

Leasing: ownership from a new angle

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As the circular economy gains momentum, more businesses and organisations are turning to leasing to replace traditional ownership models. To find out more about how these leasing schemes are helping to drive the circular economy, we spoke to both a user and a supplier. The Association of Flemish Cities and Municipalities (VVSG) in Belgium leases carpets (flooring-as-a-service), lighting and IT services for its new office in Brussels, while Ricoh has been leasing office equipment to companies since 1976 and takes a leading role in promoting sustainability.

We live in a throwaway culture. More often than not, when a product ceases to function, the consumer throws it out. It doesn't really matter whether you're an individual throwing away a TV ('It would cost too much to repair this, might as well get a brand-new one') or an office throwing away a desk ('Better use up the budget or we won't *have* a budget next year'). Unfortunately, there's not always much incentive for consumers to recycle products once they're done with them. Or so they think.

In fact, the traditional concept of ownership is ripe for disruption. By leasing, an organisation can avoid high initial purchasing costs (and often deduct the lease payments), bypass installation costs, get equipment upgraded, and won't have to worry about unexpected maintenance and replacement costs.

While leasing itself is not an inherently circular model, circular approaches can be seamlessly embedded within a leasing contract. The supplier can take back the product when the contract expires and should be transparent about whether they extend its life, refurbish it or use its parts in another product. These options will avoid waste and reduce carbon emissions.

Strict sustainability requirements

Avoiding waste was one of the priorities for VVSG when it decided to go adopt a circular approach in its new office. 'We knew that our association's members were thinking about circular procurement, so we wanted to set an example,' says Leen van der Meeren. Her organisation VVSG moved office in 2019. It used the opportunity to incorporate sustainability into its renovation plans and decided to use a flooring-as-a-service model instead of buying new carpets.

'When we moved into the building, I had a working group with 20 buyers from other local authorities. We gave them a tour of the building and showed them the flooring-as-a-service model at work. We also produced two videos explaining our approach. We really want to inspire local authorities and show them why it's important to extend the life of products and keep them in the loop.'

The flooring-as-a-service contract is for nine years. VVSG also has a ten-year contract for lighting fixtures and internet services. 'The supplier owns the carpets and provides

maintenance services throughout the duration of the contract,' says Marjo Jespers. 'More importantly, the supplier guarantees that at the end of the contract it will take everything back, recycle it and reproduce it for new material.' The carpeting itself was delivered according to strict sustainability requirements. The material must consist of yarn made from 100% regenerated material and be Cradle to Cradle Silver Certified or equivalent. Carpet tiles must also be maintained using environmentally friendly products.

Lessons learned (so far)

It's early days yet, and with the various lockdowns this past year, the service hasn't really been put to the test yet. But the process leading up to the leasing scheme yielded useful insights. 'We hired a contractor for the renovation of the building,' Van der Meeren says. 'Initially, he wasn't fully aware of how the whole service arrangement worked, so he had to study everything based on our instructions of how we needed things to be set up.'

That's why Jespers recommends taking the reins into your own hands. 'Don't leave everything to the contractor. Try to be the project manager yourself. Explore the market. Dare to experiment so you can be an example to others. Use experts, for example a third-party integrator who is familiar with as-a-service solutions and can involve multiple market players.'

Ultimately, using as-a-service flooring was part of a larger experiment, according to Van der Meeren. 'We wanted to go further and have everything in the new building be sustainable. That was the main priority of this entire project.' Van der Meeren and Jespers are pleased with the result so far. Renovating the office building based on sustainable and circular principles has created a healthy work environment and an office with a substantially lower carbon footprint.

Odd voice making the statement

Leasing in print – one of Ricoh's key business areas – has been around for decades. But Ricoh takes a leading role in sustainability in that segment, which is reflected in the company's concept of a sustainable society, the [Comet Circle](#). The Comet Circle shows the entire lifecycle of the company's products and all the partners involved in reducing the environmental impact. 'The Comet Circle gave us a framework to articulate a better value proposition visually rather than us just saying "we'll take that product at end of life and we'll extend when possible, refurbish it, cannibalise it and harvest parts from it". The concept lends itself well to us because commercially we don't do an awful lot of sell and forget.'

One of the key attractions of leasing from Ricoh is the simplicity of the process. 'At the end of the device's contract,' says James Deacon, 'we take it back – without a dispute, without negotiation. We agreeably and willingly want to take that product back. So disposal of the product is not the customer's problem. It's ours.' And on the consumables side, Ricoh has a

free-to-use, pan-European collection and takeback scheme for all the consumables, so again the customer isn't burdened with having to find someone locally for disposal.

'For a long time, the perception was that remanufactured, refurbished and recycled all had an element of being a bit second class compared to brand-new product,' Deacon says. 'We're able to demonstrate now that this is no longer the case. But ten years ago we were the odd voice making that statement. I think that has now been accepted as the norm, that it's no longer second class if it's recycled or contains recycled parts.'

Ricoh as influencer

The circular principle of leasing goes further than remanufacturing and recycling devices at end of life. An ongoing client relationship, as opposed to a single interaction at the point of sale, provides Ricoh with the opportunity to work with their customers on behaviour change initiatives to reduce unnecessary printing. Indeed, these initiatives support the 'Reduce' part of the 'Reduce, Reuse, Recycle' waste hierarchy. Ricoh helps customers reduce consumption of paper, electricity and toner, which generates savings in terms of both resources and operating costs and often means they need fewer devices in total. While 'Reduce' does not necessarily have an element of circularity to it, it does align to the overall common intention and outcome of circularity, which is to ultimately reduce the input of new and additional resources.

'We've done that to great effect with some customers,' Deacon says. 'In one case, we were asked to help a customer drive down the volume of print. So we ran a communications programme with them called "Think before You Print". Basically it was a series of digital posters and screen wallpapers for desktops urging people to set duplex printing as standard, print in black and white, check, double check and triple check before printing, and don't just print a draft.'

After running a communications campaign, Ricoh may ask the client to gauge awareness and satisfaction with the campaigns among the user base. 'We started to capture the voice of the employees. It's content like that which will be really useful to feed back to the procurers next time round.' Indeed, it demonstrates the kind of added value that Ricoh gives its clients as a supplier. 'And it also underpins our customer's values around sustainability. We've helped to shift the client's employee base on that journey. That does start to add more weight to the decision making and to the procurers. We tend to have to be on the inside as the incumbent to get that kind of opportunity.'

The fact that Ricoh does a lot of B2B business, in which it leases devices and knows it will be taking these devices back, means it has a different commercial model than many other organisations. 'Their models are often sell and forget, which means they're unlikely to consider takeback loops at end of life. Where we've been taking that leading role is through things like the Comet Circle. We were the first ones to actually document and capture, in our sector and even in the IT sector, proper real-world examples of the circular economy alive and well in the IT sector since 1994, and we're known for that. Interviews like this keep reminding me that Ricoh is still seen as a differentiator versus our market place.'

Interviewees

Leen van der Meeren, Project Officer on Climate Financing Projects and former Sustainable Procurement Officer, Association of Flemish Cities and Municipalities (VVSG)

Marjo Jespers, Facility Manager, VVSG

James Deacon, Senior ESG Manager, Ricoh