This document is intended to be a comprehensive and systematic compilation of criticisms and potential issues with the Profit for Good system and responses thereto. Consequently, the general public will generally be able to provide comments for criticisms and responses to the Profit for Good system. For a set of reading materials that discuss why this author and others believe the Profit for Good model is one of the highest impact opportunities currently available to the world, you may check out this reading list.

Regarding each criticism, I will try to provide a summary of it, as wkell as the verbatim articulations of it by its proponents. I will provide summaries of responses and responses to responses as well as verbatim articulations. Where these took place in a larger context/conversation, I will try to provide links to sources of it. If you have any suggestions for structuring this compilation in a clearer or more productive manner, please do not hesitate to email brad@consumerpowerinitiative.org

If you have sources that you believe help strengthen/weaken any criticism or its thread of responses, please supply those as well.

1. Criticism: Profit for Good businesses will increase costs for consumers.

Brad's Criticism Summary: A frequent version of this "criticism" is in fact a confusion of the Profit for Good model with "bundling." With "bundling", a normal firm with normal shareholders would build in a charitable donation into a purchase, increasing the product's price commensurately so as not to harm its shareholders. "Bundling" would increase consumer costs, however, it is not the Profit for Good model. The donation is not a "cost", but rather a function of the identity of the shareholder that is entitled to profit. It is not clear why a charity as shareholder would be a higher cost than a normal investor as a shareholder.

There are versions of this criticism that are not products of confusion as to what Profit for Good is. One is that many businesses that are able to provide the lowest prices are multinational firms and those prices are possible due to billions of dollars of capital costs. Essentially, many kinds of products benefit from economies of scale and other advantages. Another version of this criticism would observe that informing consumers and other actors of a business's status as a Profit for Good would entail advertising costs.

Cited Arguments *Supporting* this Point of Criticism:

David_Reinstein Note that If the big companies are differentiated in some way (like 'monopolistic competition' suggests, there could be a substantial cost to consumers (and to efficiency) to choosing the 'charity supporting brand'

Brad's Response Summary: Although many commercial contexts, especially involving multinational firms, require enormous capital expenditures and other significant barriers to price-competition, there are commercial contexts that would not require enormous capital expenditures, in which PFGs could be price competitive with more modest financial outlays. For instance, sales platforms- websites where brands can sell their products- or sales agencies – mediums where insurance products are sold, for instance- could offer means by which consumers could buy *identical* products at the same price, but generate profit to charities (that would otherwise be generated for the owners of other sales platforms or media). Because philanthropists and impact investors can choose which sectors to launch, acquire or fund existing PFGs, businesses for which the Profit for Good factor might offer the highest advantage while being competitive with reasonable capital costs. These businesses would be the "low hanging fruit" of Profit for Good: businesses with a large Charity Choice factor that can be competitive with lower capital costs.

These low-hanging fruit could function as proof of concept/compelling case studies, establishing empirical evidence for the proposition that there can be a significant advantage to a business being a Profit for Good business. As the empirical evidence for this proposition compounds, more philanthropists will feel justified in using Profit for Good as a means to multiply their philanthropic funding, enabling larger Profit for Good capital deployments and expanding the contexts in which PFGs can be cost-competitive. Finally, as the evidence for significant P-factors in widening contexts compounds, the pool of Profit for Good capital could further expand to bonds from impact investors, normal investors, or banks. Leverage (business expansion through debt) could enable Profit for Good expansion far beyond what would only be available through donated dollars.

Essentially, there isn't a structural reason that Profit for Goods should be more expensive. If the proposition that there is generally (or at least in predictable contexts) a C-Factor, this fact is discoverable. As this proposition is more strongly empirically validated, more actors will be incentivized to provide capital for growth.

2. Criticism: Profit for Good businesses will be held to a double standard by consumers or other economic actors, hamstringing their ability to compete

Brad's Criticism Summary: Often different kinds of actors are held to different standards depending on the category that they occupy. For instance, Dan Palotta's TED Talk describes the double standards between how for-profit and nonprofit organizations are expected to operate, arguing that the "purity" that we expect of nonprofits, including minimization of overhead costs, prevents nonprofits from their growth potentials, and, ultimately, their ability to maximize impact.

This criticism anticipates that PFGs will be held to different standards than their normal company counterparts. This ability, the critic contends will impair PFGs from being able to be maximally competitive, because they will pay higher reputational costs for engaging in competitive business practices than their competitors. For example, one can imagine that, in a given technological context, the by-far cheapest method of producing a product could be more environmentally harmful than a more expensive alternative and, in this context, consumers were not willing to pay commensurately more for the improvement.

Consequently, PFGs will be less competitive because, sometimes, the best options available in a given industry will either not be available to PFGs, because of prohibitive reputational costs, or be disproportionately costly to deploy.

Cited Arguments *Supporting* this Point of Criticism:

Grayden "Won't there be moral objections to activities that normal businesses use to compete, such as extreme executive compensation, environmental effect, low worker pay?" - This would be my main concern about the idea. While I agree that bad behavior is not the most effective business strategy, there are a lot of behaviors that I would consider sensible (e.g. paying a CEO 6-figures, making redundancies, putting prices up when there's lot of inflation) but that many people would consider wrong (particularly in Europe). People can be very funny about capitalism. For example, many people prefer to buy from small, local companies rather than national companies, even when those national companies are cheaper and operated very morally. I suspect most consumers would choose a friendly privately-owned company over a ruthless charity-owned company. Bill Gates was an incredible philanthropist but people didn't flock to use Microsoft for that reason.

Vincent van der Holst I think consumers would actually oppose high CEO pay and other activities they deem immoral from Guiding Companies. There's many examples from NGO's that got berated for activities that would be normal for traditional companies, like high CEO pay, and I'm not convinced it would be different for guiding companies.

Vincent van der Holst People might object to market or above market rates for employees. There have been many cases where reputations of non-profits have been harmed because executives made 200K USD per year, which is far less than they would make in for-profit organisations. This might also be true for guided producers.

Vincent van der Holst How do you balance maximizing profit for designated charities and making that profit in a moral and ethical way. Is it ok to make your money in ways that might harm people and the planet if you give the profits away? How and where do you draw the line? Do you pay your warehouse workers minimum wage (not enough to normally live of off in the US for example) so you can donate more to charities? Do you squeeze suppliers for more profits so you can donate where it's needed more? The morals and ethics of this need to be developed and there are many opinions.

Brad's Response Summary: Firstly, it is not clear that even if there is a double standard effect, it is incapable of resolution, such that a negative effect is not suffered to a PFG business. One way of possible resolution is that bringing awareness of the practice and the alternative could generate increased demand for ethical substitute behavior, such that the pro-social business decision becomes more competitive than the anti-social one. Another possible resolution where the antisocial business practice is likely to remain the most competitive option would be campaigns indicating that PFGs are more ethical products *if you are going to buy the product*. After all, it makes sense that if you are going to contribute to some harm by purchasing a product from which some social harm resulted, it is still better that the profits help charities that solve significant world problems than benefit random investors. Another strategy could be incorporating charitable destinations of profit that address the implicated issues, potentially more cost-effectively than directly changing the offending behavior. For instance, it may be more cost effective for a company to donate the cost of switching to an environmentally friendly practice, in a given technological regime, to the Clean Air Task Force, than to incur the switching costs.

Secondly, the agents who are using Profit for Good – philanthropists, entrepreneurs, impact investors, etc.- have the ability to choose the sectors in which they enter. If there are industries in which effective competition would be significantly impaired unless a business engages in behavior that is, or is perceived to be, unethical, PFG agents can avoid creating PFGs in those sectors. One could object that the kinds of activities that enable competition on price on a global scale will require some sorts of unethical activities, but going back to the first point, it would be perverse to allow this feature, if true, to force charities that could promote justice, to yield the stage to traditional investors.

Cited Arguments *Against* this Point of Criticism:

Vincent van der Holst: My background is in marketing and this is one of my major concerns as well. People don't behave and buy rationally, and don't accept perfectly rational actions from companies who are "good". We're not sure how people will react to a billion dollar guided company who has a CEO who earns 10 million or that pays workers an unfair wage. But I do believe that if that company is open about why they operate the way they do, and they market the impact from their giving, this will still be an advantage. The company might pay its CEO 10 million, but it donated 1 billion this year to effective charities and that saved 100.000 lives. If you focus on the incredible impact that company has I think the overall value of marketing your charitable giving is positive, even if it is small. We know from Newman's Own that 6 figure pay and increasing prices with inflation are accepted by the general public, so I don't actually think those are issues. FYI I am from Europe.

Brad West As for consumer response to different activities by companies, the beauty is that charitable investors and other actors will be able to direct their activity in the ways that make sense in response to research and thought This is why one of the functions of the Consume Power Initiative is research.

Brad West The question isn't whether consumers would oppose high CEO pay of a Guiding Company/Producer, but rather whether they would choose that company over a normal company that serves normal shareholders and also has high executive pay. If you're a consumer and you're choosing a normal company's product over a Guiding Company's product due to high executive pay, you're cutting off your nose to spite your face, because you are enriching shareholders instead of charities.

It may even be they Guiding Companies can compete better for executive talent because of the social cache of leading an organization that generates $100 million/year for effective charities. Sure, normal fortune 500 companies can offer 10 figure yearly compensation, but a major Guiding Company could not only pay well (perhaps not quite as exorbitantly) but also grant one tremendous social status and the psychological benefits of being able to do lots of good through your job.

Brad West Hmm it strikes me as rather crazy if there was a CEO of a Guiding Producer for like a an electronics company that made $20 mil/year and a CEO of a competitor normal Producer making $20 mil a year that this umbrage at the Guiding Producer's CEO's compensation would cause them to screw over the charity by going with the normal Producer and thus enrich the wealthy shareholders. I think in this conversation, the real villains, if any, would be the Normal Producers.

Brad West Very interesting issue… I guess if a Guiding Producer needed to adopt the practices in its sector to be competitive, you could argue that it is still better than the counterfactual normal producer in its place. Needs to be grappled with as Guided Consumption develops.

Response to Response (*Supporting Criticism*)

Vincent van der Holst I completely agree that it makes no rational sense for people to choose traditional companies over guided companies with all things being equal. But I've been in marketing long enough to know that people are highly irrational and emotional, and charities evoke a whole host of strong emotions. It will be really interesting to see how the public responds to guiding companies, but I know it won't be rational. The CEO of Newman's Own apparently made 270K USD each year, this question on quora about the CEO's pay is also interesting. Most people tend to think that 270K USD isn't too much.

3. Criticism: Any advantage of being a Profit for Good Business will be lost among other factors

Brad's Criticism Summary: Most products and services compete on many dimensions. Even where products compete on fewer dimensions, many other factors determine firms' abilities to compete on them. Even if it is the case that consumers have some preference for PFGs, there are so many other determinants of a business's success that PFG status is unlikely to be particularly predictive of a business's success. PFG might be particularly good all else being equal, *but all else is never exactly equal*.

Cited Arguments *Supporting* this Point of Criticism:

Grayden. I think at the end of the day you are overestimating how much difference it would make to consumers (most of whom would probably be unaware of the distinction without an expensive advertising campaign)

[Jo Zichterman]() Premise: **While I agree that a business focused on providing its profit to non-profit work is admirable, good, and perhaps the best we can do in an otherwise bad situation, I don't believe that this factor alone is a deciding business advantage over another business with similar products. It would be one factor of many at best.**

I would argue that the idea of Guiding Producers is perhaps a good stepping stone to a post-profit world, but it is not on its own the *solution* to the problem of exploitation to the benefit of profit. To defend my premise, I want to point to a few statements you've made to the writings above, and I'd love to hear your thoughts in counter.

"Structurally, there is no reason that a Guiding Producer would produce goods and services at a higher cost."

I'd be interested in hearing where you're coming up with this statement and what justification you've got; in my experience, this is demonstrably false. Even if we don't account for the "economy of scale" argument (which you dealt with by arguing that consumers would deal with higher cost for a short period of time), there are hundreds of reasons why two businesses producing the exact same product would have very different business expenses. Things like:

- Vendor relationships (your ability to argue for discounts with people you are close with or have worked with before)
- Payment history (many businesses give discounts to companies with good payment history/credit)
- Location (depending on where your manufacturing centers are, you may see greater or fewer costs)
- Distribution mechanisms (a business may be able to hire a fleet of trucks, but they might need to outsource their shipping to a third-party because of factors other than the raw cost)

These factors alone are enough to represent a major difference in the cost of producing one good, even if it is virtually identical to another. It is not safe to assume that because a business purchases, manufactures, and distributes the same or similar goods, their up-front cost is the same and therefore the cost to the consumer is virtually the same.

"In low-differentiation sectors, it may be easier to construct a 'no-brainer' where a consumer is genuinely ambivalent as to two products."

I would challenge this statement by asking where you see pure ambivalence in virtually any product purchase. It's true that commodity goods like ketchup, toilet paper, and paper towels are usually competing in a race-to-the-bottom on cost, but what you're talking about specifically here is a unique kind of product differentiator that functions as part of a much larger structure of consumer purchase behavior. We can come up with lots of theoretical ways that people end up buying things, and the entire field of economics is determined to codify these systems of supply-and-demand to a science. But unless you are able to take the business model of one business and replicate it *exactly*, all you've done is create one additional factor that might motivate a consumer to purchase your product. It's not a guarantee, because people don't fundamentally function in predictable, codified, rule-based ways.

I don't buy Newman's Own because (1) it costs more and (2) it doesn't taste as good as the other kinds of ranch dressing on the shelf. It is not, in and of itself, an equal product to its competitors, and so it loses to Hidden Valley or DIY ranch seasoning packets when I go to the grocery store.

Brad's Response Summary: While it is true that profit destination is only one among a myriad of potential factors affecting consumer decisions, that does not mean that a small factor could not be decisive in certain circumstances. The agents advancing PFG can choose the sectors to enter, and avoid those where incumbents enjoy significant advantages.

Another point is that PFGs likely offer advantages other than consumer preference which may translate into other advantages. For instance, workers have preference for companies with strong purpose, and profits going to better the world fits that bill, enabling a potential hiring advantage and stronger dedication by employees. All else being equal, PFGs will likely be able to secure more favorable business relationships because the agents representing such partners either also want to better the world, could improve their own reputation by association, or some combination thereof.

Cited Arguments *Against* this Point of Criticism:

Vincent van der Holst But I do believe that if that company is open about why they operate the way they do, and they market the impact from their giving, this will still be an advantage. The company might pay its CEO 10 million, but it donated 1 billion this year to effective charities and that saved 100.000 lives. If you focus on the incredible impact that company has I think the overall value of marketing your charitable giving is positive, even if it is small. We know from Newman's Own that 6 figure pay and increasing prices with inflation are accepted by the general public, so I don't actually think those are issues. FYI I am from Europe.

The good thing is that even if this makes a small difference to consumers (we agree on that) there's no reason this won't work with effective marketing and infrastructure to fund these companies, although that's far from easy. If a guided company has even a 0.1% advantage to their competition this advantage will compound and the company is "winning" slightly more and the extra profit would be worth the investment from philanthropists. Brad explains this really clearly:

"So, if we define the value of a firm with a normal shareholder set as F(k), I would posit that the relationship between the value of F(c), a firm owned 100% by a popular charity, is that F(c) > F(k). It seems to me that F(c) = F(k) + P, where P is the monetary value of the advantages attaching to the popularity of charities with economic participants vis a vis the popularity of normal investors with market participants."

Even if P is low, and we argue it might, this company would still outperform the competition. As was discussed before, P is not only from marketing, but also from tax benefits, discounts, free advice/consultancy and improved employee recruitment and retention. My guided company has seen free marketing, advice, consultancy as well as tax benefits and discounts, and our job openings have far more engagement than any I have ever posted for other companies. We have also run a marketing campaign using the ad of our competition and a new ad that focused on us giving away all of our profits and that was clicked on 50% more. We also have traction with brands currently because we donate our profits to charities instead of shareholders, so we're signing more brands and we're taking higher commission because we're an ethical company. We literally have brands tell us "your commission is too high, but we'll pay it anyway because it's going to charity and we love what you're doing". These results on the most important sides of our business; consumers and brands, is encouraging that the value of P is definitely more than zero and perhaps a lot higher. We do have to gain much more information from our marketing efforts to understand how this translates to purchase intent.

Brad West This is why, as mentioned above, one of the functions of the Consumer Power Initiative will be broad-based marketing, such that a mass social movement regarding charities as our economies' beneficiaries will take off.

This sounds ambitious and it is, but a few crucial factors make such marketing feasible and likely to succeed:

1. Very simple ask of consumers: buy what you were going to anyway, but through GC.

2. Scaling of marketing efforts: advertising for broad-based GC affects a much broader set of markets . For instance when Anheuser Busch buys a Superbowl commercial for over $6.5 million, this is in service of a company with annual net profits of $4.67 billion. On the other hand, the same budget for a Superbowl commercial could cover a huge set of companies that have collective annual net profits orders of magnitude higher than one global alcohol company. Furthermore, the commercial would have a simple and clear value proposition for consumers: buy through GCs and benefit worthy charities rather than rich shareholders.
3. Earned media. Most of the world including the public, celebrities, thought leaders, etc. want a world that is more just and sympathize with a lot of the same charities goals that EA does. A lot of the work will be done by people wanting to ride the wave and see how they can help.

Brad West As for your bolded premise, I would disagree because your claim is too strong. You contend that "I don't believe that this factor alone is a deciding business advantage over another business with similar products. It would be one factor of many at best." A business advantage, like advantage in other competitive contexts, has the *potential to be decisive depending on the other factors involved.* Certainly, there are contexts in which profit destination is less likely to effectuate a large market advantage; I used a restaurant as an example where profit destination will often be lost in a crowd of other factors. However, even in that context, charitable profit destination ("Designated Funding Destination", or "DFD" as I define it in the longer paper) would provide *some* advantage. But the strength of that advantage would depend on that context, some of which would be imply greater advantages that would imply greater profit opportunity.

"Structurally, there is no reason that a Guiding Producer would produce goods and services at a higher cost."

This statement is true, albeit more modest than you appear to be suggesting. You correctly note that actors in our economies have different competitive advantages based on the factors such as vendor relationships, payment history, location, distribution mechanisms, and many more. Consequently, the results of competition between the actors that compose firms, including investors, depends on a wide variety of factors. What I mean when I say there is no reason a Guiding Producer would produce goods and services at a higher cost, I simply mean that having a popular charity as recipient of producer surplus instead of wealthy shareholders confers *an advantage.* This advantage is not balanced by any other structural disadvantage. A firm with a popular profit destination is *strictly superior*, competitively speaking, to the same firm with a neutral or unpopular profit destination. Of course, a Guiding Producer does not get to compete with its pre-acquisition self, and it may not outcompete the other competitors with a less popular DFD. So, status as a Guiding Producer is not a magical aura that will automatically optimize for all the factors, and thus success is not guaranteed, ***but it does create an unalloyed competitive advantage along one dimension that is broadly applicable across market sectors.***

I believe that a metaphor may be helpful in conveying the power of charitable profit destination. Consider the economy of metal goods in the fictional medieval world of Profitos, where, on the island of Popularis, the metal *Charitium* is discovered. Charitium is as strong, durable, and otherwise useful as the other available metal, iron, but is significantly lighter, making it more useful as a component in the vast majority of applications. Now perhaps, in some contexts, this advantage is hardly important, such as regarding horseshoes. So, incumbent talented blacksmiths can produce better iron horseshoes because their superior skill and/or other available resources can make for the best offerings, even though, *theoretically* a Charitium horseshoe would be better. However, in the context of a sword, the significant weight difference implies a battle advantage that allows the swordsmiths with access to Charitium to monopolize the sector such that iron swordsmiths can only produce swords that are useful for resistance-training.

Very high amounts of Charitable Equity in firms in our world will be like Charitium in Profitos. Although in many sectors the advantage conferred will not necessarily imply dominance given other firms' short-term advantages which proceed from their incumbencies and economies of scale. However, in some contexts, Charitable Equity in firms *would* allow for decisive advantages. For instance, maybe you could fund the salary of realtors or life insurance salespeople in exchange for their commissions with resultant Guiding Producers that are no less competitive (I know there are a variety of adverse selection or other arguments here, which I could address at another time- my point simply is that in some contexts Charitable Equity could be more potent or lack issues that may affect other economic contexts). As the public becomes more aware of Guided Consumption, the advantage of Charitable Equity will become more potent, and I anticipate that Guiding Producers will proliferate even to sectors where its advantage is not as important. One of the functions of the Consumer Power Initiative will be researching and reasoning so that we can identify the contexts in which Guiding Producers can thrive in the early stages of Guided Consumption so that an even more fulsome presence in the economy can soon be achieved.

> So, to summarize on that quote, I think you took my statement as being stronger than it actually was, and Charitable Equity does not magically eliminate all other competitive factors. It does, however, add a dimension on which a firm can be almost always“strictly superior”, which I believe will allow for general economic proliferation.

4. Philanthropic Investors would have to pay a premium to acquire companies and make them Profit for Good businesses.

Brad's Criticism Summary: When companies are acquired, often the acquirer pays a premium – some amount above the estimated real value of the company. There could be a number of reasons that acquirers are willing to pay such a premium. The premium from becoming a PFG would be diminished in contexts where there was an acquisition would perhaps exceed the premium (if any) of being a PFG.

Cited Arguments *Supporting* this Point of Criticism:

Grayden I think at the end of the day you are overestimating how much difference it would make to consumers (most of whom would probably be unaware of the distinction without an expensive advertising campaign) and underestimating how easy it is to suddenly own a major corporation without paying a premium (either for a buyout or new entrant) to get there.

Brad's Response Summary: Firstly, the criticism applies only to acquisitions. Secondly, agents of PFGs can choose the circumstances under which they would be willing to acquire, either in contexts in which there was not an acquisition (or was even a discount) or where the expected PFG benefit would exceed the premium needed to be paid. For instance, an acquisition could be of a business that is owned by relatively few people who are sympathetic to the charit(ies) that th PFG are advancing and are willing to offer some degree of a discount.

Furthermore, PFG proliferates, potential philanthropic acquirers may be able to get a discount from a target by threatening to acquire a rival instead (the concern being that a PFG could reduce marketshare of subsequent non-PFGs).

Cited Arguments *Against* this Point of Criticism:

Brad West In the proper contexts, once GC is established, the opposite might hold in circumstances where there are multiple incumbents in a low-differentiation market space. The philanthropic investors could threaten to significantly diminish the value of competitors by purchasing one, thus starting a reverse bidding war. For a (admittedly rosy) picture of how this might play out see this response under the heading "So, for a simple example to illustrate what I would be thinking of doing- "

Links to Brad West ***So, for a simple example to illustrate what I would be thinking of doing-***

Let's say that there are 4 global ketchup producers that each occupy 25% of the market: Heinz (H), America's Choice (A), Del Monte (D), and 365 (T). Let's say consumers do not differentiate between them very much. The value of all outstanding shares are $300 million.

In come a number of charitable investors who are interested in reducing global poverty and believe GiveDirectly is a great way to fight global poverty. So, they pool together $50 million to do a leveraged buyout of one of the ketchup producers. They go to H, and given that H realizes that he has a buyer interested in buying out the company, H demands a premium valuing the company at $350 million. However, the set of investors leak this information to A, D, and T, who are each worried that a Guiding Producer in their sector, given the lower differentiation in their sector, could dramatically reduce their value, thus starting a reverse bidding war, ending in the investors being able to acquire D for $200 mil.

Thus, the investors do a leveraged buyout supplying 25% of the funds for the acquisition, with a debt of $150 million. Post-acquisition, they advertise heavily that when you buy ketchup from D instead of H, A, or T, you help lift the extreme poor out of poverty. Given that the other competitors cannot favorably differentiated themselves, D comes to occupy 90% of the ketchup sector within 1.5 years, and the outstanding shares are valued at $1.2 billion. The investors borrow $480 million (40%) to pay off the $150 million from the leveraged buyout and direct $330 million to GiveDirectly. Over the next decade, they direct a portion of D's profits to paying off the $480 million debt. So, within 1.5 years, from $50 mil in charitable investment, they were able to get $330 million to GiveDirectly (over 6x investment). Furthermore, they have continuing income to support GiveDirectly, and an enormous asset they can use to support GiveDirectly. Furthermore, given the Efficient Market Hypothesis, once this has happened a few times, the market will be able to more quickly identify the value of the company, allowing for even faster valuation increase, shortening the time that charity funding would have to wait. **Ideally, what we need to establish is that G(d) > d, where d is a quantity of direct donation to a charity and G(d) is funding which proceeds from the capitalization of a Guiding Producer with the quantity of investment d. Once we show that, in a given context, G(d) > d, billions should be available from the philanthropic sector.**

5. Low differentiation product/service spaces tend not to be very profitable

Brad's Criticism Summary: One of the areas you identified as being very promising for PFGs, low-differentiation product, tend to have low profit margins.

Cited Arguments *Supporting* this Point of Criticism:

- Madhav Malhotra "*creating the "no-brainer" for the consumer. This could make it sensible to introduce Guiding Companies to sectors where there is not much difference between products.*" - if there is low brand differentiation, wouldn't that lead to commoditised products and lower margins? Which makes the guiding company less incentive for nonprofits/philanthropists to invest in as a way of making returns that they can use for their priorities?

- Similarly, more commoditised products tend to create more conglomeration to take advantage of economies of scale. What are potential strategies to get around industry incumbents which use monopoly powers (or state support) to block the path for guiding companies? I'm thinking of sectors like telecom, steel, finance, etc.

Brad's Response Summary: The opportunity to monopolize sectors with little to differentiate them could potentially be profitable with high enough volume of sales.

Cited Arguments *Against* this Point of Criticism:

Brad West Hi Madhav,

Thank you for your thoughts.

On the commodity issue: the reason that it is hard for firms to get an advantage in the commodity business is because no market actor can offer a better product at a better price than any other market actor. Now imagine, in a commodity space that one market actor was able to produce a more valuable product without incurring additional costs. This market actor would tend to monopolize that commodity market, provided that other market actors could not secure the same advantage. This is the situation that Guiding Companies are in because costs are no higher for them, yet they have an advantage with other market participants, including consumers. I am positing, and believe strongly that research will substantiate this, that consumers will value profit destination at a nonzero level. In the commodity space, this advantage should be decisive. In sectors with more differentiation, it is less likely to be decisive.

6. Profit for Good businesses will have trouble being able to compete with incumbents with huge economies of scale

Or The most competitive firms in many areas are so competitive because they can acquire more capital, which is possible by facilitating personal gain for investors

Brad's Criticism Summary: Funding is often critical for firms to be able to build the capacity to compete and become profitable. For normal companies, where firms can offer equity that enables high upsides to investors, firms can gain the money they need. On the other hand, the investment infrastructure for PFGs does not exist, and, consequently, PFGs will not be able to obtain the talent, marketing, or other needs that would enable them to effectively compete.

Furthermore, PFGs inability to offer higher amounts of equity puts them in a difficult position. Either philanthropist provide the initial capital, which is difficult because those funds could otherwise be used to donate to a charity directly. Or impact investors could provide loans to these businesses, but this would mean that profits generated by a PFG would, at least in part, be going to service and/or pay back these loans. This constraint potentially weakens the advantage of Profit for Good businesses: the connection between a consumer's purchase and helping a charity is less direct and a PFGs amount they could claim to have donated would be lower because early profits would be going to service debt.

Cited Arguments *Supporting* this Point of Criticism:

- o Madhav Malhotra Similarly, more commoditised products tend to create more conglomeration to take advantage of economies of scale. What are potential strategies to get around industry incumbents which use monopoly powers (or state support) to block the path for guiding companies? I'm thinking of sectors like telecom, steel, finance, etc.
- Even well-funded nonprofits are 'strapped for cash' in the short run. Whereas businesses often require large lump-sum investments for capital expenditures and research and development. What are your thoughts on how to acquire that money?

MichaelSt Jules I suspect the main reason is just that regular for-profits can attract far more investment, because they attract investment from investors who want the profits for themselves, not given away to charity. This allows them to scale faster and bigger, and for more of them to exist. EDIT: And then economies of scale or other benefits from size (recognition, network effects) may favour them further.

Vincent van der Holst 3. The most successful companies usually don't turn a profit for many years, and require millions to billions in funding. How do guiding companies secure that funding if bullet 1 and 2 are true (successful companies usually have the best founders and investors)?

4. It's hard to match the features of the most successful companies if you don't have bullet 1,2 and 3. Profit destination might only be a deciding factor for purchase decisions if your company at least matches the competition and enables guided consumption as a differentiating factor/USP.

Brad's Response Summary: This criticism speaks to the difficulty of Profit for Good businesses in the current business environment. However, this criticism ultimately dissolves into whether there is, generally speaking, a significant competitive advantage to being a PFG in identifiable contexts. If it is the case that, as discussed in this essay there is a significant bonus value or multiplier[1], then philanthropists, if aware of this opportunity, will be incentivized to use Profit for Good to maximize the funds available to the causes that they care about, at least if they are sufficiently popular causes where Charity Choice is likely to be operative.

Thus the question becomes, what are the discovery costs associated with proving or disproving the Charity Choice proposition? Essentially, this is the current, as of this writing (8/31/23), this "proof of concept" is what the Profit for Good Initiative is trying to establish with an

[1] Currently, we are using F(G) = F(K) * C to formulate a "Charity Choice" multiplier effect where F(G) is a Profit for Good business, F(K) is an identical firm with traditional shareholders, and C is Charity Choice, or a multiplier representing the monetary value of positive discrimination by consumers, employees and other economic actors.

Accelerator/Incubator and Marketing program that compares the performance of PFG businesses formulated to maximize the Charity Choice factor to a normal baseline.

If and when Charity Choice is established as a significant factor ("proof of concept"), funding for Profit for Goods would be available. The final issue may be that the costs associated with discovery are too significant, and the funds to do so will not be attained. Given the plausible theory of change and revolutionary charitable funding potential, this writer hopes that this is not the case. If the means to generate hundreds of billions, or trillions, annually, for effective charities, were available, but philanthropists refused to generate the discovery costs in the 6-8 figures, this would be an immense tragedy.

Cited Arguments *Against* this Point of Criticism:

Brad West Your commodities of scale point definitely makes sense. It will be difficult to compete without hundreds of millions or billions of dollars. This is why research and working on educating the public is critical to satisfy charitable investors that the targeted creation/acquisition of companies that serve effective charities is best use of their resources.

Brad West You could match the features of a successful company by buying it out, keeping its existing features in place, and advertising that you should buy its products because it helps the global poor, for instance. (don't take these answers to mean that I don't think starting new Guiding Producers would necessarily be a bad idea- I think in some contexts- like sales- the differentiation that profit destination would provide could be enormous. I think the potential for Guiding Producer Real Estate Agents or Life Insurance Salespeople could be obscenely lucrative).

7. People might compensate for buying through Profit for Good businesses by donating less money

Brad's Criticism Summary- People who participate in the Profit for Good economy, either consumers, employees, or others, will feel like they are doing a good thing and thus are entitled to compensate by not doing good (or even doing bad) elsewhere. This could mitigate or even overwhelm the good generated by substitution of purchases to Profit for Good businesses. This phenomenon is known more generally as moral licensing

David_Reinstein And, perhaps more importantly, will people (over)compensate for this by reducing donations elsewhere?

Brad's Response Summary: Even if some moral licensing existed, it may be that participation in the Profit for Good system inculcates an identity in people that makes them more inclined to donate (either at the point of sale, as an option with some PFGs, or generally). Giving by proxy research (of which purchase through a PFG would qualify) indicates that giving by proxy marketing campaigns have the potential to increase charitable behaviors at scale, even where there is not choice by the consumer as to the specific charity that benefits.

8. At perfect competition, competition pushes marginal profit down to zero, thus decreasing consumer incentive to buy from Profit for Good businesses

Brad's criticism summary:

David Reinstein But I think the 'at the margin' questions still should be considered.

From the POV of the rational altruistic consumer, it must be the case that *by buying a product specifically from the GC firm, this leads more money to go to the charity in net*[1].

Going back to the idealized models of microeconomics With 'perfect competition' or 'monopolistic competition', firms are meant to enter (and introduce new products) until no 'super-normal' profits are left. In such worlds I am not sure if a consumer preferring to buy from a GC company actually leads that company to make more profit. At least in perfect competition, firms set their price at marginal cost, and entry occurs until all firms are pricing at their average cost, and thus making no profits. Nor, with average cost pricing, are they making any incremental profits from additional purchases.

Our "Fair Trade paper" basically makes the point that even if firms are pricing at cost, a firm that pays its workers/suppliers more could, under some conditions, charge less than this markup to consumers, making it rational for altruistic consumers to buy from it. That's the 'synergy' we talk about.

Of course the real world does not involve perfect competition ... and the condition above is basically 'only once we reach equilibrium'. But I think these issues still need to be considered. Suppose we are in a world where firms sequentially rival for monopoly. Or maybe there is only room for 1 firm in a particular industry. How is it that a firm that donates from its profits to charity could dominate such an environment. (I think you make some good points in this direction, as does Paul Pecorino. I just think these points should be addressed, it's not a complete "no-brainer".

9. Wariness of consumers, investors, and philanthropists and the likely costs associated with expanding Profit for Good businesses and making the general public aware will make this effort difficult

Vincent van der Holst Furthermore, we agree that consumers would choose a company that donates profits to charities over a traditional company when all things are equal, but I suspect that situation is hard to create and will take a long time. Consumers, investors and philanthropists are still wary of this idea, so (for now) it's harder to attract the capital needed to acquire or build guiding companies that can compete with investor backed companies. And if you get to the no-brainer level, you still need to be able to market it to the public effectively. There seems to me to be no obvious reason why this wouldn't work, but creating this movement, persuading stakeholders and building these companies will require a lot of time, money and talent and should not be underestimated. But the size of the opportunity is potentially all the profits in the world, so it's definitely worth exploring.

Vincent van der Holst Guiding companies might have an uphill battle because they can't secure the best founders and investors. The entire investor infrastructure around guiding companies still has to be built.

Vincent van der Holst So far, EA /Philanthropists and Investors have been skeptical of this idea. Exacerbated by the fact that their returns are probably lower when investing in this kind of thing.

Responses

Brad West You seem to be presuming again that a Guiding Producer would be a new company rather than an acquired company. I think there might be good reasons to begin new Guiding Companies given a robust social movement having taken off and good market sector research to indicate that a given sector is a robust one, but there is no requirement that a GP would have to start from scratch and could not be the product of a buyout or a leveraged buyout by a group of charitable investors.

Brad West Still this thinking that Guiding Producers have to be built from the ground-up… let the founders, angel investors, and venture capitalists do their thing, unless there is a particularly auspicious GC opportunity. Then disrupt established equilibria through the magic of a special investor who magically gets better returns (I say magical because it kind of is in that the same cost investment would yield a different return for charitable investors than other investors).

10. The fact that Profit for Good businesses do not already occupy a much larger part of our economy implies that it cannot be that powerful a competitive advantage

Seth Ariel Green Quoting Brad: “the question remains: if Guided Consumption is a more effective means of funding charities than direct donation, why has this not been more fully explored already? I suspect that the reason stems from a deep-seated psychological separation between the way that people think about the business world, essentially a rather competitive, dog-eat-dog mindset and the kinder, more magnanimous mindset involved in charity work.”

I think you've got a great idea and I hope to see it work. The default answer -- the obvious answer -- to the question you raise is that a for-profit structure provides a fitness advantage in the Darwinian environment of business competition. The burden of proof sits with you to disprove that. That would mean coming up with a compelling theory why every sufficiently large successful corporation has, to date, pursued a for-profit structure; and because of the sheer lopsidedness of the numbers, that's a much higher burden of proof than you meet, I think, with the answer you provide here (an appeal to our intuitions about widespread beliefs without any grounding in, e.g., psychology or sociology research).

A related question: what's the largest public benefit corporation? Why isn't it bigger? Is there any evidence that any of the FAANG/Fortune 500 companies has considered shifting gears to giving away 100% of profits to charity? That would probably cause a shareholder revolt, but theoretically, someone could take a large company private (a la EM's bid for Twitter) and then totally change its governance and profit distribution structure. Perhaps we want to explain the fact that this hasn't been done as a collective action problem? Or *has* it been done?

Again, interesting idea, I'll be stoked to see it succeed!

Response:
Brad West Regarding the burden of proof... I would think that such a burden is a function of the purpose that it serves. In the criminal justice system, we require a very high burden of proof, "beyond a reasonable doubt", because of the enormous cost of a false positive: depriving an innocent person of life and/or liberty. In the civil context, a mere preponderance (greater than 50%) as if it is more likely than not that one has violated another's rights and harmed them, they should be compensated commensurately, even though there may still be a significant chance that we are wrong.

Regarding the burden of proof here, in considering whether and to what degree one should support a project, one should consider the probability associated with different outcomes and the utility associated with said outcomes. This is why even if you are very skeptical of Guided Consumption, supporting it, especially at early stages, is justified.

11. Profit for Good businesses would be crushed by large multinational companies who could afford to operate at a loss for longer than PFGs to starve them out

MichaelSt Jules Also, with easier access to financial capital, for-profits could potentially sell below cost of production for longer than non-profit companies to drive out competition and increase their market share.

Jason I'll defer to those with money and experience, but it seems that traditional for-profits should recognize the advantages that PFGs have and would be expected to act quickly to try choking them off early in their development. Stated differently, if a full-fledged PFG that was generating and donating significant profits would be a serious risk to the big guns' profits, I'd expect them to be willing to deploy significant sums to prevent the PFG from getting there. So your war chest may need to be hefty enough to survive and grow despite competitors using their significant resources to subsidize their products. I hypothesize they would be more likely to target a PFG because they know the PFG doesn't have the same access to VC and other sources of funds that traditional for-profits do.

As a cynical move, they could even give more to charity out of their vintage sales than BOAS could in the early years. "We give 100% of our non-reinvested profits to charity" is a much more compelling value proposition when there are meaningful profits being given. The people on this Forum would be sophisticated enough to see through what the big fish were doing and would realize that the long-term charitable act was to buy from BOAS anyway. I don't think the average consumer would be.

None of that is to say that PFG is a bad idea, but that I would expect a PFG enterprise facing well-financed opponents to need significant financial firepower in reserve to discourage these kinds of attacks from incumbents, and to (nearly) match subsidies and schemes if the incumbents used them anyway,

Response:

Vincent van der Holst This concerns me too. Large for-profits have long and strong track records of buying up or outpricing competition until they die. I suspect they will try and do the same with PFG. They cannot buy PFG's because they won't be willing to donate profits, so they will resort to trying to outcompete them until they die. It will have to be relatively stealthy, because we enjoy a stellar reputation because of our business being fully aligned to doing good, and it's a serious PR risk for any company to attack us directly. I do believe that if we show we can grow fast and profitable, it might become much easier for us to get more funding, and there is plenty of philanthropic money available if we have a very strong case in terms of traction (e.g. revenue growing quickly, strong path to strong profitability). If there's a real shot we can take on the biggest vintage fashion platforms, I believe there will be big philanthropists who will recognize the opportunity to get a whole industry to go PFG. Once you have a dominant PFG in an industry, it will be hard for for-profits to compete, because buying from them would only make sense if they are much cheaper or have much better buying experiences, because otherwise people prefer to buy from PFG's. And even if a for-profit competitor is doing something disruptive the PFG can just buy them like the for-profits do now and donate more to charities in the future.

12. Perhaps the best founders and best investors will be motivated by wanting to be rich, rather than funding charities

Vincent van der Holst Maybe the best founders want to start companies that make them rich, not donate to charities.

Maybe the best "investors" want to make themselves rich, not donate their part of the profits to charities.

Blake, PFG FAQ What's motivating PFG companies to perform well? If they no longer have a profit motive, won't they lack the incentives to perform optimally? What would Milton Friedman and other free-market economists say about the PFG framework?

Response:

Brad West 1 and 2. Sorta beside the point: I can cede the point that becoming rich IS a major motivator for people to work hard, develop innovative ideas, and otherwise do great things that translate into companies that are immensely profitable. But we don't need to be reinventing the wheel with a brand new invention or innovation (other than Guided Consumption), we can rather just be entering a competitive market equilibrium, buying one of its participants, and disrupting that equilibrium by imbuing it with an almost costless powerful weapon (I say costless because the charitable investor is not paying more than a private investor would to obtain capital, yet has a weapon in its identity that the private investor does not have.) Thus if the pre-acquisition company was worth $100 million, the post-acquisition company would be worth $100 million + X, where X is the value attributable to consumer preference toward the charity. The *founder brilliance* was probably what allowed that company to get to its pre-acquisition value and had made that founder immensely rich. Essentially, greed being a powerful motivation that enables excellent company performance is wholly compatible with Guiding Producers being incredibly lucrative. These objections sorta presume that the only way Guiding Producers could arise is if we had a game show pitting angelic altruistic entrepreneurs vs. a bunch of Gordon Gekko entrepreneurs.

Blake, PFG FAQ PFG companies are still for-profit companies. This is a point worth emphasizing. They are still seeking to maximize profits for their shareholders the same way any other company would. They also still have the ability to reinvest a portion of their profits the same way any other company would. None of this has changed. The only thing which has changed is who the shareholders are - they are now charities or charitable foundations. These shareholders still want the company to succeed, perform exceptionally well, and maximize profits so the shareholders can access large funds.

Regarding Milton Friedman, Friedman was a very strong supporter of charitable foundations. In fact, he felt charitable foundations were so great at meeting the needs of everyday people there was little to no need to develop a government-run social safety net. Additionally, Friedman thought companies competing in the “free market” were well-incentivized to maximize their profits and that, to some extent, was a benefit to society all by itself (think of, or search for, his famous pencil example if you need clarification here). The PFG framework still works within the framework of the “free market” and therefore still enjoys many, if not all, of its benefits. However, we theorize PFG companies, capitalizing on consumer’s good will, enjoy a competitive advantage in the marketplace and their profits are better allocated to make the world a better place than they would if they were allocated to the average investor (in expectation).

13. Consumers or other economic actors will not tolerate PFGs reinvesting profits in the company, thus delaying donations

Vincent van der Holst Profits that are donated to charities can't be reinvested for marketing and R&D. You might reinvest all profits for a long time and donate nothing, but will customers "allow" that or do they demand charitable contributions from the start?

Responses:

Brad West This is a real issue, but one that is almost certainly resolvable through corporate finance. Charities could borrow against their inflated equity to support their projects. There could also be a 5-10% allowance for private ownership for liquidity and price discovery purposes. Furthermore, if Guiding Producers are spread across enough different industries that the risks associated with them are idiosyncratic, they could form insurance pools that facilitates greater leveraging in borrowing, allowing more funds in relation to equity to be available through borrowing. Periodically, debts could be serviced and equity reestablished by dividends.

14. Profit for Goods will donate too much and leave insufficient financial buffers for safe operation

Vincent van der Holst Companies need financial buffers for unforeseen circumstances and crises. We have talked to companies that nearly bankrupted themselves because of their giving.

Responses:

Brad West Yes, Guiding Producers would have the same constraints normal Producers would have in this regard. Normal producers sometimes cash out too much to their shareholders/owners and compromise the financial stability of the business. This isn't really an objection to Guided Consumption so much as a business reality that still applies.

15. People won't actually care where the profit from their purchases go

Vincent van der Holst The paper assumes people might (start to) care about profit destination, which might not be true. That will make it harder to start guided companies because of the bullets above.

Response:

Brad West I call it non-psychopathy. The Consumer Power Initiative is trying to get to the point where the consumer has a virtually identical product at an identical price and the only choice is whether to help a worthy charity or line the pockets of an anonymous moneybags.

16. It will be hard to gather trust that Profit for Good businesses are doing what they say they are

Vincent van der Holst There is a lot of distrust in the world so the authenticating systems you mention are important. Guiding companies should have far more transparency than conventional companies.

Responses

Brad West Totally agreed. There needs to be transparency as well as partnerships with those trusted in many communities that Guiding Producers are doing what they say they are.

17. The degree to which people care about charities is not strongly related to how effective they are at doing good, therefore PFGs for the most effective charities may not succeed

Vincent van der Holst In my experience people care far more about ineffective charities than effective ones.

Responses

Brad West Probably people care about certain ineffective and effective charities more than they do normal shareholders. There is an issue that once we reach the Age of Consumer Power, ineffective charities may be competing against effective charities for market share of their Guiding Firms. This is one of the reasons I would be interested in getting the Effective Altruist community in on this new frontier of Consumer Power

18. There is a collective action problem in that capital for Profit for Good businesses needs to reach a threshold point to benefit charities.

Summary

Jason Without expressing a broader opinion (because I don't have a fully formed one), I think there's a coordination problem here. I don't know how much capital one would need to create an organization that could divert large buckets of money to effective charities, but I would imagine it is pretty significant. Failing to raise a sufficient amount will cause the enterprise to be ineffective, and likely lead to any contributions generating zero impact. It's difficult for any of us to assess the probability that BOAS will receive adequate capital, but the response so far to fundraising requests from PFG corporations suggests the odds may be fairly low.

To my knowledge, there's also no centralized entity with a track record vetting which PFG ideas and teams are more likely to generate profits. Although you can use founders' past experiences and other proxies, that's less likely to be predictive than a trusted evaluator. Few EA funders are in a position to evaluate a clothing platform well.

In contrast, consider a Charity Entrepreneurship potential incubatee. In addition to the external vetting, my understanding is that the incubated organization isn't going to launch unless it attracts enough funding to have a realistic launch trajectory. If I were one of the CE seed funders and offered $10K, but no one else stepped up to the plate, I assume the charity wouldn't launch and I could re-deploy my $10K elsewhere.

Response

Vincent van der Holst We forecast to break even after 4 years and need a total of 2 million dollars to reach that point. This might be too aggressive, so in reality it might be significantly more. We have forecasted for quick and aggressive growth, but our business model does allow for earlier break even, but we would return less profits to charities. So far PFG's had a hard time raising any capital and my personal experience is that it is (much) harder than raising with the same thing if it was multiplying money for investors. EA however has funded many things with millions, and there is plenty of philanthropic capital. We work with a fundraising company in The Netherlands called Generous Minds, who raise capital for impact businesses and they have an 80% success rate. That's the most impartial and accurate number I can give for our fundraising odds too.

Same would go for BOAS [they would be open to an arrangement where a grant or loan was conditional on receipt of other funding]. We're happy for investors to wait for others to be on board too so they know we can raise the full amount. Not optimal for our impact potential but if that's what an investor wants we're happy to oblige.

19. Charities need funding now, not to be entitled to profits in the future.

Blake, PFG FAQ What if the charity needs the money now? It isn't very useful for a charity to be entitled to the profits of a company if they need funding immediately, right?

Response:

Blake, PFG FAQ Even though the charity would not possess cash, they would possess assets against which they can borrow. If shares were purchased for $X, then the charity should fairly safely be able to borrow between 0.5*P*$X and 0.7*P*$X depending on the specific context where P is a positive discrimination multiplier which should be greater than 1. They can then pay back the loan with the dividends they receive later because they own the stock. Additionally, the charity could benefit from some positive discrimination from their lender and receive lower interest rates as a way for the lender to cultivate a positive public image. Ultimately, they may not be able to access $X immediately, but they would likely be able to access a large portion of $X soon. There do exist some optimistic scenarios where charities could actually access more than $X relatively quickly. If you would like more information on these scenarios, please contact Blake Hannagan by emailing blake@consumerpowerinitiative.org.

20. Profit for Goods can't compete because they can't reinvest back into the company

Blake, PFG FAQ Wouldn't a Profit for Good (PFG) company have trouble competing in the market because they can't reinvest their profits back into their company?

Response:

Blake, PFG FAQ No! This is one of the great things about the Profit for Good (PFG) framework; the PFG company still operates as a for-profit company the same way any other for-profit company operates. They are still able to reinvest some, or all, of their profits back into the company. The only difference is who gets the dividends/profits companies do pay out. The charities get their dividends the same way any other investor would get their dividends.

21. Charitable ownership of firms will result in them performing worse.

Blake, PFG FAQ Aren't the charities who own the stock in the PFG companies, in actuality, also in charge of running the company? If so, isn't it reasonable to think they may not be very good at that and hence the company would actually perform worse and decrease in value?

Response:

Blake, PFG FAQ This is a topic CPI would like to research further. We have identified some studies which suggest corporations primarily owned by charities may benefit from some advantages with regard to corporate governance. Additionally, for this and other reasons, we currently believe it would be preferable for a charitable foundation to own the stock instead of the charities themselves so the charitable foundation(s) can help the charities navigate certain financial obstacles and conduct the necessary research to elect strong board members.

22. The signals that businesses get from share price is important and ownership by charities would thus adversely affect corporate governance.

Blake, PFG FAQ Won't companies without private shareholders lack necessary signals they get from the buying and selling of shares? Won't singular ownership otherwise adversely affect corporate governance?

Response:

Blake, PFG FAQ There may be certain situations where it is advantageous for only 90% (just a put a number here) of the shares to be held by charities or charitable foundations for price discovery and/or corporate governance reasons. In situations like this, it may also be beneficial for non-charity shareholders to gain disproportionately large voting rights so the charities and/or charitable foundations are effectively not (or at least far less) responsible for corporate governance but may still have veto power in case other investors are advocating for questionable or unethical practices or other exceptional circumstances. This is an area the CPI research team would like to explore more in the future. In particular, we would like to identify when different strategies would be most appropriate and what the effects of different strategies would be.

23. Brand loyalty and habits will prevent PFGs from capturing sales from existing companies.

Blake, PFG FAQ Consumers are very set in their habits and loyal to their brands: what makes you think they would shift purchasing for a factor that doesn't benefit them?

Response:

Blake, PFG FAQ Our claim is not that all consumers would shift their purchasing habits to purchase from PFG companies. Rather, our claim is that some consumers will shift their purchasing habits because they are more or less indifferent between the different brands. Additionally, maybe consumers are more likely to try a product if it is produced by a PFG company. The PFG company does not need to monopolize their market for their market share to increase; the PFG framework merely relies on an increase in sales. In fact, if one percent of consumers shift their purchasing habits, that could have an exceptionally large impact on the value of the PFG company, depending on the market and their initial market share. Additionally, for some brands, donating all of their profits to charities may make their product a status symbol. For instance, Patagonia could market that wearing their products displays to the world you care about the environment and have made a choice to support organizations who share your values.

24. People will think they are implicitly paying for the donation aspect of PFGs, perhaps by getting less quantity or lower quality goods.

Blake, PFG FAQ Might consumers think they are implicitly paying someone to donate?

Response:

Blake, PFG FAQ Regarding whether consumers believe they are implicitly paying someone to donate, it is important for our marketing and outreach teams to clarify only the profit which would have been paid out to other shareholders anyway. This is not an extra cost on the business consumers have to pay for. This may be challenging to communicate, but as the PFG framework develops and spreads, we hope the public will develop a clearer understanding.

25. Difficulty with liquidation