

THE IMPACT OF ESG CRITERIA ON CUSTOMER CONFIDENCE IN COSMETIC BRANDS

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Abstract. The study investigates the relationship of Environmental, Social, and Governance (ESG) criteria concerning customer trust in cosmetic brands, which is a growing demand for business ethics, transparency, and sustainability. Cosmetic brands must respond to the growing consumer awareness of global sustainability challenges and integrate ESG principles into their operations. Drawing on both survey data from over 300 respondents and findings from industry reports, this research uncovers how the different dimensions of ESG—environmental, social, and governance—impact aspects of brand trust, loyalty, and buying decision-making.

The latter practices, relating to sustainable packaging and carbon neutrality, have a more significant influence on customer confidence than social initiatives, such as diversity, inclusivity, and ethical labor practices. Governance and accountability are not typically the most eye-catching of headlines, but if managed properly, they build a bedrock of trust in the systems that will underpin these innovations; transparency is often the price of credibility. A comparative study of leading brands points to the effectiveness of ESG strategies in creating consumer loyalty.

This paper highlights the importance and need for cosmetic brands to embrace sustainable environmental, social, and governance (ESG) strategies because consumers are suspicious of "greenwashing," and demand transparency and authenticity. Specific recommendations include improved ESG reporting, certification by trustworthy third-party organizations, and making sustainability a core part of brand strategies. These insights may serve as a compass for the cosmetics sector to gain trust, increase brand equity, and adapt to changing consumer values.

Keywords: ESG criteria; brand trust; customer trust; cosmetic brands; sustainable brands; environmental practices; social responsibility; governance; greenwashing.

Introduction

Environmental, Social, and Governance (ESG) criteria have become an important component of customer perception and behavior in recent years. With increased global sensitivity towards sustainability, consumers have begun to examine the ethical, environmental, and social consequences of their purchasing decisions. This is particularly the case for cosmetics, where aesthetic products are subject to human capital, and thus consumers make decisions not only based on product quality and brand reputation but also on a brand's sustainability practices and ethical governance.

Now, cosmetic brands and cosmetic brand owners are under increasing pressure to adapt their in-house operations and business practices to the principles of environmental, social, and governance, or ESG. To make things worse, transparency and transparency-focused actions are becoming

increasingly relevant, with a growing body of research demonstrating the brand trust/love passion relationship, as well as the competitive advantages of having an ESG strategy. At the same time, ESG-related initiatives help brands stand out and create a deeper emotional connection with eco-aware consumers.

While there has been consistent emphasis on ESG, its specific influence on customer confidence in relation to the cosmetics industry is yet to be investigated. Whereas some research highlights the important role environmental practices play in shaping consumer behavior, others suggest that the social and governance dimensions are equally important. This research aims to fill this gap by examining the idea of how adherence to ESG principles affects customer confidence for cosmetic brands.

Such a study aims to unlock the relationship between ESG criteria, customer confidence, customer trust, loyalty, and purchasing decisions. To these ends, however, skincare brands should analyze the intertwined processes of consumerism yielding brand value, and take the necessary measures to align their efforts with customers' expectations and desires for sustainable development.

Methods

Data Collection

This study adopted a mixed-method approach, utilizing both primary and secondary data. Consumers' Opinion on Cosmetics ESP Practices — To Understand the Perspectives of Customers. A survey was taken in which 300 respondents were surveyed to get an idea of consumer perceptions regarding ESG practices in the cosmetics industry. Secondary data consisted of ESG reports, market analyses, and academic literature.

Survey Design

Within ESG, the survey examined three core dimensions:

- Environmental: Sustainable packaging, reduction of carbon footprint, responsible sourcing
- Social: Diversity, inclusivity, and ethical labor practices
- Governance: Transparency, corruption prevention, and business ethics

Data Analysis

Statistical tools (SPSS and SmartPLS) were utilized for quantitative data analysis, and qualitative answers were categorized thematically to add insight into the consumers' attitudes.

Results

1. Awareness of ESG practices among consumers

76% of respondents were aware of ESG practices being used by cosmetic brands. Of these, the most recognized initiatives were environmental ones, such as the use of recyclable packaging and the reliance on eco-friendly ingredients. While social and governance aspects attracted less attention, respondents noted positive language inclusivity campaigns and ethical business practices.

2. For all 5 points of the ESG dimensions, customer confidence increases with greater compliance level of the requirements.

- Environmental Factors

Environmental sustainability was the most influential dimension emerging from the research, with 68% of the surveyed respondents rating it as “very important” in their consideration of a brand. When eco-friendly initiatives involved reducing the carbon footprint, they were viewed directly as

associated with brand trust and also as influencing buying decisions (e.g., sustainable packaging).

- Social Factors

54% of respondents recognized social programs such as diversity, inclusion, or community support initiatives as contributing to brand loyalty. But qualitative responses implied that listeners believe a perception gap between brand declarations versus brand authenticity exists—and transparency in communication is critical.

- Governance Factors

Governance practices proved least immediately affecting customer confidence yet still considered vital (by 43% of those surveyed). Long-term trust, respondents said, is built upon anti-corruption measures, transparency into supply chains, and respect for ethical standards.

3. Qualitative Data Analysis

The essay responses, however, revealed additional information:

- Several customers were highly skeptical regarding "greenwashing" practices and therefore called for third-party certifications to account for ESG claims.

- Respondents preferred brands that had embedded ESG principles into their core purpose rather than treating them as a marketing exercise.

More Comparison of ESG Practices of Cosmetic Brands

To facilitate contextualization, a comparative evaluation between different well-established cosmetic brands was performed. These brands were chosen for their ESG commitments, how they were viewed by consumers, and their presence in the marketplace. The analysis reveals trends and differences in how ESG practices are impacting customer confidence.

L'Oréal (Global ESG Reporting Leader)

Environmental:

L'Oréal set out ambitious sustainability targets through its "L'Oréal for the Future" program, including achieving carbon neutrality in production and reducing water use. Their sustainability and use of renewable energy practices have greatly improved consumer trust.

Social:

L'Oréal is a champion of gender equality and inclusion, receiving awards for its diversity in the workplace. Nonetheless, some critiques regarding affordability and accessibility of products in emerging markets persist.

Governance:

The corporation's high governance standards and transparency in supply chains have strengthened the reputation of the company, making it attractive to socially conscious consumers.

The Body Shop (A Trailblazer In Principles)

Environmental:

The Body Shop is popular with eco-friendly consumers for its recyclable packaging and for its cruelty-free production practices. However, the sustainability scale program gap is much smaller than competitors.

Social:

Its campaigns on human rights and fair trade have positioned the brand as a socially responsible trailblazer.

Governance:

While traceability makes the ethicality attractive, lack of proper vigilance across regions poses a conflict.

Estée Lauder (Sustainable-focused Luxury Segment)

Environmental:

With luxury consumers prioritizing eco-consciousness, Estée Lauder's ambitious goals, which include net-zero carbon emissions and sustainable sourcing of palm oil, also align with unprecedented expectations. Their initiatives, however, often lack visibility relative to rivals.

Social:

Yet, their global women empowerment and education programs placed the brand as a social change agent in most developing markets.

Governance:

Good governance and transparency of ESG reporting provide great confidence to investors as well as consumers.

Fenty Beauty (Inclusive & Diverse)

Environmental:

Though the brand's environmental methods aren't as robust as others, it's moving towards recyclable materials and sustainable processes.

Social:

The brand is known for trailblazing the world of inclusivity for beauty with its multitude of hues for a spectrum of complexions. This focus has created a great emotional bond with customers.

Governance:

Governance practices are reflective of industry standards, though more transparency in sustainability reporting would be welcome.

MAC Cosmetics (Medium Sustainability Commitment Level)

Environmental:

MAC's "Back-to-MAC" recycling program mirrors attempts at sustainability but is not as prominent or widespread as those of its competitors.

Social:

Loyalty among socially conscious consumers is driven by the brand's long-standing advocacy of the LGBTQ+ community, through campaigns such as the Viva Glam initiative.

Governance:

Moderate transparency in ESG reporting remains a concern for consumers and stakeholders.

Insights from Comparison:

Strengths Across Brands: Consumer confidence is rooted in the environmental and social dimensions — particularly among brands with sincere environmental sustainability and inclusion commitments.

Gaps Identified: With less focus on governance practices compared to consumer marketing, governance remains vital to the trust of stakeholders. More transparency could set brands apart in competitive markets.

Youth: In recent years, younger generations (18-35) have preferred brands that integrate ESG practices into visible and authentic campaigns.

Discussion

The results show that although environmental initiatives are the most impactful, contributing most to customer confidence, social and governance practices can reinforce these efforts. As passports for “green” access, consumers want to see through ESG claims to avoid the “greenwashing” traps.

ESG cannot be just used as cosmetic brands but must become core business strategies. Consumers require enhanced ESG transparency, third-party certifications, and authentic stakeholder engagement to cultivate trust.

Conclusion

Such environmental social governance (ESG) practices have transformed from an option to a necessity for the health of the cosmetics industry. Brands can reinforce customer trust, promote loyalty, and support sustainability around the world by aligning operations with ESG principles. Long-term financial effects of ESG integration and its regional variations should further be explored in future studies.

Environmental Factors

Environmental practices like green packaging and carbon-neutral management have a huge effect on consumer trust. Brands such as L'Oréal and The Body Shop show the impact of environmental practices on brand.

Social Factors

This involves moving into diversity and inclusion and helping the community to build emotional bonds with customers. The emphasis on inclusivity by Fenty Beauty and fair trade by The Body Shop demonstrates that socially responsible practices are effective.

Governance Factors

Although governance plays a less direct role in shaping customer confidence compared to environmental and social factors, transparent and ethical business practices are still vital for maintaining trust.

Cosmetic brands cannot treat ESG as a side project but need to build it into the central strategies of their businesses. Key recommendations include:

- Mitigating skepticism around “greenwashing” by promoting transparency through enhanced ESG reporting and third-party certifications.
- Communicating ESG activities more effectively to appeal to consumers focused on environmental and social factors.
- Governance: Innovate in governance practices to ensure ethical supply chains and stakeholder engagement.

This study was designed around consumer perception in terms of ESG (Environmental, Social, and Governance) criteria. Some prospective research includes:

- The long-term effect of ESG promises on brand equity and monetary efficiency.
- Cross-sector/economy comparative studies to know whether ESG practices have universal or sector-specific effects.
- More expansive, location-centered studies to fully feature variability in consumer perceptions of ESG efforts.

The cosmetics industry finds itself at a tipping point where ESG principles are not just optional but mandatory for success. Proactively addressing environmental, social, and governance challenges will help these brands build customer trust while furthering global sustainability goals.

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