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The Missouri State Journal, a weekly program keeping you in touch with Missouri State University.

Sofia Perez

If you've been shopping for spring cleaning products lately, you've probably noticed products with ecofriendly or sustainable claims lining the shelves of your favorite retailer. Buzzwords like green cruelty free plant based and bio based are plastered across labels of cleaning products. Well-intending consumers may reach for these products in hopes of making a change for the better. This type of marketing is referred to as environmental, social and governance or ESG marketing. I'm Sofia Perez. Today, Dr.Wesley Friske, associate professor in the marketing department at Missouri State University, talks about how companies are benefiting from this type of marketing to consumers.

Dr. Wesley Friske

It's hard for companies to differentiate themselves. That's especially true for smaller companies. If you think about the types of organizations that dominate the shelf space, it's going to be the biggest brands which have large brand portfolios. One manufacturer like Unilever's, got all of these different brands, and they're actually competing with each other to some extent for market share. They're positioned so that they're appealing to different segments of customers. There's only so much you can do in terms of differentiation from the packaging perspective or some fun logo, price promotions, that sort of thing, and so another way to try to differentiate these products is through environmental or social appeals to the organization's corporate social responsibility, and that it's environmentally friendly. It's green. It's eco.

More and more organizations are trying to do that because they realize that there are more and more consumers that actually care about those things now. It's also important to keep in mind that typically if the organization is being honest in its marketing communications, then there's some way that the consumer is going to be able to verify that information. From a consumer's perspective, you're walking up and down the aisles and you see these very vague terms that are thrown out there like clean ingredients, what does that mean? Could mean just about anything.

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Friske adds that companies that can meet the standards of other organizations like the Forest Stewardship Council can charge more for their products.

Dr. Wesley Friske

If they are meeting these extra standards, then typically there's some extra costs associated with that. Then they pass that down to the consumer.

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Friske explains what ESG marketing entails.

Dr. Wesley Friske

Information related to the environment or that social performance or corporate governance is not something that is typically required to be reported by publicly traded companies in the US, but more and more companies are voluntarily disclosing that information because they think that investors primarily, but also employees and. Customers might be interested in that information, and especially for organizations that are spending quite a bit of money doing things to support the environment or donating money to causes they want to try to get some credit for that somewhere. There's not a traditional way that they can report that information like they would report that income from the organization's perspective, there's a number of reasons why they choose to disclose that information, and they're thinking about a variety of different types of stakeholders. Investors might care what's happening with this company. Is it actually sustainable? Not just in terms of a profitability perspective, but is there something that it's doing that's going to attract the ire of regulators down the road? Is there something where they're going to run into opposition for some sort of climate group and that's going to have a substantial impact on the business's opportunities in the future. So, they're obviously concerned about those risks.

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These companies target people who are looking for environmentally friendly products.

Dr. Wesley Friske

They're willing to pay maybe a little bit more than a comparable product for a more socially responsible product. And so, they realize, well, this is a pretty good marketing opportunity as well. The best organizations are the ones that are really strategic about that. They're not just handing millions of dollars of shareholder money over to some cause and saying, OK, that's the end of it. What you've seen over time is this transition to companies being a little more focused with respect to ESG investing. They're doing it because it makes business sense. Now, lots of organizations, especially big, highly visible organizations and organizations that are in industries. That has some environmental sensitivity. They're doing a better job disclosing lots of that ESG information that they don't necessarily have to. There has been some criticism over the lack of consistency with the ways in which organizations report that information, but there isn't one unified sort of reporting framework.

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Friske explains that everyone from consumers to investors influences the shift for companies to participate in ESG marketing.

Dr. Wesley Friske

All CMOS know hey, our customers care about this, that also impacts financial performance. Our investors care about this stuff too. So, they're certainly more conscious of it. They are reporting more of it and they're disclosing more and that seems to have a positive impact on the long-term financial performance of the organization.

Sofia Perez

That was Dr. Wesley Friske. I'm Sofia Perez. For the Missouri. Journal.

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For more information, contact the Office of Strategic Communication at 417-836-6397, the Missouri State Journal is available online@ksu.org.