Environmental Commitments and Organizational Identity: ESG Integration and Perceived Consumer Value

Sunay Rohatgi
srohatgi27@thehill.org

ABSTRACT

While corporate responsibility is frequently framed as a driver of commercial superiority, its financial dividend remains contingent upon market placement. Rooted in signaling paradigms, identity framework economics, and premium brand scholarship, this paper investigates if environmental, social, and governance (ESG) integration yields elevated pricing leverage for prestige organizations relative to mainstream enterprises. We posit that sustainable operations cultivate superior economic returns when incorporated into an enterprise's symbolic narrative, amplifying brand legitimacy, prestige, and buyer identification beyond mere functional utility.

Analyzing Bloomberg financial metrics alongside ESG indicators across 26 publicly listed commercial entities spanning 2016 through 2024, we construct panel regressions featuring entity and temporal fixed effects. Categorization into prestige and mass-market cohorts follows Bloomberg Industry Classification Standards (BICS) aligned with recognized high-end market parameters. Pricing power is operationalized via gross profit margin, centering the empirical inquiry on the moderating impact of prestige categorization upon ESG efficacy.

Empirical findings demonstrate no statistical relationship between ESG metrics and pricing leverage within standard mass-market firms. Conversely, this effect demonstrates pronounced amplification for prestige entities: an incremental point gain in overall ESG evaluation corresponds to roughly a 1.4 percentage point expansion in gross margin. This baseline coefficient maintains statistical significance across model specifications accounting for organizational scale alongside temporal and entity fixed effects.

The observed patterns highlight how the monetary return on sustainable initiatives is fundamentally context-bound. Eco-friendly commitments generate tangible premiums primarily when fortifying institutional symbolism and self-concept alignment, thereby translating ethical conduct into elevated buyer estimation and enhanced margin flexibility. Consequently, this study advances the academic dialogue surrounding ESG governance, high-end branding, and buyer psychology by establishing that

financial extraction from responsible practices hinges upon effective strategic synthesis with core brand narrative.

INTRODUCTION

Sustainability has traditionally been viewed as an ethical responsibility or a compliance requirement, pursued to manage risk, satisfy stakeholders, or meet regulatory expectations. Increasingly, however, firms are treating sustainability as a source of competitive advantage that can strengthen reputation, differentiate brands, and create long-term value. This shift is especially relevant in luxury markets, where value depends not only on functionality but also on craftsmanship, exclusivity, heritage, scarcity, and symbolic meaning.

The meaning of luxury is evolving as consumers place greater importance on transparency, responsible sourcing, and corporate sustainability. Environmental, social, and governance (ESG) performance may therefore influence how consumers evaluate luxury brands alongside established markers of quality and prestige. This development raises a central question: Does sustainability create economic value simply because consumers prefer responsible firms, or because it has become a signal of identity and status?
The distinction matters because luxury consumption differs from ordinary consumption. In mass markets, purchasing decisions often emphasize price, convenience, and functionality. Luxury products, by contrast, communicate identity, taste, and social position. Signaling theory and identity economics therefore suggest that sustainable luxury may allow consumers to express both economic status and social responsibility. If sustainability adds symbolic value, luxury firms may be better positioned than non-luxury firms to translate ESG performance into pricing power.

This study asks whether sustainability creates greater economic value for luxury firms than for non-luxury firms. It examines publicly traded, consumer-facing companies from 2016 to 2024 using Bloomberg ESG and financial data. Panel regression models with firm and year fixed effects are used to test whether ESG performance is more strongly associated with gross margin, a proxy for pricing power, among luxury firms.

LITERATURE REVIEW

Environmental Commitments and the Evolving Paradigm of High-End Brand Identity

Prestige enterprises operate beyond mere functional efficacy. Attributes such as exclusivity, structural scarcity, artisanal heritage, and symbolic resonance empower elite products to communicate personal identity and social stratification. Seminal economic frameworks posit that prestige acquisition serves as a public demonstration of resource command, while sociological perspectives demonstrate how refined

taste reflects cultural capital and institutional differentiation. Consequently, high-end commerce represents both a distinct market classification and a complex semiotic structure.

Historically, operational sustainability and prestige enterprise were conceptualized as antithetical paradigms: high-end consumption signaled conspicuous expenditure and status rivalry, whereas environmental stewardship prioritized restraint and ecological preservation. Scholarly inquiries, however, increasingly challenge this dichotomy. Fundamental elements of premium branding—such as enduring product longevity, artisanal mastery, authentic provenance, and exceptional craftsmanship—naturally converge with sustainable operational principles. A product engineered for perpetual durability, harvested with meticulous oversight, and responsibly produced fortifies rather than diminishes its institutional prestige.

Prior academic discourse emphasizes that strategic alignment hinges upon buyer perception of prestige definitions. While eco-friendly practices may clash with ostentatious extravagance, they inherently reinforce an identity centered on rarity, temporal permanence, and enduring value. Scholarly literature similarly establishes that premium market valuation stems from institutional heritage and symbolic resonance rather than basic utilitarian utility. The empirical objective, therefore, shifts from assessing whether sustainability and prestige can co-exist to evaluating how responsible operations integrate into enterprise value creation.

Ethical Engagement and the Action-Intention Disconnect

Traditional examinations of eco-conscious behavior highlight moral imperatives and positive environmental sentiment. Conceptual behavioral models posit that personal inclinations, social expectations, and perceived self-efficacy dictate buyer actions. Applied to sustainable commerce, these frameworks predict that individuals holding pro-environmental values and supported by conducive normative expectations will consistently select responsible offerings.

Actual market transactions exhibit notable inconsistencies. Buyers frequently report ethical predispositions yet prioritize cost, transactional convenience, performance, availability, and established routine during purchasing decisions. Empiricists characterize this systematic divergence as the intention-behavior gap, documenting that professed backing for responsible commerce rarely translates into proportional financial commitments.

Sustainable commitments therefore impact commercial selection through mechanisms distinct from pure altruism. Institutional influence, emotional connection, and convenience can encourage eco-friendly actions, while responsible brand identity fosters symbolic and affective alignment. Conversely, ethical positioning can introduce unintended friction: empirical inquiries demonstrate a "sustainability liability," wherein eco-friendly attributes diminish consumer preference if ethical commitments are perceived as compromising core operational performance, particularly when efficacy remains paramount. Synthesizing these perspectives indicates that environmental initiatives achieve maximum commercial leverage when

reinforcing, rather than undermining, the foundational attributes and prestige signals that buyers already prioritize—a dynamic that holds heightened significance within high-end market segments.

Prestige Acquisition, Self-Concept, and Status Signaling

High-end goods function as prominent instruments of social signaling. Foundational economic theories articulate how observable acquisition displays personal affluent standing. Subsequent sociological frameworks expand this premise, establishing that consumer preference communicates cultural sophistication, personal refinement, and institutional affiliation.

Social identity models demonstrate that individuals construct self-concept partially through collective affiliations, employing symbolic consumption to convey group belonging and social distinction. Brands consequently communicate identity claims, aspirational trajectories, and social alignment. Identity economics formalizes these dynamics, establishing that economic choices depend upon both material utility and alignment with an idealized self-concept.

Within this analytical framework, sustainable prestige goods execute a dual signaling objective. They register financial capacity and refined taste while simultaneously signaling social responsibility, progressive awareness, and alignment with contemporary values. Researchers term this strategic display "conspicuous conservation." Given that social visibility and symbolic resonance define high-end commerce, integrated sustainability amplifies brand equity when seamlessly embedded into institutional signaling.

ESG Integration, Multi-Stakeholder Dynamics, and Enterprise Value

Stakeholder theory provides an organizational framework for conceptualizing sustainability as a value-driver. Scholars argue that long-term enterprise value stems from systematically managing relationships with buyers, workforce talent, capital markets, supply networks, regulatory bodies, and local communities. Environmental initiatives diminish operational inefficiency and regulatory risk; social investments cultivate internal trust and customer loyalty; and robust governance structures enhance operational transparency and managerial oversight.

Empirical findings concerning the financial dividends of ESG integration demonstrate significant variation. Meta-analyses covering thousands of studies indicate a predominantly non-negative relationship, yet the magnitude of this effect fluctuates across industry sectors, geographical jurisdictions, asset classes, and organizational scales. This divergence confirms that sustainable practices do not yield uniform economic returns. Their financial dividend remains contingent upon stakeholder expectations, brand visibility, industry dynamics, and the enterprise's capacity to convey credible commitments. Responsible operations prove particularly advantageous in consumer-facing sectors where public

reputation and brand equity dictate pricing flexibility. This dynamic becomes paramount for prestige entities whose competitive moat relies upon intangible equity, symbolic narrative, and buyer trust.

Sustainability as an Information Signal

Signaling theory illustrates how observable organizational actions communicate underlying operational quality under conditions of information asymmetry. External stakeholders cannot directly inspect internal supply networks, labor conditions, emissions performance, or governance integrity. Published ESG evaluations, third-party certifications, transparent reporting, and responsible sourcing initiatives consequently serve as indicators of operational integrity and long-term orientation.
Signal credibility represents a critical boundary condition. Communication of corporate responsibility yields positive financial outcomes primarily when disclosures are transparent, verifiable, and consistent with stakeholder expectations. Unsubstantiated claims expose the enterprise to greenwashing allegations and severe reputational impairment.

Credible environmental signals offer heightened strategic utility within prestige markets, where consumers grant substantial price premiums for intangible attributes like authenticity, structural scarcity, craftsmanship, and legacy. ESG practices reinforce these pillars by introducing narratives of ethical stewardship. For mass-market firms, sustainability remains merely one functional attribute weighed against cost and convenience. For prestige entities, it integrates directly into core brand identity and status propositions.

Research Gap and Hypotheses

ESG research has examined profitability, valuation, risk, and reputation, while luxury research has emphasized symbolism, identity, and status. Few studies integrate these literatures to test whether market positioning shapes the economic returns to sustainability. In particular, limited evidence addresses whether luxury firms are better able than non-luxury firms to translate ESG performance into pricing power. This study tests three hypotheses:

- **H1**: ESG performance is positively associated with pricing power among non-luxury firms.
- **H2**: Luxury firms exhibit greater pricing power than non-luxury firms.
- **H3**: The positive association between ESG performance and pricing power is stronger for luxury firms than for non-luxury firms.

DATA AND METHODOLOGY

Data sample

The analysis uses Bloomberg ESG and financial data for publicly traded consumer-facing companies from 2016 through 2024. This period captures the expansion of ESG reporting and the growing strategic importance of sustainability.

Firms are classified as luxury or non-luxury using Bloomberg Industry Classification Standard (BICS) categories and established luxury-branding criteria. The luxury sample includes LVMH, Hermès, Kering, Richemont, Moncler, Prada, Burberry, Salvatore Ferragamo, Ferrari, and Tapestry. The non-luxury sample consists of publicly traded consumer-facing firms across beverages, food, household products, personal care, retail, and apparel, including Archer-Daniels-Midland, Monster Beverage, Coca-Cola, PepsiCo, Nestlé, Procter & Gamble, Unilever, Colgate-Palmolive, Kimberly-Clark, General Mills, Philip Morris, Costco, Adidas, Puma, Estée Lauder, and Shiseido.

Ferrari is classified as luxury because its value proposition rests on scarcity, exclusivity, heritage, and prestige. Tapestry is included because its brands compete in accessible luxury and rely on premium positioning and symbolic value. Estée Lauder and Shiseido are classified as non-luxury because their primary businesses are beauty and personal care rather than luxury goods.

Luxury status is represented by:

$$Luxury_{i} = \{1\ if\ firm\ i\ is\ classified\ as\ luxury\ 0\ otherwise$$

Firms with insufficient ESG coverage were excluded. After observations with missing ESG scores or gross-profit data were removed, the estimation sample contained 225 firm-year observations from 26 firms. The panel structure permits within-firm comparisons over time while controlling for stable firm characteristics.

Variables

The primary independent variable is the Bloomberg ESG Score, a standardized measure of environmental, social, and governance performance. Higher values indicate stronger reported ESG performance.

The dependent variable is pricing power, proxied by gross margin for firm i in year t:

$$Pricing\ Power_{it} = \frac{Gross\ Profit_{it}}{Revenue_{it}}$$

Gross margin measures the share of revenue retained after production costs and approximates a firm's ability to price above cost. It is especially relevant for luxury firms whose business models depend more heavily on premium margins than on sales volume. Unlike revenue, which largely captures scale, gross margin more directly reflects the economic value associated with products and brands.

Firm size is measured as the natural logarithm of market capitalization for firm i in year t:

$$Size_{it} = ln(Market\ Capitalization_{it})$$

Larger firms may have greater resources, more developed ESG reporting systems, and different profitability dynamics. Controlling for size helps distinguish the ESG-pricing power relationship from the effects of scale.

Empirical Model

The primary specification is:

$$Pricing\ Power_{it} = \alpha + \beta_1 ESG_{it} + \beta_2 Luxury_i + \beta_3 (ESG_{it} \times Luxury_i) + \beta_4 Size_{it} + \gamma_t + \mu_i + \varepsilon_{it}$$

Where $Pricing\ Power_{it}$ is the gross margin of firm i in year t, ESG_{it} is the firm's ESG score, $Luxury_i$ is an indicator equal to one for luxury firms and zero otherwise, and $Size_{it}$ is the natural logarithm of market capitalization. The terms γ_t and μ_i denote year and firm fixed effects, and ε_{it} is the idiosyncratic error.
The coefficient β_1 measures the association between ESG and pricing power among non-luxury firms. The interaction coefficient β_3 captures the additional ESG association for luxury firms and is the principal coefficient of interest. The total ESG association for luxury firms is $\beta_1+\beta_3$. Because luxury status is time-invariant, β_2 is absorbed by firm fixed effects in specifications that include them.

Four specifications are estimated. Model 1 includes year fixed effects, which account for common shocks such as inflation, regulatory changes, supply-chain disruptions, and the COVID-19 pandemic. Model 2 includes firm fixed effects, comparing each company with itself over time. Model 3, the preferred specification, includes both firm and year fixed effects. Model 4 adds the firm-size control to Model 3. A positive and statistically significant interaction across the fixed-effects models would support the claim

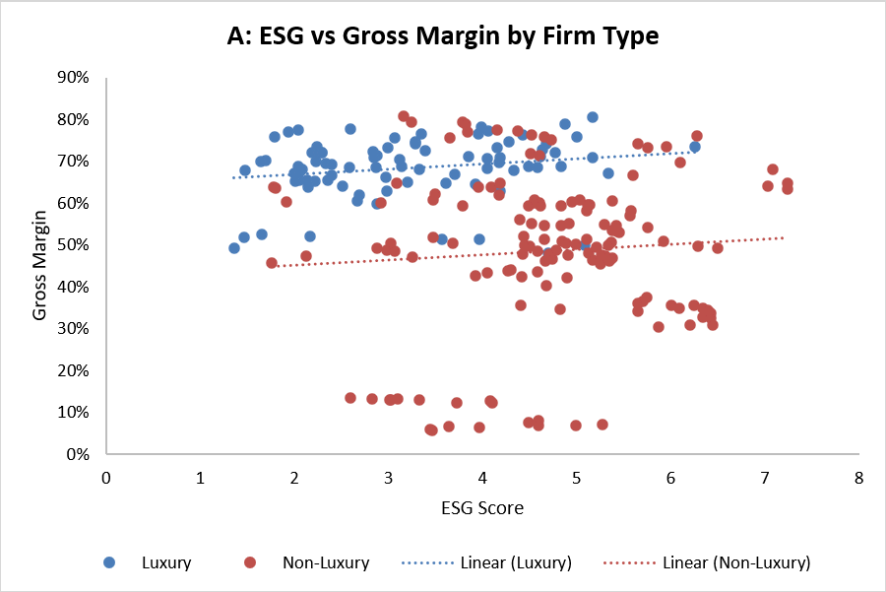
that luxury firms translate ESG performance into pricing power more effectively than non-luxury firms.

RESULTS

ESG score vs Gross Margin Scatter plot

Figure 1 presents the ESG–Gross margin relationship in two ways. In panel (A), the raw data, the two firm types separate sharply in levels: luxury firms cluster at high gross margins (mean 0.68 or 68%) despite lower ESG scores (mean 3.22), while non-luxury firms occupy a lower and more dispersed margin range (mean 0.48 or 48%) at higher ESG scores (mean 4.67). Within each group the pooled slope is only weakly positive and nearly identical across types, so the cross-sectional data reveal a large luxury margin premium but no visible difference in ESG sensitivity.

Panel (B) removes each firm's baseline by demeaning within the firm, isolating how a firm's margin moves as its own ESG rises or falls over time. The two slopes now diverge: the relationship is positive for luxury firms and slightly negative for non-luxury firms. This divergence—invisible in the raw cross-section but clear once firm-level differences are netted out—is the pattern captured by the ESG × Luxury interaction in the fixed-effects models, and it motivates the panel specification over a simple pooled regression.



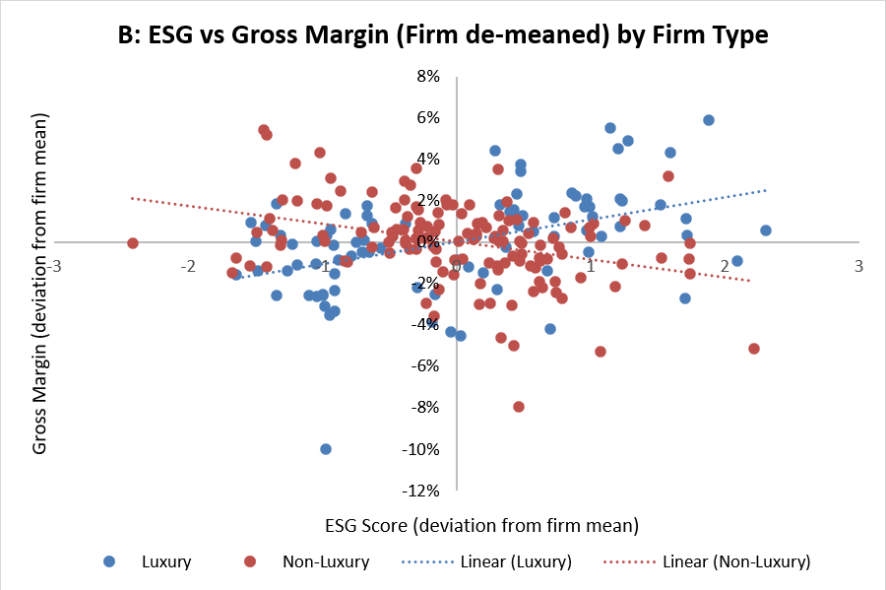


Figure 1. ESG performance and gross margin by firm type, 2016–2024. Blue markers denote luxury firms (n = 85 firm-years); Red markers denote non-luxury firms (n = 140). Solid lines are OLS fits. Panel (A) plots raw values; panel (B) plots firm-demeaned values (each observation minus its firm's 2016–2024 mean), the variation from which the firm fixed-effects estimates are identified.

Descriptive Statistics

Luxury firms in the estimation sample have lower average ESG scores than non-luxury firms but substantially higher gross margins. Their average gross margin is 0.68 (68%), compared with 0.48 (48%) for non-luxury firms.

Table 1. Descriptive Statistics by Group

ESG performance and gross margin for luxury and non-luxury consumer-facing firms, 2016–2024

Group	Firms	Firm-years	ESG score mean (SD)	Gross margin mean (SD)
Luxury	10	85	3.22 (1.13)	0.683 (0.072)
Non-luxury	16	140	4.67 (1.15)	0.484 (0.190)
All firms	*26*	*225*	*4.12 (1.34)*	*0.559 (0.184)*

Notes: Estimation sample of 26 consumer-facing firms, 2016–2024 (225 firm-years). Gross margin = gross profit ÷ revenue. Means are pooled across firm-years within each group; standard deviations in parentheses. Firm-years with missing gross profit or ESG score are excluded.

Regression Results

Table 2. Panel regressions of gross margin on ESG performance, luxury status, and their interaction, 2016–2024

	Model 1 **Year FE**	**Model 2** **Firm FE**	**Model 3** **Firm + Year FE**	**Model 4** **Firm+Year FE, +Size**
ESG score β_1	0.0234 *(0.0432)*	-0.0086* *(0.0044)*	-0.0054 *(0.0063)*	-0.0061 *(0.0069)*
Luxury (=1) β_2	0.2185 *(0.1774)*	absorbed	absorbed	absorbed
ESG × Luxury β_3	0.0046 *(0.0277)*	0.0194*** *(0.0058)*	0.0191*** *(0.0061)*	0.0193*** *(0.0067)*
ln(Market cap) β_4	—	—	—	0.0075 *(0.0064)*
Constant α	0.3741* *(0.2245)*	0.5709*** *(0.0136)*	0.5581*** *(0.0223)*	0.4803*** *(0.0774)*
Firm fixed effects	No	Yes	Yes	Yes
Year fixed effects	Yes	No	Yes	Yes
Observations	225	225	225	221
Firms (clusters)	26	26	26	26
R^2 (within)	—	0.163	0.147	0.143
R^2 (overall)	0.277	0.164	0.157	0.140
R^2 incl. fixed effects	0.291	0.988	0.989	0.989
Main Interpretation	Interaction positive but not significant	Interaction positive and significant	Interaction positive and significant	Result remains significant with size controlled
Memo: ESG effect for luxury firms ($\beta_1+\beta_3$)	0.0281 (0.0174)	0.0108*** (0.0038)	0.0137** (0.0056)	0.0132** (0.0058)

Notes: The dependent variable is gross margin (gross profit ÷ revenue), the proxy for pricing power. The estimating equation is $Pricing\ Power_{it} = \alpha + \beta_1 ESG_{it} + \beta_2 Luxury_i + \beta_3 \left(ESG_{it} \times Luxury_i\right) + \beta_4 Size_{it} + \gamma_t + \mu_i + \varepsilon_{it}$. Size is the natural log of market capitalization. Standard errors clustered by firms are in parentheses. *** p<0.01, ** p<0.05, * p<0.10. Luxury is time-invariant and is therefore absorbed by the firm fixed effects in Models 2–4. Sample: 26 consumer-facing firms (10 luxury, 16 non-luxury), 2016–2024. Model 4 excludes four firm-years with missing market capitalization (N = 221).

The results show no statistically significant association between ESG performance and pricing power among non-luxury firms. By contrast, the ESG x Luxury interaction is positive and significant once firm fixed effects are introduced. The finding remains stable when year fixed effects and firm size are added, indicating that the stronger association among luxury firms is not explained solely by their size or by common annual shocks.

Hypothesis Tests and Economic Magnitude

H1 is not supported. In the preferred model 3, the ESG coefficient for non-luxury firms is negative and statistically insignificant. Higher ESG performance is therefore not associated with greater pricing power in this group.

H2 is consistent with the descriptive evidence but is not formally tested in the fixed-effects models. Luxury firms have an average gross margin of 0.68 (68%), compared with 0.48 (48 %) among non-luxury firms—a sizable raw difference in pricing power. Because luxury status does not vary over time, however, its independent coefficient (β_2) is absorbed by the firm fixed effects and cannot be estimated in the preferred specification. The difference in means is therefore descriptive: it is not adjusted for other firm characteristics and carries no significance test, so it should be read as suggestive rather than as confirmation of H2.

H3 is supported. The interaction between ESG performance and luxury status is positive and statistically significant. In Model 3, the implied association for luxury firms is:

$$\beta_1+\beta_3=-0.0054+0.0191=0.0137.$$

A one-point increase in ESG score is therefore associated with an approximately 1.4 percentage-point increase in gross margin for luxury firms. The estimated magnitude remains about 1.3 percentage points when firm size is included. Because luxury firms compete heavily on margins, even a modest increase may represent meaningful economic value.

Interpretation of the Fixed-Effects Results

The interaction becomes stronger and statistically significant when firm fixed effects are included. Without firm fixed effects, the model compares structurally different companies, such as Hermès and Coca-Cola, whose business models, histories, geographic origins, consumer bases, and brand strength differ substantially. Firm fixed effects instead ask whether changes in a company's ESG score are associated with changes in its own pricing power. The results indicate that this within-firm association is stronger among luxury companies.

The interaction remains positive across all specifications and significant in each model that includes firm fixed effects. It is also robust after controlling for the firm size. These checks strengthen the evidence that ESG's association with pricing power varies by market positioning.

DISCUSSION

The findings suggest that the economic value of sustainability is context-dependent. ESG performance is not significantly associated with pricing power among non-luxury firms but is positively associated with pricing power among luxury firms. This relationship remains robust after controlling for firm-specific characteristics, year effects, and firm size.

ESG and Pricing Power in Luxury Markets

Signaling theory and identity economics provide a compelling explanation for these findings. Luxury consumption has long functioned as a means of expressing status, taste, and identity. As societal values evolve, sustainability has become part of that expression, allowing luxury purchases to signal not only economic success but also responsibility and alignment with contemporary social values. ESG commitments may further serve as a signal of otherwise unobservable firm qualities, such as supply-chain integrity, strong governance, long-term orientation, and trustworthiness. These signals are particularly valuable in luxury markets, where consumers purchase symbolic meaning as well as functional quality. When sustainability is authentic and aligned with a brand's heritage, it becomes integrated into narratives of craftsmanship, authenticity, and stewardship rather than existing as a separate ethical attribute.

These findings support a dual-signaling perspective, in which sustainable luxury conveys both status and social responsibility. This framework also helps explain the stronger relationship between ESG performance and pricing power among luxury firms. Pricing power—the ability to sustain premium prices without substantially reducing demand—has traditionally been built on intangible assets such as prestige, heritage, exclusivity, craftsmanship, and emotional connection. Sustainability can reinforce these assets by aligning a brand's values with its business practices, strengthening authenticity and consumer trust. Commitments to responsible sourcing, durable products, and long-term craftsmanship further enhance perceptions of quality, while sustainability differentiates brands in an increasingly competitive marketplace. By expanding brand meaning beyond product attributes to encompass responsibility and long-term value, sustainability strengthens the symbolic capital that enables luxury brands to command premium prices and maintain enduring consumer appeal.

ESG and Pricing Power in Non-Luxury Markets

In contrast, purchasing decisions in mass-market and consumer-staples industries are driven more by affordability, convenience, availability, and product functionality. Because products are generally more substitutable and competition is more price intensive, consumers may value sustainability without being willing to pay higher prices, reflecting the well-documented intention–behavior gap.

Although ESG initiatives may enhance reputation, stakeholder relationships, operational efficiency, and risk management, these benefits do not necessarily translate into greater pricing power or higher gross

margins. In non-luxury markets, sustainability remains one product attribute among many rather than a defining source of symbolic value.

Causality and Alternative Explanations

The findings should not be interpreted as evidence that improvements in ESG performance directly cause greater pricing power. While the analysis incorporates firm and year fixed effects to account for stable firm characteristics and common macroeconomic conditions, unobserved time-varying factors may still influence both ESG performance and financial outcomes.

Several alternative explanations remain plausible. Firms with stronger brands may already possess greater pricing power while also having more resources to invest in sustainability initiatives. Likewise, superior product quality, effective management, and continuous innovation may contribute to both stronger ESG performance and higher margins. Consumer behavior may also play a role, as luxury customers tend to be less price sensitive and may place greater value on sustainability attributes. In addition, ESG scores may reflect differences in the quality and extent of corporate disclosure rather than underlying sustainability performance alone.

Overall, the results indicate that ESG performance is more strongly associated with pricing power among luxury firms than among non-luxury firms. However, the mechanisms driving this relationship remain uncertain, and establishing causality will require further research.

Limitations and Future Research

Several limitations should be acknowledged. The sample is limited to publicly traded, consumer-facing firms with Bloomberg ESG coverage, which may limit the generalizability of the findings. In addition, aggregate ESG scores may obscure important differences across environmental, social, and governance dimensions. Future research should examine the individual ESG pillars separately and extend the analysis to privately held firms, emerging luxury brands, and firms operating in different institutional contexts. Studies should also investigate the consumer mechanisms underlying sustainable luxury through surveys, experiments, and willingness-to-pay analyses to determine whether sustainability enhances perceptions of prestige, authenticity, and identity. Finally, stronger causal research designs could provide greater insight into whether ESG performance directly strengthens firms' pricing power.

CONCLUSION

This study examined whether sustainability is more strongly associated with economic value among luxury firms than among non-luxury firms. Drawing on signaling theory, identity economics, and

luxury-branding research, it hypothesized that ESG should matter more when sustainability becomes part of a brand's symbolic and identity-related value.

The results support this argument. ESG performance is not significantly associated with pricing power among non-luxury firms, but the ESG-pricing power relationship is significantly stronger for luxury firms. In the preferred specification, a one-point increase in ESG score is associated with an approximately 1.4 percentage-point increase in luxury firms' gross margins. The result remains significant after accounting for firm characteristics, annual shocks, and firm size.

The broader implication is that sustainability's economic value is context dependent. In mass markets, ESG may improve reputation or risk management without supporting higher margins. In luxury markets, it may reinforce authenticity, quality, differentiation, and brand meaning, becoming part of what consumers value and are willing to pay for. The central question is therefore not simply whether ESG creates value, but when firms can translate sustainability into consumer value. Luxury firms appear especially well positioned to do so when sustainability becomes embedded in both the brand's identity and the consumer's self-expression.

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