

Vicentiu Cosmin VLAD

Transilvania University of Brasov, Romania

Florin-Alexandru LUCA¹

Technical University "Gheorghe Asachi" of Iasi, Romania

ESG MARKETING MODEL: A NEW PARADIGM TO UNDERSTAND THE IMPACT

Original
Research

Keywords

*Environmental;
Social;
Governance;
Green;
Sustainable;
Marketing*

JEL Classification

M31

Abstract

Sustainability and impact are major topics in the front pages of media and daily discussions. As a result of this media coverage new sets of consumer's purchasing habits are pushing companies and providers to align their products and services to sustainability and impact principles. The scope of this article is to propose a new model in order to understand the impact of Environmental, Social and Governance (ESG) Marketing on the consumer's patterns and choices. ESG Marketing is considered the independent variable whereas Consumer's Purchase Intention is the dependent variable in the model. ESG Marketing is composed by five dimensions: environmental belief, social belief, governance belief, ESG advertising and ESG branding. The authors' control variables are demographic features - age, gender, education, occupation and income. The model is a perfect tool to run quantitative analysis taking into consideration its variables.

¹ *Corresponding author*

INTRODUCTION

Chasan (2019) affirms that the Global Sustainable market grew to 30.7 trillion USD in 2019 with the European continent taking the lead thanks to their 14 trillion USD on socially responsible investments. Consumers increasingly look for sustainable strategies considering the climate change discussion as a major topic for markets.

Environmental, Social, and Governance (ESG) Marketing is based on the ESG criteria. The aim of these criteria is to help consumers and investors to get in touch with products and companies that demonstrate similar values to their own. It is a different way to assess the sustainability; there are common points with Green Marketing, but this last one focuses only on the first part of the ESG paradigm, meaning the environmental variable. ESG Marketing highlights the link between businesses and their customers, introducing a holistic approach in order to rethink all the business activities and to strongly consider the environmental, social, and governance involvement (Wentworth, 2019).

The concept of generating positive, measurable social and environmental impact is becoming significantly important to market size and is gaining significant attention from stakeholders. The Impact market, from an investments point of view, is evaluated by 502 billion USD worldwide (Mudaliar & Dithrich, 2019).

According to Eccles and Klimenko (2019) consumers are willing to pay a premium price for sustainable-related products, and this has been a demanding request since long time. Finally, businesses and suppliers are able to take action and propose a sustainable offer as a well-known need. Companies have started to integrate environmental, social, and governance criteria into corporate processes, planning climate consequences and calculating the impact on consumers product quality.

LITERATURE REVIEW

According to Peattie (1995) Green Marketing is “the holistic management process responsible for identifying, anticipating and satisfying the needs of customers and society, in a profitable and sustainable way”. Nowadays, speaking on topics related to Green Marketing to define topics related to impact and sustainability is limiting, so the authors consider recognizing the need of a broader concept than only covering Green Marketing. This means that, at the same time, they must furthermore take into consideration social and governmental variables. This is ESG Marketing.

Companies are beginning to look for new solutions to keep influencing their audiences, since traditional Marketing is not providing anymore the same attraction to gain consumer’s intentions and their preferences. Using strategies of sustainability is not only a way to create a new image for the company but helps to enhance up the competitive advantage within the market (Luca, Ciobanu, Andrei & Horodnic, 2018; Majerova, 2015).

Sustainability and impact are becoming relevant for markets and marketers. It is important to strengthen ESG factors as a tool for competitive advantage. Many authors have taken into consideration the importance of competitive advantage; for example, Moravcikova, Krizanova, Kliestikova and Rypakova (2017) correlates and studies the behaviors of consumers within Green Marketing’s strategies.

The market has shown growing interest in sustainable products and the raising global concern around impact. This is forcing companies to entirely rethink their strategies and processes. Mixing environmental, social and governance criteria with Marketing strategies is a disruption to interpreting the market, defining concepts and communicating with the target-audiences.

According to Rakic and Rakic (2015), the profit is not the Marketing priority anymore. The focus is on sustainable development and sustainability. Marketing must force this shift through a holistic approach and take into consideration three different variables: actors, capital and goals. Kemper, Hall and Ballantine (2019) affirm that nowadays Marketing should be considered a tool to achieve high efficiency and to support sustainable consumption against its previous interpretation of over consumption’s tool.

The reason why many companies are finally implementing sustainable processes and strategies is directly related to opportunity, governmental pressure or competition. The authors truly believe that it is possible to reach competitive advantage thanks to sustainable Marketing strategies when they are implemented with the scope of achieving higher profitability, improving stakeholder relations, considering ethical behaviors and monitoring environmental performances (Luca, Epuran, Ciobanu & Horodnic, 2019).

Looking into the communication side of the sustainability Marketing strategies, Villarino and Font (2015) noted that the messages are simple, descriptive and not elaborated. The tendency of companies is to communicate descriptive facts and not pay attention to the emotional side of customers and communities. This is the reason why sustainability is seen as a niche and communication lacks a broader vision focusing strictly on the product’s features.

MARKETING MODEL

The purpose of the paper is to propose a model that can efficiently study the impact of ESG Marketing on consumer purchasing behaviors. The authors adopt the model proposed by Juwaheer, Pudaruth and Noyaux (2012) when analyzing the impact of Green Marketing on consumer purchasing patterns. They adapt it to their research considering the different factors playing in the ESG paradigm, as illustrated by Figure 1. The model presents a relation between the independent variable *ESG Marketing* and the dependent variable *Consumer's Purchase Intention*. Control variables are *Age, Gender, Education, Occupation, Income*. The authors consider five dimensions of ESG Marketing: *Environmental Belief, Social Belief, Governance Belief, ESG Advertising and ESG Branding*.

ESG Dimensions

Environmental Belief is associated with environmental behavior attitudes and considers that the consumers are more sensitive to climate change and environmental matters than previously.

Social Belief considers that human beings are responsible and accountable for civil duties. The consumer's actions must benefit the whole society. The key is the balancing between the individual purposes and the collective ones.

Governance Belief seems to be a more corporate principle but it is also still very important for the society. A straightforward corporate governance strengthens faith and confidence. Improving corporate best practices is beginning to be an obligation in corporates' realities, as well as principles, such as governance responsibility and accountability.

ESG advertising regards advocacy and communication of the environmental, social and governance dimensions.

ESG branding suggests to base the differentiation of products or services through ESG factors in order to add value. The credibility raises attention and is becoming an important piece in building the identity of the brand.

CONCLUSIONS

This research wants to focus on the importance of the environmental, social and governance criteria within Marketing fields. The criteria have a strong traction on the consumer's choices and the authors consider it as a new discipline with peculiar aspects. It is more complex that the Green Marketing and is based on how ESG criteria influence consumer's behavior. The authors propose a new model to analyze the relation

between the new discipline called ESG Marketing and audience outputs.

ESG Marketing is composed by five dimensions considered vital parts of the ESG paradigm: *Environmental Belief, Social Belief, Governance Belief, ESG advertising, ESG Branding*. Demographics as *Age, Gender, Education, Occupation and Income* are the control variables.

The model reflects the evolving behavior of consumers towards environmental, social and governance issues. The authors strongly believe that sustainability and impact are going to be key elements in markets and Marketing.

REFERENCES

- [1] Chasan, E. (2019). *Global Sustainable Investments Rise 34 Percent to \$30.7 Trillion*. Bloomberg.
- [2] Eccles, R.G., & Klimenko, S. (2019). *The Investor Revolution*. Harvard Business Review.
- [3] Juwaheer, T.D., Pudaruth, S., & Noyaux, M.M.E. (2012). Analysing the impact of Green Marketing strategies on consumer purchasing patterns in Mauritius. *World Journal of Entrepreneurship, Management and Sustainable Development*, 8(1), 36-59.
- [4] Kemper, J.A., Hall, C.M., & Ballantine, P.W. (2019). Marketing and Sustainability: Business as Usual or Changing Worldviews?. *Sustainability*, 11, 780.
- [5] Luca, F.A., Ciobanu, C.I., Andrei, A.G., Horodnic, A.V. (2018). Raising awareness on health impact of the chemicals used in consumer products: Empirical evidence from east-central Europe. *Sustainability*, 10(1), 209.
- [6] Luca, F.A., Epuran, G., Ciobanu, C.I., Horodnic, A.V. (2019). Green Jobs Creation—Main Element in the Implementation of Bioeconomic Mechanisms. *Amfiteatru Economic*, 21 (50), 60-74
- [7] Majerova, J. (2015). Analysis of Slovak Consumer's Perception of the Green Marketing Activities. *Procedia Economics and Finance* 26, 553-560.
- [8] Moravcikova, D., Krizanova, A., Kliestikova, J., Rypakova, M. (2017). Green Marketing as the Source of the Competitive Advantage of the Business. *Sustainability*, 9, 2218.
- [9] Mudaliar, A. & Dithrich, A. (2019). *Sizing the impact Investing Market*. Global Impact Investing Network.
- [10] Peattie, K. (1995). *Environmental Marketing Management: Meeting the Green Challenge*. Pitman Publishing, London, UK.
- [11] Rakic, B., Rakic, M. (2015). Holistic management of Marketing sustainability in the process of sustainable development.

- Environmental engineering and management journal*, 14(4), 887-900.
- [12] Villarino, J. & Font X. (2015). Sustainability Marketing myopia: The lack of sustainability communication persuasiveness. *Journal of Vacation Marketing*, 1(11).
- [13] Wentworth, S. (2019). *Three Ways to Make an Impact with Your ESG Marketing*. Wentworth Financial Communications.

Figures

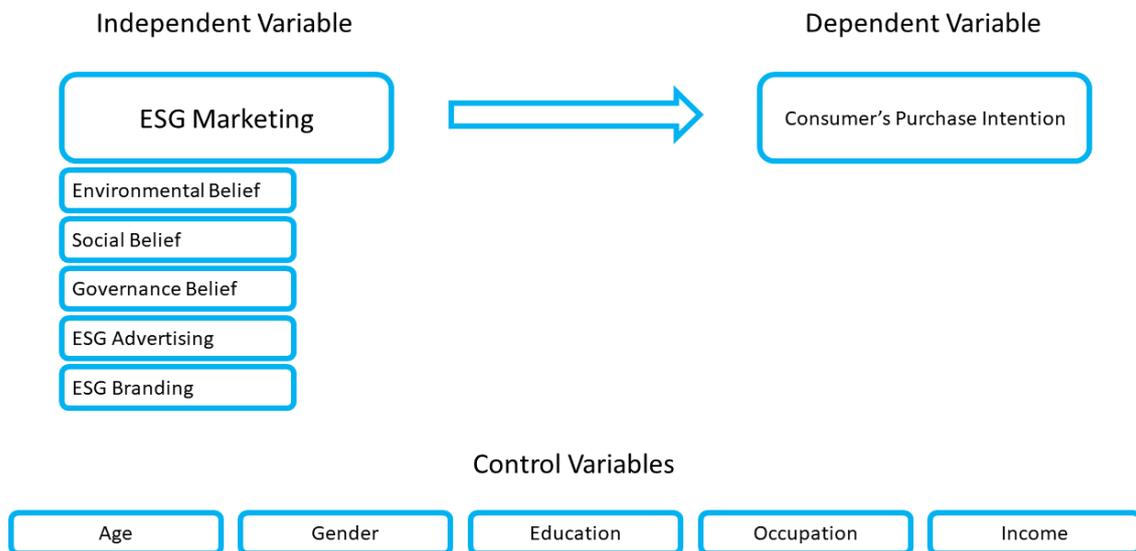


Figure 1
ESG Marketing Model