



# Circular Business Assessment

Pilot Case Study: Otto Group

## Executive Summary

Transitioning to a circular economy can address ecological issues while providing benefits to businesses, economy, and people. The circular transformation is an essential building block of the journey towards One Planet Business.

To guide companies towards circularity, WWF together with Taival Advisory has developed the Circular Business Assessment (CBA) as a special focus module to the WWF One Planet Business Framework. The CBA analyses ten essential change levers from risk management, strategies and targets to corporate culture and reporting. It is carried out through a guided process with WWF and Taival circular economy experts.

In 2022 we piloted the CBA with several companies. The Otto Group participated in the pilot-phase to assess the company's circular performance, as well as to test the framework's structure and design. The findings of the pilot are presented in this case study. The framework is now ready for use to a wide range of companies.

*“The trustful cooperation with WWF and Taival was an important step for our circularity strategy to discuss an external evaluation of our status quo with the top management. Together, essential fields of action were identified to anchor circularity more firmly in the Otto Group and to prioritize future measures and objectives.”*

**Niklas Jonas, CR Manager Materials & Circularity, Otto Group**

## Context

For businesses, eco-social crises are materializing in real threats to financial stability and growth. Companies are confronted with supply chain disruptions, more volatile material prices, and increased costs due to a wave of sustainability regulation. To support businesses in driving change towards true sustainability and long-term success in this new context, WWF has created the One Planet Business Framework (OPBF). It defines sustainability's environmental (climate; freshwater, biodiversity) and social (human rights) themes and delineates clearly what it means for businesses to reach a One Planet maturity in each of them. The framework is structured around a five-step process, comprising eleven transformational levers. These levers target different aspects of a company's roadmap towards One Planet Business, ranging from risk and impact assessments, corporate culture, to setting and achieving impact targets.

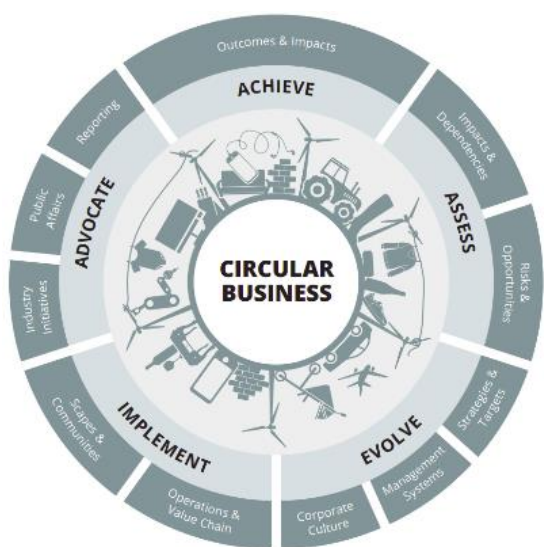


WWF One Planet Business Framework

Looking at the main drivers and causes of the negative impacts businesses have on the environment, the linear way in which products, components, and materials are designed, used, and managed in our economy stands out. We currently use too many resources, and in an ineffective way. Still, the rate of extraction and usage of resources is going up, while the circularity of our globalized economy is decreasing. This mismanagement and overuse lead to climate change, biodiversity loss, and freshwater stress. Transitioning to a circular economy can address these ecological issues while simultaneously and consequently providing many benefits to our businesses, economy, and people. To support companies in their circular transition, WWF collaborated with Taival Advisory to develop a focus module to the OPBF, putting circularity front and center: the Circular Business Assessment (CBA).

## Circular Business Assessment

The CBA is used to assess and evaluate a company's circular performance. The assessment provides companies with a clear understanding of their current position, as well as a roadmap for improvement. By leveraging the assessment, we can offer customized support to help companies develop effective strategies and impactful measures to drive their circular transformation.



WWF Circular Business Assessment

The Circular Business Assessment is comprehensive: it employs ten change levers covering topics such as risk management, strategies and targets, corporate culture, implementation within operations and value chain, and reporting. It is detailed and specific, outlining multiple levels of maturity that showcase good management practices and leadership. It is management-oriented, laying the foundation for a tailored, individual transformation roadmap. And it is derived from the highest level of ambition, defining clearly what circularity leadership means in practice.

Furthermore, the framework is designed from a perspective of what is necessary to create the conditions for One Planet Business, a company that is operating within the planetary boundaries. This means taking a long-term, science-based view on the transformation towards sustainability, not simply asking what is possible and achievable today. Moreover, the framework can be used as a basis for continuous improvement, as the defined performance levels count in the foreseeable future. Iterations will be minor in scope, giving companies the opportunity to take a long-term, development-oriented approach towards sustainability and circularity.

The CBA is designed to support companies in their circular transformation. Thus, scores are designed to highlight transformation paths. However, the scores of companies within different sectors and maturity may vary greatly because of the business model and/or sectoral framework conditions.

## Otto Group pilot process

From April to June 2022 the Otto Group participated in the pilot phase of the Circular Business Assessment. The pilot's objective was to test and further evolve the framework and assessment process itself. At the same time, the pilot functioned as a detailed and thorough assessment of the Otto Group's circular performance.

A core team of stakeholders was set-up to manage the pilot process. Information was gathered through a questionnaire, in-depth interviews with employees from various business units within the Otto Group and selected group companies, and a series of workshops.

The Otto Group is in the process of establishing the fundamentals for a successful transformation towards circularity. Key findings of the assessment against the Otto Group's circular structures, strategies, and measures show, that most processes are still at the beginning or in development:

- The Corporate Responsibility strategy of the Otto Group incorporates circular economy as a strategic priority and transformational goal, including circularity in the *Corporate Strategies*.
- Some group companies already initiated circular pilots to establish circular capability, products, and *Business Models*.
- The Otto Group is in the process of implementing strategy concepts by developing circular design criteria together with the start-up circular.fashion.
- Within the Otto Group 18 circular pilots, focusing on *Circular Products and Services*, have been implemented successfully by the group companies, such as AboutYou, BAUR, bonprix, Hermes Germany, Frankonia, MyToys, OTTO and UNITO.
- Mechanisms for identifying *Impacts, Risks and Opportunities* have been implemented. This lays the foundation for driving sustainable circularity across the organization.
- The Otto Group is active in circularity-related initiatives (e.g. Circular.fashion, Fashion for Good, Textilbündnis) and has started to engage with innovative partners (e.g. Circle Economy, Textile Exchange), but needs to further promote circularity in the value chain.
- The Otto Group has set qualitative circularity targets. In the scope of the Corporate Responsibility strategy, the Otto Group is developing a *Target Setting Process* to establish measurable quantitative circularity targets.

## Otto Group Assessment Showcase

The CBA is comprised of a total of 43 criteria, structured within 10 levers. Within each of the criteria, the CBA defines multiple (3-5) consecutive levels of maturity, from low to high



performance. Some topics do not follow a consecutive logic, as several pathways and options exist for performing well. In these topics, the criteria are designed as multiple-choice questions. The assessment is excel-based. The questionnaire is supported by an extensive guidance document, which explains the purpose and benefit of each criterion, and supplies definitions of termini used in the maturity levels.

The Otto Group pilot was initiated by a self-assessment against each criterion. Using the proof points provided by the Otto Group and a series of in-depth interviews, WWF and Taival then reviewed the maturity levels, adjusted scoring if necessary, and gave extensive strategic recommendations for improvements. The following examples showcase the assessment mechanism, high-level recommendations, and serve as exemplary results:

### Showcase 1

<b>Criterion: 2.1 Circular Risk Assessment</b>	
<p>This lies within the “Assess” phase of the assessment. This phase analyses how well the company is set up to understand its impacts, dependencies, risks, and opportunities in relation to its impacts on the environment.</p> <p>The purpose of a company undergoing a risk and opportunities assessment is to identify, evaluate and prioritize the potential impacts, positive and negative, that the transition to a circular economy may have on its operations and to develop strategies to manage and leverage those impacts.</p>	
<b>Lever</b>	(2) Risks & Opportunities
<b>Score</b>	25%: “ <i>The company has defined measures, and regularly monitors its circular economy related risks.</i> ”
<b>Reason</b>	The Otto Group has a risk assessment process in place which is concentrated on regulatory risks and shifts. In addition, customer and competitor trends and actions are analysed.
<b>Recommendations:</b>	

(2) Risks & Opportunities	(2.1) Circular Risk Assessment	<b>Top Level:</b> The company has defined, measures, and regularly monitors its circular economy related risks. The risk assessment covers all of the <i>main risk categories</i> .	<input type="checkbox"/>
		<b>Level 3:</b> The company has defined, measures, and regularly monitors its circular economy related risks. The risk assessment covers at least four of the <i>main risk categories</i> .	<input type="checkbox"/>
		<b>Level 2:</b> The company has defined, measures, and regularly monitors its circular economy related risks. The risk assessment covers at least three of the <i>main risk categories</i> .	<input type="checkbox"/>
		<b>Level 1:</b> The company has defined, measures, and regularly monitors its circular economy related risks.	<input checked="" type="checkbox"/>

- Expand the risk assessment to include physical, resource, reputational, and value chain related topics and issues.
- Establish a formalized risk assessment process within the company.

## Showcase 2

<b>Criterion: 3.1.3 “Business Model”</b>	
<p>This criterion lies within the “Evolve” phase of the assessment. This phase assesses how well different structural elements (strategies, targets, management systems, corporate culture) are set-up and designed within the company. The more integrated, well defined, and ambitious these elements are, the more likely it is that the company achieves a high degree of circularity.</p>	
<b>Lever</b>	(3) Strategies & Targets
<b>Score</b>	40%: <i>“Based on a definition of circular business models and a list of business model archetypes / patterns, the company implements circular business model pilots.”</i>
<b>Reason</b>	<p>The Otto Group has conducted an analysis and definition of the most relevant circularity measures and business models (e.g., re-commerce, use of recycled materials). The status &amp; roadmap of measures (planned, ongoing, implemented) are managed in a structured overview for all group companies and documented centrally by the corporate responsibility department in the Otto Group. A coordinated scaling is missing. 32 circularity-related measures are in development and 18 are ongoing or implemented. First projects, such as the AboutYou project “Second-Love”, are in the process of scaling up.</p>
<p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Scale pilots across group companies to enable synergies and economies of scale (e.g. with pre-loved items and a platform including all companies).</li> <li>• Create a dedicated space, such as an accelerator, and a coordinated approach within the company to scale pilots and give them the chance/opportunity to develop.</li> <li>• Establish one platform for the group companies to communicate and collaborate openly on their circularity pilots to save resources and increase success of scaling.</li> </ul>	

<b>(3) Strategies &amp; Targets</b>	<b>(3.1) Corporate Strategy</b>	<b>(3.1.3) Business Models</b>	<b>Top Level:</b> With the aim to leaving a <i>positive ecological and social handprint</i> , the company pursues its <i>circular business model</i> definition and <i>archetypes / patterns</i> in all of its products and services. The definition and <i>archetypes / patterns</i> are in alignment with the <i>principles of the circular economy</i> .	<input type="checkbox"/>
			<b>Level 4:</b> The company uses its <i>circular business model</i> definition and <i>archetypes / patterns</i> in a relevant share of its products and services. The definition and <i>archetypes / patterns</i> are in alignment with the <i>principles of the circular economy</i> .	<input type="checkbox"/>
			<b>Level 3:</b> In addition to having specified a <i>circular business model</i> definition and business model <i>archetypes / patterns</i> , and running specific pilots, roadmaps and plans are defined (and communicated internally) to scale <i>circular business models</i> in the company. These processes are documented in procedures (e.g.	<input type="checkbox"/>
			<b>Level 2:</b> Based on a definition or <i>circular business models</i> and a list of business model <i>archetypes / patterns</i> , the company implements circular business model pilots.	<input checked="" type="checkbox"/>
			<b>Level 1:</b> The company understands what a <i>circular business model</i> entails, and defines business model <i>archetypes / patterns</i> to work towards.	<input type="checkbox"/>

### Showcase 3

<b>Criterion: 4.1 “Governance”</b>	
<p>This criterion lies within the “Evolve” phase of the assessment. This phase assesses how well different structural elements (strategies, targets, management systems, corporate culture) are set-up and designed within the company. The more integrated, well defined, and ambitious these elements are, the more likely it is that the company achieves a high degree of circularity.</p>	
<b>Lever</b>	(4) Management Systems
<b>Score</b>	50%: <i>“There is a process in place that concerns the involvement of the higher management level, once there is a need for change at a lower level that requires management decision. The executive level takes responsibility for driving the circular transition.”</i>
<b>Reason</b>	<p>The Otto Group corporate responsibility department develops guidelines and overall core priorities, the corporate responsibility departments within the group companies are responsible for setting measures and achieving their defined targets. The Circularity core priorities and the individual achievement levels are presented to and approved by the “CR Board” lead by the CEO.</p> <p>Even though Circularity is discussed in a monthly Expert Circle with all group companies, there is a lack of interaction and co-creation between the</p>

	group companies, as well as a steering committee with a stronger circularity focus.
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**Recommendations:**

- Introduce a formal steering committee on the decision-making level with representatives from every group company, responsible for planning, implementing, and measuring circularity strategies and activities.
- Increase the size of the corporate responsibility departments in the group companies to ensure employees have enough capacity to implement transformational circularity measures.
- Improve the communication of the circularity strategy development, the target-setting process, and the organisational structure between the Otto Group and its group companies.

(4) Management Systems	(4.1) Governance	<b>Top Level:</b> The circular transition of the company is integrated as a cross-sectional task, whereby the executive level is <i>formally responsible</i> for the impacts of the strategy and performance, the department heads are part of a cross-functional steering team, and nominated circularity champions take the responsibility to promote circularity at department level.	<input type="checkbox"/>
		<b>Level 3:</b> The circular transition of the company is integrated as a cross-sectional task between departments, whereby the executive level is <i>formally responsible</i> for the impacts of the strategy and performance, and the department heads are part of a cross-functional steering team. There are processes in place that concern reporting about the changes and collection of data relevant	<input type="checkbox"/>
		<b>Level 2:</b> There is a process in place that concerns the involvement of the higher management level, once there is a need for change at a lower level that requires management decision. The executive level takes responsibility for driving the circular transition.	<input checked="" type="checkbox"/>
		<b>Level 1:</b> There is a continuous monitoring of relevant CE policy and legal developments, circularity trends for all operational activities. The results of this monitoring is communicated to the decision makers in each operational unit. The responsibilities related to monitoring and decision making are clear. Compliance is involved.	<input type="checkbox"/>

**Outlook**

The assessment has created a basis for the Otto Group to further develop its circular ambitions and actions, as the company now has a concise picture of where it is performing well, and where it needs to focus its attention to improve further. Following the identification of the current gaps towards circularity and the most important action areas, Otto Group can now tackle the most impactful and urgent business areas to further accelerate the transformation to a circular company, e.g. through circular design criteria, packaging solutions, services and quantitative KPIs. The conclusion of the pilot phase and framework iteration mean we are ready to use the CBA tool to support companies in their circular transition.



## Participating organizations

**WWF's** international umbrella organization, WWF International, is the world's largest independent conservation organization and is represented in more than 100 countries through its national and associated organizations or program or project offices. WWF is committed to sustainably protecting and preserving the natural foundations for life.

**Taival** is a new type of advisory company working at the intersection of strategy, data & technology, ecosystems, and circular economy. With agile methods and co-creation at their core, Taival helps customers identify, plan, and execute initiatives that drive real sustainable success.

### Otto Group

Founded in 1949 in Germany, the Otto Group is today a globally operating e-commerce and service Group with around 43,000 employees in 30 significant corporate groups, primarily present in the three economic areas of Germany, the rest of Europe, and the USA. Its business activities extend to the Platforms, Brand Concepts, Retailers, Services, and Financial Services segments. In the 2021/22 financial year (28 February), the Otto Group generated revenue of EUR 16.1 billion.

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