

## Consumer Interest in Shopping Employee-Owned

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### Introduction

A solid understanding of public opinion about employee ownership is the first step to a successful EO marketing and awareness campaign. While public opinion polling research on employee ownership dates back as far as 1975 (see Kruse and Blasi 1999 for an overview), there has been little recent work on this question. To update our understating of public opinion about EO, we ran a nationally-representative survey of American internet users focusing on consumer attitudes toward the Certified Employee-Owned Mark.

Overall we find strong consumer interest in EO. Survey results indicate that 35% - 40% of Americans are more likely to buy a product bearing the Certified EO Mark, and 48% of consumers are willing to pay a price premium for Certified EO. Looking at the number of respondents who selected the most enthusiastic responses, we estimate that 11% of the population – approximately 27 million Americans – are extremely passionate about employee ownership. These findings represent substantial support for employee ownership, despite the lack of any coordinated effort to publicly promote employee ownership.

Further, evidence suggests that favorable attitudes towards employee ownership will translate into real-world behaviors. By testing other socially responsible brands, we find that consumers report as much interest in Certified EO as Fair Trade Certified and USDA Organic. Looking at academic work on Fair Trade, we believe that consumer interest in Certified EO could translate into increases in sales of 10% and price premiums of 9% - 23%. This represents a significant opportunity for EO companies.

**Table 1**

You are considering buying a product when you see this logo on the package. How does this affect how likely you are to buy the product?					
More likely to buy	40%	40%	35%	32%	20%
No change	47%	46%	52%	53%	62%
Less likely to buy	13%	14%	13%	15%	17%
<b>Net effect</b>	<b>+27%</b>	<b>+26%</b>	<b>+22%</b>	<b>+17%</b>	<b>+3%</b>

N > 2,000 for each question. Answers weighted with demographic factors to produce unbiased estimate of average response and reduce variance of estimate. Original question asked for answer on a scale from “1 – Much less likely to buy” to “5 – Much more likely to buy”. Answers have been combined here for clarity. Net effect calculated post weighting. All logo questions were run during three day intervals at points between May and October 2016.

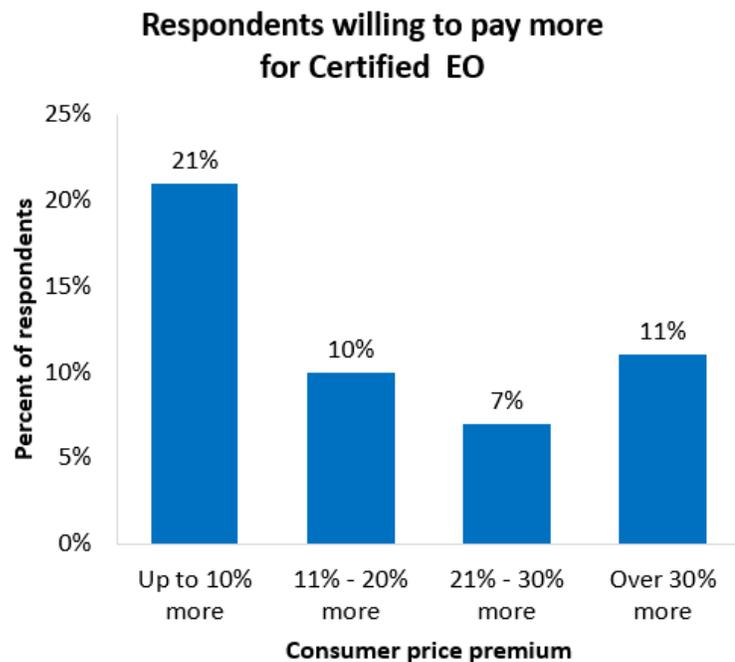
## Consumer influence

We use Google Consumer surveys to test consumer opinion on employee ownership with a nationally-representative survey of American internet users. First we look at how Certified EO labeling affects consumer interest in purchasing a product. We tell respondents “You are considering buying a product when you see this logo on the package. How does this affect how likely you are to buy the product?” before showing them one of many logos representing socially responsible brands including Certified EO. Results are shown in Table 1.

We find several striking results. First, there is strong overall support for employee ownership. 35% of Americans say they would be more likely to buy a product carrying the Certified EO Mark. With roughly 250 million adults in America<sup>1</sup>, 35% translates into about 87 million consumers who are more likely to buy Certified EO products. Second, Americans differentiate between EO and 100% EO. 4.6 percentage points separate the two responses, a difference that represents an additional 11 million consumers. This makes the difference between EO and 100% EO substantial as well as statistically different<sup>2</sup>. Third, we see that employee ownership is as influential with consumers as established brands such as Fair Trade Certified and USDA Organic. This is surprising because employee ownership does not currently have a coordinated public awareness campaign.

## Willingness to pay

In addition to willingness to buy, we test if consumers would be willing to pay more for Certified Employee-Owned products. Specifically, we tell respondents: “In percentage terms, how much more are you willing to pay for a product because you see this logo on the package?” and show them the Certified EO Mark. Overall, 48% of respondents indicated some willingness to pay a price premium for a Certified EO product. There is a long tail of respondents who would be willing to pay large premiums for Certified EO. 28% of respondents would pay over 10% more, and 11% would pay over 30% more. Interestingly, 11% is the same percentage of respondents who



Note: Weighted N = 1,583; omitted response “Not willing to spend more” (52% of respondents). Answers weighted to create a representative sample of US internet users.

<sup>1</sup> Based on the number adults in the US from: <https://www.census.gov/quickfacts/table/PST045215/00>

<sup>2</sup> Certified EO has a mean response of 35.3% more likely to buy with a standard deviation of 1.1% from N = 2,000 observations; 100% EO has a mean response of 39.9% more likely to buy with a standard deviation of 1.1% from N = 2,000 observations. Using a normal approximation, the difference of 4.6% is statistically significant with  $p < .001$ .

selected “5 – much more likely to buy” in the willingness to buy question. Taken together, this evidence points to the existence of a group of consumers who have a strong interest in EO. Today this group includes roughly 27 million American adults.

## Practical implications

In our survey consumers say they would be more likely to buy and would be willing to pay more for EO products, but how will that translate into real-world behavior? This same question has been asked of socially responsible purchasing behaviors more generally (see Carrigan and Attalla 2001 and Elliott and Freeman 2003 for examples). For decades, survey evidence has found that consumers express an interest in purchasing products that comply with a number of fair labor standards and sustainable practices. However, there have always been questions about how these responses translate into actual behavior.

Recent academic studies seeking to address this issue have demonstrated that consumers do indeed act on their stated support for socially responsible practices. Demand increases and price premiums have been found for Fair Trade Certified coffee, candles and towels made with fair labor standards (Dragusanu, Giovannucci, Nunn p. 14), sustainably produced timber (Galarraga, Markandya 2004 p.120), clothing made with fair labor standards, and many other consumer goods. While these studies do not directly test Certified EO labeling, they do demonstrate a general tendency for consumers to act on stated preferences for socially responsible products.

We can provide further clarity how consumer will react to Certified EO by using our consumer opinion polling to benchmark Certified EO against other brands that have been tested in the market. In our survey, we find that when we present the exact same audience with the exact same prompt, Certified EO has more positive influence on survey respondents than Fair Trade Certified. If this pattern holds in the market, then studies looking at Fair Trade Certified’s effect on real-world behavior should give us a lower bound on what to expect from Certified EO.

Overall, Fair Trade Certified has been found to have a strong influence on consumer behavior. In a randomized controlled trial of Fair Trade labeling conducted at a large grocery chain, Hainmueller, Hiscox, and Sequeria (2015) find a nearly 10% increase in sales for coffee brands labeled as Fair Trade Certified, as compared to the exact same coffee sold in different stores with a placebo label. Additionally, they find that high-end coffee can increase price 8% without any change in demand, while low-end coffee saw sales decrease 30% after a 9% price increase. This suggests socially responsible brands only command a price premium in particular parts of the market. A follow-up experiment conducted on eBay found a 23% price premium for Fair Trade labeled coffee (Hiscox, Broukhim, Litwin 2011). More broadly, analysis of price scanner data from the UK finds an 11% price premium for Fair Trade coffee (Galarraga, Markandya 2004).

Based on the direct comparison to Fair Trade in our surveys, and the existing academic literature on consumer reactions to Fair Trade, we feel there is strong reason to believe Certified EO could have similar effects. While further study is required, the current evidence suggests that Certified EO labeling could increase sales by roughly 10% or lead to price premiums of between 9% – 23%. Either of these results would be of significant value to employee-owned companies.

## Conclusion

Overall Americans have a very favorable opinion of employee ownership. 35% - 40% of Americans are more likely to buy a product bearing the Certified EO Mark, and 48% of Americans would be willing to pay some sort of price premium. This makes Certified EO equally or more influential than existing brands such as Fair Trade and USDA Organic. Based on academic work on Fair Trade, we could see demand increases of 10% and price premiums of between 9% - 23% due to the Certified EO Mark.

## Citations

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