returning	☆	☆	☆	☆	☆
Value/Amount of the compensation	☆	☆	☆	☆	☆
Return process (online assessment including information about compensation,	☆	☆	☆	☆	☆

appointment scheduling)					
Span of products that can be returned	☆	☆	☆	☆	☆
Need to get rid of the product	☆	☆	☆	☆	☆
Personal fulfillment	☆	☆	☆	☆	☆
Ease of return (transportation, disassembling process, etc...)	☆	☆	☆	☆	☆
Location proximity	☆	☆	☆	☆	☆
Economic return	☆	☆	☆	☆	☆
Opportunity to have other types of rewards	☆	☆	☆	☆	☆

Q15 If you wanted to return and sell your old IKEA furniture, how would you like to return it?

- ○ Request the return online and pay for home pick-up without disassembling the furniture
- ○ Request the return online and pay for home pick-up and disassembling service
- ○ Request the return online and pay for home pick-up and you will disassemble it yourself
- ○ Bring it yourself to the store fully built
- ○ Bring it yourself to the store unbuilt

Q16 Based on the service described above, what would affect your willingness to buy IKEA's second-hand furniture? Please select the amount of stars based on how much these factors matter to you.

Price	☆	☆	☆	☆	☆
Brand	☆	☆	☆	☆	☆
Design	☆	☆	☆	☆	☆
Convenience	☆	☆	☆	☆	☆
Easiness of use	☆	☆	☆	☆	☆
Perceived quality	☆	☆	☆	☆	☆
Accessibility (easiness of obtaining the product)	☆	☆	☆	☆	☆
Online purchase option	☆	☆	☆	☆	☆

End of Block: IKEA buy-back's value proposition

Start of Block: CE Awareness

Q17 Do you know what circular economy is?

- ○ Yes
- ○ No
- ○ I am not sure/Undecided

Q18 Do people around you know how to recycle?

- ○ Not at all
- ○ Only little
- ○ Somewhat
- ○ To some extent
- ○ To a great extent

Q19 Would your friends buy second-hand furniture?

- Yes
- Yes, but only to spend less
- No
- I am not sure/Undecided

Q20 Where do you think people would most likely buy second-hand furniture?

- Online website
- Second-hand shop
- Social Media platforms
- Others _____

Q21 How much do you think people around you care about sustainability?

Sustainability ☆ ☆ ☆ ☆ ☆

End of Block: CE Awareness

Start of Block: Socio-demographic

Q22 In which country do you currently live?

- Italy
- Denmark

Q23 What is your age?

- 18-25
- 26-35
- 36-45
- 46-55
- 56-100
- Prefer not to disclose

Q24 What is your educational background?

- ○ Unfinished high school diploma
- ○ High school
- ○ Bachelor's degree
- ○ Master's degree
- ○ PhD or higher
- ○ Other
- ○ Prefer not to disclose

Q25 What is your current employment status?

- Student (without employment)
- Student (with part-time employment)
- Part-time employee
- Full-time employee
- Self-employed
- Retired
- Job-seeking
- Housekeeper
- Prefer not to disclose

Q26 Last step: just checking you are not a robot :)

End of Block: Socio-demographic

Appendix 3: **INTERVIEW TRANSCRIPT**

Students

OK. Awesome. The idea of the interview would be to start from general questions about the current IKEA status. So which business model you have implemented and in which loop you implemented them based on refurbish, reuse, remanufacturing and recycling, and just a general idea about the transition status. Then we wanted to ask you more detailed questions regarding the relationship with the customer. If you've noticed any changes, if you have also analyzed any data from before starting transitioning and afterwards, because we started looking into it and we assumed that the circular business model can drive customer retention from one side, but on the other side there are other aspects that we are looking into that can make IKEA lose customers in the process. So we want to explore if you know anything about that. And then finally since IKEA is a multinational company, our last question will be about how the international perspective is affecting the transition and the relationship with the customer.

So, the first question would be, if you can explain what it means for IKEA to have adopted a circular model and if you can explain how did you develop it, in the concept of the Ellen McArthur loops, such as reuse, refurbishment, remanufacturing, and recycle; which activities did you do?

Monica Keaney

Yeah. So, I think it might be good to just start with a little description of how IKEA is organized in case, I don't know how much research you've done before and if you know it all already then you're probably further along than many of us because it's very complicated. But in a nutshell, it's even more complicated than this, but to simplify it, we're sort of two companies really: Inter IKEA, which is the company that makes and designs all of our products; and then the Inka group, which is the company that manages the majority of the retail operations. There are a couple other retailer franchises, but all of the IKEAs that you will see in Europe, North America, China, Australia, I mean, those are all Ingka retailers. So we have a bit of a sort of split in responsibility of how we manage the whole company, of how the products are made and designed and produced and manufactured and transported, sitting with Inter IKEA, and then

the retail operations, meaning how they actually make their way to the customer (and in a circular world back again) sits within the Ingka group, but there's of course quite a lot of, yeah, collaboration between the two. So this is just to set the scene a little bit, because when we talk around circularity, both companies are working very hard, concretely with how to become more circular. And I don't want to speak too much on behalf of Inter IKEA because I think they could explain their work in more detail. But we're mainly focusing on a sort of the design phase. How are we designing and creating products that are more circular from the start. So we have come, these sort of design principles that IKEA always works with, these democratic design principles and those have been upgraded in the past couple of years to include circularity in all of those areas.

So we're making sure that products are designed from the beginning to be more easily repaired, to be refurbished, to be maybe combined with each other, to be able to grow or shrink, that spare parts become more uniform so that you can use the same ones for different products, etc.

So that's the whole approach to prolonging product life and shape is a part of the design phase, even more so than it's ever been.

And so that's kind of how they work from the design stage to actually to handle, yeah, all of the all of the loops from the MacArthur Foundation, because recyclability is also part of that. How are we combining material so that it's easy to separate them, so that they can eventually be remanufactured or recycled as the last step?

And then you could say the Ingka-side-of-things is how we work more with the customer and that we're working really our sort of main focus on circularity is, well, of course recycling that, but that is sort of the, yeah, the basic you could say level to ensure that we're in a waste hierarchy that we're eliminating landfill and incineration from possible waste options and recycling being the sort of the last resort, and also working a lot on reuse, both kind of directly in our own operations, but also how we interact with customers, how we inform them about how they can prolong the life of their products, how they can upgrade them, how they can personalize them.

And then more even more concretely, I would say on the reuse. So with an initiative that we've started, it's kind of like, I would say more to like the flagship initiative around reuse that we've

started this past year on buyback and resell, which I know you were familiar with from the question. So how we ensure that we have take back schemes to recirculate the same product in its intended use as many times as possible.
So that's kind of in a nutshell the way that the two parts of the IKEA world are thinking of circularity, both from the design phase because we're not going to solve it if it's just about the products we have today. The products have to be made differently from the get-go, but then also in the usage and the customer interaction phase, how are we ensuring that there's ways to prolong them as much as possible, reuse them, and take them back into our own systems.

Students
And so I may ask you, what do you think are the loops where you think IKEA has more customer interaction or where the customer is involved the most?

Monica Keaney
Uhm.

Students
I guess in the buyback since they have to bring back the items, right?

Monica Keaney
Yeah, I would say, you know, reuse, for sure is the most, uhm, I guess the most customer, yeah, facing, you could say. Refurbishment is also something that is going to happen with interaction with the customer. Remanufacturing, I mean we of course need to have the system in place to get the products back.
So I mean, in many ways customers need to be a part of the whole process. And I think the most obvious interaction is maybe reuse. But I think that's why your project is really spot on because the customer has to be there, there's no circular products if they don't take on that second life and that has to happen, you know the customer has the responsibility to do that. But we have the responsibility to create all of that infrastructure and easy customer journey so that it's the obvious thing to do.

But the customer is a key part in actually seeing it, seeing the interaction change from just you buying from us, you take it home and you use it to how are we creating kind of a yeah, more loops in the future.

Students

Yeah. So you basically don't see the buyback initiative as being part of the other two loops, right?

Monica Keaney

Uhm, not ideally. I mean it. It is to some degree, of course. I mean, everything we take back is handled responsibly and that means that if anything should break or that we ensure it gets recycled as well. But the main purpose of the buyback system is to reuse. It's not to remanufacture or to recycle, at least not in its current form.

Students

So did you experience any changes in the relationship between IKEA and its customers after implementing the buyback program or the opportunity to prolong the products' life without buying spare parts? Do you believe you've built a stronger relationship with your customers? Do you have any analysis on how the customer accepted this initiative or if there were shifts or something, like an increase in customer loyalty, retention, CLTV, or anything?

Monica Keaney

Yeah, yeah, it was just gonna say so. We have different brand KPIs that we follow around how we're perceived by our customers, how they perceive our positive impact on society or on the planet, and the trust among our customers. Do they trust us as a retailer and so we can follow those KPIs, which we of course hope are influenced by these initiatives. We can't draw, you know, a very direct correlation. But I think it's fair to say that we tend to see those increases when we launch initiatives like this . So I think from a sort of overall perception of our brand and of us as a company, we do see the impact of initiatives like the buyback service. But in terms of customer loyalty, and how this influences their overall, you know, experience, I think one

thing that I think is really interesting about your project is that we do still have challenges with these services around, you know, convenience for example being a big one. I mean the buyback service as it runs now, you as the customer need to physically come back to the store with your assembled product after you've gone through the web form and made sure that it's something that we do take back, you know, and that is quite a lot to ask. Load up your bookshelf or dining room table, and take it back to IKEA fully assembled to sell it back to us. And so I think we need to make longer strides in making our circular service offer just as convenient as any other new offer we would be bringing to customers and have that same, uhm, expectation, because we know that that's, uhm, you know, the uptake of services like these, they need to be just as convenient, accessible and easy to use as anything else we offer for it to really have a long life and a long future. So that's an area that needs to be worked on.

Students

Yeah, it would just be a burden for the customer otherwise.

Monica Keaney

Yeah, exactly. Or at least it's not. You know, we're not wowing them. We're not giving them this truly great customer experience by eliminating all the barriers to participating in a circular economy, we're still asking a lot of the customer, which we have tried to eliminate asking in all of the other areas of the business. You know, as we become more digital and omnichannel and how we approach customer behavior, we need to make sure we do the same when it comes to our circular services and offers are developing.

Students

Yeah. So if you had to sum up the specific value that you want to offer to the customer with the circular model, which would it be.

Monica Keaney

Uhm, I would say in the ideal form it should be a convenient, easy to use, easily accessible circular option for how to dispose of or get rid of products that you're no longer interested in. And I think that's where it has room for improvement, where we made the offer today, but we still have work to make it even more accessible and convenient as it needs to be.

Students

In regard to what you were saying before, which would be the KPIs that you mainly consider in assessing these initiatives?

Monica Keaney

Yeah, so we have KPIs around the number of products that we buy back, their resale rate, and how quickly they get resold in our circular, like a second-hand shop in the store. Or, uhm yeah, another kind of more detailed look at how those operations run, you could say. We also, of course, track customer satisfaction. We have what we call a happy customer score. But we don't have for example, a way of judging customer satisfaction specifically on this service, we've done interviews and case studies and sort of analysis with customers. But it's not a KPI per se that gets tracked overtime, it's sort of the overall customer satisfaction and then the overall buyback KPIs.

Students

In terms of customer retention, do you track how many customers come back through the buyback program or maybe through the family card or anything?

Monica Keaney

Yeah, exactly. I'm trying to think. We always encourage any customer to show their family card when purchasing, whether they're purchasing or buying back, but to be honest, that's a good question. I don't actually know if we can pull that data on how many customers are, yeah, return customers that use the buyback service. That's a good question.

Students

And would it be possible for you to disclose or provide us with some specific data regarding some of these KPIs in order for us to assess the general customer retention or yeah, the general relationship with the customer.

Monica Keaney

Uhm, I will have to check. They're not all KPI's that I sort of own, like our customer satisfaction scores and happy customer scores. Those are little outside of my area. So, I will need to check with colleagues to see if that's something that we normally give out.

Students

Yeah well, like the comeback rate or anything related to it. It would be really helpful for our research. It doesn't really have to be just numbers, but also if you have like a wrap up or a summary regarding the customer and how they've changed - before implementing the buyback program and after the implementation.

Monica Keaney

Yeah. I would be nervous to draw too much of a link between when we've launched a services like this and our overall customer satisfaction scores, you know, even in there really successful periods, it's a small portion of customers participating right now, come and particularly given how much operations have changed over the past two years, moving from, you know, I can't remember what percentage we have that purchase online in 2019 versus 2021, for example. I don't know if that would be a really valid correlation to make, but let me check with some colleagues and see here what kind of data around our brand KPIs we can share with you.

Students

Yeah, that would be great. Thank you so much. So. Uhm, yes, OK, we can go more towards the international part. And I wanted to ask you where did you start developing in around 20 countries, their buyback program. If I'm not mistaken and if you saw any differences between the countries on how the customer reacted to the initiative? We adopted the same approach or

yeah, this team model within all the countries or if you had to do, uh, if you had to adapt it based on the different countries.

Monica Keaney

Yeah. So, I'll just start by saying I don't have details on a really detailed look at every country. I'm only responsible here, in Denmark. So I've known from some colleagues, but I wouldn't be able to give you the full picture. But generally speaking, how it works is we have a global SOP, or standard operating procedure, that guides how a new, any sort of new service or initiative that is going to operate on a global scale or at least on a partially global scale, should get implemented in each country. But that's mainly for the IKEA side of it, you could say. So how it should be implemented within our IKEA operations, and those do run fairly similarly in every market or in every country. So we have a quite similar structure in each store on what kind of department handles what, what sort of responsibilities they have. So when this kind of a guideline comes globally, that gets implemented. I would say more or less uniformly in every country, but that's looking at specifically, really, how does the internal operations of a service like this work, which is a huge amount of work that has to get adapted and changed to take products back into our process. So the digital journey, for example, how it should be set up on each country's website. Uhm, the teams that actually receive it? What should the process go to evaluate the product? What sort of condition are they in? How do we price them more or less? How do they sort of move through all of our systems? So that is somewhat uniform across all the countries. I would say that where it differs, and I can sort of only speak really on behalf of Denmark but I think it's quite similar in other countries, is the communication and the marketing and how we talk about an initiative like this, how we sort of invite customers to use it. Is it something that they're really familiar with already? Is it something that we do normally in society? Is this really new? Is it kind of taboo to buy or sell second hand? So all of that will have to get localized to the specific country that you're in, if it, you know, if it's culturally just very normal to buy used items or if that's something that's new and people need to acclimate to what that means and why we do it. So there's a bit of a split kind of IKEA side of it, and then the more customer-facing side that gets more localization, you could say.

Students

So we could say that there is a sort of common backbone of the business model for every country and then there is a slight adaptation among different cultures. Basically, the business model you would say it's the same, right? At least the main structure of it. Also, according to the literature, the circular economy is very embedded within the ecosystem. So the question is: is it possible to create a business model that it's not so locally embedded? So what do you think in regards to this affirmation?

Monica Keaney

Yeah. Again, where my thinking is, for a company like IKEA that operates globally, of course, there are local conditions that have to get incorporated in everything we do in any kind of sales and services that we offer, and but there is also with any large multinational corporation that has outputs around the world, there's some kind of uniformity to allow operations to simply happen up so that you know what comes from your, yeah, what we call it, it's like a matrix organization, which maybe you also know about where you operate within your local company and your local context, but you have a matrix that alliance globally on how certain operations should run in order to make sure that we are somewhat aligned in when IKEA does something and wants to make a change at a global level, that it doesn't look drastically different all across the world, country to country; also for efficiency to streamline, if every country had to create from scratch an operating procedure of how to put this on their website, take it back through the store, log in in their systems. I mean, that's so inefficient. So we can't realistically operate like that.

Students

Yeah.

Monica Keaney

Uhm, so I think. For us to sort of use our size, and you could say the power that comes with our size, there does need to be some degree of uniformity to be able to have these processes operate at a scale that makes them come with the sort of impact that we want. The downside

of that, of course, is that it doesn't get perfectly localized. I mean, there's parts of our global operating procedure that, you know, uh, we take in Denmark, and we think “oh, it would be really nice if we could do this or this instead”.
Uhm, but I think understanding the impact that comes from having a common structure and a common organization across all of our markets, again at least in the backbone, in the skeleton of the service, is so valuable that it is worth those compromises.
And then again, all of that localization of how we share it with the customer, how we get a customer to understand what this service is take part in it, what should be coming back, what kind of state should it be in, all of that has to get localized completely so that the customer-facing side of it is still very much something that has to get developed locally in connection with the customers.

Students

OK. I mean and and do you so do you think that UM this aspect is in in a in their care case is the also shaped by the fact that IKEA already has this global structured so like for instance as you said like the operation and you already have let's say they were sources for instance uh of in order to create it or you think any company could uh could aim for the same? Let's say I have the same business model as the operation model everywhere or do you think it's a IKEA case that you know you already have a lot of shops everywhere in the world that it's, I don't know. Is that from outside the I mean if I have to bring back a huge library and I am a small shop it's I don't know even where to feed them. So do you think the resources that IKEA has also shaped is an opportunity of. Uh it creates a global model or?

Monica Keaney

I'm not sure if I understand you correctly, but if you’re referring to our model, it obviously won't work for any type of company, but I think for any company at a scale like IKEA’s, I think it would be, you know, again, it's not to downplay the importance of localization and adapting to your local market 'cause that's crucial that customers are going to take up a service. But I think it would be strange and sort of working against the things that help you, that give you some kind of advantage. You know, we have so many challenges in becoming circular in IKEA, partially

because of our size and how enormous we are, how complicated our value chains are, our operations, just how many moving parts need to be aligned and in sync and moving at the same pace, and that can move much slower in a really big organization like IKEA then it can in smaller companies that can be quick and agile and make a decision and that's that.
But the benefit of a company like IKEA is that we have to then use the same thing that is our challenge. It also has to be the thing that helps us achieve what we want to achieve. So using our size, using the ability to implement something out of scale that a smaller company couldn't even if it comes with some compromises or making it a little more uniform than maybe it could ideally be, I think that's a trade off that is worth making, that we have to make, that any large company has to make otherwise the characteristics of your company that have been working towards your advantage for so many years like your size, your economy of scale, uhm, those have to keep working for you in a circular transition as well. It would be a little bit strange to ignore what has been built up for so long in a linear way of operating. If it makes sense what I'm saying? I mean to use the things that we already have going for us to make that circular transition. Uhm yeah.

Students
Can I ask you to be more specific when you say you have challenges, so which kind of challenges do you have in this transition?

Monica Keaney
Yeah, I mean, we sell about, you know, depending on what country you're in, somewhere between 10 and 15,000 products in our range when you walk through an IKEA. So all of those products need to go through a redesign process, have materials procured the right way, and be created to meet new standards of use in a circular economy.
Uhm, that's of course the challenge to have been built up over, you know, 70 years of being a linear economy, to shift that kind of scale to becoming fully circular. I mean there are challenges in every part of the value chain.
Yeah. How we produce, how we get our materials, how we design, how we sell. How we interact with our customers. There are challenges in every link, I would say; however, there's also a

huge opportunity in every link, and the potential of solving those challenges is sort of what we are seeing progress year on year. Uhm, but I mean we are a retailer and that's been there for the past 70 years: you build up a business model made on selling more things and when the entire economy needs to shift away from solely that way of thinking, we need to think far more holistically around what are we selling? How long is it going to last? How will it be used? What material is it made of? How were they made? Where were they made? How did they get where they needed to go? And that's a super complex puzzle to solve.

Students

How do you think that this circular initiative could grow or scale at the international level?

Monica Keaney

The buyback initiative, you mean, yeah.

Students

Yeah.

Monica Keaney

We've had a lot of different crises in the past two years that we've had to navigate as a planet and society, and as a company. I think sometimes it should also, you know, shed some light on where there are opportunities to shift gears a little bit. And I know that when we are, for example, the sort of value chain crisis that so many retailers, including us, have been struck by the past year or so. I think that's something that we're only going to see more of, whether it's related to a pandemic or a war or climate change and resource scarcity, recognizing the business potential in the things you've sold that are already here in your country and recirculating in other platforms through other consumers, through other companies. I think noticing the business opportunity there is a huge potential. And so I think recognizing what this can do for us in terms of future proofing ourselves for future crises, not being so reliant solely on a global value chain, but being able to tap into the fantastic products that we have already sold here in our own

country and find a way to give that money even further life. I think that's kind of an optimal solution and sort of way that appeases everybody in the organization.

Students

You were saying that you sell 10 to 15,000 items or more.

Monica Keaney

I think something like that. Maybe not quote me on that, but I think it's around that.

Students

Yeah, don’t worry. Do you think this wide range portfolio is also affecting the opportunity of creating the buyback program? I mean, do you think that the size of the portfolio could affect the customer perception of being involved in the buyback program?

Monica Keaney

Umm, well, so right now the buyback program is only available for certain types of products too. So you couldn't sell back your coffee mug even if it was in perfect shape - operations of reverse sales are just not advanced enough with us yet to be able to offer it for everything, so that's the first challenge: the customer can't just rely on the fact that whatever I have that's IKEA, I can take back to them. You know, there's already that first hurdle of assessing that it’s only a certain type of product. I think in a perfect world we make that customer journey easy and seamless from the start. But I think for the most part, our customers do tend to think this. There's sort of a balance between them understanding that this is something entirely new that this company is doing. And I think they also tend to understand that it's IKEA, that it isn't your local shop that maybe is doing this in a handmade way or made their own system and they can make a lot of exceptions. There are things that come with our scale and our structure, meaning that we have to move in a certain way at a certain pace. So I think there's some kind of general understanding of why we start with a limited range, why we can't take back everything right from the start, that we need to learn how we do this, how do we do it successfully, how do we do it profitably. And then we can hopefully develop and expand it. But then on the flip side, we don't want our

customers to even have to understand that we would like to just be able to offer them everything they want in a circular way. But the reality of a green transition is that you have to move in steps and that can sometimes be frustrating when you want to see the full progress happen more quickly than it is, but it is the reality.

Students

Have you ever thought about getting back some of the products in order to reuse their materials, like spare parts? Since you mentioned the mugs before, have you already thought about letting the customer bring them back and instead of reselling them, use the resources coming from it - which would be refurbishing, right?

Monica Keaney

Yeah. So we did that already today. If there's anything that's been brought back, we take it back and let's say then we realize part of it is broken, or it would get broken under transport or something like that, we would always harvest it for spare parts. So we have a huge spare parts library in each store that they have been building up over the years. It's not the ideal scenario, also looking at you know, waste hierarchies, we always want to reuse the product in its original form, that is the least impactful option. So as much as possible getting further use out of it and its intended form. But then of course, yeah, harvesting for spare parts and recycling the components that can't be used again is definitely the next layer.

Students

In terms of customer awareness, what do you would take in order to implement initiatives to engage customers to let them want to be part of the buyback program?

Monica Keaney

Well, I think they want to already, I think, uh, I think awareness helps a lot. So when we had our Green Friday campaign where we really put a lot of marketing and communication focus on this buyback and resell service, we saw a big jump in the number of Danes as a society that were aware of. The service in the first place.

So that shows us that, you know, there's a reason that marketing and communications teams exist. I mean they really get the message out there that these things exist so that you can take part in them. So I think awareness is the first thing, especially for something like this. People don't immediately assume you can do this with IKEA, so it's not an obvious thought in people's heads if they haven't heard about it before. So spreading that awareness is kind of #1. Sometimes it's about creating incentives to get people to take part, but other times it's more about removing the barriers that are preventing them from taking part. And I think that's in my mind a little bit where we are now. Well, not that we don't also have work to do to develop the service, but to remove some of the barriers of being part of it. I mean, we have surveys on what our customers think about sustainability and circularity and wanting to live more sustainable but not really understanding exactly how or what's the impact of the different things they can do. So we know that the desire is there. I think it is, it is on us to communicate first that it exists in its initial form and then remove the barriers for why it might not be as attractive today as it could be like for example the convenience factor.

Students

I see, so it is mainly a communication effort. Don't you nudge them in any way possible by offering, I don't know, a 2 for 1 vouchers or any other?

Monica Keaney

Yeah, we do plenty of that too. So that was part of the Green Friday Campaign - the double-up voucher: during that period you'd get double of what your voucher would normally be worth.

Students

But that was for just the launch period, wasn't it?

Monica Keaney

Yeah, but that will probably come in some form or another again. Because when you come with a big push, there needs to be some kind of carrot involved as well. That's why I say it's both communication and barrier removal because the communication is, yes, making more

awareness but that doesn't mean we don't have a lot of work to do to develop the service and make it easier and simpler and change our operations even further. But it is like a step by step process.

Students

We know that there is this concept of consumption work, which is basically how much the customer has to work in order to actually consume the product. Scholars have started looking into this topic. Do you believe that it might affect the willingness of the customer to participate in the process?

Monica Keaney

Yeah. I mean, the two biggest deciders in a purchase are cost and convenience. It isn't sustainability, unfortunately, but that is just the reality of what our consumers tell us today. So that means that we need to infuse all of those things with sustainability, that they we can't rely on us just offering a circular service that's enough to expect a customer to take part, it has to make it as convenient and accessible and easy to use as any other service or offer we might be developing any other you know. Could we pick them up in peoples homes? And the reason why I focus so much on this is because we are not only on a circular journey, but also on a digitalizing journey and becoming a far more digitized and omnichannel company. And I think that's where we do really have work to do to combine those two transformations so that they aren't happening simultaneously but more that they're happening at work together that they're integrated in each other. Because I think there's a big risk if we separate them into two separate streams. We know that's what our customers today want and need and if sustainability and circularities are not part of that, then it's, uh, it's gonna take second class you could say.

Students

In terms of other economic initiatives other than the buyback program, do you have any other specific initiative that you're proud of that our customer is facing?

Monica Keaney

Let's see. So that I mean that's what I would call our flagship one. In the same time period over the past year or so, we've also transformed the area of the store where we then sell those secondhand products. And so in Denmark, it used to be called "...", which means like a messy shop, essentially, in Danish, which is just kind of known as our bargain corner in IKEA. So it's by the cash line and it's where we sell products that have been in the showroom or that our customers or have some kind of like a scratch or a dent or something like that. It's traditionally been built up around cost saving. Of course, we see that these are valuable products. We're not going to throw them away just because they're not in the perfect form that a customer would expect a normal product to be in.

But we're still going to sell them and and so adapting that model and kind of infusing it with more of a circular mindset, I think is a really exciting sort of yeah, customer facing journey that we're on, so that it's now understanding these products are not just, uhm, like a good deal, but sort of raising a little more awareness on why it's a really good idea to buy from this area of the store. But not only that, we're also working to develop the kind of interaction side of it. So running workshops and seminars around how you actually take care of your products at home? What kind of knowledge do our interior designers and repair men and women have on how you can, you know, prolong the life of a product or maybe upgrade it or personalize it, so that we give a little bit more effect that like knowledge and competence out to customers as well.

Students

A short example concerning my brother. He broke his bed and he managed to buy one of the spare parts. Do you believe this is also part of your circular initiatives?

Monica Keaney

Yes, hugely! Spare parts is crucial, and that's also been something that is in the works right now to make that process easier and broader so that it's not only, uhm, like the assembly parts, that you can get spare parts for free, but that you, yeah, if you break the leg of your bed or your chair or sofa, that you can get just that part. I have a cat who was just scratching on the side of my sofa and I don't want a new sofa. But I'm sick of looking at the scratched up arm parts. But

then it's the first design, so the sofa has to be designed so that I can take off the individual components that they each come with, you know that they're sort of an individual layer. So that I can take that part off to exchange the cover hopefully only. And so the interior stays functional as it is. And then I end up instead of with a wasted sofa, I end up with, you know, a wasted like half square meter of fabric, let's say, which hopefully I have a good recycling solution for or I could turn into something bigger.
But you know, we also can't be naive that we can constantly and forever reuse everything, so it's also about how we keep prolonging the life for as much of the product as possible in different formats.

Students
Ok. And in terms of the other three loops that you didn't mention, like the refurbishment, the recycling and the remanufacturing, do you have any initiatives there?

Monica Keaney
Yeah, I mean refurbishment, uhm, you know a lot of that is a bit related to personalization and upgrading too. So for example sofa covers: can we either repair or restore value by again thinking of the product in different layers and trying to solve one of those layers.

Students
Like the example of the leg of the chair, table, etc.

Monica Keaney
Yeah, exactly. Like a chair leg or sofa cover or something like that. So I think there's definitely a lot happening there. I would say it's probably more in the communication and inspiration stage. How can we sort of make those steps easier and more accessible for customers? But I think spare parts are also a part of that, because you know, could we also move to the point where you can then turn a product into something else, kind of with the help of IKEA, so that we have a bigger spare parts “library” available to you to choose from. Uhm, remanufacturing is a little out of my area of expertise, so I would say that's sort of sits back with the Inter IKEA

that I mentioned first around product design and development. And I think it's, in my own assessment, I guess I would say it's sort of the least far along right now, at least from my understanding, at least from us here in Denmark. I think there might be other markets we operate in that they have been working more extensively with it where they already have sort of worked at closing the loop even more perhaps because in some instances, let's say if the recycling infrastructure or the reuse infrastructure in that country isn't very strong, then the approach that IKEA takes to take back its own products kind of go even further than in a country or in a system that has infrastructure in place to better manage waste and recycling.

Students

Ok, so the one more related to circularity and a customer relationship would be the first one we use, which is reuse.

Monica Keaney

I think at least today, I think so, yeah. Again, I think they're all really the customer that has to be involved in all of them. But for us right now, that's kind of the biggest focus.

Students

Considering that with the buyback program, the customers can see how you treat the products or like all the spare parts, do you believe this is increasing the trust that customers have towards IKEA?

Monica Keaney

Yeah, I think definitely, I think, you know, our customers are consumers in society and everybody is to some degree or another aware of our consumption challenges and our overconsumption, frankly, here in a country like Denmark and our excessive waste as a society. And when you are a big company that is known for selling low cost products and people might have a perception that we sell something that you that you could treat poorly and it's fine because you can buy it again at a low cost, I think it's it's very important to show that we don't

think that that's true with our products, actually they can take good care of them and they can last a very long time.

The most sustainable product you can make is one that lasts forever and ever. So I think showing product quality and longevity is the first step and that's also a bit of a proof point in our buyback services to say these products are still good, they've even lived a whole life in someone else's home and they still have a high enough quality that we were reselling them here to you again. So I think that a big part of building trust is not only showing that we want to do this, that we think it's important, but that the products that you will buy from here should be able to last you a long time.

Students

Do you happen to know how the circular business model differs compared to the normal business model? Do you have any specific changes that you have adopted? Like operational, uh, things like operational capabilities, customer relations, etc.

Monica Keaney

Well, I mean, in many ways, uh, everything that changes and there's many like, yeah, nitty gritty challenges you could say. Like for example in IKEA everything has a price tag on it that's like a core tenant of shopping at IKEA is - when you see a product you should know what it costs. There should be no confusion, and how do we put a price tag on things? Like for example, one thing we want to do is start showcasing our second-hand products more visibly elsewhere in the store. I think that would be a fantastic initiative to start trying out.

Uh, but then that comes with what do you do with the price tag? You know, how do you make sure that this product that people can know what it costs when that product is unique and specific because it's only available in this one form here and there might be some product similar down in our circular shop, but there might not. And so we are not designed from scratch to work with circularity in such a customer facing way; I think taking it in our own operations is one thing, but figuring out how we integrated into our customer facing storage journey and digital journey is, uhm, yeah, we're still working on that. I would say to make it an obvious and easy part of any shopping experience with IKEA.

Students

Yeah, because we're trying to draw a framework that includes all these new operations, but we still have to find a way out of it. Like a business model canvas, but one that also includes the loops of the circular economy.

Monica Keaney

Yeah, it's not easy.

Students

Do you think that the economic value has an important role when structuring the buyback program or like the circular economy? How much do you think the economic value has an impact in your opinion?

Monica Keaney

Uhm, I think they’re not willing to pay more, definitely. I think, speaking on behalf of IKEA, they should not have to pay more, that should be part of the attractive offer that we make, where the most sustainable choice becomes the lowest price choice. I think that's uh a key part of any sort of sustainable or circular transition, that there are no barriers for consumers to take part as much as possible. And that's where companies and legislation also need to work together to make sure that we set the right frames so that the right products are getting the right price, so to say.

Yeah. So I think price is crucial. But again from an IKEA standpoint, our business model is built on being low cost retailer and that is also why our circular shop in the store is not only visited by people who are really passionate about circularity and sustainability; in many places it's far more visited by people who are really looking for a good deal, who really want a low price and are perfectly happy with a second hand product because it comes at a lower price point. So for us to remember that is, uh, is crucial. We're not only talking to, you know, green frontrunners, this is actually relevant for everybody in society, since everybody is concerned about costs and the cost of consumer goods. So second hand is a great way to chip away at the price point.

Unfortunately, I'm going to have to run. I have another meeting here at 2:00 o'clock.

Students

Yeah, no worries. Thank you so much. It was, uh, absolutely helpful. We're gonna draw a lot of conclusions, I guess. And yeah, it would be great if you could send us any data you might have.

Monica Keaney

Yes, I will reach out to a colleague right now and see what we can share.

Students

Would you like us to write an email to you with a wrap up of which data we would need?

Monica Keaney

Yeah, that would be even better, yeah.

Students

Well, ok. Thank you again.

Monica Keaney

Super. All right. Well, thank you guys. It was a pleasure chatting with you.

Students

Have a nice day!

Monica Keaney

Thanks. Bye, bye.

Students

Thank you. Bye.

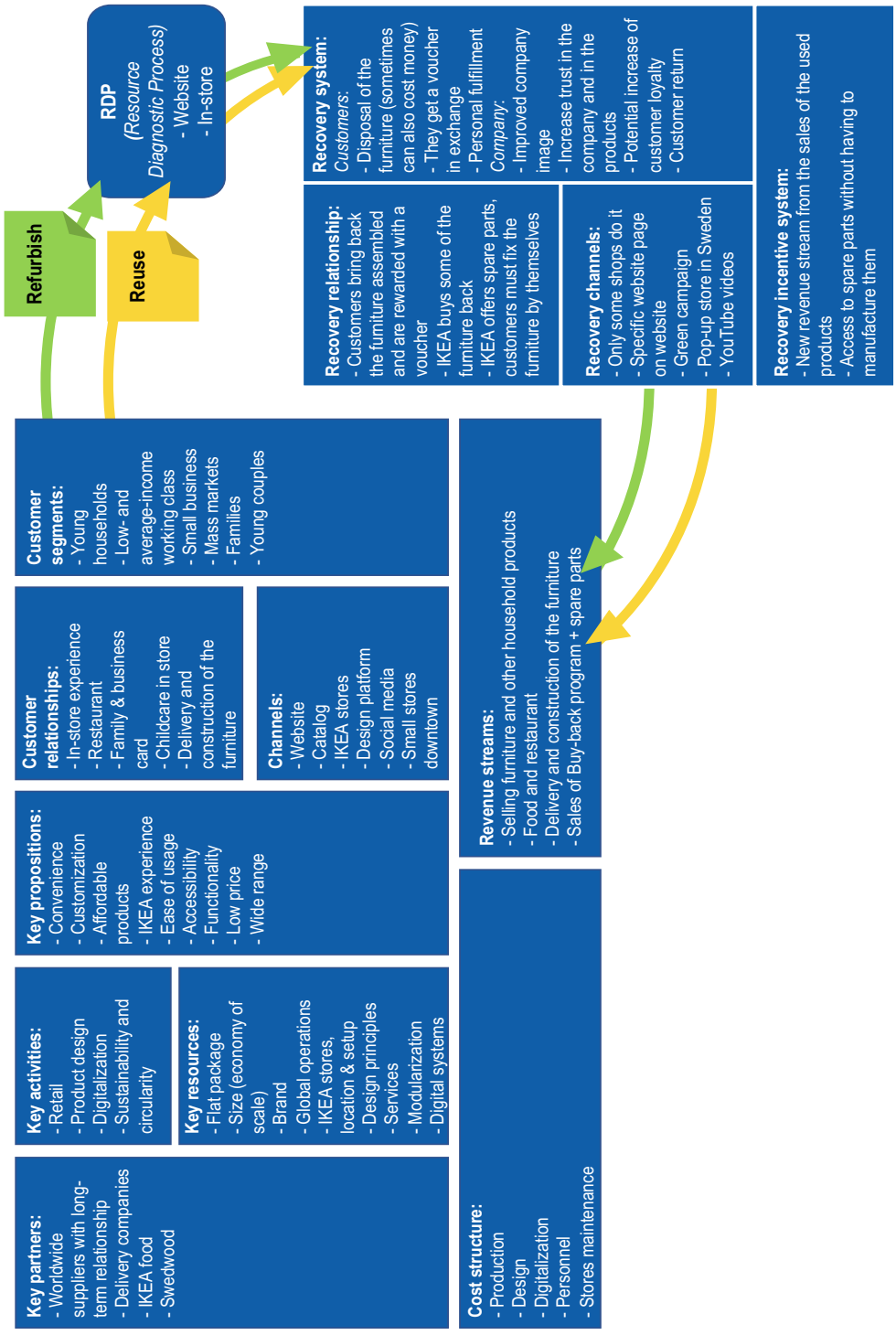
Appendix 4: ***INTERVIEW CODING***

	FIRST ORDER	SECOND ORDER	THIRD ORDER
So using our size, using the ability to implement something out of scale that a smaller company couldn't even if it comes with some compromises or making it a little more uniform than maybe it could ideally be, I think that's a trade off that is worth making, that we have to make, that any large company has to make otherwise the characteristics of your company that have been working towards your advantage for so many years like your size, your economy of scale, uhm, those have to keep working for you in a circular transition as well.	CHARACTERISTICS / ADVANTAGE / RESOURCES	**RESOURCES**	**CIRCULAR ECONOMY TRANSITION**
I mean to use the things that we already have going for us to make that circular transition.	CIRCULAR TRANSITION / RESOURCES		
think understanding the impact that comes from having a common structure and a common organization across all of our markets, again at least in the backbone, in the skeleton of the service, is so valuable that it is worth those compromises.	GLOBAL STRUCTURE		
sort of use our size, and you could say the power that comes with our size, there does need to be some degree of uniformity to be able to have these processes operate at a scale that makes them come with the sort of impact that we want.	SIZE OF THE COMPANY		
And so we are not designed from scratch to work with circularity in such a customer facing way; I think taking it in our own operations is one thing, but figuring out how we integrated into our customer facing storage journey and digital journey is, uhm, yeah, we're still working on that. I would say to make it an obvious and easy part of any shopping experience with IKEA.	DIGITALIZATION + IKEA EXPERIENCE		
So I think there's some kind of general understanding of why we start with a limited range, why we can't take back everything right from the start, that we need to learn how we do this, how do we do it successfully, how do we do it profitably. And then we can hopefully develop and expand it.	TRANSFORMATION PROCESS / LEARNING	**TRANSFORMATION PROCESS**	
recognizing the business potential in the things you've sold that are already here in your country and recirculating in other platforms through other consumers, through other companies. I think noticing the business opportunity there is a huge potential. And so I think recognizing what this can do for us in terms of future proofing ourselves for future crises, not being so reliant solely on a global value chain,	OPPORTUNITIES		
But the reality of a green transition is that you have to move in steps and that can sometimes be frustrating when you want to see the full progress happen more quickly than it is, but it is the reality.	TRANSFORMATION PROCESS		
we have so many challenges in becoming circular in IKEA, partially because of our size and how enormous we are, how complicated our value chains are, our operations, just how many moving parts need to be aligned and in sync and moving at the same pace, and that can move much slower in a really big organization like IKEA then it can in smaller companies that can be quick and agile and make a decision and that's that.,	TRANSFORMATION PROCESS /CHALLENGES		
we sell about, you know, depending on what country you're in, somewhere between 10 and 15,000 products in our range when you walk through an IKEA. So all of those products need to go through a redesign process, have materials procured the right way, and be created to meet new standards of use in a circular economy.	PRODUCT DESIGN	**PRODUCT DESIGN**	
So we're making sure that products are designed from the beginning to be more easily repaired, to be refurbished, to be maybe combined with each other, to be able to grow or shrink, that spare parts become more uniform so that you can use the same ones for different products, etc.	PRODUCT DESIGN		
design principles that IKEA always works with, these democratic design principles and those have been upgraded in the past couple of years to include circularity in all of those areas.	DESIGN PRINCIPLES		
both from the design phase because we're not going to solve it if it's just about the products we have today.	PRODUCT ADAPTATION		
the whole approach to prolonging product life and shape is a part of the design phase,	PRODUCT LIFE / PROLONG	**CIRCULAR BUSINESS MODEL**	
we're in a waste hierarchy that we're eliminating landfill and incineration from possible waste options and recycling being the sort of the the last resort, and also working a lot on reuse, both kind of directly in our own operations	WASTE MANAGEMENT		
we also can't be naive that we can constantly and forever reuse everything, so it's also about how do we keep prolonging the life for as much of the product as possible in different formats.	REUSE		
Spare parts is crucial, and that's also been something that is in the works right now to make that process easier and broader so that it's not only, uhm, like the assembly parts, that you can get spare parts for free, but that you, yeah, if you break the leg of your bed or your chair or sofa, that you can get just that part	REFURBISH		
everything we take back is handled responsibly and that means that if anything should break or that we ensure it gets recycled as well. But the main purpose of the buyback system is to reuse. It's not to remanufacture or to recycle, at least not in its current form.	REUSE		
recycling being the sort of the the last resort	RECYCLING		

	FIRST ORDER	SECOND ORDER	THIRD ORDER
reuse, for sure is the most, uhm, I guess the most customer, yeah, facing, you could say. Refurbishment is also something that is going to happen with interaction with the customer. Remanufacturing, I mean we of course need to have the system in place to get the products back	CUSTOMER INVOLVEMENT	CUSTOMER INVOLVEMENT	CUSTOMER VALUE PROPOSITION
The products have to be made differently from the get-go, but then also in the usage and the customer interaction phase, how are we ensuring that there's ways to prolong them as much as possible, reuse them, and take them back into our own systems.	CUSTOMER INTERACTION		
seeing the interaction change from just you buying from us, you take it home and you use it to how are we creating kind of a yeah, more loops in the future.	CUSTOMER RELATIONSHIP		
customers need to be a part of the whole process	CUSTOMER INVOLVEMENT		
I think they're all really the customer that has to be involved in all of them. But for us right now, that's kind of the biggest focus.	CUSTOMER INVOLVEMENT		
many ways customers need to be a part of the whole process. And I think the most obvious interaction is maybe reuse. But I think that's why your project is really spot on because the customer has to be there, there's no circular products if they don't take on that second life and that has to happen, you know the customer has the responsibility to do that.	CUSTOMER INVOLVEMENT		
So I think showing product quality and longevity is the first step and that's also a bit of a proof point in our buyback services to say these products are still good, they've even lived a whole life in someone else's home and they still have a high enough quality that we were reselling them here to you again.-	TRUST	VALUE PROPOSITION	
I think they're not willing to pay more, definitely. I think, speaking on behalf of IKEA, they should not have to pay more, that should be part of the attractive offer that we make, where the most sustainable choice becomes the lowest price choice.	PRICE		
I think that's uh a key part of any sort of sustainable or circular transition, that there are no barriers for consumers to take part as much as possible	ACCESSIBILITY		
I think it's fair to say that we tend to see those increases when we launch initiatives like this . So I think from a sort of overall perception of our brand and of us as a company, we do see the impact of initiatives like the buyback service.	BRAND / CUSTOMER PERCEPTION		
we do still have challenges with these services around, you know, convenience for example being a big one.	CONVENIENCE		
think we need to make longer strides in making our circular service offer just as convenient as any other new offer we would be bringing to customers and have that same expectation, because we know that that's the uptake of services like these, they need to be just as convenient, accessible and easy to use as anything else we offer for it to really have a long life and a long future.	CONVENIENCE + ACCESSIBILITY + EASE OF USAGE + PROLONG THE LIFE		
we have the responsibility to create all of that infrastructure and easy customer journey so that it's the obvious thing to do.	ACCESSIBILITY / EASE OF USAGE		
when you are a big company that is known for selling low cost products and people might have a perception that we sell something that you that you could treat poorly and it's fine because you can buy it again at a low cost, I think it's it's very important to show that we don't think that that's true with our products, actually they can take good care of them and they can last a very long time.	PERCEIVED QUALITY		
two biggest deciders in a purchase are cost and convenience. It isn't sustainability, unfortunately, but that is just the reality of what our consumers tell us today.	PURCHASE / VALUE DRIVERS		
as we become more digital and omnichannel and how we approach customer behavior, we need to make sure we do the same when it comes to our circular services and offers are developing.	CUSTOMER BEHAVIOR + DIGITALIZATION		
convenient, easy to use, easily accessible circular option for how to dispose of or get rid of products that you're no longer interested in. And I think that's where it has room for improvement, where we made the offer today, but we still have work to make it even more accessible and convenient as it needs to be.	VALUE PROPOSITION		
we can't rely on us just offering a circular service that's enough to expect a customer to take part, it has to make it as convenient and accessible and easy to use as any other service or offer we might be developing any other you know.	VALUE PROPOSITION		
you build up a business model made on selling more things and when the entire economy needs to shift away from solely that way of thinking, we need to think far more holistically around what are we selling? How long is it going to last? How will it be used? What material is it made of? How were they made? Where were they made? How did they get where they needed to go? And that's a super complex puzzle to solve.	VALUE PROPOSITION		
So I think price is crucial. But again from an IKEA standpoint, our business model is built on being low cost retailer and that is also why our circular shop in the store is not only visited by people who are really passionate about circularity and sustainability; in many places it's far more visited by people who are really looking for a good deal, who really want a low price and are perfectly happy with a second hand product because it comes at a lower price point.	CUSTOMER SEGMENT		
we're not wowing them. We're not giving them this truly great customer experience by eliminating all the barriers to participating in a circular economy, we're still asking a lot of the customer, which we have tried to eliminate asking in all of the other areas of the business.	CUSTOMER EXPERIENCE + CONSUMPTION WORK	CONSUMPTION WORK	
we're still asking a lot of the customer, which we have tried to eliminate asking in all of the other areas of the business.	CONSUMPTION WORK		
I think definitely, I think, you know, our customers are consumers in society and everybody is to some degree or another aware of our consumption challenges and our overconsumption	AWARNESS	AWARNESS	
reuse, both kind of directly in our own operations, but also how we interact with customers, how we inform them about how they can prolong the life of their products, how they can upgrade them, how they can personalize them.	AWARNESS		
awareness is the first thing, especially for something like this. People don't immediately assume you can do this with IKEA, so it's not an obvious thought in people's heads if they haven't heard about it before. So spreading that awareness is kind of #1. Sometimes it's about creating incentives to get people to take part, but other times it's more about removing the barriers that are preventing them from taking part.	AWARENESS		
So we know that the desire is there. I think it is, it is on us to communicate first that it exists in its initial form and then remove the barriers for why it might not be as attractive today as it could be like for example the convenience factor.	AWARENESS / BARRIERS		
we're also working to develop the kind of interaction side of it. So running workshops and seminars around how you actually take care of your products at home?	AWARENESS		
so that's the first challenge: the customer can't just rely on the fact that whatever I have that's IKEA, I can take back to them. You know, there's already that first hurdle of assessing that it's only a certain type of product.	RESOURCE DIAGNOSTIC PROCESS / CUSTOMER NEEDS		
How can we sort of make those steps easier and more accessible for customers? But I think spare parts are also a part of that, because you know, could we also move to the point where you can then turn a product into something else, kind of with the help of IKEA, so that we have a bigger spare parts "library" available to you to choose from.	SPARE PARTS / RESOURCES / VALUE PROPOSITION		
all of that localization of how we share it with the customer, how we get a customer to understand what this service is take part in it, what should be coming back, what kind of state should it be in, all of that has to get localized completely so that the customer-facing side of it is still very much something that has to get developed locally in connection with the customers.	LOCALIZATION / CUSTOMER INTERACTION		

	FIRST ORDER	SECOND ORDER	THIRD ORDER
it's like a matrix organization, which maybe you also know about where you operate within your local company and your local context, but you have a matrix that alliance globally on how certain operations should run in order to make sure that we are somewhat aligned in when IKEA does something and wants to make a change at a global level, that it doesn't look drastically different all across the world, country to country; also for efficiency to streamline, if every country had to create from scratch an operating procedure of how to put this on their website, take it back through the store, log in in their systems	RESOURCES / GLOBAL STRUCTURE / LOCAL ADAPTATION	**LOCALIZATION**	**INTERNATIONALITY**
it's not to downplay the importance of localization and adapting to your local market 'cause that's crucial that customers are going to take up a service. But I think it would be strange and sort of working against the things that help you, that give you some kind of advantage.	RESOURCES / LOCAL ADAPTATION		
what kind of state should it be in, all of that has to get localized completely so that the customer-facing side of it is still very much something that has to get developed locally in connection with the customers.	LOCAL ADAPTATION		
let's say if the recycling infrastructure or the reuse infrastructure in that country isn't very strong, then the approach that IKEA takes to take back its own products kind of go even further than in a country or in a system that has infrastructure in place to better manage waste and recycling.	COUNTRY REGULATION & SYSTEMS		
the communication and the marketing and how we talk about an initiative like this, how we sort of invite customers to use it. Is it something that they're really familiar with already? Is it something that we do normally in society? Is this really new? Is it kind of taboo to buy or sell second hand? So all of that will have to get localized to the specific country that you're in, if it, you know, if it's culturally just very normal to buy used items or if that's something that's new and people need to acclimate to what that means and why we do it.	LOCAL ADAPTATION		
IKEA operations, and those do run fairly similarly in every market or in every country. That is somewhat uniform across all the countries	GLOBAL STRUCTURE	**GLOBAL STRUCTURE**	
global SOP, or standard operating procedure, that guides how a new, any sort of new service or initiative that is going to operate on a global scale or at least on a partially global scale, should get implemented in each country.	GLOBAL STANDARD OPERATING PROCEDURES		

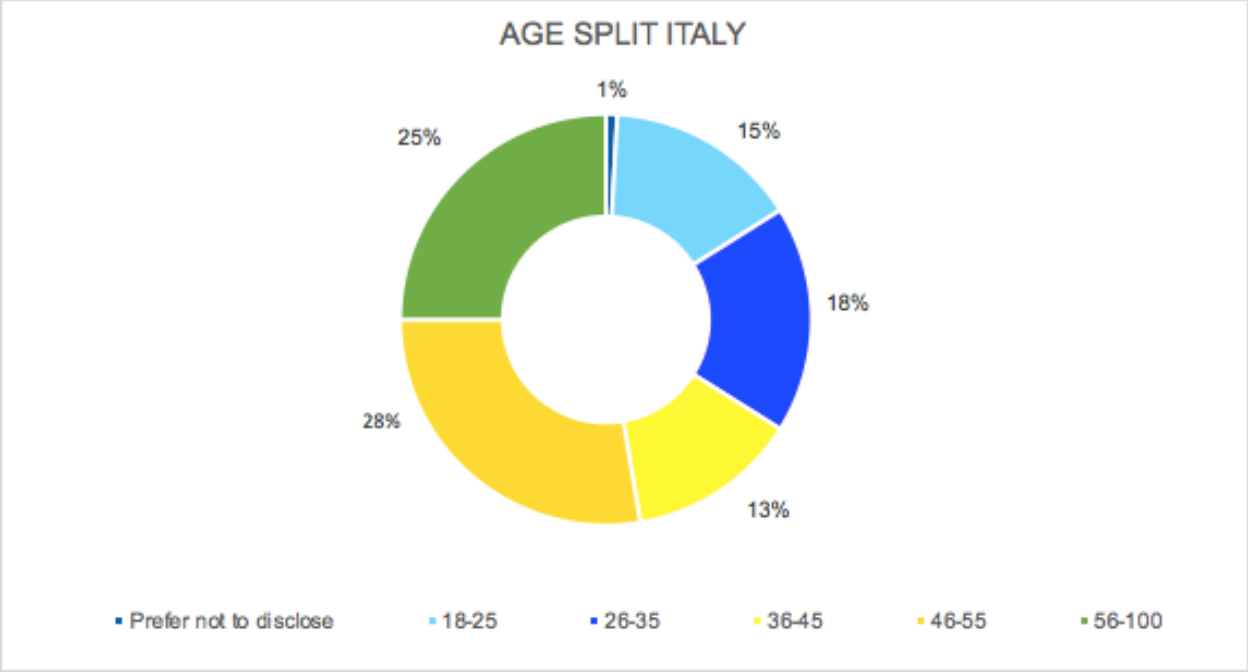
Appendix 5: ***CIRCULAR BUSINESS MODEL***

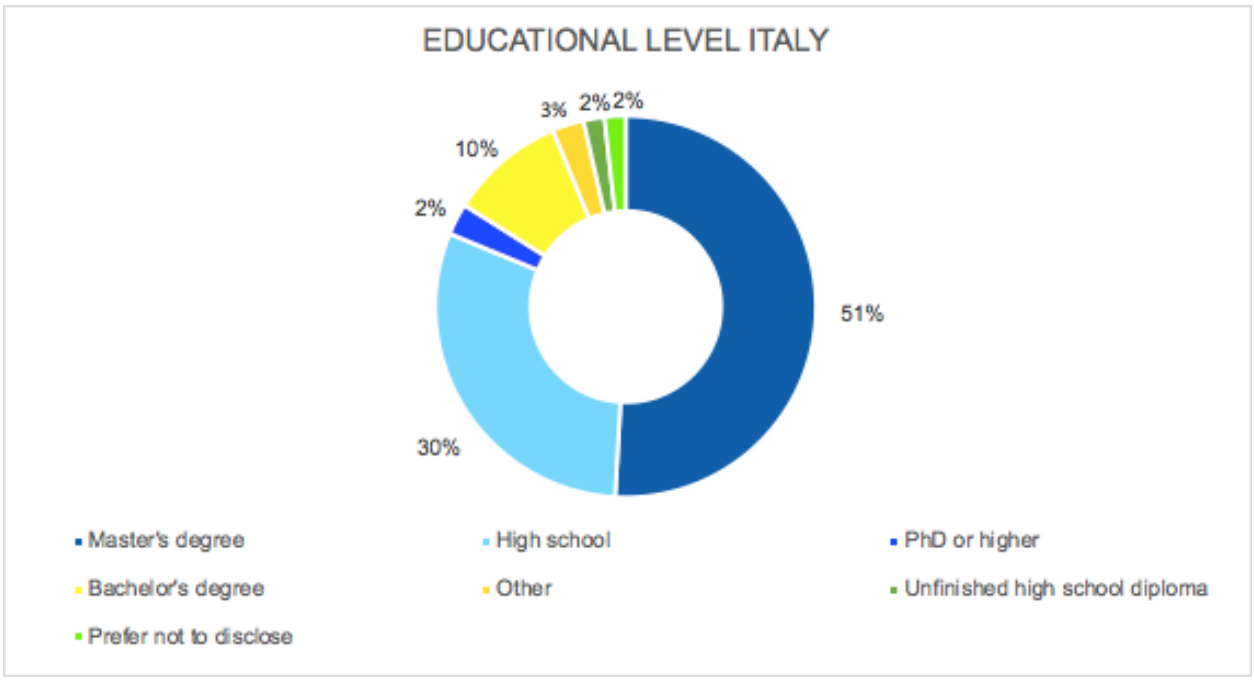


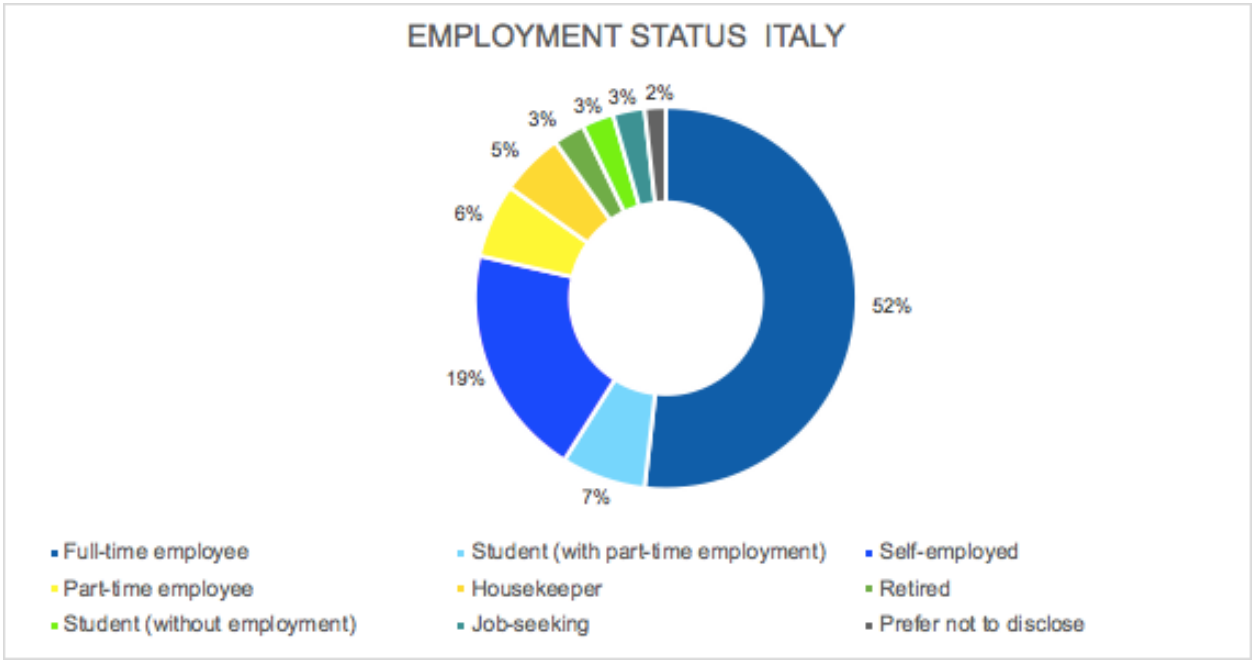
Appendix 6: **RESULTS AND ANALYSIS OF THE SURVEY**

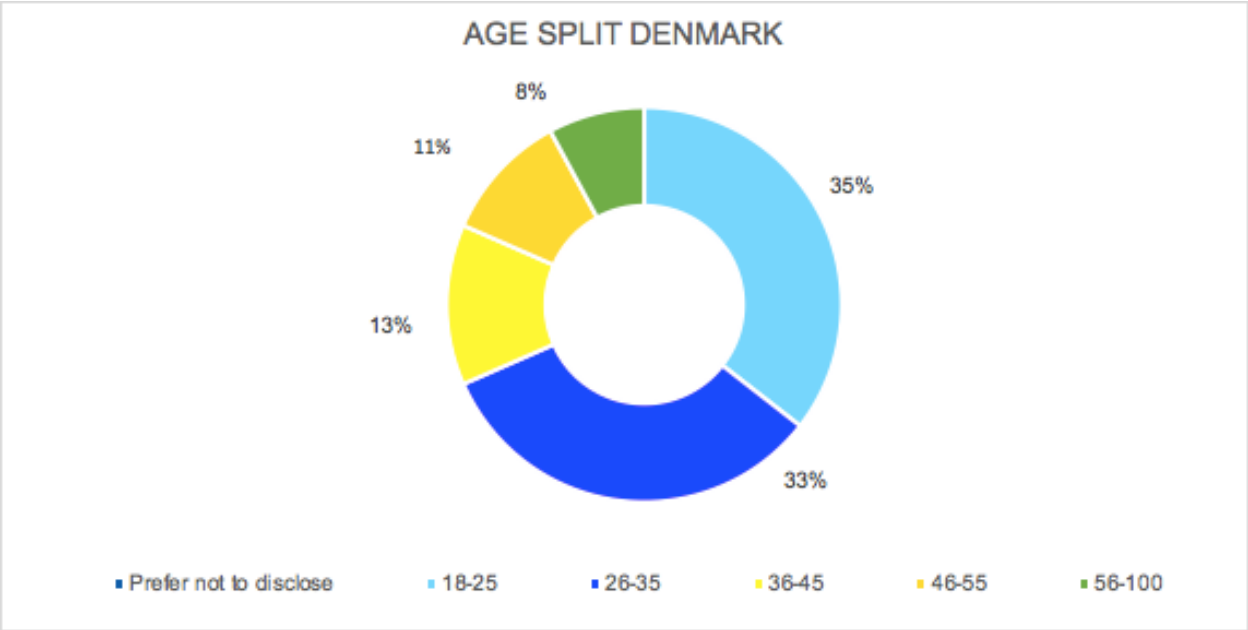
Master's Thesis - IKEA_April 28, 2022_03.23.xlsx

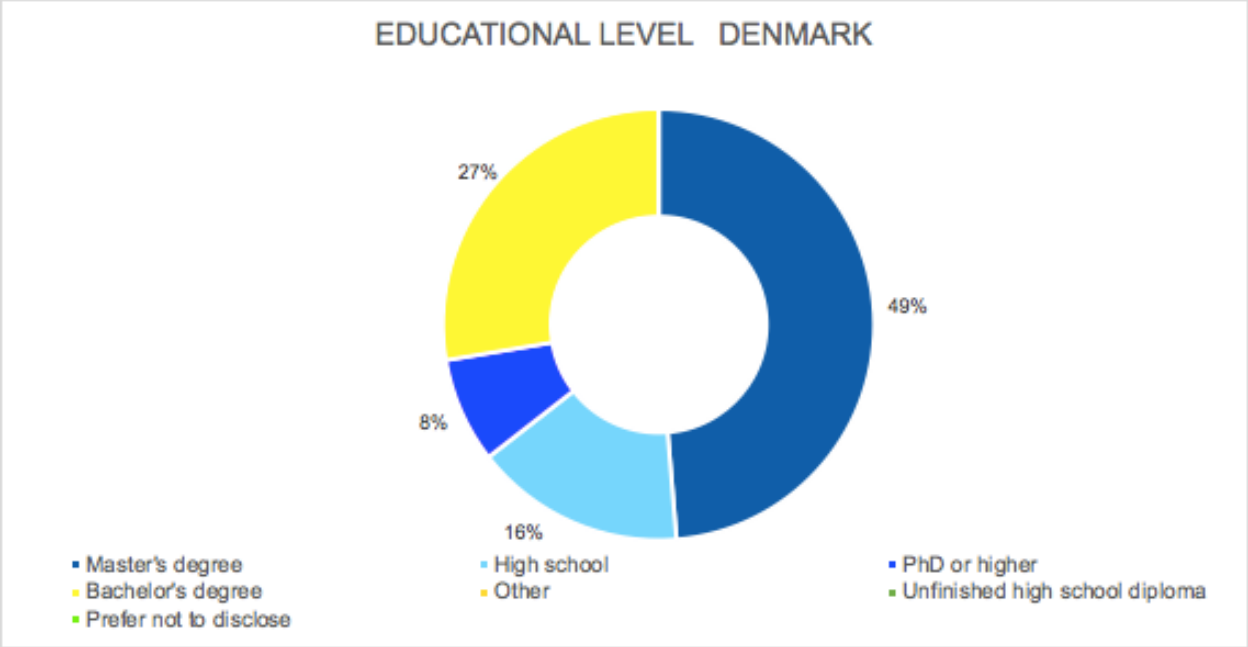
Appendix 7: **REPRESENTATION OF THE SURVEY SAMPLE IN ITALY AND DENMARK**

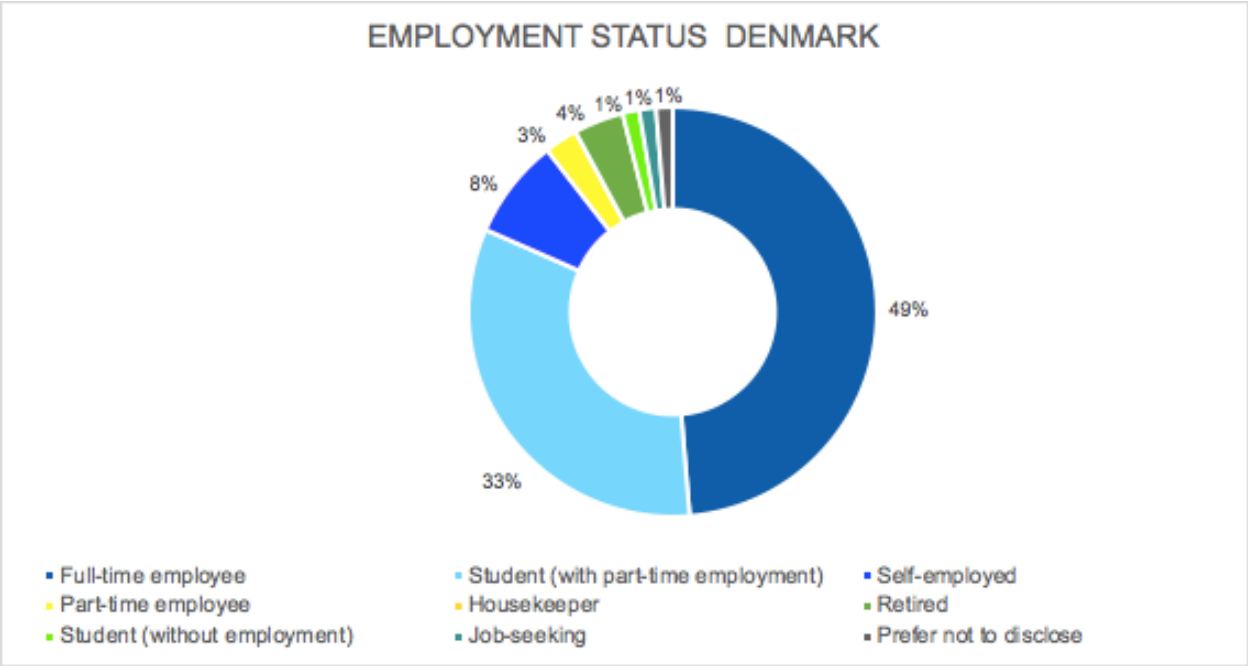



EDUCATIONAL LEVEL ITALY
51%
30%
2%
10%
3%
2%
2%
Master's degree
High school
PhD or higher
Bachelor's degree
Other
Unfinished high school diploma
Prefer not to disclose


EMPLOYMENT STATUS ITALY
52%
7%
19%
6%
5%
3%
3%
3%
2%
Full-time employee
Student (with part-time employment)
Self-employed
Part-time employee
Housekeeper
Retired
Student (without employment)
Job-seeking
Prefer not to disclose

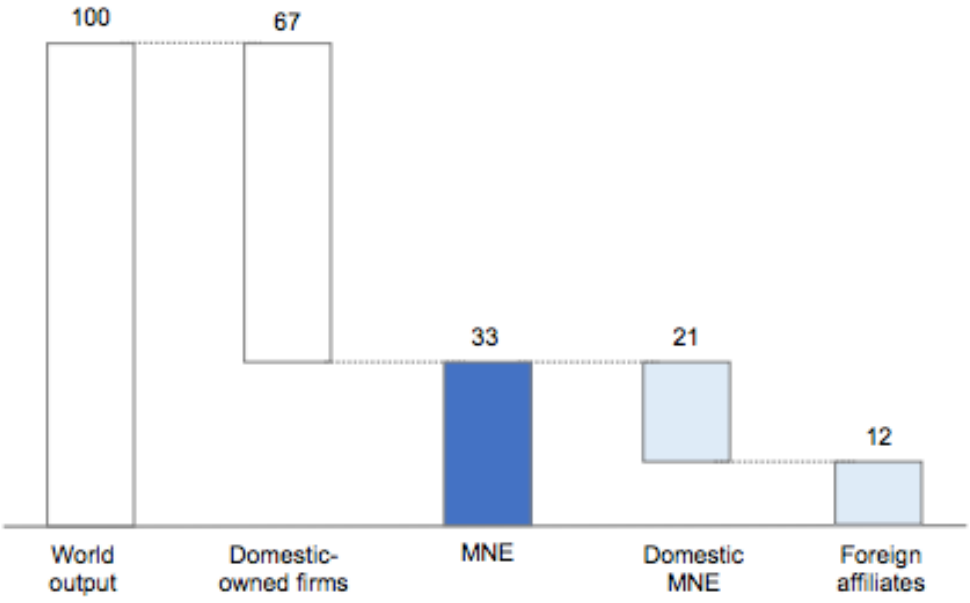

AGE SPLIT DENMARK
8%
11%
35%
13%
33%
Prefer not to disclose
18-25
26-35
36-45
46-55
56-100


EDUCATIONAL LEVEL DENMARK
27%
49%
8%
16%
Master's degree
High school
PhD or higher
Bachelor's degree
Other
Unfinished high school diploma
Prefer not to disclose



Appendix 9: **MNEs GLOBAL PRODUCTION**

Figure 4. Decomposition of global gross output by ownership status, 2014



https://www.oecd.org/industry/ind/MNEs-in-the-global-economy-policy-note.pdf