Chapter 3
Introduction to Circular Business Models (CBMs): Definition, Evolution, and Key Principles

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ABSTRACT

The circular economy has emerged as a compelling alternative to the traditional linear "take-make-dispose" economic model, gaining significant traction across academia, industry, and policymaking (Geissdoerfer et al., 2020). This shift is primarily driven by an increasing awareness of the environmental impacts associated with linear systems, especially the rapid depletion of resources and growing waste production (Henry et al., 2020). At the heart of this transformation, circular business models offer innovative solutions that decouple economic growth from resource depletion by prioritizing closed-loop systems and enhancing resource efficiency (Adam et al., 2017).In this section, the chapter will define circular economy business model (CEBM) in precise terms. The circular business model notion is based on two underlying concepts: the circular economy and business model innovation. This section will introduce the circular economy, business model innovation and circular business models topics. The researchers will conduct a literature review of the circular business models.

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INTRODUCTION

The growing depletion of natural resources, intensified by the anticipated rise in global population to 9 billion by 2050, drove the demand for an economic model that prioritizes resource efficiency and effectiveness (Arruda et al., 2021; Ellen MacArthur Foundation, 2015). Environmental degradation, including ecological imbalance, biodiversity loss, and scarcity of raw materials, has destabilized the market dynamics and raised concerns about the long-term economic and environmental sustainability (Arruda et al., 2021). In this context, the Circular Economy has gained a global momentum as a paradigm to tackle these complex and intertwined economic, environmental, and social challenges (Montag, 2023; Korhonen et al., 2018).

The circular economy promotes a systemic shift from the conventional linear "take-make-dispose" model towards a regenerative model of closed-loop systems prioritizing resource efficiency, minimizing generated waste, and retaining value throughout a product's life cycle (Nußholz, 2017). In contrast to linear models that often discard the material value after one use, circular economy practices focus on preserving and extending the lifecycle of the resource through activities such as reuse, recycling, repair, and remanufacturing (Geissdoerfer et al., 2020; Ellen MacArthur Foundation, 2015). This shift holds significant advantages, with projections indicating that implementing CE principles could yield substantial economic savings amounting to hundreds of billions of dollars for the European Union, while also substantially reducing environmental degradation (WEF et al., 2014).

The transition to a circular economy relies on four key building blocks: sustainable product and material design, global reverse logistics networks, supportive regulatory frameworks, and new innovative business models (Ellen MacArthur Foundation, 2015). Among these, the design and implementation of Circular Business Models (CBMs) are particularly crucial. CBMs serve as the practical, micro-level operationalization of circularity and are instrumental in translating CE principles into practices across various sectors at the firm level (Nußholz, 2017; Montag, 2023). CBMs are designed to integrate economic value creation with environmental sustainability by enhancing resource efficiency and minimizing material waste across the product's lifecycle.

In recent years, CEBMs have gained growing interest from academics, policymakers, and industrial professionals (Nußholz, 2017). However, despite this increasing interest, there is still a lack of conceptual clarity and definitional consensus around CEBMs. The concept is relatively new and represents a fusion of two distinct fields: traditional business models, which describe value creation and delivery mechanisms; and circular economy strategies, which originate from the resource efficiency field (Montag, 2023; Nußholz, 2017). The integration of these two fields is still in its infancy stages, resulting in ambiguities in defining what makes a business model