

Addressing Imperfect Substitution in the Circular Economy

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Abstract

Management scholars have studied circular economy value propositions, products and business models as well as how consumers adopt them. However, rebound effects, such as imperfect substitution, can offset the resource savings of such circular economy strategies. This paper extends management scholarship to consider how circular products often fail to substitute for linear products. Concretely, we review three approaches to behavioral change, based on individual intentions, behavioral lock-in, and structural lock-in, before empirically assessing their ability to explain the substitution of linear products by circular products in the context of carsharing. We find support for theoretical explanations based on individual intentions, structural lock-in and the interaction between them as ways to address imperfect substitution. We conclude by discussing how rebound effects complicate sustainability claims at the firm and product-level and theorize the strategies available for managers and policy-makers to address imperfect substitution.