**Interview – Navigating the Remanufacturing Trilemma:
Balancing Customer, Manufacturer, and Lawmaker Interests**

Interviewee background

Date: 11.02.2024

Time: 9:00-10:00

Business Area: Circular Economy Business Development

Occupation: Business Development Consultant

Professional Experience: 33 years; APRA political agenda development

Disclaimer: The interview was conducted in German and has been translated

(State) subsidies and incentives

A reduction in VAT would be important to support the circular economy and would also be very positive for the customer. But not all manufacturers are able to benefit from targeted incentives. In principle, however, it would be a positive thing. Legislators see long-term benefits through promotion and are therefore a strong driver for sustainability. Investors also view such issues favorably to secure long-term returns.

Branding and (Intellectual) property

Communicating sustainability topics to the customer is valuable for branding. Introducing used products back into the market is challenging. Furthermore, it is often better for a business to not communicate circularity to the end customer (B2C) because of a certain stigma applied to used products. However, this works better when dealing with other industrial partners (B2B). Additionally, parts must be labelled as remanufactured. Manufacturers are trying to use IP and cyber security to undermine the remanufacturing business by not granting access to control units etc. Especially software for devices is a hurdle because the handling of data/ firmware is limited. This makes for example the right to repair more difficult. Parts interchange between different vehicles is also not easily done because of IP regulations. The legislators must regulate this issue more strictly so that the right to repair is not circumvented patents or other IP regulations.

Circular/Sustainable business models

Legislators must ensure that only the added value is taxed. Returning a product should be tax deductible. VAT ensures permanent taxation of the end customer with every cycle. Accordingly, VAT needs to be revised because it favors the linear economy. Even though the customers finds new business models interesting, if customers could easily return goods, new business models would not needed. However, manufacturers need to think about business models - used parts need to be better integrated into existing processes.

Compliance with Regulations

Lots of regulations are happening right now. 32 circular economy related directives were published by the EU in just one year. The end customer notices little of this but for Manufacturers it’s a challenge, which can become an opportunity. Companies that are already active in circularity benefit greatly and are already compliant with existing laws. For those this brings more business. However, linear manufacturers that fail to adapt may be threatened in their existence.

Data Handling

Data handling is intersecting strongly with the digital product pass (DPP). Data regarding origin and utilization must be provided. This is not just a labelling issue – DPP is more of an information framework. The trustworthiness of the data source must be ensured. Not having IT security control will impede further ability to do business. However, the changeover and introduction of data driven systems is threatening the existence of many companies. More advanced companies are having an edge here. The end customer, however, has a little added value here. Legislators see data handling as an essential topic for the future already manifesting in the DDP.

Information Transparency

Customers demand information and transparency; however, this does not necessarily influence a purchase decision. When asked a customer always wants to have access to a lot of information, but in the end, they don't really make use of it (“have” is better than “need”). More transparency is a risk for companies. Legislators are pushing the topic to achieve more transparency, and related lobbying plays a major role in making fact-based decisions.

Process Design

Designing processes to be sustainable helps Manufacturers gain advantages. Connected business models are an important influence and change the way in which customers are involved. However, the legislator has little to no active involvement here. However, regulations that intervene in processes designs have an influence, but in general politicians don't care. Today's processes are only circular when B2C waste separation is concerned. B2B has a much wider range of applications.

Product Characteristics

Legislators are more involved in defining necessary product characteristics than regarding process design. Customers demand sustainable products in principle. However, manufacturers can no longer use the most favorable sources, and this can become threatening for certain business practices.

Product Design

Legislators must regulate product design otherwise some things won’t change. For example, reusable packaging will not happen without appropriate legislation. Overall, customers want sustainable products and design is an aspect. Many of the manufacturers have a lot of work ahead to make the changeover.

Product Labeling

Sustainability-related labels already exist e.g. for eco-design. Consumer-oriented labels should address needs and wants. For example, part availability as part of labeling is opposed by many manufacturers. Comparatively simple sustainability labels such as the green dot as a form of advertising is less helpful. More relevant for the customer may be the availability of software or spare parts. A care becoming useless because of old software is a huge loss. Therefore, the software is a critical issue since it can lead to the loss of an operating license. Open-source solutions would be a great advantage for the customer here and transparency is needed. Less useful metrics like the amount of recycled material, is less exciting to a customer – a tax reduction would be more visible. A label that is too simple does not help the customer. Its benefits must be clearly communicated and addressed in the respective use case. This can be a big challenge for manufacturers focused on cheap disposable products.

Strategic Co-operation

Salespersons today are empathetic and sell with confidence and trust. Opposite in procurement the tone is more aggressive and demanding. In a circular setting, these roles no longer work in the same way. A competition needs to change to a co-operation because at some point in a product's circular life, the customer becomes a supplier of materials. However, a partnership approach also means that benefits and risks are distributed and shared within the cycle's participants. If individual players continue to act selfishly and maximize their profits the economic relationship becomes volatile. Constant comparison and favoring the cheapest supplier is linear thinking and needs to change.

Further Discussion

In Europe, the legal framework is very important and should always be considered in any discussion. Legislators determines where the economy moves and its pointless to discuss the validity of decisions. Instead, the change should be embraced as an opportunity. The DPP is a good example, it is not just a label but an information framework to provide input for future fact-based political decision making.