

Gartner for Supply Chain

# Six Strategic Imperatives for Supply Chain Leaders

Managing supply chain in a circular economy



The disruptions caused by the COVID-19 crisis demonstrate the fragility of globalized, interconnected, complex supply chains. These consumption-based supply chains are unsustainable and have limited resilience during crises.

Supply chain leaders can increase raw materials security by championing the circular economy. Gartner recommends that supply chain leaders adopt these six strategic imperatives to realize the key benefits of participating in the circular economy.

## 1 Circular economy commitment and engagement:

- Develop a long-term vision. Profile products that may be suitable candidates for the circular economy at end of life through raw materials refurbishment, parts harvesting or recycling.
- Set goals to move specific products toward circularity, accepting that this is a learning process and a journey.
- Use initial pilot projects to demonstrate success to senior leadership and win support to move additional products on a circular path.

## 2 Customer engagement:

- Identify opportunities to retain control of materials by moving to a product-as-a-service arrangement, such as leasing.
- When relying only on customer goodwill for product returns, make the returns process as easy as possible.

## 3 Collaboration:

- Build a team to manage end-of-life materials. Partnerships must be built on joint-value creation and shared rewards.
- Waste contractors can help access end-of-life materials; reverse logistics teams can centralize materials; and raw materials suppliers can reprocess.

## 4 Residual materials value:

- Assess the potential to reprocess end-of-life materials by balancing and making trade-offs between residual material value, raw material price volatility, customer sentiment and regulation.
- Update assessments as the landscape changes, selecting the best candidates for end-of-life reclamation.

### Three Tenets of the Circular Economy

1. Design out waste, complexity and toxicity to allow for products to be reprocessed at the end of life.
2. Keep raw materials in use for as long as possible at their highest quality.
3. Effectively return materials into the natural environment.

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# Six Strategic Imperatives for Supply Chain Leaders (continued)

## 5 Product design:

- Supply chains must get involved earlier and more deeply in product design. Criteria for materials selection must include potential for end-of-life reprocessing and end-of-life environmental impacts.
- Engage with design teams to set circular design metrics.

## 6 Balance sheet:

- Assess the financial impact of moving toward a circular economy.
- Holding material for reprocessing may have negative impacts on working capital, but positive impacts on raw materials security.

### Key Benefits of Participating in the Circular Economy

- Improve raw material resilience.
- Increase customer engagement.
- Meet environmental commitments.

## Build an agile supply chain strategy: How Gartner can help

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This research is drawn from the Supply Chain Executive Report “Close the Loop to Create Future-Fit Raw Material Strategies” by Sarah Watt, Senior Director Analyst, Gartner for Supply Chain.