The Behavioral Case for B Corporations

Natalie Guarna

Follow this and additional works at: https://repository.upenn.edu/mbds

Part of the Social and Behavioral Sciences Commons

The final capstone research project for the Master of Behavioral and Decision Sciences is an independent study experience. The paper is expected to:

- Present a position that is unique, original and directly applies to the student's experience;
- Use primary sources or apply to a primary organization/agency;
- Conform to the style and format of excellent academic writing;
- Analyze empirical research data that is collected by the student or that has already been collected; and
- Allow the student to demonstrate the competencies gained in the master's program.

This paper is posted at ScholarlyCommons. https://repository.upenn.edu/mbds/3
For more information, please contact repository@pobox.upenn.edu.
The Behavioral Case for B Corporations

Abstract
In recent years, consumers have started increasingly prioritizing the social and environmental impacts of the brands they support. Quick to notice this trend, companies have taken advantage of it, incorporating green claims, true or not, into their marketing materials. From a consumer perspective, it can be mentally taxing to navigate through these claims to find companies whose values align with their own. The B Corp Certification, which verifies the positive impacts of for-profit companies, has emerged as an objective way for consumers to identify conscious companies. The financial benefit of B Corp Certification has been well established: B Corps enjoy higher-than-average rates of financial success. The behavioral case for B Corps, on the other hand, remains relatively unexplored. Behavioral science, a relatively new field of study that considers the influences of human behavior beyond rationality, offers new insights as to why the B Corp Certification resonates well with modern consumers. The appeal of (1) self-image preservation, (2) social conformity, and (3) trust/transparency draw consumers to the B Corp Certification. These appeals, however, are strongly limited by lack of consumer recognition of the B Corp logo. In today's economy, B Corps are well poised to create meaningful impact, but increasing consumer awareness is key to these companies achieving their full potential.

Disciplines
Social and Behavioral Sciences

Comments
The final capstone research project for the Master of Behavioral and Decision Sciences is an independent study experience. The paper is expected to:

• Present a position that is unique, original and directly applies to the student’s experience;
• Use primary sources or apply to a primary organization/agency;
• Conform to the style and format of excellent academic writing;
• Analyze empirical research data that is collected by the student or that has already been collected; and
• Allow the student to demonstrate the competencies gained in the master’s program.
THE BEHAVIORAL CASE FOR B CORPORATIONS

Natalie Guarna

Summer 2019

Alex Shpenev, PhD
ABSTRACT

THE BEHAVIORAL CASE FOR B CORPORATIONS

Natalie Guarna
Alex Shpenev

In recent years, consumers have started increasingly prioritizing the social and environmental impacts of the brands they support. Quick to notice this trend, companies have taken advantage of it, incorporating green claims, true or not, into their marketing materials. From a consumer perspective, it can be mentally taxing to navigate through these claims to find companies whose values align with their own. The B Corp Certification, which verifies the positive impacts of for-profit companies, has emerged as an objective way for consumers to identify conscious companies. The financial benefit of B Corp Certification has been well established: B Corps enjoy higher-than-average rates of financial success. The behavioral case for B Corps, on the other hand, remains relatively unexplored. Behavioral science, a relatively new field of study that considers the influences of human behavior beyond rationality, offers new insights as to why the B Corp Certification resonates well with modern consumers. The appeal of (1) self-image preservation, (2) social conformity, and (3) trust/transparency draw consumers to the B Corp Certification. These appeals, however, are strongly limited by lack of consumer recognition of the B Corp logo. In today’s economy, B Corps are well poised to create meaningful impact, but increasing consumer awareness is key to these companies achieving their full potential.
INTRODUCTION

Those who have been paying any attention at all to consumer trends over the past decade will have noticed that the behavior of businesses around the world is changing. This response is largely a reaction to widespread changes in consumer behavior. As consumers grow increasingly conscious and critical of the impacts of the products they purchase, businesses must adapt their behavior and take into account considerations beyond the bottom line, such as the social and environmental impacts of their operations on the world around them.

In tandem with this trend, a non-profit organization called B Lab is leading a grassroots movement to change capitalism in a way that balances purpose and profit and uses business as a force for good. Since 2007, B Lab has certified over 2,900 businesses as “B Corporations” (or B Corps) that “meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose” (“About B Corps,” 2018).

Noble Laureate Robert Shiller lauds B Corps as companies with “greater appreciation of the real motives that drive and excite people.” But what are these motives and where do they stem from?

Existing literature ties B Corp Certification to improved financial performance and company growth, but the strong connections to consumer behavior that underlie these results remain relatively unexplored. Right now, awareness of the certification is limited at best, but the alignment of ethical business behavior with conscious consumer interests presents an ideal entry point for certification growth. An understanding of several key behavioral science concepts can be leveraged in expanding awareness of the B Corp Certification to consumers around the globe.
WHAT ARE B CORPS?

B Corp Certification is available to any for-profit company in the world, regardless of size or location. The certification is the cornerstone of the B Corp movement to “harness the power of business to help address society’s greatest challenges and to build a more inclusive economy” (“About B Corps,” 2018). It is often compared to Fair Trade certification for coffee, Organic certification for milk, or LEED certification or green buildings. Importantly, however, the B Corp Certification views the company holistically and assesses all company operations and spheres of impact, rather than focusing on one function of a business. One of the primary goals of this breadth is to distinguish between verified good companies and good marketing.

Today, the global community of certified B Corps spans across 67 countries and across 150 different industries. These statistics alone speak to the wide application and relevance of this certification. B Lab posits that what unites these companies is a single unifying goal: “to redefine success in business so that one day all companies will compete not just to be the best in the world but also to be best for the world” (Honeyman, 2014, p.13).

WHY B CORPS MATTER

The power of businesses in modern day life in undeniable. Business, especially under a capitalist economy, can inspire innovation, progress and collaboration. Unfortunately, as a product of capitalist competition, these results often come hand-in-hand with a focus on maximizing short term profits, usually at the cost of the employees, the environment, and society at large. While governments and nonprofits work to undo some of this harm, their resources are limited and largely insufficient when it comes to addressing the most pressing societal challenges. It makes sense that the for-profit sector, equipped with immense resources and
influence, should be involved in the solutions to these problems. The business world has seen
tremendous growth in triple bottom line businesses and impact investing in recent decades, and
this movement will likely only continue as issues such as climate change, poverty, corruption
and more touch every corner of our Earth.

The founders of B Lab see this role shift as an “evolution of capitalism,” and B Corps as
a key accelerant. When they certify, B Corps commit to shift their focus from short-term profits
for shareholders to a business model that “creates shared and enduring prosperity for all
stakeholders (including workers, the community, the environment, and shareholders)”
(Honeyman, 2014, p.13). In essence, B Corps utilize and promote not only credible and
comprehensive third party standards for just business behavior, but also new legal structures that
deliver value to all stakeholders.

TRANSFORMING CAPITALISM

Not so long ago, the American Dream was embedded in capitalistic ideals, with
economic promise of social mobility and employment opportunity. In this traditional
understanding of capitalism, the emphasis is on maximizing a company’s short-term shareholder
value. In 1970, Milton Friedman was the first to famously argue that corporate managers should
conduct business in accordance with shareholders’ interests. This value has become so ingrained
in capitalist society that many mistake the obligation of corporations to maximize shareholder
value as law, when indeed their only true legal obligation is to the interests of the corporation
itself (Burwell v. Hobby Lobby Stores, Inc., 2014). In reality, maximizing shareholder value is
often the product of pressure from activist shareholders. This process is capitalistic in and of
itself: demand for short-term shareholder value, which comes in the form of promoting the
interest of the corporation, is most often the primary purpose of a corporation. Yet, when consumers demand changes, it pushes corporations to react by changing what they supply in order to meet those new demands. A strong enough consumer demand can influence the way in which businesses balance short-term costs with long-term improvements. For a business to stay relevant and operational, it needs to respond to changes in consumer demand.

Demand for the cheapest product incentivized companies to solely implement methods to cut corners to make that possible, even to the detriment of the environmental and social impact on the company’s stakeholders. Now, as consumers are demanding more transparency and ethical business conduct from the companies they support, these same companies are required to develop new strategies to stay relevant and generate revenue. This change in consumer behavior may not be rationale, as a rational person may view a business transaction as just that - a financial transaction for a good or a service. What modern consumers are increasingly demanding goes beyond the price of a product and extends much farther into assessing the ethics of how that product was made, where it is from, and who made it.

Consumer demands for ethical business behavior impact companies’ bottom lines, and these demands often necessitate changes in core parts of operations that require upfront costs in the short term. In recent years, social, environmental, and political crises have led to heightened populist social unrest. This unrest is accompanied by diminishing confidence in and identification with the capitalist system. A poll conducted by the Harvard Institute of Politics demonstrated that only 19% of Americans ages 18 to 29 identify as capitalists, a significant drop from 68% since 2010 (Volpe, 2016; Newport, 2018). Clearly, people are feeling increasingly alienated by the traditional capitalist system.
Consequently, capitalism is transforming in response to the changing demands of the global populace. Increased globalization has supported the adoption of these trends across the world. These changes clash with our current model of business to maximize short-term shareholder value, and thus would be rejected by traditional capitalistic values. Companies respond to demand only when there is a financial case to do it and normally would not react to changes in the bottom line that would compromise profitability. Yet, because these changes are driven by consumer demand, they still fit into the capitalist framework.

Thus, this shift in capitalism is not a shift away from capitalism; rather, it is a shift from a singular view of doing business solely for profit to a way in which businesses respond to larger human demands, concerns and crises. It is not the model that is changing, but the innate asks. These asks originate from society's stakeholders, rather than just a narrow group of shareholders. Hence, it is not so much the capitalist system that consumers have lost faith in, but more so the traditional interpretation by for-profit businesses.

**CONSCIOUS CONSUMERISM**

In the face this contention, company’s sustainability frameworks, often referred to as the triple-bottom-line, has received heightened attention (Elkington, 1998). There is abundant evidence that, across the globe, an expanding segment of consumers is interested in demonstrating social consciousness via consumerism.

These consumers are interested in spending their money to buy products and services that offer more than just traditional monetary value - they want products that align with their values in terms of social and environmental responsibility:
[They] may be concerned about social issues, including environmental protection, animal welfare and issues pertaining to human rights, such as fair labor. Not surprisingly, socially responsible consumers attempt to avoid purchasing products that they perceive may disadvantage or infringe on the health and well-being of animals, the environment, or vulnerable people.” (Morgan, Croney, & Widmar, 2016, p. 1)

Statistics highlight the growing number of conscious consumers. In 2018, Accenture Strategy’s Global Consumer Pulse Research found that 62% of customers “want companies to take a stand on current and broadly relevant issues like sustainability, transparency or fair employment practices” (Barton, 2018).

These consumers span across demographics such as age group and gender, as demonstrated by Figure 1. Although the trend is most pervasive among millennial consumers, it dominates all age groups and is shared almost equally by both genders.

![Figure 1. Percentage of respondents who said that it is “extremely” or “very” important that companies implement programs to improve the environment](image)


What's more, these consumers are willing to pay for it: 66% of respondents in Nielsen Global Corporate Sustainability Report (2015) were willing to pay more for aligned brands. Key sustainability factors are strong determinants of their alignment; such as natural and/or organic
ingredients (69%), environmental considerations (58%), and commitment to social value (56%). Importantly, all of these factors ranked above cost in terms of importance for this group of consumers (Nielsen Sustainability Imperative Report, 2015). More details about key sustainability purchasing drivers can be found in Figure 2.

![Figure 2. Key Purchasing Drivers](image)


Notice that topping the list is a sustainability factor that influences purchasing for almost two-thirds of global consumers: brand trust. Brand trust has been studied in consumer research extensively and time and time again evidence has demonstrated that it is one of the most valuable intangible assets for a business. Rob Michalak, Director of Social Impact at Ben & Jerry’s, corroborated these findings through his own research, which demonstrates that consumers are 2.5 times more loyal to companies that integrate “values-driven action” throughout their business models (Lomonaco, 2018).

If consumers are increasingly concerned with a brand’s ethics, it should come as no surprise that marketing teams have taken notice, carefully crafting their consumer outreach
strategies to incorporate and emphasize their Corporate Social Responsibility (CSR), non-profit partnerships, and other philanthropic pursuits. Most of the discussion around these practices is centered around environmental impacts, as the private sector is increasingly being regarded as both the driver of and solution to climate change (Andrade & de Oliveira, 2015). In fact, according to the Carbon Majors Report, around one hundred companies have emitted over 70% of the world’s greenhouse gas emissions over the past three decades (Griffin & Heede, 2017). Whether a given company is included on this list or not, most recognize that consumers are increasingly demanding more from the brands they give their money to. While some have adjusted their practices accordingly, others have adjusted only their PR.

GREENWASHING

The term “greenwashing” has emerged to identify advertising tactics that exaggerate or misrepresent the environmental practices of a company or the environmental benefits of a product or service. Greenwashing is predominantly driven by market share companies can gain by catering to the growing segment of conscious consumers by exuding this ethical image. Marketers are keenly aware of consumers’ desire to support brands that address environmental (and social) concerns, or at least appear to. Less time and fewer resources, however, are required for a firm to alter communications about its impacts than to implement real and actionable changes. As a result, many firms, at least in the short-term, resort to greenwash over green change. Market research demonstrates that 98% of products commit at least one of the “seven sins of greenwashing” in doing so (TerraChoice, 2009). Often, greenwashing does not come in the form of complete mistruths, but rather, incomplete disclosure of information related to
environmental or social performance, including only the positive information and omitting the negative impacts of their actions.

Just as markers are paying close attention to trends in conscious consumerism, consumers approach green advertising with skepticism. Consumers’ skepticism toward potential instances of greenwashing is growing alongside conscious consumerism (Pomering and Johnson, 2009). When greenwashing is suspected, it can have profound negative effects on consumer confidence in the products and services that these firms supply (Delmas & Burbano, 2011). Chen & Chang’s (2013) study demonstrates that greenwash is negatively related to brand trust. It is not always easy, however, for consumers to sort through the daily inundation of advertising they are exposed to, and studies show that consumers have trouble distinguishing between honest firms and firms taking opportunistic advantage conscious consumer trends (Parguel, Benoît-Moreau & Larceneux, 2011).

Recent studies consistently assert one solution to greenwashing: sustainability ratings (Parguel, et al., 2011). Sustainability ratings can help consumers differentiate greenwashing from actual impact and encourage virtuous firms to persevere in their CSR practices. Communications about business behavior that are not controlled by the company serve as third-party information that consumers can use to judge a business's alignment with their own values. Sustainability ratings extend beyond just eco-labeling and address other forms of falsified CSR as well. Various third party raters, including non-profits, consultancies, and media outlets, publish independent information, including sustainability ratings, of companies’ CSR practices.

This consumer climate, concentrated with concern, confusion, and a demand for change, points perfectly to a welcome reception of the B Corp Movement amongst consumers across
demographics, sectors and localities. By certifying as B Corporations, companies are able to prove to consumers that their business behavior has been verified to meet the high third-party standards B Lab has established. On this issue, BlackRock Founder, Chairman, and CEO Larry Fink posits:

   Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate. (Buerkle, Chang, & Storto, 2018)

**THE BUSINESS CASE**

   The business case for B Corp Certification is well established and documented. Given the zeitgeist of today’s consumption culture, it makes perfect sense that companies with verified positive impacts and transparency appeal to consumers and attract their spending. In addition, the standards for the certification require companies to convert to business models that emphasize consideration of all stakeholders. Taken together, these benefits contribute to the economic value of the certification, which is corroborated by revenue growth rates and other financial outcome data. For instance, Harvard Business Review found that, “between 2006 and 2010, the top 100 sustainable global companies experienced significantly higher mean sales growth, return on assets, profit before taxation, and cash flows from operations in some sectors compared to control companies.” (Whelan & Fink, 2016). These results are consistent across related literature: one meta-analysis found that 88% of results demonstrate that companies that adhere to high social/environmental standards performed better operationally, and 80% of results showed a
positive impact of sustainability on stock price performance (Clark, Feiner, & Viehs, 2015). Since B Corps are companies with verified sustainability practices, it should come as no surprise that B Corps also experienced greater revenue growth rates than public firms of comparable size in each year from 2006 to 2011. These results still hold true in more recent years: in late 2017, CircleUp found the growth rate of B Corps to be 49%, compared to a 15% rate among other companies in the same category (Dowling, 2018).

These numbers highlight the fact that the stakeholder primacy model can translate to better financial performance and lower risk for investors in the long term. In addition to the forces of conscious consumerism and brand loyalty, such outsized gains may also be a result of a shift in priority to aspects of the company that aid business growth in less traditional ways. Such priorities might include lower energy and water usage, executive-level focus on the long-term mission-driven outcomes, and diverse and accommodating workplaces that lead to greater employee satisfaction, retention and productivity. The concept of companies with “shared value,” which create value for not only their shareholders, but also stakeholders such as employees, supply chains, society, and the environment, developed by Michael Porter and Mark Kramer in 2011, has shown to have great strategic value for companies. The B Corp Certification promotes this “shared value” business model.

**ADDITIONAL CASES FOR B CORP CERTIFICATION**

B Lab also presents prospective companies who visit their website with several other reasons to certify beyond the financial case (“About B Corps,” 2018). For instance, they tout the opportunity for certified companies to lead a movement for creating new performance standards that will be used to evaluate companies around the world. The certification also offers the chance
to build relationships with a community of like-minded business leaders, which can provide partnerships, learning opportunities, networking and more. Another widely known benefit of the certification is to attract talent, especially Millennial employees. 2017 research conducted by American Express demonstrates that more than two-thirds (68%) of Millennials want to make a positive difference in the world through their careers and an even larger portion (81%) said a successful business needs to have a genuine purpose (Curry, 2017). Hence, B Corp Certification is one way to attract mission-aligned talent that will contribute to the success of a company. Finally, the certification can help companies improve their impact through performance tracking, as well as protect their mission through a legal framework that can withstand capital raises and leadership changes.

It is no wonder that the number of companies applying B Corp Certification has grown exponentially since 2007. The business case is clear, but something that has received far less attention is the behavioral case for B Corp Certification, which examines these benefits from a consumer behavior perspective, examining the behavioral biases and patterns that influence perceptions and guide decisions.

THE BEHAVIORAL CASE

Behavioral science is an emerging field that posits that human behavior is not completely rational, as theorized by traditional economics, but rather varies “across time and space and [is] subject to cognitive biases, emotions, and social influences” (Samson, 2014, p.4). A key insight in behavioral science is that people are not always optimally rational in the choices they make, yet, importantly, they are irrational in ways that are predictable and systematic.
By identifying ways in which human behavior systematically differs from the assumptions of traditional economic theory, behavioral science has great potential in helping us understand how consumers take into account factors that go beyond the economic value of a product or service. A behavioral science lens can be applied to help us more accurately understand what drives consumer decisions and, more specifically, what drives conscious consumerism.

Importantly, behavioral science affords a useful avenue to understand the value of the B Corp Certification from a consumer behavior perspective. Behavioral Science is leveraged across many consumer marketing tactics and so is leveraged - at times probably unknowingly - by B Corps when they make their certification known to their consumer audience.

This analysis intends to draw parallels between known behavioral phenomena and the B Corp Certification and the meaning it carries so as to serve as a resource for companies interested in this movement.

Although there are a number of applicable behavioral concepts, the concepts most relevant to the certification have been narrowed and grouped into three categories: (1) self-image preservation, (2) social conformity, and (3) trust/transparency. For the purpose of crafting a fair and balanced argument, potential behavioral inhibitors and hurdles are also discussed.

THE NUDGE

Before discussing the taxonomy of behavioral concepts outlined above, it is important to note a behavioral tool that underlies them and ties them back to the certification: the nudge.

Nudges, or cues used to guide patterns of behavior or decision making that result from cognitive boundaries, biases, or habits, are key policy instruments in the arena of behavioral
science. This pattern may be “nudged” toward a more efficient or beneficial decision by “integrating insights about the very same kind of boundaries, biases, and habits into the choice architecture surrounding the behavior” (Samson, 2014, p. 51). Nudging involves deliberately intervening in the choice architecture surrounding a decision, but not in the decision set itself, nor in terms of the monetary incentives offered. The most effective “nudges” will guide people to make decisions that enhance their welfare and the welfare of others simply by harnessing and responding to cognitive biases.

An important feature of nudges is their supposed ability to guide behavior using “libertarian paternalism,” meaning that these cues can be ignored at little cost, preserving freedom of individual choice. Nudges are an important policy tool for exactly this reason - traditional regulatory methods that hinder freedom of choice face more resistance from those whose options are limited by these regulations. Nudges, on the other hand, simply alter the way choices are presented in hopes that these alterations drive “better” decision making processes.

Labels serve as strong examples of nudges that we encounter on a daily basis. A convenient example is green nudges, which attempt to drive environmentally friendly behavior by altering the quantity and/or quality of people’s energy consumption. The prima facie case for green nudges is clear from the evidence cited above related to conscious consumerism; when polled, a large majority of people claim to support sustainable business behavior. Stated preferences, however, can often differ from true behavior. This intention-action gap has been observed in research; in Accenture’s 2018 consumer survey, 65% of respondents conveyed an intention to buy purpose-driven brands that advocate sustainability, yet only about 26% actually went through with these purchases. Thankfully, there are other, more normative costs derived
from nudges that must be accounted for, and these are related to people’s sense of personal integrity and social conscientiousness. This paper examines the normative influence of nudges and classifies them according to the aforementioned taxonomy.

**SELF-IMAGE PRESERVATION**

The B Corp logo as a label nudge capitalizes on the innate human desire to maintain an attractive self-image as a considerate, sustainability-focused consumer. The B Corp logo has the potential to be a key instrument to provide consumers with the information necessary to identify sustainable and ethical brands, which are in increasingly high demand.

Sunstein and Reisch (2014) consider the consumer’s affinity for sustainable products in terms of the expressive utility these products afford. The desire for an attractive self-image has been regarded as universal since the time of Adam Smith (1759).

Some consumers select what they interpret to be more sustainable products not for their positive social impacts, but are rather driven by a personal desire to “express certain values or to act in accordance with their idealized self-conceptions” (Sunstein and Reisch, 2014, p. 129). These expressive considerations relate to a consumer’s perception of his or her own identity or preferred self-understanding. Expressive concerns can often, of course, differ in accordance with prevailing social norms (which, in this day and age, point toward conscious consumerism), which will be discussed in the next classification of this taxonomy.

When a consumer encounters a product with a B Corp logo, their desire to maintain an attractive self-image is satisfied. The B Corp logo can even target consumers who are not particularly sustainability-focused by appealing to their private sense of social identity. One important standard in the B Corp Certification is sourcing from local suppliers. In this sense, the
logo may also appeal to one’s sense of community pride, similar to how a 1986 “Don’t Mess with Texas” anti-littering billboard campaign successfully reduced littering by nearly 70% by framing the behavior as one that a real Texan would find unacceptable (Mols et al., 2016).

It is important to note, however, that this aspect is highly dependent on familiarity with the certification standards, which can not be widely claimed, at present. This limitation is indeed a concern for B Corp logo recognition in general, but even more so for knowledge of this specific standard. This limitation, as it relates to the certification at large, will be discussed in greater detail in a subsequent section.

One possible risk to the self-image enhancing nature of the B Corp logo is its potential to facilitate moral licensing. Moral licensing is the human tendency to account for one’s behavioural history when making future behavioural. This concept is primarily referenced in situations where people allow themselves to do something bad after doing something good (Merritt et al., 2010). Moral licensing must be acknowledged as a potential risk of self-image preservation, where those who purchase B Certified products or services feel licensed to partake in less sustainable practices, whether it be higher energy usage, unhealthy food choices or fast-fashion shopping. This pattern of behavior is also noted by Weber (2006), referred to as the “one action bias” - the sentiment that after taking sustainable action, a person feels they have done their part and need not behave this way anymore (Weber, 2006).

Moral licensing can also, however, work in the opposite direction, wherein individuals who have done something immoral are driven to do something moral. In this direction, moral licensing might actually encourage the purchase of B Corp products. This righting of the scales points to a significant underpinning motivation in the decision to purchase sustainable goods and
services like those from certified B Corps. It is important to note, however, that consumer decisions do not happen in a moral vacuum, and past behavior is only one aspect in the complex landscape of consumer decision making.

**SOCIAL NORMS**

As previously noted, expressive considerations are in most cases informed by social considerations. In other words, when choosing products and services, consumers often consider what signal they want to send to others about their values and preferences, and these considerations influence their choices. This concept is most often discussed around the topic of conspicuous consumption, wherein people consume products/services for their extrinsic value (prestige) rather than for their intrinsic value (functional utility) (Mason, 1980). Even more specifically, the term *conspicuous conservation* is a more recently defined phenomenon that ties together conspicuous consumption and conscious consumerism, wherein individuals consume as a means of gaining status by displaying of austerity amid growing concern around conscious consumption (Sexton & Sexton, 2014).

In the theoretical conspicuous conservation model, status is attained through consumption of “conspicuous green products, i.e., private provision of an environmental public good, and its value is increasing in the strength of environmental preferences of one’s peers, i.e., the community’s valuation of the environmental public good,” (Sexton & Sexton, 2014, p. 315). A strong example of such public goods is seen in Sexton & Sexton’s (2014) study on demand for the Toyota Prius, in which they find that Prius ownership increases concurrently with a community’s “greenness,” whereas ownership of other, equally green but less conspicuous car models does not.
Conspicuous consumption is rooted in a foundational social norms concept called normative expectations, which are our expectations about what other people think we should do (Bicchieri, 2017). Importantly, normative expectations may not even necessarily coincide with a person’s personal normative beliefs - their positive or negative evaluations of a behavior. Normative expectations express indirect evaluations, wherein individuals believe that others think they ought to behave a certain way, the reasons for which can be prudent or moral. In the case of sustainable consumption, the behavior may be regarded as both prudent and moral, which may enhance the influence on behavior.

While conspicuous consumption is generally regarded as wasteful, conspicuous conservation poses the potential to improve social welfare by moving society closer to optimal provision of environmental protection. This shift is particularly important in the presence of known market failures that under-value sustainable resources. Additionally, on the brand side, conspicuous consumption also allows sustainable brands to differentiate themselves, sell at higher prices, and gain higher market share.

When considering the social welfare enhancing potential of conspicuous conservation, the substitution effects, which could plausibly reduce conservation effort, must be considered. This behavior could take another form in addition to moral licensing. The motive driven by normative pressure motive can negate private incentives, generating conservation consumption that appeals to the socially-driven conscious consumer, but is not social welfare enhancing. As an example, homeowners may invest heavily in publicly visible roof-top solar panels, yet under-invest in less conspicuous energy efficiency improvements like window sealing.
treatments. Thus, consumers commonly buy sustainable products or services for social reasons, so the same incentive does not carry over to less visible sustainable behavior.

Fortunately, the B Corp logo, when printed on consumer packaged goods, is visible to peers. Consumers who purchase B Corp products could plausibly gain utility from the potential approval of their peers. Again, however, this utility is contingent on B Corp logo recognition, as is discussed in a later section.

**TRUST & TRANSPARENCY**

As has been well established, sustainable goods appeal to the growing body of conscious consumers that fill the market today, but the preferences of these consumers are too often exploited by marketers who know and understand this trend. It can be disorienting for consumers to attempt to differentiate the good from the greenwashing, especially given the vast array of online shopping product choices right at their fingertips. In fact, choice overload is a well documented phenomenon in behavioral science wherein dissatisfaction and stalled purchasing occur as a result of being presented with too many choices (Chernev et al., 2015). Choice overload is not without cognitive costs: it has been associated with unhappiness (Schwartz, 2004) as well as decision avoidance, in which no purchase is made (Iyengar & Lepper, 2000). Importantly, choice overload is also related to purchase of the default option, as well as decision fatigue (Iyengar & Lepper, 2000). In many cases, the default option might be a generic brand or something produced by a large corporation, whereas the majority of B Corps are small businesses (“About B Corps,” 2018). In the case of decision fatigue, when the quality of consumers decisions deteriorates as they are faced with more options (i.e. more products to choose between) (Vohs, 2005). The B Corp logo is a powerful tool in helping reduce the
cognitive costs associated with choice overload, as well as the resulting effects on decision
making. Conscious consumers and B Corps benefit alike. The B Corp logo, which represents a
company’s sustainable performance across impact areas, aids consumers in easily identifying
brands that align with their ethics, which contributes to the self-image preservation motive
discussed previously.

The B Corp logo is also a strong method for establishing brand trust, the importance of
which, to a company’s success, cannot be understated. Consumer skepticism in regards to
greenwashing and other false claims is definitively remediated by the B Corp logo, which
conveys verified impact and high standards. In fact, because public transparency is one of the
defining qualities of B Corps, consumers can even access information about a company’s impact,
should they choose. As it turns out, consumers very much appreciate this type of transparency. In
fact, consumers are increasingly demanding transparency: a study by Label Insight (2016) found
that 94% of consumers are likely to be loyal to brands that afford complete transparency, and
73% say they will pay more for products that are transparent in all attributes. 39% even said they
would switch to a new brand in the pursuit of transparency.

The B Corp logo could also successfully facilitate the recognition heuristic. Recognition
is an easily accessible cue that can simplify decision making, especially when faced with choice
overload. Consumers who recognize the B Corp logo, even if they do not recognize a small
certified brand, are guided into choosing this product or service when they see this familiar logo.
Even consumers who do not know the exact meaning behind the logo experience this cue.
When faced with such cognitive burdens, consumers also tend to use the take-the-best heuristic. In this simple mental shortcut, judgments are based solely on a single attribute of the decision, ignoring all other cues involved (Gigerenzer & Gaissmaier, 2011).

A potential inhibitor of these forces in driving affinity to B Corp products and services lies in people’s contrary affinity for habit formation. The status quo bias refers to people’s inclination to keep things they way they are at present, even when the costs of switching are minimal and the decision is of high importance (Samuelson & Zeckhauser, 1988). As previously noted, because the majority of B Corps are small businesses, it is unlikely that these brands serve as the status quo for the large majority of consumers. There is, however, some hope in the innate human inclination for habit formation. Just as consumers’ cognitive capacity is depleted by choice overload, it is alleviated by forming habits and sticking to them. This eliminates the mental energy required in deciding among options. In some cases, when consumers default to the status quo, they abandon their personal ethics and valued outcomes related to conscious consumption. Research by Wood and Neal (2009) shows that “habits are prepotent responses that are quick to activate in memory over alternatives and that have a slow-to-modify memory trace” (p.1). Based on this logic, recognition of the B Corp logo is key; if the logo can quickly activate memory response, B Corps products could be the least cognitively taxing choice - the status quo. At present, this scenario is far from the reality for most B Corps, and consumer awareness and recognition are the major hurdles that stand in the way.

**CONSUMER AWARENESS/LOGO RECOGNITION**

Absolutely crucial to all of the behavioral biases that drive attraction to the B Corp logo is recognition of the logo itself. When a consumer comes across a B Corp label on a company’s
packaging, website, product tags, or other marketing materials, its behavioral advantage is lost if they cannot form meaningful associations with the logo. The standards for B Corp Certification are complex and they are many; it is not essential for a consumer to understand every requirement behind the certification. What is important is that the consumer understand and associate the B Corp logo with the company’s commitment to social and environmental impact.

The latest estimate of consumer recognition rate of B Corps is estimated to be around only 7% (Gold, 2017). Many consumers who do recognize the logo are unsure of what it stands for; as one consumer from a focus group put it, “I'm not exactly sure what this symbol means, but I have seen it on certain products” (Gold, 2017). 7% recognition is nowhere near high enough to allow B Corps to reap the full behavioral benefits for certification, and recognition without understanding significantly detracts from the value. Hence, the importance of building brand recognition and understanding cannot be overstated.

The good news is that the number of B Corps is on the rise; there were just 82 Founding B Corps in 2007 in the U.S., and today there are over 2,800 certified companies across the globe (“About B Corps,” 2018). Millions of consumers worldwide are supporting these companies every day, many times without even realizing they are doing so. As B Corps continue to grow in number, recognition will likely grow alongside them. To compound this growth, B Lab’s own marketing campaigns have reached millions of consumers. In 2015, the #BtheChange campaign reached nearly 11 million unique accounts (“Strategies for building”, 2015). Most recently, the Vote Every Day campaign reminds consumers that their power of choice extends beyond the ballot box to the everyday choices they make when they support companies who align with their values (“Vote Every Day,” 2019). B Corps have already put in the work to build sustainable
businesses - it is time to let the world know about it. B Lab and certified B Corp companies must continue to join forces in spreading the word about what it means to be a B Corp.

**RECOMMENDATIONS**

Besides simply printing the B Corp logo on their products and marketing materials, how can B Corps work to make their consumer audiences aware of the meaning of this label? To answer this question, it is useful to look at what existing B Corporations are doing to engage their audiences in their certification. Hootsuite, a social media management company that first certified in 2015, not only recognized the importance of broadcasting their own certification, but also of attracting other companies to certify as well. In response to being a certified B Corp, Hootsuite sent an email announcement from their CEO, hosted Lunch & Learn sessions for all employees, and consistently trains new employees on the meaning of the certification. The company also created an Impact Team to manage the certification process and communications related to it. This team produced a video about why they became a B Corp and published a press release as well. Additionally, Hootsuite announced the certification on all of their social media channels and mobilized employees to do the same on their personal accounts (*Prospective B Corp*, 2019). Finally, the company published a guide to help other companies understand the certification process and its benefits. Such a widely known and reputable company with a big share of voice in the tech space affords immense value to the certification through this publicity.

Other companies have made more obvious use of the certification as a marketing and sales tool. For instance, Fetzer Vineyards, a California-based winery, sent an announcement letter to all retail partners when they certified in 2015. The company has since added the B Corp logo to print ads, billboards, and delivery trucks, ran a B Corp promotion in Publix
Supermarkets, and even pitched supporting B Corps to Costco. Implementing such B2B communication efforts alongside B2C efforts is a prime opportunity to expand B Corp awareness to new audiences and markets.

Expanding B Corp certification is notably distinct from other more traditional marketing pursuits in that it involves growing a movement. The question of how to reach out to conscious consumers who have yet to join this movement is absolutely crucial to both the value of the certification and the growth of the movement.

We know that consumers care about ethical business behavior, but forming meaningful connections with consumers might require even more specificity. The most effective strategy to mobilize consumers might be to emphasize the causes that conscious consumers care about and that B Corps benefit. This strategy will require market research to pinpoint exactly which causes are most important to consumers, then aligning marketing efforts with these causes. It is important that this strategy involves no compromise of the certification standards but, rather, just leveraging the existing congruency between existing standards and consumer interests.

CONCLUSION

At this unique and pivotal crossroads in the history of capitalism, the increasingly ethical demands of the consumers make companies adapt their operations. As it turns out, these adaptations serve the best interests of businesses, consumers and society alike. Many consider this transformation in the way individual businesses are behaving to represent a much larger “evolution of capitalism.” As companies who have dedicated themselves to using business as a force for good, B Corps as a key accelerant in this evolution.
An understanding of behavioral science affords several key insights that could be critical in growing not only the body of Certified B Corps, but the grassroots movement that underlies and motivates it. While each of the relevant behavioral concepts discussed above rely on patterns of natural behavior, they are also contingent on recognition of the B Corp logo and an understanding of the meaning behind it. With a growing body of conscious consumers driving economic transformation and rallying behind the causes they support, B Corps are well poised to incite widespread positive social impact; however, at present, recognition poses a major hurdle. Increased recognition will not only expand the benefit to, relevancy of, and support for certification for B Corps, but also and more importantly, it will pave the way for all stakeholders to promote initiatives that benefit the greater good.
References


doi:https://www.americanexpress.com/content/dam/amex/uk/staticassets/pdf/AmericanExpress_theMillennialWay.pdf


