

Operations Center

The Circular Economy 2.0



Putting the “Re” in “Retail”: Reinventing the Customer Journey

You stand in a boutique under the soft glow of smart lighting, drawn to a display of eco-friendly perfumes. The shelves are empty, and even the sample bottle is out of stock — but its packaging pulses with digital overlays. Augmented reality projects the product's origin story, recycled content stats, and a sustainability score onto the glass, fueling your desire for the new scent. While it isn't available in-store, you can still order it online.

But even in the high-tech world of tomorrow, not every purchase is a perfect match. When your order arrives, the fragrance isn't quite what you imagined. Instead of a traditional return, the retailer offers a new path: Circular Economy 2.0. For retailers looking to future proof their business, this means partnering with peer-to-peer resale platforms. When you initiate a return, you're incentivized with a discount on your next purchase if you choose to resell the item instead. The retailer covers shipping, and your unwanted perfume finds a new home — skipping the costly, wasteful cycle of returns and restocking.

This process saves resources, reduces shipping emissions, and keeps products out of landfills. You benefit from a seamless experience and a reward for shopping sustainably. The retailer benefits from lower costs and a stronger reputation for environmental responsibility. Welcome to the Circular Economy 2.0, where every bottle, every box, and every decision is part of a larger story — a story retailers can write today for a more resilient and sustainable tomorrow.

By 2035, this practice of “re-commerce” will become a strategic cornerstone for retailers looking to future proof their business and for environmentally conscious customers eager to embrace more sustainable shopping methods. Reselling reduces the number of new units produced by connecting customers with products already in circulation, rather than relying on manufacturers to create excess inventory that may never be needed.



Materials Matter: Rethinking Production for Sustainability

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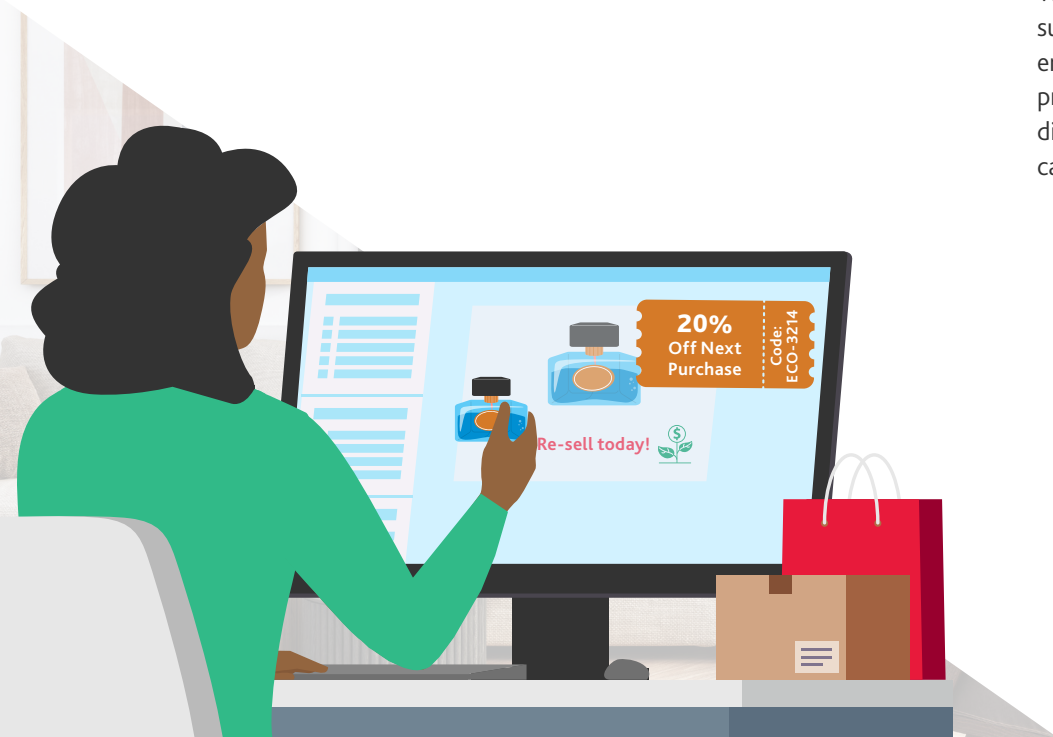
While consumers look for ways they can help promote more sustainable practices in their shopping habits, the onus is on retailers and manufacturers to find more sustainable means of using materials in the products they create. Many have already begun adhering to more sustainable production methods, particularly where technology and recycling infrastructure already exists. Packaging, for instance, often uses components such as cardboard, plastic, and glass that are well established in the recycling stream. Some resources, like glass, can also be repurposed without the need for recycling.

But retailers looking to future proof their business must go beyond traditional sustainability measures and embed circular economy principles — designing products and processes that decrease waste, improve reuse, and keep materials in circulation. This includes sourcing sustainable materials, reducing waste during production, and implementing take-back or recycling programs. Companies can also enhance energy efficiency and transition to renewable sources to reduce carbon footprints.

These actions are increasingly driven by regulatory shifts. Extended producer responsibility (EPR) laws in California and other states are accelerating the move toward circularity by requiring retailers to take accountability for the end-of-life impact of their products and packaging. These regulations reinforce the need for sustainable design and waste reduction strategies, making circular economy practices essential for compliance and brand credibility.

In some manufacturing and retail areas, recycling and reusing materials isn't just a way to reduce resource consumption — it's essential to environmental protection. The electronics industry, for instance, often uses elements in product components that can't be disposed of through the standard waste stream. They must either be recycled through specialized processing or salvaged and repurposed to prevent toxic elements like lead, cadmium, and mercury from leaching into the soil. Beyond keeping hazardous waste out of the environment, reusing and recycling provides retailers with cost-savings and a stable supply of critical resources, including ones that can be difficult to source.

While technologies and processes exist to make retail manufacturing more sustainable, companies do not need to rush integration. Instead, as they work to embrace the circular economic model, retailers should focus on making gradual progress and maintaining compliance with evolving regulations. As scientific discoveries and manufacturing capabilities advance in the coming years, retailers can then further refine their supply chains and production methods.



Smarter Manufacturing: AI, Agility, and Waste Reduction

Retailers have an opportunity to demonstrate their sustainability efforts to concerned consumers by transparently showcasing manufacturing methods. While recycling is an effective starting point by repurposing used materials to keep them from landfills, manufacturers can do more. With artificial intelligence-powered predictive tools becoming increasingly accurate, manufacturers can mitigate the unnecessary production of items that exceed demand to further reduce waste.

Improvements to agile manufacturing practices will allow companies to respond faster to market conditions, helping to reduce unnecessary product volume and enabling better alignment of demand and production. This includes enhanced rapid manufacturing capabilities, allowing retailers to produce quickly while moving toward [ahead-of-time](#) models. Small-batch production and flexibility with contractors will be essential in facilitating this shift, with contracts potentially containing adjustable terms that permit manufacturers to acquire only necessary amounts of material.

The materials themselves will be upgraded as well. Continued innovations to biodegradables will reduce the amount of waste that ultimately remains in landfills over time, meaning discarded items will occupy less space and result in a reduced environmental impact through faster, more complete breakdown. Through a holistic analysis of product life cycles, retailers can better understand where there are opportunities to incorporate sustainable practices into their production processes, meeting customer demands and regulatory requirements.

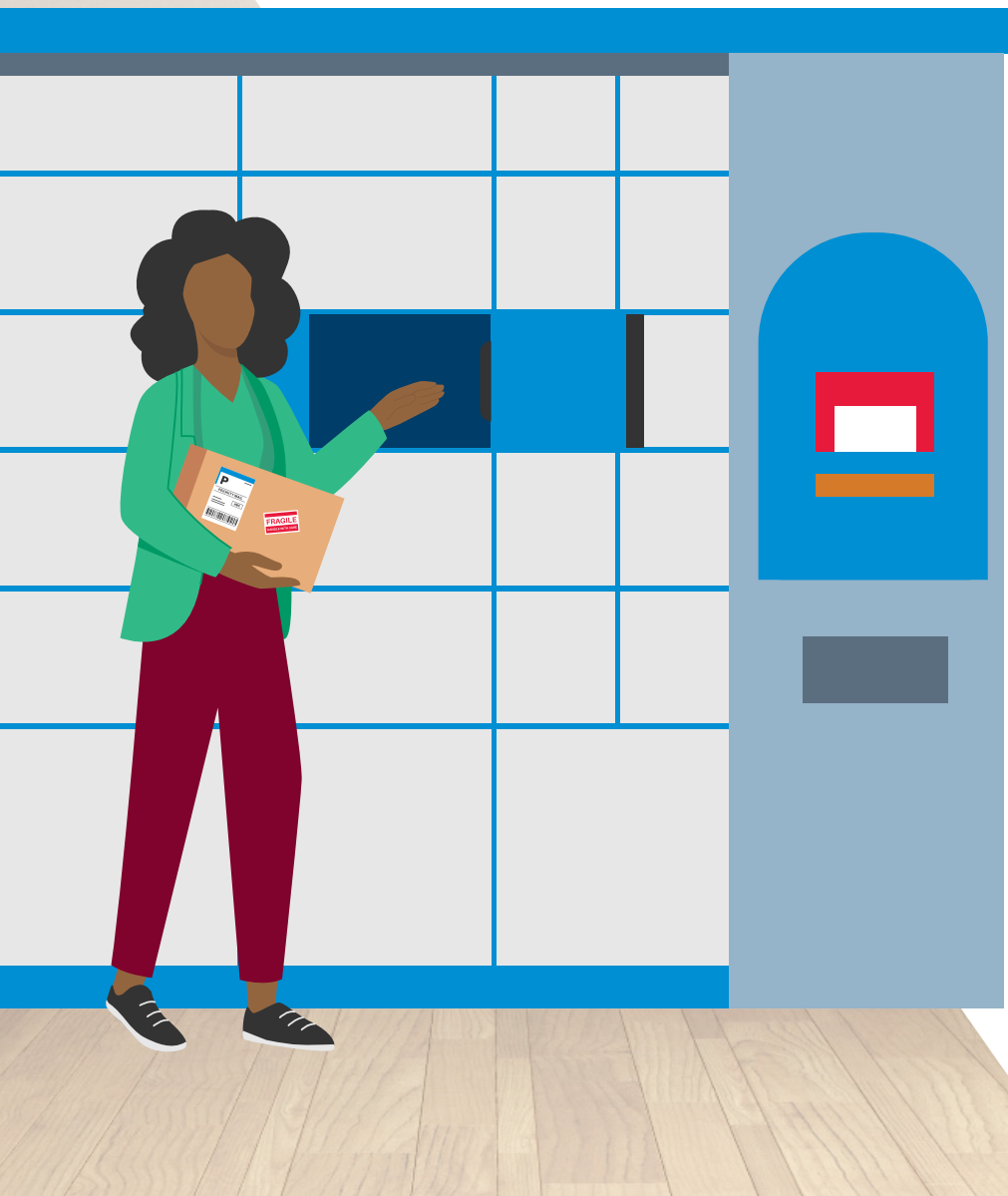


Resilient Retail: How BDO Helps Retailers Build Sustainable Supply Chains

The value of a circular economy isn't limited to environmental benefits. By embracing sustainable business practices, retailers can secure more reliable sources of materials, reducing the risk of supply chain disruptions and supporting their long-term strategic objectives. Through the use of recycled materials — and less of them — companies buttress themselves against risks to their supply chains that are out of their control. For example, international shipping delays from infrastructure failure or natural disasters can lead to product shortages. But incorporating a stable source of recycled material helps to build in resilience against supply chain disruptions.

Before retailers can look at revamping their supply chains to embrace a circular economic model, they need to know where they stand. [BDO's knowledgeable team can assist](#) retailers through an assessment that reviews their supply chains and the options available to help bolster them, including strategic sourcing and procurement, inventory evaluations, distribution, and logistics. By understanding where there are opportunities to enhance sustainable production, retailers can determine what goals are achievable now and which ones they will need to build to further their sustainability efforts.

Retailers that embrace the circular economy can do more than merely position themselves to create a more sustainable future; they can seize an opportunity for a more resilient supply chain and operate in a way that resonates with environmentally conscious customers—while taking meaningful steps to future proof their business.



Ready to build an out-of-this-world retail operation
that's as adaptable as it is sustainable?



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BDO has been a valued business advisor to retail and consumer products companies for more than 100 years. The firm works with a wide variety of clients across the traditional retail, consumer product and ecommerce sectors, ranging from multinational Fortune 500 corporations to emerging businesses, on myriad accounting, tax and advisory issues.

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