

Value-Based Pricing Applied By Dutch Social Entrepreneurs

Gloria van Ewijk*, Prof dr. Sharda Nandram,

Life Impact Company; Nyenrode Business University
& Vrije University Amsterdam

*info@ilife.nu

+ This paper has been submitted at OMRISE Conference Series on Integrating Simplification: the rise of Integrative Self-Managed enterprises at Banasthali University in Jaipur, 2017.

Abstract

This paper provides an exploration and practical implications regarding the ways social entrepreneurs implement social value through their pricing strategies, and more broadly their customers. It offers a different perspective to innovate the business model by using new pricing strategies (Lüttgens & Diener, 2016). Setting the right price is important for every entrepreneur, but it is one of the most neglected tools in the marketing, according to Hinterhuber (2003). Pricing is the only variable of the marketing mix that creates revenue and determines the competitiveness of the company (De Toni et al., 2016). Most scholars consider value-based pricing superior to cost-based and competitive-based pricing strategies. However, many companies neglect the use of value-based pricing in their business model (Liozu, et al., 2015).

Pricing strategy need to be consistent with the company's purpose and customers' needs. The reality however is that most entrepreneurs choose traditional pricing strategies like cost-plus pricing and competition-based pricing without considering value based pricing. Raju (2010) suggests that it's estimated that only about 8% of American businesses can be considered sophisticated players in pricing strategies.

We do not have such data for other parts of the world yet. The implementation of value-based pricing requires deep organizational changes that have transformational power for the company and the employees. It most often has to shift from cost or competitive based to customer value (Liozu, et al., 2015).

With the growing online information on prices, customers have more access to more pricing information. Customers are becoming savvy and price sensitive, especially in times of crisis. There is also a growing need among entrepreneurs to change the traditional way of doing business. Social entrepreneurs are the ones looking for new business models and pricing strategies that fit their business purpose. They are experimenting with new pricing strategies and are actively changing the traditional economy.

Keywords

Value Based Pricing, Social Entrepreneurs, pricing strategies

1. Introduction

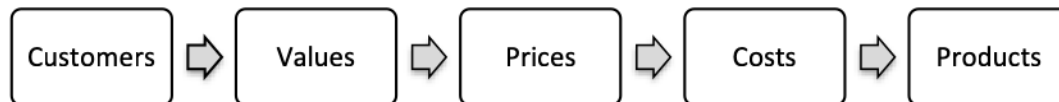
Pricing is one of the most neglected tools in the marketing industry, according to Hinterhuber (2003). The subject of pricing has also been receiving less attention from both practitioners and academic scholars, which seems odd, since an average 5% price increase leads to a 22% improvement in operating profits. Pricing is considered a powerful tool for marketers. Pricing is the only variable of the marketing mix that creates revenue and determines the competitiveness of the company (De Toni et al., 2016). Most scholars consider value-based pricing superior to cost-based and competitive-based pricing strategies. However, many companies neglect the use of value-based pricing (Liozu et al., 2015).

To effectively start pricing products and services strategically, there is a need to understand the wishes and needs of the customer. Understanding the customer is vital, instead of product led thinking the focus should be on customer led thinking. Starting at the opposite side of the spectrum (Nagle, Hogan & Zale, 2011), it also requires deeper understanding of the market and the competition.

Product-led cycle



Customer-led cycle



Pricing can be divided in three main categories: cost-based pricing, competition-based pricing and value-based pricing (De Toni et al., 2016). The definition for describing value-based pricing is: *“Setting prices primarily based upon perceived or estimated value by the customer”* (Macdivitt & Wilkinson, 2012). Another definition with more emphasize on customer is by Hinterhuber (2008a: 42), namely *“Customer value-based pricing approaches use the value a product or service deliver to a predefined segment of customers as the main factor for setting prices”*. According to Magnus Johansson, there are two value definition namely customer perceived value and differentiation value (Hinterhuber & Liozu, 2018).

Value based pricing (VBP) is applicable for every entrepreneur. But one could imagine that value based pricing is more in alignment with the mission of social entrepreneurs. Social entrepreneurs are also developing new business models with a focus on both social- and profit goals. This is challenging and generally requires more time compared to more traditional business models. The research done by Verloop (2011) shows that 42% of Social Enterprises is not profitable, 27% not even after five years. She found that many social enterprises struggle to grow beyond the professionalizing phase and get stuck in what is sometimes called *“the valley of death”* (Verloop, 2011). They face four main challenges there:

- Untraditional and complex business models;
- Management development issues;
- Limited access to (venture) capital, and;
- Legislation issues.

Social entrepreneurs are often ahead of traditional businesses in looking for opportunities (Porter & Kramer, 2011). Social entrepreneurs are passionate advocates of their social mission and are combining that with a business sense for innovation and growing new business models with strong determination (Dees, 1998). They aim to improve systems, invent and disseminate new ways of approaches and accelerate sustainable solutions that create social value next to economic value. Social entrepreneurs are emerging in focusing on meeting the needs of their customers (Porter & Kramer, 2011). They can be seen as change agents in developed economies who are willing to apply innovative and pricing methods. These pricing methods make them interesting subjects for research.

The main reason for this paper is to gain more knowledge and insights on why and how social entrepreneurs choose value based pricing as their pricing strategy. Furthermore, we want to learn more about the implications of using VBP. Therefore, we selected 10 Dutch social entrepreneurs to gain more insights on their conviction about VBP as a revenue model. The outcome of this research will contribute to a better understanding of the use of VBP as an innovative pricing strategy in the context of social entrepreneurship. This paper is probably unique as it focuses on both social entrepreneurs and value-based pricing strategies. This poses great challenges because both topics are relatively new and there is limited scholarly information available. At the same time, this research has a practical relevance. It provides information to social entrepreneurs to review their own pricing strategies, which enables them to choose new pricing strategies that fit the values of their company and help them avoid the 'valley of death'. VBP may enable them to potentially gain competitive advantage and create a unique customer proposition. In the following sections, we will address the topics of social entrepreneurship and value creation followed by pricing strategies and more specific a value based pricing and its different forms. To position the idea of creating value to the customer we will introduce the Value Triad, as this will be applied as a framework for collecting the data on the topic of why social entrepreneurs use VBP.

2. Theoretical background

Defining social entrepreneurs

Scholars don't agree on the definition of social entrepreneurs. Banks has first introduced the term in 1972. He noted that social problems could be deployed by managerial practices (Hoogendoorn, 2011). This doesn't mean that social ventures

can't make any profit, but it is not central to their value proposition (Martin & Osberg, 2007). Creating value is explicit and central to their organization, which results in a different mindset for the social entrepreneur. Wealth to them is not meaningful in itself. The definition used in the paper is given by Hoogendoorn (2011) is as follows: "Social entrepreneurs concerns individuals or organizations engaged in entrepreneurial activities with a social goal." The main purpose of a social entrepreneur is to produce measurable impact by opening up new paths and unlocking society's full potential to help stimulate social change.⁴⁷

Social entrepreneurs are different from business entrepreneurs. Figure 1 shows social enterprises and the difference in the impact they want to have and what their priorities are.

Figure 1: Social enterprise (Martin & Osberg, 2007)



Though the topic of capital among Dutch social enterprises has been studied (Verloop 2011), there is not enough information available about the social entrepreneurs and their experience with pricing strategies. There is however an emerging market for Dutch social enterprises. In the Netherlands there has been a rise of social entrepreneurs between 2013 – 2015, the growth has been around 36 percent. The main reasons for the growth have been the elimination of judicial obstacles by the government, growing investment opportunities for social enterprises and the ambition of governmental organizations towards working with social enterprises. At the same time, social companies are becoming increasingly popular. These social entrepreneurs are outperforming traditional companies and have many fans. There are many social enterprises like Tony Chocology (slave free chocolate), The Colour Kitchen, Snappcar (sharing cars), Fairphone ("honest" phone) and Peerby (borrowing with neighbors). Companies seem to become more

⁴⁷ <http://www.pbs.org/opb/thenewheroes/whatis/>

proactive and responsive to complex problems. The emerging young groups of innovators with more money to spend are challenging the old charity ways and the philanthropical industry. Being socially responsible seems to be accepted also in the mainstream entrepreneurship scholarly works thanks to pioneers like Ben & Jerry's and The Body Shop (Hoogendoorn, 2011). This transformation is about the redirection of corporations from translating their purpose from profit towards shared values (Porter & Kramer, 2011).

Value creation

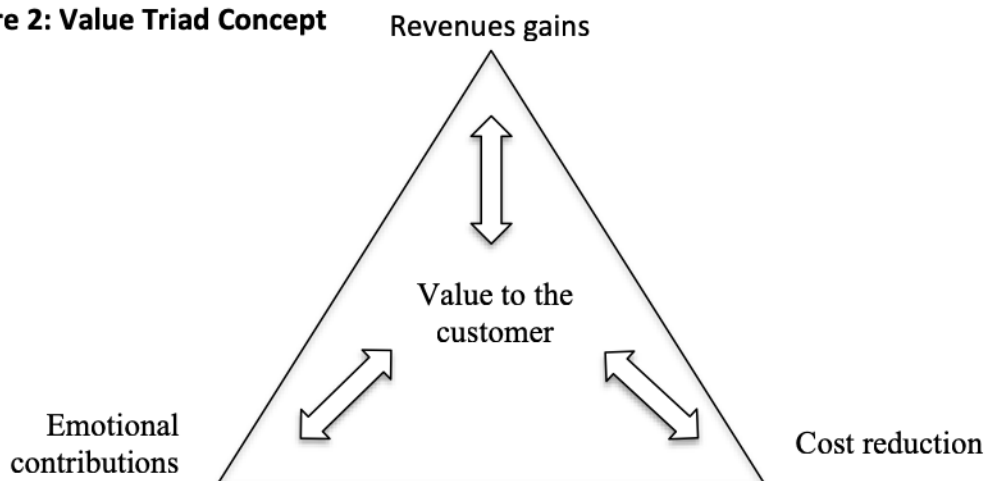
Understanding value is equally important because it will make it easier to understand the needs of the customer. It is good to know that value has two components, namely a perception, and an expectation. If customers have to choose between two products, they select the offer that captures most completely what they were looking for. This is based upon the expectation of the value that a product or service can deliver. And also their perception guides them further in their choices, which can be influenced by advertisement or a good feeling towards the product of service. A value approach demands a great commitment to innovation, creativity, and exploiting of entrepreneurs' uniqueness (Macdivitt & Wilkinson, 2012).

According to Koller et al. (2010), companies create value by investing capital to generate future cash flows at a rate of return that exceeds their cost of capital. If companies grow faster, they attract more capital at attractive rates of return. Consequently, they create more value. This implies that companies should only generate on invested capital greater than the cost of capital. This presents problems that many companies encounter, because they still have an outdated view on value creation, according to Porter & Kramer (2011). They ignore the needs of the customer and the long-term impact their activity has on the environment. Value is an important measurement in a market economy. In the traditional economy, the ability of a company to create value for its shareholders and the amount of value it creates are the most important measurements (Koller et al, 2010). A growing body of research claims that companies that maximize the value of their shareholders will create better jobs, more satisfied employees and will be sensitive to social corporate responsibility. Furthermore, value-focused companies want to ensure that human capital and natural resources are used correctly. There are therefore reasons to study how companies create value, according to Koller et al. (2010). Sharing value can be a solution to this challenge. It is the combination between the principle of the economic value and social

values. This involves creating economic value in such a way that it also creates social value (Porter & Kramer, 2011). According to Porter & Kramer (2011), companies can create economic value by creating social value. There are three ways to do that namely, reconceiving products and markets, redefining productivity in the value chain and building supportive industry clusters at the company's location.

When connecting the success of a company to societal improvement, the dynamic of the market will change. It can potentially create differentiation and new markets. Social entrepreneurs can play a role in making this concept mainstream. They are pioneering new product concepts to meet societal needs. They are often ahead of traditional businesses in looking for opportunities. Most importantly, they also create economic value, instead of only social value (Porter & Kramer, 2011).

Figure 2: Value Triad Concept



Source: Macdivitt and Wilkinson (2012)

It can be a real challenge to incorporate value-based pricing in the business. Macdivitt & Wilkinson (2012) have tried to make the value more tangible, with developing the 'Value Triad'. This concept is chosen to apply in this paper because it measures value in a concrete and tangible way. The Value Triad exist of three components:

- **Revenue Gains (RGs):** the improvements in revenue that accrue to a customer as a result of the purchase and use of your products and service.

- **Cost Reductions (CRs):** the ability to help a customer to reduce costs through the use of your product and service.
- **Emotional Contribution (EC):** this is drawn from the 'feel good factor', such as reduction of "hassle", peace of mind, increased confidence, greater safety, personal gain, trust, self-esteem, the absence of risk and so on. The emotional value has an influence on the improvement in the customer's emotional satisfaction or the avoidance of a reduction of the emotional satisfaction. What is really important is what value it represents to the customer (Macdivitt & Wilkinson, 2012).

Value based companies seek to identify the values created by the product or service they offer. They challenge the status quo and look closely at their market and its customers. They establish a price that is suitable for the customer what will help making a value based pricing strategy successful (Nagle et al. 2011). The winning combination is to manipulate some aspects of the price or performance to mobilize the unique capabilities of an entrepreneur in such a way that no competitor can possibly copy. It also enables to create a special solution to the customer's problem. It is important to have the competitive advantage to other companies (Macdivitt & Wilkinson, 2012).

Pricing strategies

Setting the right price can vary between industries and between customer segments. The impact of pricing on profitability is really high (Hinterhuber, 2003). But only a few managers have received training in making strategic pricing decisions. They are not taught to work proactively with their pricing strategy. They don't look at their customer's willingness to pay for the product or service. Pricing strategies share three principles according to Nagle et.al (2011). The principles of pricing strategy are value based, pro-active and profit driven.

Value based is that there are differences in pricing for customers. For example, if the market demands a price reduction because of an economic crisis, the entrepreneur does not necessarily have to discount the price of the product. The product can still have value to the customer; even when the customer base is declining. It can still provide a better alternative than the competition. A proactive approach means that companies anticipate disruptive events like a crisis and develop strategies in advance to deal with them. For example, when a new competitor enters a market with a low-cost product, the entrepreneur can

anticipate by offering a lower-priced service or loyalty program. Being sensitive to change within the market makes the entrepreneur competitive. A profit-driven approach is that the company evaluates its success of price management by its earnings relative to alternative investments, rather than by the revenue it generates relative to its competitors. For example, entrepreneurs need to be able to make bold decisions regarding their company to stay profitable.

These principles are leading towards choosing a pricing strategy. There are three main categories: *cost-based*, *competitive* and *value-based pricing* that is applied by entrepreneurs. The best pricing strategy is not easily chosen by entrepreneurs. Cost (plus)-based is the easiest strategy. This pricing approach is derived from accounting methods and is the most popular method today. The ways to calculate the cost-based price is by taking the average cost-plus and add a percentage (Macdivitt & Wilkinson, 2012). The entrepreneur can set its own price totally independently from the competition. The reason why entrepreneurs use this pricing strategy is that it seems a fair way to calculate the right price. Another reason is that it ensures profitable sales because all costs are accounted for (Raju et.al. 2010). Doing this, however, creates a gap between price policies, the value proposition, and the customer needs.

Figure 3: Pricing strategies



The second popular pricing strategy is competition (market) based pricing. This is a strategy where we compare the features and specifications of the product with those of the competition. Based on the competition the right price is set. Subsequently, deciding your price on the competition will have consequence for the positioning of your product or service (Macdivitt & Wilkinson, 2012). This strategy takes into account the market and it therefore seems to be safe. However, relying on the market can get the entrepreneurs in a passive mode. They are able to adjust their price, when the competitor changes its prices. The third

pricing strategy is value-based pricing (VBP). When talking about the other pricing strategies, they fail to incorporate the delivered value of the service and products. VBP is still relatively new and sometimes difficult to understand for customers. Mainly because the prices are primarily based upon perceived or estimated value by the customer (Macdivitt & Wilkinson, 2012). Having a relationship built upon cost-based pricing creates a different dynamic between the buyer and seller. The customer may think that the seller is asking too much for the product, whereas the seller can feel frustrated by the demands of the customer. Both can be locked in a win-lose situation.

Value-based pricing

A great challenge of using VBP is the level of understanding by the customer and the ability to assess the value that is offered. Not every customer will acknowledge the value of the product or service; some will denigrate the offer by challenging the uniqueness and/or performance. To use VBP successfully, the entrepreneur needs customers that are willing to value to offer and recognize the impact. Pricing based upon value creates great challenges because prices can differ between customers and between customer's segments (Macdivitt & Wilkinson, 2012). There are situations, according to Macdivitt & Wilkinson (2012), in which VBP can be successfully used:

- New or enhanced products and services;
- Products incorporating novel technology;
- Products completely new to the world with no viable technology alternatives;
- Existing products and services being introduced into a new geography, whether they represent a major improvement in performance compared with incumbent methods in that geography;
- Where other companies in an industry are already using VBP to price their products and services;
- More complex transactions requiring a customized approach based on clear understanding of the customer's situation and context;

- When we are able to meet a customer’s need through our ability to construct a unique package of products and services, even within a highly competitive market.

According to Raju (2010), there are different price methods that can be used. Here is a selection of different value based pricing methods. The social entrepreneurs that were interviewed for this research have used (one of) or more of these methods:

Outside in pricing	Ask the customer upfront how much he/she thinks the solution is worth.
Contingency pricing	This pricing method is used when the customer is unable or unwilling to take all the risk of an unsatisfactory outcome.
Retrospective pricing	Retrospective pricing is used when the eventual outcome cannot be fully predicted
Premium pricing	In premium pricing, the entrepreneur deliberately establishes himself as the supplier of the highest priced product in the market segment that is targeted.
Shared gain	The payment is based on satisfactory outcomes and both parties share all the risk. If successful, both parties share in the gain according to predesigned and agreed upon formula. ⁴⁸
Pay as you wish	Let the customer decide what he wants to pay for the service or product. ⁴⁹
Free pricing	Don’t ask any money for the service or product (see www.google.com).

⁴⁸ The first five pricing methods were based upon the book of Macdivitt and Wilkonson (2012)

⁴⁹ The definition of free and penny pricing are based upon the definition in the book of J. Raju and Z.J. Zhang (2010)

Penny pricing	Pricing a low price for your service and product (see www.1%club.org).
Name Your Own Price	The buyer specifies a price and a product and/or service and asks sellers to match that combination. NYOP is a special type of reverse auction originally pioneered by Priceline.com. ⁵⁰
Subscription pricing	The customer must pay a subscription price to have access to the product/service. The model was pioneered by magazines and newspapers but is now used by many businesses and websites (see Amazon). ⁵¹
Dynamic pricing	Refers to a type offer or contract by a provider of a service or supplier of a commodity, in which the price depends on the time when the service is provided or the commodity is delivered. ⁵²
Hybrid pricing	Using cost-based pricing or competitive pricing in conjunction with VBP.

3. RESEARCH METHOD

Target population, sample and data collection procedures

A selected group of Dutch 10 social entrepreneurs has been interviewed for approximately 60 minutes each. The social entrepreneurs were all working in the service industry within different sectors. The companies they owned were all B2C companies. The social entrepreneurs were selected based on pre-determined criteria, namely:

⁵⁰ http://en.wikipedia.org/wiki/Name_Your_Own_Price

⁵¹ http://en.wikipedia.org/wiki/Subscription_business_model

⁵² http://en.wikipedia.org/wiki/Timebased_pricing

- The founders of the company. This is important because in the research the relationship between personal values and values of the company is being examined.
- At least 50% of their income should be generated through VBP. This target is mainly set in order to have valid statements on the application of VBP. This will exclude the entrepreneurs who are experimenting with VBP or who are not taking any risks because they have enough funding through cost-based or competitive pricing.
- They must have been working with VBP for longer than one year. It is important that the entrepreneurs are able to talk from their own experience.
- They should be able to see if they have developed new products or markets or collaborations by using VBP. The feedback they got over the years from customers is important as well.

The first entrepreneur involved in our research was a pioneer in this field of VBP. He mentioned other entrepreneurs for the topic of the research. This approach fits the snowballing method of defining the sample. Other entrepreneurs have been found through the internet and by posting requests for social entrepreneurs on different platforms. We used multiple strategies to find entrepreneurs who matched with all three criteria.

This research is based upon a qualitative approach to research. The interviews were done face-to-face and recorded on tape. The overall objective is to gain more knowledge and insights on social entrepreneurs and their pricing strategy. The six questions (considered as topics) were used for framing the interview. Furthermore, at the end of each question, one open-ended question was asked to get more insights from the social entrepreneur.

Data analysis process

The data analysis has been done through a 'daily interpretive analysis'⁵³. The data was assembled; notes and videotapes of the interview were collected. The analysis has been done through evaluating the answers and categorizing them after the

⁵³ <http://www2.uwstout.edu/content/lib/thesis/2010/2010natolik.pdf>

respondents confirmed the content of the write-ups. The categorisation has been based on a conceptual model that was generated for the literature review

4. RESULTS

We present some main findings from the interviews to give insights in the type of answers we received in respect to the six questions from our framework and the open-ended questions.

Perception of value based pricing by social entrepreneurs

The answers were not coherent. Some entrepreneurs said that it wasn't a real choice; it was just the logical thing to do when values are central to their organization. Others thought that when you co-create your products, you need prices that reflect that. There were also entrepreneurs who developed their pricing strategy while working. To them it was more a process or experiment that resulted in a value-based pricing strategy. Having an innovative pricing strategy seem to be a good solution to customer's problems.

The personal and companies' values of the social entrepreneurs

There were personal values that the social entrepreneurs share, like integrity, honesty, freedom and being open. Others were more spiritual such as love, peace, passion, unity and trust. In relation to others, many of them were searching for authenticity, respect and bringing hearts together. The company values were almost the same as their personal value. The purpose of their company was mentioned as well. The company values were also about connectivity, making the world a better place; connect to change, solving problems, a transformation of people, delivering high quality, and the human factor. Most of the respondents mentioned freedom as an important company value.

The Value Triad explained

To approach this topic of freedom further we used the Value Triad consisting of three variables: the emotional contribution, the revenue of the customer and the ability of the customer to reduce their costs. The Value Triad helped translating value into a competitive advantage for the entrepreneur. According to the entrepreneurs, the emotional contribution is really high. This is due to the personal relation and focus on customer's need. For most of them, they consider

their customers to be a business partners or prosumers. The growing revenue of the customer by using the product or services of the social entrepreneurs is not easy to connect. This is due to the mission of the entrepreneur, which is mostly not focused on traditional value creation or profit-driven. But when companies are directly linked to the revenue increase of the customer, the revenue is higher, because the companies are focused on solving problems, high-quality products or excel themselves. The social entrepreneurs set high standards for the products and services they provide. The cost reduction, on the other hand, is high with many entrepreneurs. Some create cost reduction because they are cheaper than the competition; others have cost reduction as a goal towards the customer. Yet some are creating cost reduction that is dependent on the needs of the customer.

Unique value proposition

In the value proposition, the values of the organization are reflected and therefore also the values of the entrepreneur. Some entrepreneurs have their values directly translated to their value proposition. For example, when they named the value freedom, they translated it into the decision of using a value-based pricing method. They wanted their customers to feel free and therefore choose to have customers name their own price or have no formal contracts. We have also looked at the use of the values through the concept of consistency, convenience, and customization. In general, the companies were mostly consistent in working from their core values or living their purpose. Also, the way they approach and think about the customer is very consistent. They think of the customer as a prosumer, a customer that co-creates products and services. The entrepreneurs try to reinvent themselves on a regular basis and try to deliver high-quality products or services. Most of them give a lot of convenience to their customer. For example, some entrepreneurs do work for free, to make sure that the result is good. Therefore, the level of customization of every company is scored as high. The customer's need is central to their purpose and every product or service is custom made. Some have some degree of standardization, but most of them will co-create their product with the customer. They want to offer high-quality products and a real solution to the problems of the customer.

Application of value based methods

Almost every social entrepreneur used cost-based or competitive based pricing in combination with value-based pricing. Combining the different strategies is also known as hybrid pricing. Or they used a mix of value based pricing methods for

different products or services. This makes it obviously complex to explain to the customer. Furthermore, they expressed that they were not aware of what this pricing strategy would cost their customers. Other remarks they made were: customers have to think more on what the value is of the service they get. The customers are therefore not certain if people take advantage of them or if they get more value. The remarks were mostly aimed at the more positive effects of value-based pricing, like having a better customer relationship. They valued that higher than the negative effects. They thought that the benefits of using VBP were preparing the customer to a new future. However, there is no best practice of applying it, which can make it difficult for both parties involved. All of the entrepreneurs are pioneers with the use of the mix of pricing strategies. Therefore, they adjust and innovate their prices if it doesn't work.

Challenge & Benefits

The lessons learned among the social entrepreneurs have been very different. There are a few who recognize the difficulties of their pricing strategy towards their customer. Some have experienced that traditional businesses are not ready to work with value-based pricing methods. It therefore takes a lot of extra work to follow the path and stay true to their pricing methods. Also, the customers have different needs and are not always ready to work so closely with the entrepreneur. There are a lot of positive insights that the entrepreneurs have gained. Some think that their unique style has enabled them to be more competitive. They think that the product will be better if there is a willingness to step outside the box. Some entrepreneurs see that the spin-offs of investing in customer relation or co-creating products have translated in monetary value. They see added value in thinking in win-win situations. Another comment was that the more people are really involved; the better a community works and produces new opportunities.

All of the entrepreneurs agreed that value based pricing created new opportunities, new markets, or collaborations. Mostly because they were able to use value-based pricing to co-create new unique products or services for the market. Some of them created new markets themselves. The entrepreneurs feel that they are responding to an actual need and that they also learn from their customers. They came up with new ideas for products or services based on the close interaction with their customer. A few of them are helping their customer (also entrepreneurs) in developing their own business. By helping them to become successful, they will in return come back with their customers. They will introduce them to the services and products of the entrepreneur. This feedback loop works

for both of them, because the success of their customers translates into getting more successful themselves. They are able to sell their products and service to the customer's customer.

5. CONCLUDING

The common denominator of the social entrepreneurs is that they all want to contribute to society. They share the sense of urgency of the failure of the traditional economy and the transformation of the new economy. All of them believe that we are entering a new era where values and what they means for business should have a more prominent place at the business' agendas. In their paths towards transforming business, they like to share their knowledge and views on business innovation. This seems to fuel their entrepreneurial heart.

The social entrepreneurs want to show what the future business should look like and how it can be driven by values and they want to create sustainable solutions where quality products/services and values are the main drivers. The lessons for them lies in the fact that they are paving the way towards a new economy, which results in going through barriers of the traditional economy. At the same time, they are convincing their customer to work in this new style. However, they are taking the risk of losing customers that can't cope or understand this business approach. Still, they believe that value-based pricing delivers better products, results and customer relationship.

Discussion

The answers of the respondents have been very valuable. It gave great insight into their way of thinking and using value based pricing. It also confirmed some assumptions of the theory concerning social entrepreneurship. Especially on a personal level, the entrepreneurs seem to be in line with the description of their drive and purpose. But there are a lot of new factors to explore a contributions of these entrepreneurs to the business world. Are they truly creating change or are they pioneers in a niche market? The effect of their efforts on a large scale has not been researched enough. This would be an interesting topic for more research, for example, to focus on how VBP help them to prevent falling into a Death Valley.

Based on the research we can draw lessons for other social entrepreneurs. The most important lesson is that value based pricing is an expression of who they are as entrepreneurs. It's a reflection of the kind of customer relation they aim for and

what their values are. It also tells how they want to implement and safeguard these values, as part of the essence of the organization. These entrepreneurs can inspire their peers in how they have created value-based businesses that are close to their heart. Furthermore, it is interesting that they consider the value-based perspective for their business as a foundation for their success. It would be interesting to find out how sustainable their businesses are in times of crisis, a topic that can be further explored: are these values based businesses more crisis-proof than other businesses?

Limitations

There are limitations to this research. This research focused on 10 Dutch social entrepreneurs and the results should not be generalized to all social entrepreneurs or entrepreneurs in general. This can be seen as a limitation of the study. However, the qualitative approach helped us to explore the questions that were addressed in this research. In future studies, quantitative approaches may be helpful in exploring the impact of social entrepreneurs on business and society and exploring how VBP is being applied and with what motives by including the customers as respondents. The current study has given ingredients for defining relevant variables for further research. Also, the existing literature on value-based pricing and social entrepreneurship is limited. This means that theory building still is at a developing stage, which leaves room for new insights and interpretation on VBP in the context of social entrepreneurship.

References

- Dees, J.G., (1998) *The meaning of social entrepreneurship*, Stanford University, USA.
- Hinterhuber, A. (2003), Towards value based pricing—An integrative framework for decision making, *Industrial Marketing Management* 33 (2004) 765–778.
- Hinterhuber, A. (2003), Customer value-based pricing strategies: Why companies resist, *Journal of Business Strategy*, 29 (4), 41 – 50.
- Hinterhuber, A., Liozu, S. (2018), *Innovation in pricing: contemporary theories and best practices*. New York.
- Hoogendoorn, B. (2011), *Social Entrepreneurship in the Modern Economy: Warm Glow, Cold Feet*, Rotterdam School of Management and the Erasmus University of Rotterdam, The Netherlands.
- Koller, T., Goedhart, M., Wessels, D., (2010) *Valuation: Measuring and managing the value of companies*, Fifth edition, McKinsey & Company, John Wiley & Sons Inc., Canada.

- Liozu S., Boland D., Hinterbuber A., Perelli S. (2015) Mindful Pricing: Transforming Organizations Through Value Based Pricing. In: Robinson, Jr. L. (eds) Marketing Dynamism & Sustainability: Things Change, Things Stay the Same.... Developments in Marketing Science: Proceedings of the Academy of Marketing Science. Springer, Cham.
- Lüttgens and Diener (2016), Business Model Patterns used as a tool for Creating (New) Innovative Business Models, Journal of Business Models, Vol. 4, No 3, pp. 19 - XX.
- Macdivitt, H., Wilkinson, M., (2012) Value-Based pricing: Drive sales and boost your bottom line by creating, communicating, and capturing customer value, The McGraw-Hill Companies, USA.
- Martin, R.L., Osberg, O., (2007) Social Entrepreneurship: The Case for Definition, Stanford Social Innovation Review, Leland Stanford Jr. University.
- Nagle, T.T., Hogan, J.E., Zale, J. (2011) The Strategy and Tactics of Pricing: a guide to growing more profitably, Pearson Education, Fifth Edition, USA.
- Raju.J., Zhang, Z.J., (2010), Smart pricing: How to google, Priceline, and Leading Businesses Use Pricing Innovation for profitability, Pearson Education, USA.
- De Toni, D., G. Sperandio Milan, E. Busata Saciloto, F. Larentis, (2016) Pricing strategies and levels and their impact on corporate profitability, Available from:
<https://www.sciencedirect.com/science/article/pii/S0080210716308299>.
- Porter, M.E., Kramer, M.R., (2011), Creating shared value: how to reinvent capitalism- and unleash a wave of innovation and growth, Harvard Business Review, USA.
- Verloop, W. (2011), Opportunities for the Dutch Social Enterprise Sector, McKinsey & Company and Social Enterprise NL, The Netherlands.