Abstract:

Socially oriented businesses are on the rise in the United States yet their social goals cause them to have higher costs and be less competitive. This paper investigates the viability of such a business model within a competitive market by determining the price premiums that consumers are willing to pay for goods manufactured or sold by social businesses. It begins with a review of past literature focusing on social certifications such as fair trade and forest stewardship. In contrast to such studies, this paper utilizes four categories based upon the B Corporation certification to shape a survey testing consumer price preferences. By determining that consumers are willing to pay premiums on social goods, as well as finding that these social premiums are similar in magnitude to the premiums placed on goods of higher quality, I find that a social certification, such as the B Corporation certification, can potentially add substantial value to a company. Also, through the incorporation of demographic information and a breakdown of price premium results into separate social categories, I find evidence of both significant differences in preferences between genders and that a higher perceived ability to consume may decrease consumers’ willingness to pay social premiums.
Introduction

Social businesses are double bottom line enterprises: both profit and social benefit maximizing. This model, however, runs contrary to the typical U.S. company. Within a capitalist system built upon each looking out for its own, markets run off of self-interest and, in order to survive, businesses must constantly seek to cut costs and increase profits. Though multitudes of charitable organizations exist that focus solely on assisting others, these organizations rely on donations of time and money. Social businesses, on the other hand, seek to remain financially sustainable and provide some social benefit. While many partially social businesses exist, the question is whether through acceptance and support from consumers the model could be viable on a larger scale.

The long term viability of social businesses, as well as achieving financial sustainability in the short term, relies on their ability to differentiate themselves and signal the social component of their operations to consumers. Within a free market, social businesses are incapable of achieving low costs similar to those of their non-social competitors. Their higher costs can be due to direct expenses such as contributions to charity or increased prices for inputs such as recycled materials or higher wages. In order to compensate for this difference in costs, social businesses must be able to charge higher prices so as to recoup their decreased profit margins. These higher prices may be driven by niche markets or appearances of higher quality; however, in order for the social business model to be truly viable, the social process itself must allow these businesses to increase their prices. If consumers are able to differentiate socially
beneficial goods\textsuperscript{1} and prove themselves willing to pay a premium for such goods, then social enterprises could become entirely capable of competing against other non-social businesses.

A non-profit organization in Philadelphia, Pennsylvania, B Labs, works to promote the success of social businesses. They do so by providing certification services to businesses that apply and meet a certain set of criteria. If, upon review of their application and investigation into their performance and company structure, a corporation is deemed to meet their qualifications, B Labs will certify them as a “B Corporation”. The goal of this process is to create a general certification, bestowed by a third party, that enables consumers to identify social businesses and aids these businesses to demonstrate the social nature of their operations. Certification is rigorous and even upon successful receipt of the certification, corporations are given ratings in each of five categories used as measures of their social nature.

The effect of certification on a business is multidimensional and complex since, though it merely labels the corporations as social businesses, it may have multiple positive effects. If consumers are receptive to the certification and interested in certified products, increased demand for those products could either result in higher volumes of the products sold, increased prices for those products, or both. By increasing demand for their products, the certification has the potential to provide social businesses with the vital “edge up” that they require to compete.

\textsuperscript{1} Throughout this paper businesses, processes, and goods are labeled as “social”. Though the term “social business” was popularized by Muhammad Yunus in his description of double bottom line firms, specifically microfinance foundations, I use the label more liberally to signify that a firm is involved in social activities. These activities may range from charitable giving to the use of environmentally friendly inputs and are not limited to a specific business model or type of social benefit.
The five categories of the B Labs' certification are: accountability, community, consumers, employees, and environment. Here are short descriptions of each category:\(^2\):

**Accountability**: the company's governance, with emphasis placed upon transparency and measures taken by the company to support the global communities from which products are sourced

**Community**: the company's impact upon its community including local ownership and sourcing, diversity of employees and ownership, and charitable giving/community service

**Consumers**: whether companies create public benefit through their business structure or product offerings

**Employees**: employee compensation and benefits, ownership, and work environment

**Environment**: tripartite effects of corporate environmental impact, transportation and distribution, and manufacturing environmental impact

Though most social businesses emphasize one or another of these areas, unless the category is not applicable to a business, B Labs requires aspects of each to be present in an organization's business model to qualify them for B Corporation certification. Companies that excel in an area are given high marks and that quality is labeled as an area of expertise.

The differing categories that together comprise the B Corporation certification potentially add value to the certification for multiple reasons. The first is that by breaking down the

\(^2\) B Corporation (2011)
certification into several categories and examining each individually, B Labs is able to comprehensively describe the social nature of a business. Secondly, the information gathered and the ratings bestowed upon companies serve to create a detailed description of their rating of the social nature of the business that, coupled with the very certification itself, informs consumers as to the potential social benefit provided by the business.

Knowing that the social business model is expanding and that those organizations demand a certification enabling them to signal the nature of their companies to consumers, it is important to understand to what extent consumers are willing to pay higher prices for socially beneficial goods. With a certification in place, assuming that the certification fully and accurately represents their social nature, will that certification compensate social businesses for their increased costs? Will consumers prove to be unfazed by social businesses, or could such a certification become a requirement for companies to remain competitive as non-social businesses are competed out of the market?

The answers to these questions depend upon the price preferences of individual consumers. Though there are several methods of gauging these preferences including market experiments and investigations into the effects of social certifications on the bottom lines of businesses, due to the constraints of this study I’ve opted to survey consumers directly in order to understand the premiums that they would be willing to pay for social goods. In the survey, I presented consumers with a set of market situations in which they are to imagine themselves ready to purchase a non-social good at a fixed price and then asked them to choose how much they would be willing to pay for a second, identical good, that was manufactured or sold by a social business. The keys to these market situations are the socially beneficial nature of the
second good, and the identical qualities of the two goods. The equivalence in qualities between the two goods facilitates the isolation of the social nature of the second good and allows consumers to determine the premium that they would be willing to place on that nature alone.
Literature Review

Due to the recent implementation and small scale of the B Corporation certification, there is, as of now, no literature addressing the certification in particular. Though a large amount of literature exists covering various other product certifications, for the purpose of this study the focus was placed on certifications that concern the process of production or sale of a product and not differences in quality. This ruled out certain certifications, such as organic\(^3\), and lent itself towards one certification in particular, fair trade.

The fair trade certification, and literature covering its successes and failures, is important to a study of the B Corporation certification due to the similarities between the two. Fair trade is process oriented and does not necessarily signal higher quality of certified goods. In particular, using the most common example of fair trade, the certification centers around guaranteeing fair prices paid to producers of coffee. These increased prices are derived both from a re-balancing of the coffee value chain, as well as a premium on fair trade coffee charged directly to consumers. Examining the effect that the fair trade certification has had on the prices and demand for certified coffee, it is possible to gain a better understanding of the potential effects of the B Corporation certification, as well as consumer price preferences towards socially beneficial products in general.

\(^3\) A note on the organic certification: this certification does focus on process; however, due both to the fact that certified products are foods and that, though the process does have positive externalities, these foods are generally deemed to be healthier due to the absence of potentially harmful chemicals, the reasons consumers may have for choosing organic products (process vs. quality) is somewhat ambiguous compared to some other certifications.
Published in 2005 and authored by Peter Taylor of Colorado State University, the paper titled, *In the Market But Not Of It: Fair Trade Coffee and Forest Stewardship Council Certification as Market-Based Social Change*⁴, reviews two social initiatives and examines their past successes and the direction each is taking moving forward. Though the two certifications are similar in that the end products are identical to others in the market, the social benefit derived and the subsequent consumer reactions to each certification are entirely different. The fair trade certification has resulted in higher prices charged to consumers and higher payments to producers. Conversely, the forest stewardship certification has not resulted in a price premium, instead the certification has become somewhat of a requirement for entry into certain markets and has afforded certified companies with greater market stability.

Briefly summarizing forest stewardship: companies are certified for practicing sustainable forest management. This type of forest management not only has beneficial environmental effects, it also emphasizes the resource rights of local communities and the healthy incorporation of those communities into the harvesting process. The primary problem with the certification, however, is that the value added by the certification occurs at a separate step in the commodity chain from the producers who are charged with paying for the certification. Unlike fair trade, in which the cost of certification is transferred onto the consumer, the forest stewardship certification is paid for directly by producers at a hefty cost.

The article concludes that, since fair trade and forest stewardship are labels that signal the differently aligned goals of social businesses in order to facilitate the participation of those businesses in traditional markets, the certifications need to be shaped to emphasize and uphold

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⁴ Taylor (2005)
the social nature of the businesses while better enabling them to succeed within markets. As the title of the article indicates, certified companies are not of the market and this difference is substantial. Rather than adapt by aligning themselves to the non-social companies against which they compete, the principles of fairness that underlie both certifications need to be maintained and emphasized. Due to the dissimilar structures of the certifications and their effects, these changes will occur differently. In the case of fair trade, their strength lies in their already firm grasp on a successful market mechanism to transfer benefit to producers. Moving forward, this strength should be put to use by taking active measures to increase their market presence and thereby increase the benefit derived by producers. Forest stewardship, however, since those paying for the certification do not derive sufficient benefit, necessitates some type of re-balancing. Such a shifting of goals and benefits should both solidify forest stewardship’s role in the market and enable those paying for the certification (both through direct fees and increased costs) to benefit.

Arnot, Boxall, and Cash in their paper, *Do Ethical Consumers Care About Price? A Revealed Preference Analysis of Fair Trade Coffee Purchases*[^5^], constructed a market experiment involving changing the prices of regular and fair trade coffee at a beverage stand in order to gauge demand for the different coffees in addition to fluctuations in that demand resulting from price changes. They also collected demographic information on coffee consumers (once they had completed their transactions) in order to determine differences in the demand for fair trade coffee across demographics.

The primary results of their study were that fair trade coffee comprised about 21% of coffee purchases (with the other types being regular Colombian, and bold and flavored coffees) and that purchasers of fair trade coffee were relatively unresponsive to price changes. Though the proportion of consumers purchasing fair trade coffee is significant, the most important result from the study was the finding that the demand for fair trade coffee was relatively price inelastic. This suggests that consumers who favor fair trade coffee base their decision on something other than price. Compared to consumers of regular coffee who, in the face of price increases, were willing to switch to other products, consumers who purchased fair trade coffee continued to purchase fair trade coffee. This suggests, therefore, that for purchasers of fair trade coffee, the most important trait of the coffee was its status as a social good and that those consumers were willing to pay a premium for that social nature.

In the paper, *Do Consumers Care About Ethics? Willingness to Pay for Fair-Trade Coffee*\(^6\), Pelsmacker, Driesen and Rayp conducted a survey on a Belgian university campus asking respondents to indicate their willingness to pay for several different types of coffee. Their survey also included a second section asking about respondents’ personal values and demographic characteristics.

The survey that Pelsmacker, et al. constructed used eight types of coffee, each with different brand, flavor, blending, package, and fair trade combinations. By providing consumers with a base product profile and price, and asking them to express their willingness to pay for each of the eight other types relative to the base product, the survey aimed at understanding

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\(^6\) De Pelsmacker, et al. (2005)
which trait affected price preferences the most and how much more consumers were willing to pay for fair trade coffee.

Analyzing the results from the survey, they established that across the sample the average willingness to pay for the fair trade attribute was 10% (over the base product). Relatively, the brand attribute had the highest importance among attributes while the fair trade label and flavor were close behind (relative importances of 28.4, 25.3, and 25.5 respectively). Breaking the respondents down into four different clusters, it was possible to differentiate them by their preferences. The four clusters were labeled: fair trade lovers, fair trade likers, flavor lovers, and brand lovers. By doing so, each group could be described by their willingness to pay for fair trade coffee. Fair trade lovers were willing to pay 36% more than the base product while flavor lovers and brand lovers were only willing to pay 4% and 3% more.

The average willingness to pay of 10% across the sample in this survey, however, is highly encouraging and helps to motivate the need for research delving into other social certifications. With a potential premium of 10% on fair trade coffee, market penetration could be greatly increased and consumers who currently don’t buy such products could be converted to fair trade purchasers.
Survey Construction

In order to collect data on individuals’ price preferences, I constructed a survey comprised of different consumer scenarios. In every scenario the consumer is asked to choose between two products, each manufactured or sold by a different company. The price of the first product is given and the survey taker asked to choose a price for the second product. While no information except the price and type of the first product was provided, the second product always included a description that detailed additional characteristics of the product such as sustainable manufacturing processes or a community program initiated by the producer.

The first section of the survey was comprised of five demographic questions. These questions were geared towards understanding differences across consumer groups. The questions included gender, years of education, years of education of parent 1 and parent 2, and a question about socioeconomic status. Regarding education levels, the questions asked for the total years of education since first grade; therefore, for example, someone who had completed their junior year of high school would answer 11. The socioeconomic question, however, was harder to phrase. Since the question was meant to reveal the survey taker’s perceived buying power, rather than ask about income levels and offer a range of incomes in dollar terms, the question was multiple-choice with several subjective categories. The categories were: “I have everything I need and everything I want”, “I have everything I need and most things I want”, “I have everything I need and some things I want”, “I have everything I need”, “I have some things I need”, and “I don’t have what I need”.

Following the demographic section, the first ten scenarios were presented as open ended questions over two pages. The survey then concluded with twenty multiple choice questions.
The questions themselves were each classed into one of five groups. They either presented a scenario having to do with eco-friendly practices, employee programs, beneficial community projects, a percentage of the price of the product being given to charity, or they were controls. The control questions did not concern the process of manufacturing or sale of the product, instead they each presented an alternate product that was superior in quality to the first product. An example of a control question is: *Movie store A sells DVDs for $18. Movie store B sells identical DVDs except their DVDs have been shown not to scratch. How much would you be willing to pay for a DVD from movie store B?* Below are examples of each of the other categories of questions:

**Environmentally friendly practices:** *Calculator manufacturer A sells calculators for $100. Calculator manufacturer B sells identical calculators except they run an initiative to collect used batteries and dispose of them safely. How much would you be willing to pay for a calculator from calculator manufacturer B?*

**Employee programs:** *Toy store A sells trampolines for $300. Toy store B sells identical trampolines except they maintain after school programs for the children of their employees. How much would you be willing to pay for a trampoline from toy store B?*

**Beneficial community projects:** *Paper factory A sells a ream of paper for $6. Paper factory B sells identical reams of paper except they fund a local youth soccer league. How much would you be willing to pay for a ream of paper from paper factory B?*
Percentage of price donated to charity: *Clothing store A sells regular jeans for $50. Clothing store B sells identical jeans except they donate 20% of the price to charity. How much would you be willing to pay for a pair of jeans from clothing store B?*

Each multiple-choice question presented nine potential answers. The same price as the first product would be given as well as four options above that price and four options below. Each deviation from the original price was increased or decreased by an equal amount. For example, if $5 was given as the price of the first product, the options could be $3, $3.50, $4, $4.50, $5, $5.50, $6, $6.50, and $7. An equal number of options were given above and below the original price in order to avoid biasing answers. Also, the options were spaced by even increments so that different answers could easily be compared to each other and to avoid further sources of bias. However, the deviations of the options relative to the original price did vary across questions. This was done in order to prevent those surveyed from consistently selecting a particular response without carefully considering the question and the given answers.

The order of the types of questions was varied so as to avoid patterns and to minimize recognition of similar types of questions across the survey. As a means of increasing the variations across questions, no two products were repeated throughout the survey, nor were the same socially beneficial descriptors used for the non-control questions. The control questions also varied in the manner of quality increases the second products experienced.

Prior to beginning the collection of data using the survey, the survey was tested several times, each time receiving slight changes. From start to finish, the survey was shown to take between nine and ten minutes to complete. Also, the price ranges on the multiple choice questions were edited in order to provide the most precise range possible without causing a
ceiling affect to occur. Such an effect would reduce the utility of results as it would cause responses to fail to be accurately representative of the respondent’s price preference.

Equal numbers of each of the five types of questions were included in the survey. The open ended questions contained two of each type while the multiple-choice questions contained four of each type. This was done so that the results from the questions could be compared evenly without overly weighting a certain type of question.

Initially, the introduction to the survey described the purpose of the questions as well as a few basic instructions. Prior to administration, the description of purpose was removed from the introduction in order to avoid biasing results. This was not an obvious decision since the success of the survey relies on those surveyed to put themselves in the place of a consumer deciding between two equivalent products; however, a need to avoid incentivizing those surveyed to choose the socially beneficial option necessitated an ambiguous introduction. The survey was then introduced by referring to it as a test of price preferences. Respondents were directly asked to place themselves in the position of the consumer and assume that they would purchase the first product at its given price.

The open ended questions purposefully did not signal what an appropriate range of prices were; however, the multiple-choice questions gave nine options, only four of which were higher than the price given for the initial product. Since such a small range of options was given, survey takers were explicitly asked to choose the option that most closely matched their preference (and not to consistently round up or round down).
Results

Table 1, shown below, outlines descriptive statistics describing the demographics of the survey respondent sample.

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>33.77</td>
<td>16.22</td>
<td>22</td>
</tr>
<tr>
<td>Gender</td>
<td>.32</td>
<td>.47</td>
<td>0</td>
</tr>
<tr>
<td>Education</td>
<td>15.61</td>
<td>2.51</td>
<td>16</td>
</tr>
<tr>
<td>Parent 1 Education</td>
<td>15.96</td>
<td>3.72</td>
<td>16</td>
</tr>
<tr>
<td>Parent 2 Education</td>
<td>15.94</td>
<td>3.47</td>
<td>16</td>
</tr>
<tr>
<td>Consumer Level</td>
<td>5.51</td>
<td>.93</td>
<td>6</td>
</tr>
</tbody>
</table>

The first aspect to note is the median age. Though the average age is about 34 years, due to a large number of undergraduate student respondents (47% of respondents both had between 12 and 16 years of education and were between the ages of 18 and 22), the median age is 22 with a minimum age of 15 years and a maximum of 79 years. In order to examine the effect of gender on price preferences using regressions, it was necessary to convert the responses to a dummy variable. In this case the response “male” was assigned a value of 1, and the response “female” was assigned a value of 0. The mean of the gender variable shows that approximately two thirds of the respondents were female.
In terms of education the average and median years of education were all approximately 16. This is due in part to the fact that many of the respondents were in the process of completing an undergraduate degree while others were parents of undergraduate students who held some type of graduate degree. The means of the parent education variables tell a similar story.

Finally, the consumer level responses provide an interesting look into respondents’ perceived ability to consume. Due to the structure of the question (with seven verbal responses ranging from “I have everything I want and everything I need” to “I don’t have what I need”) the responses were coded from 1 to 7, with 7 representing the highest ability to consume, and 1 the lowest. An average of 5.51 corresponds to the midpoint between “I have everything I need and most things I want” and “I have everything I need and some things I want”. These two responses are on the higher end of the scale and, though the responses are somewhat ambiguous, they may show that most respondents believed themselves to have some discretionary income.

Moving on to the responses themselves, following are several statistics describing respondents’ price preferences:
Table 2: Descriptive statistics and T tests for significance

<table>
<thead>
<tr>
<th>Variable</th>
<th>Average Premium</th>
<th>Standard Deviation</th>
<th>T Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>11.68%</td>
<td>.1728</td>
<td>6.30</td>
</tr>
<tr>
<td>Community</td>
<td>4.10%</td>
<td>.0340</td>
<td>11.44</td>
</tr>
<tr>
<td>Environment</td>
<td>7.80%</td>
<td>.0780</td>
<td>9.39</td>
</tr>
<tr>
<td>Charity</td>
<td>9.53%</td>
<td>.0742</td>
<td>11.98</td>
</tr>
<tr>
<td>Price</td>
<td>8.61%</td>
<td>.0657</td>
<td>11.86</td>
</tr>
<tr>
<td>Quality&lt;sub&gt;6&lt;/sub&gt;</td>
<td>23.36%</td>
<td>.1887</td>
<td>11.41</td>
</tr>
<tr>
<td>Quality&lt;sub&gt;4&lt;/sub&gt;</td>
<td>6.91%</td>
<td>.0395</td>
<td>16.29</td>
</tr>
</tbody>
</table>

The table above displays the primary results obtained. Each of the question categories was shown to be statistically significant (the means of the premiums are different than zero) at a 1% level since every T value exceeds the critical value of 2.58. The average premiums obtained demonstrate respondents’ willingness to pay for each type of social benefit. Important to note are the similar results across the benefit groups and the much larger premium placed on goods within the quality<sub>6</sub> group. This result is notable since the quality<sub>6</sub> category was included as a control group and the questions describing goods in the quality group were designed to imply that the good was actually of higher quality (whereas the goods within the other groups were all of equal quality). However, a quality<sub>4</sub> group was also introduced due to inconsistencies in the responses to the quality questions. Out of the six quality oriented questions presented in the survey, the average responses to four of the questions fell between 3% and 9%. The means of

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<sup>7</sup> Further descriptions of the data cleaning process and the raw survey results can be found in Appendix A.
the other two responses, however, were 41% and 72%. This large discrepancy in responses is most likely due to the lower base prices of the two outlying questions ($0.20 and $6 compared to $18, $900, $150, and $70) as well as the inequality of the perceived quality differences among the various questions. Finally, a “price” group was added to the analysis. This variable is simply the mean of the premiums from each of the social categories (employees, community, environment, and charity) for each respondent. The mean for this variable shows a basic average premium that respondents are willing to pay for social goods.

Due to the outlying responses present in the quality group, from here forward all tests including the quality category are conducted using the quality variable. In order to confirm that consumers are willing to pay more for goods within the quality group, I ran T tests to determine if the differences in means are statistically significant.

**Table 3: Difference of social variable means from mean of quality variable**

<table>
<thead>
<tr>
<th>Variable</th>
<th>T Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>-2.44</td>
</tr>
<tr>
<td>Community</td>
<td>5.94</td>
</tr>
<tr>
<td>Environment</td>
<td>-0.81</td>
</tr>
<tr>
<td>Charity</td>
<td>-3.08</td>
</tr>
<tr>
<td>Price</td>
<td>-1.79</td>
</tr>
</tbody>
</table>

Since the critical value is 2.58 and not all of the t statistics calculated are greater than 2.58 or less than -2.58, the mean of every social category is not shown to be significantly different from the mean of the quality group at a 1% level. This demonstrates that, within the
employee and environment categories, as well as the aggregated price category, the premiums placed on products are not significantly different than the premiums placed on the quality\textsubscript{4} category. Also, the negative sign on the t statistic in the charity category shows that premiums placed on products that contribute to charity are, in fact, significantly larger than premiums placed on goods within the quality\textsubscript{4} category.

Combining the demographic information and the price preference responses, I run several regressions to determine whether any of the demographic data is significant in determining price premiums across social categories. Due to a lack of significance I omit both parental education variables.

**Table 4: Initial regression results**

<table>
<thead>
<tr>
<th></th>
<th>Age</th>
<th>Gender</th>
<th>Education</th>
<th>Consumer Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>-.0017</td>
<td>-.0799*</td>
<td>.0107</td>
<td>-.0426**</td>
</tr>
<tr>
<td>Community</td>
<td>-.0002</td>
<td>-.0142*</td>
<td>.0017</td>
<td>-.0085**</td>
</tr>
<tr>
<td>Environment</td>
<td>-.0003</td>
<td>-.0494***</td>
<td>.0035</td>
<td>-.0139</td>
</tr>
<tr>
<td>Charity</td>
<td>-.0014***</td>
<td>-.0319*</td>
<td>.0036</td>
<td>-.0029</td>
</tr>
<tr>
<td>Price</td>
<td>-.0008*</td>
<td>-.0463***</td>
<td>.0057*</td>
<td>-.0173**</td>
</tr>
<tr>
<td>Quality\textsubscript{4}</td>
<td>-.0005*</td>
<td>.0224**</td>
<td>.0006</td>
<td>.0023</td>
</tr>
</tbody>
</table>

Note: level of significance indicated by asterisks, * = 10%, ** = 5%, *** = 1%

This first regression shows that though each of the demographic variables significantly affected at least one of the social categories, the most consistent variable was gender. In each of
the social categories, including the aggregated price variable as well as the quality variable, gender was statistically significant. Though the negative sign on the coefficients in each of the social categories show that male respondents were less willing to pay premiums for social products, the positive gender coefficient in the quality category shows that male respondents were willing to pay relatively more for goods of higher quality. The age and consumer level variables were also significant, though not across the board. The signs on the age coefficients indicate that older respondents were, within the charity, price, and quality categories, willing to pay less than younger respondents. Also, the negative consumer level coefficients show that, within the employees, community, and price categories, respondents who ranked their consumer level higher were willing to pay relatively less.

Following the initial regressions, I opted to include responses from the quality category as an independent variable since consumers who are willing to pay more for goods of higher quality may also be willing to pay more for socially beneficial goods (of equal quality).

**Table 5: Regression results**

<table>
<thead>
<tr>
<th></th>
<th>Age</th>
<th>Gender</th>
<th>Education</th>
<th>Consumer Level</th>
<th>Quality_4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>-.0018</td>
<td>-.0762*</td>
<td>.0104</td>
<td>-.0418**</td>
<td>-.1818</td>
</tr>
<tr>
<td>Community</td>
<td>.0000</td>
<td>-.0254***</td>
<td>.0019</td>
<td>-.0090**</td>
<td>.3703***</td>
</tr>
<tr>
<td>Environment</td>
<td>.0000</td>
<td>-.0624***</td>
<td>.0043</td>
<td>-.0162*</td>
<td>.6371***</td>
</tr>
<tr>
<td>Charity</td>
<td>-.0012**</td>
<td>-.0404**</td>
<td>.0033</td>
<td>-.0039</td>
<td>.4161*</td>
</tr>
<tr>
<td>Price</td>
<td>-.0007</td>
<td>-.0513***</td>
<td>.0056*</td>
<td>-.0180**</td>
<td>.2175</td>
</tr>
</tbody>
</table>
The results from Table 5 show that in several cases the quality\textsubscript{4} responses were significant in determining the premiums placed on social categories. Consumer level responses also showed significance across most categories. Across all categories, similar to the initial regression, gender remained. These results suggest that, outside of gender, variables that capture respondents’ demonstrated and perceived abilities and willingness to consume, specifically consumer level and quality\textsubscript{4}, are important in determining the price premiums that they would be willing to pay for socially beneficial goods.
Conclusions

The primary results to be gleaned from the data analysis are the very premiums that respondents showed themselves willing to pay for social goods. These price premiums represent potential increased profits for social businesses and a means for such businesses to compete with other non-social firms. Not only are these premiums significant, with an average social premium of about 9%, through a comparison of the aggregated price category to the quality category, it seems as though the premiums that consumers are willing to pay for social goods are equivalent to price premiums due to increases in quality.

The breakdown of the social categories into employees, community, environment, and charity was meant to determine whether the socially beneficial aspect of social goods motivated price differences or whether certain category specific attributes caused consumers to price social goods differently. Due to the similar price premiums across groups no particular group stands out for attracting significantly higher prices. This does not necessarily indicate that category specific attributes are unimportant, but it does suggest that social businesses, though they may focus their social initiatives in particular areas, should see similar returns.

The demographic information collected and the regression results calculated demonstrate that the primary determinants of consumers’ willingness to pay social price premiums are gender and a general willingness to consume. The consistently negative coefficients on the gender variable indicate men’s relatively lesser willingness to pay increased prices. The consumer level and quality coefficients from Table 5 are particularly interesting. Comparing the significant results from each of these categories, it seems as though, judging by the negative consumer level coefficients, consumers who perceive their ability to consume as higher are less willing to pay
social premiums. In contrast, the positive coefficients on the significant quality results show that consumers who demonstrate a higher willingness to pay for goods of greater quality are also willing to pay more for social goods. These somewhat contradictory results suggest a disconnect between consumers’ perceived and demonstrated willingness to consume and the consequences those preferences have on social price preferences.

In conducting an analysis of consumer price preferences towards social goods, the aim was determine whether the social nature of such businesses adds substantial value. By showing that consumers are willing to pay more for social goods to the extent that social processes are equivalent to higher quality in terms of price increases, a signal of social benefit, like the B Corporation certification, could provide social businesses with the advantage they require to successfully compete in the market.
Caveats

The primary weakness of the survey method used in this study is the lack of random selection. In order to collect a large number of responses quickly, the survey was sent out to groups of students at Haverford College as well as posted online. These methods of distribution, however, closely resemble those used in the survey based study conducted by Pelsmacker, et al. Their method for compensating for the lack of random sampling was to include statistics in their results describing the demographics of their sample population in order to temper the interpretation of their results.

Also, since the research method used was a survey instead of some type of market experiment, it is impossible to rule out the role that biases in responses could have played. In cases in which a surveyor asks of a respondent to choose between two options, one of which is a “good” choice while the other may not be, the respondent will be incentivized to select the “good” option in order to make themselves appear better to the surveyor. In order to diminish the effect of this bias, the anonymity of the survey was emphasized.
Appendix

A. Due to the structure of the survey and the inclusion of open ended questions, several responses required interpretation in order to be subjected to statistical analysis. Prior to a change in the program administering the survey, some non-numerical responses were registered for the education and parents’ education questions. All non-numerical responses were converted to numbers using the following system: high school = 12, some college = 14, college = 16, masters = 18, law degree = 19, phd = 20. Also, within the price preference data itself, since no upper and lower limit was placed on acceptable responses several typos occurred. In cases in which zeroes were dropped, the response was changed to the base amount. If the response differed from the base amount by more than a factor of ten, the response was dropped.
References


