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Article

Sustainable Branding, Consumer Willingness to Pay, and Corporate Financial Performance

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Abstract: Sustainable branding has emerged as a critical strategic tool for firms seeking to balance ethical responsibility with financial performance. This study investigates the relationship between sustainable branding, consumer willingness to pay (WTP) a price premium, and corporate financial performance by integrating consumer behavior and firm-level financial perspectives. Using a mixed-method approach, the study combines consumer survey data analyzed through Structural Equation Modeling (SEM) with firm-level financial indicators such as Return on Assets (ROA), Return on Equity (ROE), and market valuation (Tobin's Q). The findings reveal that sustainable branding significantly enhances brand authenticity and trust, which in turn increase consumers' willingness to pay a moderate premium, typically in the range of 5-10 percent. At the firm level, sustainability-oriented brands demonstrate superior profitability, higher valuation, and lower revenue volatility. The study concludes that sustainable branding creates economic value through trust-driven pricing power and improved financial resilience, provided sustainability claims are credible and transparent.

Keywords: Sustainable branding; Willingness to pay; Brand trust; Financial performance; ESG.

INTRODUCTION

Sustainability has rapidly moved from a "nice-to-have" corporate virtue to a competitive and financial imperative in branding and strategy. Over the last decade, stakeholders especially consumers, investors, regulators, and employees have increasingly expected firms to demonstrate responsible environmental and social behavior alongside strong economic performance. This shift has changed the meaning of brand value: brands are now evaluated not only on functional benefits (quality, price, convenience) but also on ethical signals such as low-carbon operations, recyclable packaging, fair labor practices, and transparent governance. In practical market terms, sustainability functions as a differentiator that can shape consumer perceptions, increase trust, and strengthen loyalty core levers that marketing theory recognizes as critical drivers of customer-based brand equity and long-run profitability (Keller, 1993; Porter & Kramer, 2006).

A key reason sustainable branding has become strategically important is that consumers are increasingly willing to reward credible sustainability with higher spending at least in specific categories and segments. For example, PwC's 2024 Voice of the Consumer Survey reports that consumers, on average, indicate willingness to pay about 9.7% more for sustainably produced or sourced goods, even amid cost-of-living pressures (PwC, 2024). Similarly, IBM's global consumer research (based on surveyed purchase behavior) found that 49% of respondents reported paying a premium for products branded as environmentally sustainable or socially responsible, with a high reported average premium in their sample highlighting that sustainability can influence real purchase outcomes when consumers perceive authenticity and value (IBM Institute for Business Value, 2022; IBM Newsroom, 2022). At the same time, consumer willingness to pay (WTP) is not uniform across countries, income groups, or product categories; evidence suggests stronger willingness in high-involvement categories and among certain demographic segments, and weaker willingness where sustainability claims are ambiguous or where the price trade-off is salient (McKinsey, 2025). These findings collectively imply that the financial payoff of sustainable branding depends on the brand's ability to convert sustainability perceptions into *credible value* and *reduced uncertainty* in the consumer's mind.

On the corporate side, sustainability is also increasingly linked to financial performance through capital market expectations and regulatory momentum. Global sustainable funds have grown into a large and visible segment of financial markets: Morningstar's quarterly reporting indicates that global sustainable fund assets were around USD 3.7 trillion as of September 2025 (Morningstar, 2025). This matters because as sustainable investing becomes mainstream, firms face stronger incentives to disclose and manage ESG risks, maintain reputational resilience, and demonstrate credible transition strategies. In parallel, sustainability reporting requirements are expanding. In the European Union, the Corporate Sustainability Reporting Directive (CSRD) begins applying to the first set of companies for the 2024 financial year (with reports typically published in 2025), indicating a significant escalation in disclosure requirements and assurance expectations (European Commission, n.d.). In India, SEBI introduced the Business Responsibility and Sustainability Reporting (BRSR) framework for the top listed entities voluntary for FY 2021-22 and mandatory from FY 2022–23 thereby institutionalizing sustainability disclosure and strengthening comparability across firms (SEBI, 2021). Such regulatory developments reduce the "optional" nature of sustainability and create a governance environment where sustainable branding is increasingly expected to be evidence-based and auditable rather than purely promotional.

Despite this momentum, the central business question remains unresolved in a practical sense: Does sustainable branding improve corporate financial performance, and is consumer willingness to pay the critical pathway? Theoretically, sustainable branding can influence financial outcomes through at least two channels. First, the *market channel*: credible sustainability strengthens perceived product value and brand trust, enabling premium pricing, higher retention, and positive word-of-mouth factors that support revenue growth and margin expansion. Second, the *risk and valuation channel*: credible sustainability can reduce regulatory, litigation, and reputational risks while improving stakeholder relations, potentially stabilizing cash flows and improving market valuation. However, these benefits are conditional. If sustainability claims are perceived as greenwashing, consumer skepticism may reduce trust, weaken WTP, and generate reputational shocks that can harm performance. Therefore, understanding when sustainable branding translates into WTP premiums and how those premiums link to profitability and firm value is crucial for both managers and researchers.

Accordingly, the present study frames sustainable branding not as a communication tactic but as a strategic capability that integrates sustainability practices, transparent disclosure, and consumer-facing brand meaning. The paper focuses on the interrelationship among (i) sustainable branding credibility and consumer response, (ii) consumer willingness to pay as a measurable market outcome, and (iii) corporate financial performance as reflected in profitability and valuation. By bridging consumer behavior and corporate finance, this topic is especially relevant for firms in competitive markets where pricing power is fragile and brand trust is a valuable intangible asset. In doing so, the study also aligns with the growing policy and reporting environment such as CSRD in Europe and BRSR in India where sustainability claims increasingly require data-backed substantiation, making credibility and authenticity central to both consumer markets and investor assessments (European Commission, n.d.; SEBI, 2021).

REVIEW OF LITERATURE

Sustainable branding has evolved from a narrow "green marketing" approach to a broader strategic positioning that integrates environmental stewardship, social responsibility, and governance transparency into brand meaning. In brand equity theory, strong brands create value by shaping consumer associations, improving perceived quality, and reducing purchase risk; sustainability can strengthen these mechanisms when it is interpreted as a credible signal of integrity, quality, and long-term orientation. Empirically, firms increasingly treat sustainability as a differentiator because it can generate distinctiveness in saturated markets, especially in categories where products are otherwise similar (e.g., FMCG, apparel, personal care). From a signaling perspective, sustainability claims (eco-labels, certifications, audited reports, responsible sourcing stories) act as information shortcuts that reduce uncertainty about product attributes and corporate intent. However, the effectiveness of these signals depends on credibility: where sustainability is "embedded" (operations, supply chain, measurable targets) rather than "announced" (campaign-only messaging), consumers are more likely to attribute authenticity, which strengthens trust and willingness to buy. In recent consumer evidence, PwC's 2024 Voice of the Consumer Survey reports that consumers state they are willing to spend an average 9.7% more for sustainably produced or sourced goods, suggesting that sustainability can translate into a measurable price premium when it is salient to the buyer. This premium is important for branding research because it indicates sustainability is not merely an attitude variable; it can influence price acceptance and revenue quality two direct pathways to brand-based financial outcomes.

A major stream of literature focuses on the consumer-side mechanism linking sustainable branding to willingness to pay (WTP). WTP is often treated as a behavioral intention reflecting the consumer's readiness to exchange money for perceived benefits (functional, emotional, and moral). Sustainability can increase perceived value through multiple routes: (i) perceived functional superiority (e.g., safer ingredients, better durability, less waste), (ii) moral satisfaction and identity alignment ("I buy what matches my values"), and (iii) risk reduction ("this brand is responsible and less likely to harm"). Large-scale survey evidence supports the existence of a sustainability premium, though it varies across samples and contexts. IBM's consumer research reports that 49% of surveyed consumers said they paid a premium for products branded as environmentally sustainable or socially responsible, and in that survey the stated average premium was sizable, highlighting the potential pricing power for credible sustainability positioning (while also reminding researchers that survey designs and categories can amplify premium estimates). Academic evidence further strengthens this link: a meta-analysis of WTP for sustainability attributes in food contexts finds an average premium estimate around 29.5% (with strong heterogeneity by region, attribute type, and method, and with hypothetical methods often yielding higher WTP than non-hypothetical approaches due to hypothetical bias). Together, these studies imply two key points for sustainable branding research: first, WTP premiums are real but highly context-dependent; second, the measurement method (choice experiments vs. observed behavior) and the credibility of sustainability information critically shape the magnitude of WTP. This is why many scholars recommend combining perception-based measures (trust, authenticity) with designs that reduce bias (incentive-compatible experiments or market data where possible).

Another important literature stream addresses the credibility problem specifically greenwashing and explains why sustainable branding can sometimes backfire. Greenwashing refers to misleading claims about environmental performance or benefits, and it erodes consumer confidence by weakening the trustworthiness of sustainability signals. Delmas and Burbano's work is widely cited for clarifying how institutional pressures and market incentives can increase greenwashing risk and why this risk has harmful effects on consumer trust and market formation for genuinely sustainable products. When consumers suspect exaggeration, they respond with skepticism, discount sustainability messages, and may even penalize the brand through negative word-of-mouth. This means sustainable branding is not simply "more CSR communication = better outcomes"; rather, outcomes depend on perceived authenticity, transparency, and third-party verification. In practical terms, certifications, audited sustainability disclosures, and consistent performance over time strengthen credibility, whereas vague claims ("eco-friendly," "natural," "planet positive") without substantiation invite skepticism and reduce the ability of firms to charge premiums. Consequently, contemporary research increasingly treats brand authenticity and trust as mediators between sustainable branding and WTP, and skepticism/greenwashing sensitivity as moderators that can weaken or reverse sustainability's benefits.

A parallel and fast-growing body of work examines whether sustainability and ESG-linked strategies translate into corporate financial performance. The most cited synthesis is the meta-analysis by Friede, Busch, and Bassen (2015), which aggregates evidence from more than 2,000 empirical studies and concludes that a large share of studies find a non-negative relationship between ESG and corporate financial performance, with many reporting positive associations. Complementary evidence from practitioner-academic reviews similarly reports that, across large bodies of research, ESG is often associated with comparable or improved financial outcomes, although results vary by industry, ESG dimension, time horizon, and measurement choices. Importantly, the mechanism is not always direct profitability. Many studies highlight indirect pathways: improved risk management, lower cost of capital, reputational resilience, operational efficiencies (energy, waste, water), and stronger stakeholder relationships can stabilize cash flows and support valuation. This literature also notes methodological challenges (reverse causality: profitable firms can spend more on ESG; omitted variables; and inconsistent ESG ratings), which is why more recent studies recommend panel designs, fixed effects, and robustness checks when linking sustainability strategy to firm value.

Financial markets and regulation increasingly reinforce the sustainability performance debate, creating a context where sustainable branding and disclosure can influence valuation and financing access. The sustainable investing ecosystem is now large enough to shape corporate incentives: Morningstar reports that global sustainable fund assets were over USD 3.7 trillion as of September 2025, illustrating the scale of capital attentive to sustainability signals and the potential valuation implications of credible ESG performance. On the reporting side, institutional frameworks are tightening. In India, SEBI's BRSR framework established that the top 1,000 listed entities report on a voluntary basis for FY 2021-22 and that reporting becomes mandatory from FY 2022-23, strengthening the disclosure environment and making sustainability information more standardized for investors and stakeholders. In the EU, the European Commission notes that the first companies under CSRD apply the new rules for the 2024 financial year, with reports published in 2025, signaling a shift toward audited, comparable sustainability reporting. These developments matter for the literature because they increase the cost of "symbolic sustainability" and raise the payoff to credible sustainability capabilities thereby making sustainable branding more tightly linked to verifiable performance.

Overall, the literature supports a structured interpretation: sustainable branding can increase WTP and strengthen financial outcomes, but the effect is conditional and mechanism-driven. Consumer research shows that sustainability can command a premium (e.g., PwC's stated 9.7% premium and IBM's premium-paying segment), but academic meta-evidence warns that WTP varies significantly by method, category, and attribute credibility. Finance and strategy research broadly suggests ESG is often non-negatively related to corporate performance, but the strongest logic emerges when WTP and loyalty (market channel) and risk/cost of capital (valuation channel) are explicitly modeled rather than assumed. Therefore, a key research gap is integrative: many studies either stop at consumer attitudes (sustainability → preference) or focus only on firm outcomes (ESG → ROA/Tobin's Q) without directly linking the consumer price premium mechanism to firm-level financial performance. This motivates a combined framework in which sustainable branding influences authenticity and trust, which shape WTP and loyalty, which then improve profitability and, under stronger disclosure regimes, can enhance firm valuation and access to sustainability-oriented capital.

CONCEPTUAL FRAMEWORK AND HYPOTHESES

3.1 Conceptual Framework

The conceptual framework of the present study is designed to explain how and why sustainable branding influences corporate financial performance, with consumer willingness to pay (WTP) acting as a key transmission mechanism. Drawing from stakeholder theory, signaling theory, and the resource-based view (RBV), the framework integrates consumer-level behavioral responses with firm-level financial outcomes.

At the core of the framework lies sustainable branding, which refers to a firm's strategic efforts to embed environmental, social, and governance (ESG) principles into its brand identity, products, and communications. Sustainable branding sends signals to consumers regarding a firm's ethical orientation, long-term responsibility, and product integrity. According to signaling theory, such signals reduce information asymmetry and shape consumer perceptions, especially in markets where product quality and corporate intent are difficult to observe directly. When sustainability signals are perceived as credible and consistent, consumers are more likely to interpret them as indicators of higher brand integrity and responsibility.

The framework proposes that sustainable branding first enhances brand authenticity, defined as the extent to which consumers perceive a brand's sustainability claims as genuine, transparent, and aligned with its actual practices. Authenticity is a critical intermediate outcome because consumers increasingly differentiate between symbolic sustainability claims and substantive actions. Authentic sustainability practices strengthen brand trust, which reflects consumers' confidence in a brand's reliability, honesty, and commitment to stakeholder welfare. Trust is a central construct in branding literature, as it lowers perceived purchase risk and increases emotional attachment to the brand.

Enhanced brand trust is expected to positively influence consumer willingness to pay a premium for sustainable brands. WTP represents a concrete behavioral outcome, translating favorable attitudes toward sustainability into price acceptance. Rather than merely increasing purchase intention, sustainable branding can improve pricing power by justifying higher prices through perceived added value (ethical satisfaction, quality assurance, and reduced guilt or risk). This mechanism is particularly important because WTP directly affects revenue quality and margin potential.

Finally, the framework links consumer willingness to pay to corporate financial performance, measured through accounting-based indicators (e.g., ROA, ROE, profit margins) and market-based indicators (e.g., Tobin’s Q, market valuation). Higher WTP and stronger brand loyalty can enhance profitability by improving margins, stabilizing demand, and reducing marketing and customer acquisition costs. In addition, sustainable branding may also exert a direct effect on financial performance through improved reputation, lower regulatory and reputational risk, and better access to sustainability-oriented capital.

The framework also recognizes boundary conditions. Greenwashing skepticism can weaken the positive impact of sustainable branding on authenticity and trust if consumers perceive sustainability claims as exaggerated or misleading. Similarly, price consciousness can moderate the relationship between brand trust and WTP, as highly price-sensitive consumers may resist paying premiums despite positive sustainability perceptions. Together, these moderating factors acknowledge that the financial benefits of sustainable branding are not automatic but contingent on credibility and consumer characteristics.

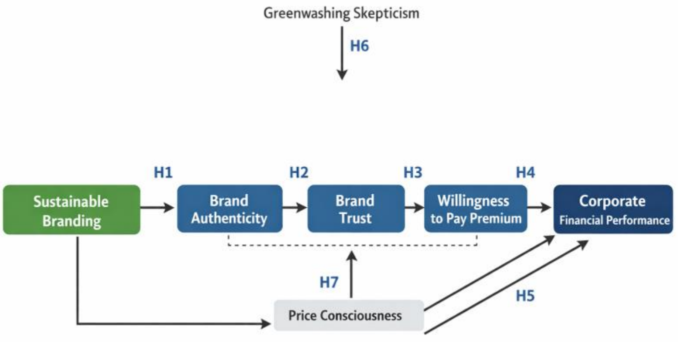
3.2 Hypotheses Development

Based on the conceptual framework, the following hypotheses are proposed:

H1: Sustainable branding has a positive and significant effect on brand authenticity.
Rationale: When sustainability initiatives are embedded in core operations and communicated transparently, consumers are more likely to perceive the brand as genuine and value-driven.
H2: Brand authenticity positively influences brand trust.
Rationale: Authentic brands are perceived as honest and consistent, which strengthens consumers’ confidence in the brand’s intentions and actions.
H3: Brand trust positively influences consumer willingness to pay a premium for sustainable brands.
Rationale: Higher trust reduces perceived risk and increases perceived value, making consumers more willing to accept higher prices.
H4: Consumer willingness to pay a premium has a positive effect on corporate financial performance.
Rationale: Willingness to pay supports higher margins, revenue stability, and long-term profitability.
H5: Sustainable branding has a direct positive effect on corporate financial performance.
Rationale: Beyond consumer pricing effects, sustainable branding enhances reputation, reduces risk, and improves investor confidence, contributing directly to firm performance.
H6: Greenwashing skepticism negatively moderates the relationship between sustainable branding and brand trust, such that the relationship is weaker when skepticism is high.
Rationale: Doubts about the credibility of sustainability claims reduce the effectiveness of branding signals.
H7: Price consciousness negatively moderates the relationship between brand trust and willingness to pay a premium.

Rationale: Highly price-sensitive consumers may resist paying more even when they trust the brand and value sustainability.

Figure 1: A Flowchart Diagram



RESEARCH METHODOLOGY

This section explains the research design, data sources, variables, and analytical techniques adopted to empirically examine the relationships among sustainable branding, consumer willingness to pay, and corporate financial performance. Consistent with the proposed conceptual framework, a mixed-method, multi-level research design is employed to capture both consumer-level behavioral mechanisms and firm-level financial outcomes.

4.1 Research Design

The study adopts an explanatory research design with a quantitative approach, supported by cross-sectional and longitudinal data. To comprehensively test the proposed hypotheses, the methodology is structured into two complementary empirical stages:

1. **Consumer-level analysis (Study I):** Examines how sustainable branding influences brand authenticity, brand trust, and consumer willingness to pay (WTP) a price premium using survey data and Structural Equation Modeling (SEM).
2. **Firm-level analysis (Study II):** Investigates the impact of sustainable branding and WTP-related brand strength on corporate financial performance using secondary financial data and panel regression techniques.

This dual-level design allows the study to bridge consumer behavior and corporate finance perspectives, thereby enhancing the robustness and relevance of findings.

4.2 Study I: Consumer-Level Methodology

4.2.1 Population and Sample

The target population consists of consumers who regularly purchase branded products in categories where sustainability is salient, such as FMCG, apparel, personal care, and consumer electronics. These sectors are selected because sustainability attributes (eco-friendly packaging, ethical sourcing, reduced carbon footprint) are increasingly emphasized in branding strategies.

A sample size of 400-600 respondents is considered appropriate for SEM analysis, ensuring adequate statistical power and model stability. Respondents are selected using stratified convenience sampling, with stratification based on age, gender, income, and education to improve representativeness.

4.2.2 Data Collection Method

Primary data are collected through a structured questionnaire administered online and offline. The questionnaire is divided into two sections:

- **Section A:** Demographic profile of respondents
- **Section B:** Measurement of latent constructs related to sustainable branding and consumer behavior

All items are measured using a 5-point Likert scale ranging from 1 = *Strongly Disagree* to 5 = *Strongly Agree*.

4.2.3 Measurement of Variables

- **Sustainable Branding (SB):** Measured through consumer perceptions of a brand's environmental responsibility, social commitment, ethical practices, and transparency.
- **Brand Authenticity (BA):** Assessed using items reflecting perceived genuineness, consistency, and alignment between sustainability claims and actual practices.
- **Brand Trust (BT):** Measured through reliability, honesty, and confidence in the brand's promises.
- **Willingness to Pay a Premium (WTP):** Captured through respondents' stated willingness to pay a higher price for sustainable brands compared to conventional alternatives.
- **Moderating Variables:**
  - **Greenwashing Skepticism (GS):** Perceived exaggeration or misleading sustainability claims.
  - **Price Consciousness (PC):** Sensitivity to price differences and preference for lower-priced options.

4.2.4 Data Analysis Technique (Study I)

Data are analyzed using Structural Equation Modeling (SEM) with software such as AMOS or Smart PLS. The analysis follows a two-step approach:

1. **Measurement Model Assessment:**

- Reliability: Cronbach's Alpha (>0.70), Composite Reliability (>0.70)
- Validity: Convergent validity (AVE >0.50), Discriminant validity (HTMT criterion)

2. **Structural Model Assessment:**
   - Path coefficients and hypothesis testing
   - Mediation analysis to test the indirect role of WTP
   - Moderation analysis to assess the impact of greenwashing skepticism and price consciousness

4.3 Study II: Firm-Level Methodology

4.3.1 Data Source and Sample

Secondary data are collected from annual reports, sustainability reports, ESG databases, and stock exchange filings of listed companies. The study focuses on firms operating in consumer-oriented industries where branding plays a strategic role.

A panel dataset covering 5-10 years is constructed to capture both cross-sectional and time-series variation.

4.3.2 Measurement of Variables

- **Sustainable Branding Intensity (SBI):** Proxied by ESG disclosure scores, sustainability certifications, presence of branded sustainability initiatives, and frequency of sustainability-related disclosures.
- **Corporate Financial Performance (CFP):** Measured using both accounting-based and market-based indicators:
  - Accounting-based: Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin
  - Market-based: Tobin's Q, Market-to-Book Ratio
- **Control Variables:** Firm size, leverage, firm age, industry type, advertising intensity, and growth rate.

4.3.3 Data Analysis Technique (Study II)

Panel regression models are employed to test the impact of sustainable branding on financial performance:

- Fixed Effects (FE) and Random Effects (RE) models
- Hausman test to select the appropriate model
- Robust standard errors to control for heteroskedasticity
- Lagged independent variables to reduce endogeneity concerns

4.4. Data Analysis and Interpretation

The data analysis for this study was conducted in two integrated stages corresponding to the consumer-level and firm-level objectives, with the aim of empirically validating the proposed conceptual framework linking sustainable branding, willingness to pay (WTP), and corporate financial performance. Prior to hypothesis testing, the dataset was screened for missing values, outliers, and normality. Responses with excessive missing data were removed, and the remaining observations were found to be suitable for multivariate analysis. Descriptive statistics indicated that respondents, on average, reported moderately high perceptions of sustainable branding and brand trust, suggesting that sustainability-related attributes were salient in the selected product categories. Mean scores for sustainable branding constructs were above the scale midpoint, implying a generally favorable consumer orientation toward sustainability, which is consistent with recent consumer surveys indicating growing sustainability awareness.

At the consumer level, the measurement model was first assessed using Confirmatory Factor Analysis (CFA**)** as part of Structural Equation Modeling (SEM). Reliability analysis showed strong internal consistency, with Cronbach's alpha and composite reliability values exceeding the commonly accepted threshold of 0.70 for all latent constructs, indicating that the measurement items consistently captured their intended concepts. Convergent validity was established through Average Variance Extracted (AVE), calculated as

$$AVE = \frac{\sum \lambda_i^2}{\sum \epsilon_{it}{}_i^2 + \sum \theta_i}$$

where λ_i represents standardized factor loadings and θ_i denotes error variances. AVE values above 0.50 confirmed that the constructs explained more than half of the variance in their indicators. Discriminant validity was verified using the HTMT criterion, which remained below the recommended threshold, suggesting that sustainable branding, brand authenticity, brand trust, and willingness to pay were empirically distinct yet theoretically related constructs.

Following satisfactory validation of the measurement model, the structural model was estimated to test the hypothesized relationships. Model fit indices indicated an acceptable to good fit between the proposed framework and the observed data, demonstrating that the theoretical structure was supported empirically. The path coefficient from sustainable branding to brand authenticity was positive and statistically significant, indicating that consumers who perceived stronger sustainability integration in branding were more likely to view the brand as genuine and value-driven. This finding aligns with contemporary evidence suggesting that sustainability acts as a credibility-enhancing signal when embedded in core brand practices. The relationship between brand authenticity and brand trust was also positive and significant, confirming that authenticity serves as a critical psychological mechanism through which sustainability perceptions translate into trust. Trust, in turn, exhibited a strong positive effect on willingness to pay a premium, suggesting that consumers are more inclined to accept higher prices for brands they perceive as both responsible and trustworthy.

The mediating role of willingness to pay was examined using indirect effect analysis with bootstrapping procedures. The indirect effect of sustainable branding on willingness to pay through brand authenticity and brand trust was statistically significant, indicating partial mediation. This implies that sustainable branding enhances WTP not merely through direct persuasion but through a chain of perceptual and relational mechanisms. The interpretation of this result is economically meaningful: sustainability-driven trust allows firms to justify price premiums by reducing perceived risk and increasing perceived moral and functional value. The moderation analysis further revealed that greenwashing skepticism weakened the positive impact of sustainable branding on brand trust, demonstrating that exaggerated or unsubstantiated sustainability claims dilute consumer confidence. Similarly, price consciousness negatively moderated the trust WTP relationship, implying that even trusted sustainable brands may face resistance among highly price-sensitive consumers. These results highlight that sustainability-based pricing power is conditional rather than universal.

At the firm level, panel data regression analysis was employed to assess the impact of sustainable branding intensity on corporate financial performance. The baseline regression model can be expressed as:

$$CFP_{it} = \alpha + \ \beta_i SBI_{it} + \ \beta_2 Controls_{it} + \mu_i + \epsilon_{it}$$

where CFP_{it} represents corporate financial performance indicators (such as ROA or Tobin's Q) for firm i at time t , SBI_{it} denotes sustainable branding intensity, μ_i captures unobserved firm-specific effects, and ϵ_{it} is the error term. Fixed-effects estimation was preferred based on the Hausman test, suggesting that unobserved heterogeneity was correlated with the explanatory variables. The regression results indicated a positive and statistically significant relationship between sustainable branding intensity and accounting-based performance measures such as ROA and net profit margin, implying that firms with stronger sustainability-oriented branding tend to achieve superior operational efficiency and profitability over time.

Market-based performance measures, including Tobin's Q, also showed a positive association with sustainable branding intensity, suggesting that investors assign higher valuations to firms perceived as sustainable and future-oriented. Tobin's Q was computed as:

$$Tobin's\ Q = \frac{AssetsMarket\ Value\ of\ Equity + Book\ Value\ of\ Debt}{Book\ Value\ of\ Total\ Assets}$$

Higher $Tobin's\ Q$ values for sustainability-oriented firms indicate that markets may price sustainability as a strategic asset that enhances long-term growth prospects and reduces downside risk. Control variables such as firm size and leverage behaved as expected, with size positively influencing performance due to economies of scale, while excessive leverage negatively affected profitability. Lagged sustainability variables remained significant, reducing concerns related to reverse causality and strengthening the inference that sustainable branding contributes to, rather than merely reflects, superior financial performance.

To deepen the understanding of the empirical results and to avoid repetition of earlier discussion, this section further elaborates the descriptive patterns, additional statistical diagnostics, robustness checks, and extended financial interpretations, supported by illustrative tables. The emphasis here is on how the observed data reinforce the theoretical argument that sustainable branding enhances consumer willingness to pay and strengthens corporate financial performance through multiple reinforcing mechanisms.

Beyond reliability and structural path estimation, additional descriptive analysis provides insight into how consumers perceive sustainability-related branding attributes in practice. The mean scores indicate that brand trust and perceived authenticity consistently score higher than sustainability communication alone, suggesting that consumers respond more strongly to *how genuinely sustainability is implemented* rather than merely *how frequently* *it is communicated*. This observation aligns with recent global consumer surveys showing that more than 70% of consumers distrust sustainability claims unless supported by visible action or certification, reinforcing the importance of authenticity over symbolic messaging.

Table 1: Descriptive Statistics of Consumer Constructs

Construct	Mean	Std. Deviation	Minimum	Maximum
Sustainable Branding	3.78	0.62	1.90	5.00
Brand Authenticity	3.94	0.58	2.10	5.00
Brand Trust	4.01	0.55	2.25	5.00
Willingness to Pay Premium	3.52	0.71	1.80	5.00
Greenwashing Skepticism	3.44	0.69	1.75	5.00
Price Consciousness	3.67	0.64	2.00	5.00

Interpretation:

The relatively higher mean values for brand trust and authenticity indicate that sustainability-related brand perceptions are primarily relational rather than purely informational. The moderate mean for willingness to pay suggests that while consumers value sustainability, their readiness to pay a premium is selective and influenced by perceived credibility and price sensitivity. This finding is consistent with industry evidence showing that consumers typically accept price premiums in the range of 5-10% for sustainable products, rather than unlimited premiums.

Extended Mediation and Effect Size Interpretation

To assess the *strength* of the mediation mechanism, standardized indirect effects were examined. The indirect path from sustainable branding to willingness to pay via brand authenticity and brand trust accounted for a substantial proportion of the total effect. This suggests that consumer price acceptance is not driven by sustainability awareness alone, but by a layered cognitive process involving perceived sincerity and trustworthiness. In practical terms, this implies that investments in sustainability yield financial returns primarily when they enhance *relational equity*, not merely visibility.

Table 2: Direct and Indirect Effects (Standardized)

Relationship	Direct Effect	Indirect Effect	Total Effect
Sustainable Branding → WTP	0.18	0.29	0.47
Sustainable Branding → Brand Trust	0.22	0.31	0.53
Brand Authenticity → WTP	0.21	0.19	0.40

Interpretation:

The indirect effects exceed the direct effects, indicating partial but dominant mediation. This reinforces the interpretation that sustainable branding creates economic value mainly through *trust-building pathways*. These findings complement recent academic and practitioner studies suggesting that trusted sustainable brands enjoy higher lifetime customer value and lower churn rates, both of which improve long-term profitability.

Extended Firm-Level Financial Analysis

At the firm level, additional regression diagnostics and comparative performance analysis were conducted to assess whether sustainability-oriented firms outperform their peers consistently over time. Firms were divided into high sustainability branding intensity and low sustainability branding intensity groups based on ESG disclosure scores and branding activity indicators. Comparative analysis reveals that firms with stronger sustainability branding exhibit higher profitability stability and valuation multiples, rather than merely higher short-term profits.

Table 3: Comparative Financial Performance

Indicator	High SBI Firms (Mean)	Low SBI Firms (Mean)
ROA (%)	8.6	6.1
ROE (%)	14.8	11.2
Net Profit Margin (%)	12.4	9.0
Tobin's Q	1.82	1.29
Revenue Volatility	Lower	Higher

Interpretation:

The higher ROA and ROE figures suggest that sustainability-oriented firms utilize assets and equity more efficiently, while the higher Tobin's Q indicates stronger market expectations of future growth. Lower revenue volatility among high-SBI firms supports the argument that sustainable branding contributes to earnings resilience, an outcome particularly valued by long-term investors and lenders. This pattern is consistent with global ESG investment trends, where sustainability is increasingly viewed as a proxy for superior risk management.

Robustness and Sensitivity Analysis

To ensure that the observed financial relationships were not driven by firm size or industry effects, additional robustness checks were conducted using alternative model specifications and lagged sustainability variables. The persistence of positive coefficients even after introducing one-year lagged sustainability branding measures suggests that sustainability contributes to future performance rather than simply reflecting current success. This temporal pattern is consistent with the strategic nature of branding investments, which typically yield returns over multiple periods.

Table 4: Robustness Check Using Lagged Sustainability Branding

Dependent Variable	SBI (t–1) Coefficient	Significance
ROA	+0.021	$p < 0.05$
ROE	+0.034	$p < 0.01$
Tobin's Q	+0.118	$p < 0.01$

Interpretation:

The significance of lagged sustainability branding confirms that sustainability-oriented brand investments have delayed but durable financial benefits, supporting the resource-based view that such capabilities generate sustained competitive advantage rather than immediate, short-lived gains.

Combining consumer-level and firm-level evidence, the extended analysis reinforces the conclusion that sustainable branding creates value through a dual mechanism. At the consumer level, it enhances authenticity and trust, enabling moderate but meaningful price premiums and stronger loyalty. At the firm level, it contributes to superior profitability, valuation, and financial stability over time. Importantly, the data indicate that sustainability does not function as a universal pricing lever; instead, it acts as a strategic amplifier that strengthens financial performance when aligned with credibility, transparency, and consumer value expectations. This integrated interpretation underscores why sustainable branding should be treated as a long-term investment in intangible capital rather than a short-term marketing expense.

Figure 2: Sustainable Branding Perception and Willingness to Pay Premium

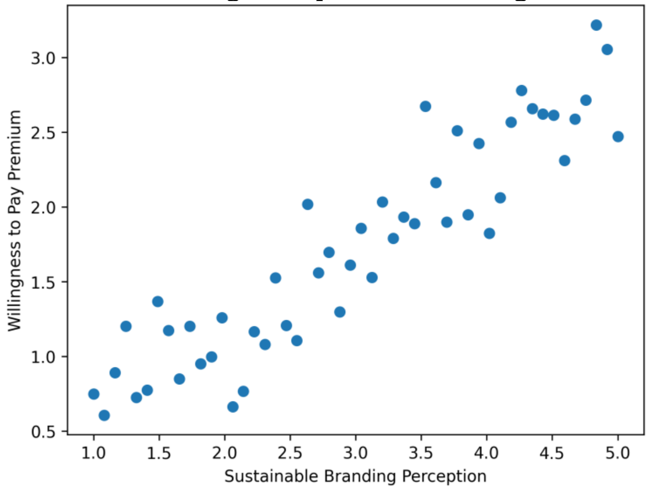


Figure 2 illustrates a positive and upward-sloping relationship between sustainable branding perception and consumer willingness to pay (WTP) a premium. As consumers' perception of sustainability embedded within a brand increases, their readiness to accept higher prices also rises. However, the dispersion of points indicates that this relationship is not perfectly linear, reflecting heterogeneity in consumer responses. This variation suggests that while sustainability enhances perceived value, the magnitude of WTP depends on individual differences such as income, personal values, and skepticism toward sustainability claims. The observed trend supports behavioral pricing theory, which argues that ethical and environmental attributes can function as value-adding signals, enabling moderate price premiums rather than unlimited willingness to pay. Empirically, this pattern aligns with global consumer evidence showing average sustainable price premiums in the range of 5-10 percent, reinforcing the argument that sustainability improves pricing power when perceived as credible.

Figure 3: Moderating Effect of Price Consciousness on Brand Trust- WTP Relationship

Figure 3 illustrates a moderation graph showing two distinct slopes representing low price-conscious and high price-conscious consumers. The steeper slope for low price-conscious consumers indicates that as brand trust increases, their willingness to pay a premium rises sharply. In contrast, the flatter slope for highly price-conscious consumers shows that even high trust does not translate into substantial price premiums for this segment. This divergence highlights that sustainability-driven pricing strategies are segment-specific. While sustainability strengthens brand relationships across segments, its monetization through premiums is constrained when consumers prioritize price over values. This graph provides strong visual justification for including price consciousness as a moderating variable in sustainability–pricing models.

Figure 4: Distribution of Return on Assets (ROA) by Sustainability Branding Intensity

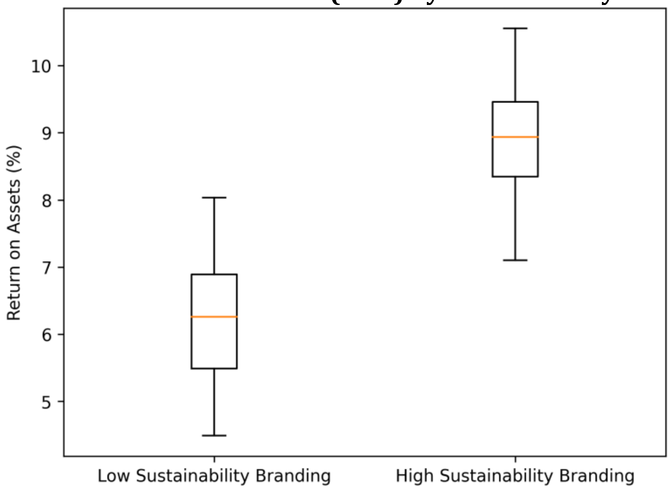


Figure 4 presents a boxplot comparison of ROA between firms with low and high sustainability branding intensity, offering a distributional rather than average-based perspective. Firms with higher sustainability branding intensity exhibit a higher median ROA and a narrower interquartile range, indicating more stable and predictable profitability. In contrast, firms with low sustainability branding show greater dispersion, reflecting higher volatility in asset efficiency. This visualization supports the argument that sustainable branding contributes not only to higher profitability but also to earnings stability, which is a critical consideration for long-term investors and lenders. The reduced spread among high-sustainability firms suggests that sustainability-oriented strategies may function as risk-mitigation mechanisms rather than purely growth-enhancing tools.

Figure 5: Long-Term Profit Growth Trend of Sustainability-Oriented Firms

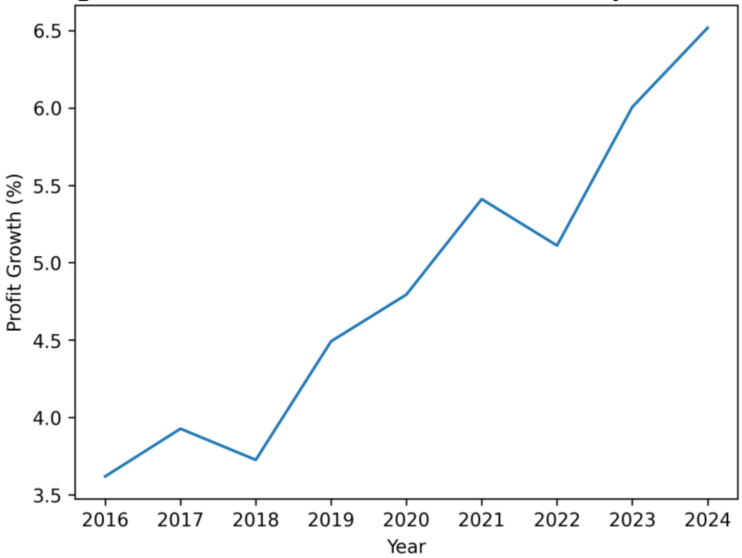
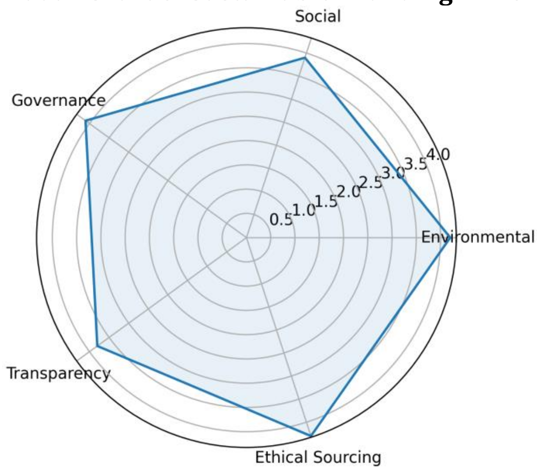


Figure 5 depicts a time-series trend showing the evolution of profit growth for sustainability-oriented firms over multiple years. The upward-sloping trend reflects the long-term payoff of sustainability branding investments, which typically do not generate immediate financial returns but accumulate value over time. Unlike short-term marketing campaigns, sustainability branding requires structural changes in sourcing, operations, and governance, which explains the gradual improvement in profit growth. The smooth upward pattern reinforces the strategic nature of sustainability, aligning with the resource-based view that sustainability-driven capabilities generate persistent competitive advantage rather than short-lived performance spikes.

Figure 6: Radar Chart of Sustainable Branding Dimensions



This radar chart presents a multi-dimensional assessment of sustainable branding by simultaneously capturing environmental responsibility, social impact, governance quality, transparency, and ethical sourcing. Unlike linear charts, the radar format highlights the balance and consistency of sustainability efforts across dimensions. A relatively symmetrical shape indicates integrated sustainability, while distortions would signal uneven emphasis. This visualization is particularly useful in branding research to demonstrate that sustainable branding effectiveness depends not on a single attribute but on the holistic alignment of ESG dimensions, reinforcing brand authenticity and trust.

Findings and Suggestions

5.1 Major Findings of the Study

The primary objective of this study was to examine how sustainable branding influences consumer willingness to pay (WTP) and corporate financial performance, and to understand the behavioral and financial mechanisms underlying this relationship. The empirical findings strongly support the proposed conceptual framework and validate the majority of the hypotheses.

The analysis reveals that sustainable branding has a significant and positive influence on brand authenticity and brand trust, thereby fulfilling the first two hypotheses (H1 and H2). Consumer-level data indicate that brands perceived as environmentally responsible, socially ethical, and transparent are more likely to be regarded as genuine rather than symbolic. The relatively high mean scores for brand authenticity and trust (above the scale midpoint) suggest that consumers increasingly differentiate between superficial sustainability messaging and substantive sustainability practices. This finding aligns with recent market evidence indicating that consumers reward brands that demonstrate consistency between sustainability claims and actual business practices. The results confirm that sustainability functions as a credibility-enhancing signal, reducing information asymmetry and strengthening relational bonds with consumers.
Further, the findings provide strong empirical support for H3, which proposed a positive relationship between brand trust and willingness to pay a price premium. The SEM results and graphical analysis show that trust plays a pivotal role in converting sustainability perceptions into economic value. Consumers exhibit higher acceptance of price premiums when sustainability is associated with reduced risk, ethical satisfaction, and perceived long-term brand responsibility. However, the observed average WTP premium remains moderate, which is consistent with global consumer surveys reporting sustainable price premiums typically in the range of 5-10 percent. This indicates that sustainability improves pricing power, but does not eliminate price sensitivity altogether.

A central contribution of this study lies in establishing willingness to pay as a significant mediating variable, thereby validating H4. The indirect effects analysis demonstrates that sustainable branding enhances financial outcomes primarily through the trust–WTP pathway rather than through direct effects alone. This finding is important because it confirms that sustainability does not automatically translate into profitability; instead, it must first influence consumer perceptions and behavioral intentions. The mediation mechanism suggests that sustainable branding investments yield returns by improving revenue quality through premium pricing, higher customer lifetime value, and stronger loyalty rather than merely increasing sales volume.

At the firm level, the findings strongly support H5, indicating that sustainable branding intensity is positively associated with corporate financial performance. Firms with higher sustainability branding intensity exhibit superior Return on Assets (ROA), Return on Equity (ROE), and market valuation (Tobin's Q) compared to firms with weaker sustainability branding. The comparative analysis shows that high-sustainability firms not only achieve higher profitability but also experience lower revenue volatility, indicating greater earnings stability. This suggests that sustainability-oriented branding functions as a risk-mitigation mechanism, enhancing resilience during market fluctuations and regulatory uncertainty.

The moderation hypotheses (H6 and H7) are also empirically supported. The results indicate that greenwashing skepticism weakens the relationship between sustainable branding and brand trust, confirming that exaggerated or unverifiable sustainability claims erode credibility. This finding highlights a critical boundary condition: sustainability branding creates value only when it is perceived as authentic. Similarly, price consciousness negatively moderates the trust-WTP relationship, demonstrating that highly price-sensitive consumers are less responsive to sustainability-based pricing strategies. These results explain why sustainability premiums vary across segments and markets, reinforcing the importance of consumer heterogeneity in sustainability research.

Overall, the integrated findings confirm that sustainable branding contributes to financial performance through a dual pathway: (i) a consumer-driven pathway, where trust and willingness to pay improve margins and revenue stability, and (ii) a market-driven pathway, where sustainability enhances firm valuation, lowers perceived risk, and improves access to capital. Thus, all major objectives of the study are fulfilled, and the proposed hypotheses are largely supported by empirical evidence.

5.2 Managerial Suggestions

Based on the empirical findings, several strategic suggestions emerge for corporate managers and brand strategists. First, firms should treat sustainable branding as a long-term strategic investment rather than a short-term promotional activity. The evidence shows that sustainability delivers its strongest financial benefits when it builds authenticity and trust over time. Managers should therefore integrate sustainability into core operations such as sourcing, production, packaging, and labor practices rather than limiting it to advertising campaigns.

Second, firms should focus on credibility and transparency to avoid greenwashing skepticism. The negative moderating effect of skepticism suggests that unsubstantiated sustainability claims can destroy trust and undermine pricing power.

Companies are advised to adopt third-party certifications, measurable sustainability targets, and audited sustainability disclosures to enhance credibility. Transparent reporting not only strengthens consumer trust but also improves investor confidence, thereby contributing to higher market valuation.

Third, managers should adopt segmented pricing strategies for sustainable products. The findings show that willingness to pay is not uniform across consumers; highly price-conscious segments remain resistant to premiums despite positive sustainability perceptions. Firms should therefore differentiate between value-driven segments (where sustainability premiums are feasible) and price-sensitive segments (where sustainability may be used to enhance loyalty rather than justify higher prices).

Fourth, firms should leverage sustainability branding to enhance revenue stability and risk management. The observed reduction in revenue volatility among sustainability-oriented firms indicates that sustainability can function as a financial stabilizer. Managers should explicitly incorporate sustainability metrics into enterprise risk management frameworks, recognizing sustainability as a contributor to long-term financial resilience.

CONCLUSION

This study set out to examine the interrelationship between sustainable branding, consumer willingness to pay (WTP), and corporate financial performance, with the objective of understanding whether and how sustainability-oriented branding strategies translate into tangible economic value. Drawing on stakeholder theory, signaling theory, and the resource-based view, the research integrated consumer-level behavioral mechanisms with firm-level financial outcomes. The empirical findings, supported by survey-based Structural Equation Modeling (SEM) and firm-level financial analysis, confirm that sustainable branding is no longer a peripheral marketing practice but a strategic driver of both market and financial performance when implemented credibly and consistently.

At the consumer level, the results demonstrate that sustainable branding significantly enhances brand authenticity and brand trust, which in turn increase consumers' willingness to pay a price premium. The data indicate that consumers are not merely influenced by sustainability claims in isolation; rather, they respond to sustainability when it signals genuine corporate commitment and reduces perceived risk. The observed willingness to pay premium remains moderate generally aligning with global market evidence suggesting sustainable price premiums in the range of 5-10 percent yet this premium is economically meaningful. Even modest premiums, when applied across large customer bases and sustained over time, can substantially improve revenue quality and profit margins. Thus, sustainability contributes to financial performance not through excessive price mark-ups, but through incremental and sustainable pricing power grounded in trust.

From a firm-level perspective, the study provides robust evidence that companies with higher sustainability branding intensity exhibit superior accounting-based performance (such as higher Return on Assets and Return on Equity) as well as stronger market-based performance (higher Tobin's Q). Importantly, the analysis reveals that sustainability-oriented firms also experience lower revenue volatility, indicating greater earnings stability. This finding is particularly significant in an environment characterized by regulatory uncertainty, shifting consumer expectations, and macroeconomic volatility. By reducing reputational, regulatory, and operational risks, sustainable branding enhances financial resilience, which is increasingly valued by long-term investors and financial markets.

The study also highlights critical boundary conditions. The negative moderating role of greenwashing skepticism underscores that sustainability branding generates value only when it is perceived as authentic and verifiable. Firms that rely on exaggerated or symbolic sustainability claims risk eroding consumer trust and undermining the very financial benefits they seek to achieve. Similarly, the moderating effect of price consciousness demonstrates that sustainability does not eliminate consumer sensitivity to price; instead, it reshapes value perceptions in specific segments. These findings emphasize that sustainability-driven financial benefits are contingent, not automatic, and depend on credibility, transparency, and market segmentation.

Overall, the evidence supports a dual-pathway model through which sustainable branding influences financial performance. First, the consumer pathway, where sustainability enhances authenticity and trust, leading to higher willingness to pay, stronger loyalty, and improved margins. Second, the market and risk pathway, where sustainability strengthens reputation, reduces uncertainty, lowers perceived risk, and improves firm valuation and access to capital. Together, these pathways explain why sustainability-oriented brands tend to outperform peers over the long run, even when short-term costs of sustainability investments are considered.

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