

Sustainability

Recommerce: Centering the role of the consumer and commerce in the shift to circularity



Governments and a broad range of other stakeholders have begun to advance the circular economy – a systems solutions framework that’s critical to reducing emissions and hitting national and global targets, and one that creates an opportunity to build a thriving economy based on three principles – eliminate waste and pollution, circulate products and materials, and regenerate nature. This is brought to life through recommercial business models such as repair, rental, resale, redistribution or refill, and regenerate nature. This growing movement away from a take, make, waste linear economy to a circular economy has become even more important through its ability to tackle global challenges including climate change and biodiversity loss, create jobs, regenerate cities, towns, and communities, and build resilience and prosperity. While many people are familiar with the idea of reusing products or recycling materials, the current economy is only 8.6% circular, leaving a massive Circularity Gap which also highlights the great opportunity ahead of us!

The urgency of addressing consumption

The total level of GHG emissions can be seen as the product of four factors: population, GDP per capita, carbon intensity of energy, and energy intensity per unit of GDP (Kaya & Yokobori, 1993). When it comes to the first factor, the latest UN (2022b) projections estimate that the world’s population will peak at 10.4 billion

¹ The Circularity Gap Report, 2021

people in the 2080s. Meanwhile, per capita GDP growth—although uneven across developed and developing economies—has been rising overall, bringing millions of people around the world out of extreme poverty. Carbon intensity of energy depends on the continued mass-scale deployment of renewable energy sources such as solar and wind. In other words, three of these factors are difficult to significantly alter. But one factor that can change is the energy intensity per unit of GDP, and the question is: Can communities and countries grow in terms of population and wealth, while moving away from the historical tendency to embrace high-GHG-emissions consumption patterns and behaviors?



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The IPCC (2022b) has recognized the importance of “socio-cultural options and behavioural change” as well as “choice architecture” as part of the demand-side strategies for reducing GHG emissions. NGFS Chairman and Managing Director of the Monetary Authority of Singapore Ravi Menon (2022) has pointed out that two of the imperatives for the net-zero transition are “greening the existing economy” and “a sustainable lifestyle,” which point to a series of everyday decisions by citizens and consumers that translate into lowering energy consumption and the resulting GHG emissions.

Surveys suggest that growing numbers of consumers, across geographies, ages, and demographics, are interested in making more sustainable choices, and in playing a constructive role in addressing climate change and environmental degradation. For example, research by GlobeScan (2022)—involving 30,000 people across 31 countries—found that 65 percent of people now say climate change is “very serious,” and at least half say that they would like to change their lifestyle “a great deal” to reduce environmental impact. The challenge is that in practice, few consumers appear willing to give up the conveniences of next-day delivery services, year-round access to diverse produce, the ability to travel regularly, and the many other conveniences of the modern consumer economy—and many in developing countries have just gained access to or are on the cusp of having these

amenities (Kharas, 2010). This is not merely a matter of preference, however. There are very real concerns that more sustainable choices could be more expensive, or not generally available, or that consumers lack confidence in these products. Particularly as inflation, cost of living, and the growing disruptions of extreme weather events pose challenges not only to individuals, households, and businesses, but also governments, it is imperative to create and support new opportunities to simultaneously achieve meaningfully

environmental impact and inclusive economic activity.

Our view

Visa believes in the need to transition to a circular economy and embrace Recommerce as the preferred way to purchase, use, sell, and interact with goods and services. We are committed to ensuring that Recommerce is easily available and understood, safe and secure, desirable to enable an inclusive and fair transition to a low-carbon future economy while promoting sustainable economic growth. Research from Accenture has shown that Recommerce could unlock \$4.5 trillion of additional output (Accenture, 2015), with potential to increase sales and lead to mass job creation.

Accelerating the transition to a circular economy will require shifts in policy and regulation, business models, supply chains and production processes, and importantly, consumer preference and behaviors. Today, Recommerce is for an exclusive minority. While a small number of innovative companies are leading the battle against waste with products designed to last, these brands and products are often expensive and inaccessible for the average consumer.

While progress needs to be made on material inputs and production processes to improve circularity – in particular related to plastics use and waste – the basic dynamics of supply and demand still inform individual consumption choices. In essence: are these Recommerce-based products and services available, affordable, accessible, and desirable?

As a result, we believe in the importance of focusing on the role of the individual consumer, their preferences and consumption patterns, and closing the well-known intention-action gap. 92% of consumers claim they want to live a more sustainable life, but only 16% are taking steps towards those actions (Trinquetel, King, 2022), which demonstrates the obstacles to enabling them to make this change.

On the supply side, we must collectively support the proliferating array of Recommerce-linked businesses (particularly Micro and Small Businesses (MSMBs)) by reducing friction in the ecosystem, enabling more seamless, secure, and rewarding experiences through payments. In our research, we found that a great majority of Small and Medium Businesses (SMBs) in Europe offering Recommerce are looking to increase sustainable practices, with 25% indicating that they would invest 20% of their revenue or more (GlobeScan Research, 2022).

And on the demand side, we must alleviate barriers to people's participation in the circular economy, making it a more available and enticing experience. With an increasing demand from consumers of services like product rental or digital buyback, a seamless experience will enable businesses to meet this demand and scale up. A recent report we conducted has illustrated consumers' demand for second-hand, particularly in the fashion industry. The pandemic, coupled with high inflation, has driven budget-conscious consumers to change their buying preferences has led to a significant increase in second hand. According to Visa data

using Visa-branded credentials, card transactions in the United Kingdom for used merchandise stores grew by 300 percent in March 2022, when clothing inflation surged².

Buying second hand is one example of many that is seeing a growing number of consumers, especially from newer generations who are particularly sensible to the impact of their lifestyle and choices in a world in crisis. Recommerce can create tangible and meaningful ways to align young peoples' values with their consuming habits.

We support ambitious public policy to enable the circular economy.

We support the EU Green Deal and share the ambitions of the EU's Circular Economy Action Plan, and are committed to continuing to support the growing number of governments that have developed circular economy plans and roadmaps. These initiatives hold the potential to accelerate the transition to a circular and sustainable economy, offering the necessary legal clarity for businesses on the rules and aligning the right incentives to drive long-term investments in innovation and sustainable products and services. On a local level, we are working to promote circular economy adoption in 'Opportunity Towns' by integrating best practices into UK national planning and policy delivery that we believe can be scaled in other towns around the world.

We believe in the value of public-private collaboration.

We encourage likeminded governments and businesses to partner with Visa in the Recommerce journey, including through our Behavioral Insights Lab. We want to scale up our work and to enable our clients and partners to support consumers' sustainability journeys and explore new territories for innovation. Whether that is by empowering small businesses through digital enablement toolkits, reducing our own environmental footprint and supporting SMBs to uplift everyone everywhere, we are committed to playing our part.

We want to empower consumers to use their voices and choices to make a difference.

Both in everyday purchasing decisions as well as through civic participation, individuals have a critical role to drive change in our complex economic system. Without consumers, the transition to a circular economy will not happen. However, due to low consumer awareness of Recommerce, sustainable behaviours remain primarily for the few, not the many. A Visa study found that only 1 of 5 consumers are familiar with Recommerce. We want to ensure that consumers everywhere are aware of the benefits of Recommerce business models for both their wallets and for the planet.

We are early in our journey, and there is still much to learn and discover. Nevertheless, we believe there is an opportunity to accelerate the adoption and scale of the circular economy for consumers by ensuring we have seamless, interoperable and secure payments solutions that are embedded into these new and

² [Fashion resale apps enable circular economy's broadening appeal | Visa](#)

emerging business models from the very beginning. We hope that you will join us at this critical time to help accelerate Recommerce for all.