

Environmental, Social, and Governance practices on impulse buying tendency through young customer engagement

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KEYWORDS

ESG,
Customer engagement,
Impulse buying tendency,
CSR,
F&B sector.

ABSTRACT

This research explores how customer engagement with the F&B brand's dedication to social responsibility, sustainable business practices, and corporate governance influences impulsive buying. An online survey was requested, and a total of 322 participants were chosen for data analysis. To conduct statistical analysis, partial least squares structural equation modeling (PLS-SEM) was used with the SmartPLS3 program. The findings reveal that F&B brands' ESG practices (environmental, social, and governance) influence customer engagement and impulsive buying tendency. It confirms that strong ESG efforts lead to higher customer engagement, with the social pillar having the strongest impact. Engaged customers, especially those valuing ESG, are more likely to impulsively buy products aligning with their values. Based on the results, both theoretical and practical implications are suggested to focus on social responsibility initiatives like employee well-being and diversity programs, followed by using time-sensitive marketing like limited-edition items to create urgency and boost sales.

1. Introduction

Companies have frequently prioritized business decisions that result in immediate financial gains, disregarding the adverse environmental, social, and governance (ESG) consequences. Historically, a company's value was predominantly gauged through short-term and quantitative indicators, such as financial statements. Nevertheless, the significance of non-financial values, such as ESG, is growing due to the global climate change crisis and the impact of the COVID-19 pandemic (Bae et al., 2023).

From a strategic standpoint, aligning non-financial factors like social and environmental aspects with the creation of long-term financial value is becoming progressively crucial, given the growing public concern for sustainability. This, in turn, may impact customers' tendencies towards impulsive buying, as applied to the F&B Brands integrating ESG Practice in this article. This study investigates the moderating role of customer deal proneness (e.g., through coupons/flash sales/loyalty cards) in the relationship between their engagement and subsequent impulsive buying tendencies.

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2. Literature review & research methodology

ESG practices

The concept of ESG was originally mentioned in a publication called *Social Responsibilities of the Businessman* in 1953 as CSR (Corporate Social Responsibility), until 2004, the first mainstream mention of ESG was reported in “Who Cares Wins—Connecting Financial Markets to a Changing World,” published by the UN Global Compact (Bae et al., 2023). In 2006, the United Nations Environment Program Finance Initiative (UNEP FI) reported that ESG issues affect investment performance and therefore recommended businesses should consider ESG activities when making investment decisions (Koh et al., 2022) that were mainly neglected before. ESG can be described as an organization’s interactions with its natural environment, its interactions with people, and its internal control system and practices for directing, administering, and managing all organizational matters to serve stockholders’ interests.

Vietnam F&B sector

Vietnam is an ideal place in Southeast Asia to expand the food and beverage (F&B) business thanks to stable politics, favorable economic conditions, a young population, and an increasing middle class. According to Mordor Intelligence (Market analysis and consulting organization), the F&B industry is expected to expand 8.65% per year from 2021 to 2026. Besides, F&B industry business trends in 2024 in Vietnam will also witness fierce competition between large chains to gain market share. F&B brands with great potential and a certain position in the market such as Trung Nguyen Legend, Highlands Coffee, Cong Coffee, Katinat Saigon Kafe, Cheese Coffee or Phe La... are all trying to expand their scale in scope nationwide, and even successfully entered the international market in the form of franchising (Vu, 2024)

The relationship between F&B Brands and ESG practices

Nevertheless, there is significant potential to decrease the environmental footprint associated with food consumption (Shabani et al., 2022). Additionally, the issue of packaging waste adds to the challenges, encouraging the need for innovations in more environmentally conscious packaging (Duckler, 2023b).

Meanwhile, the Environmental, Social, and Governance (ESG) practices revealed by the Food and Beverage (F&B) sector may carry distinct motivations and consequences in developed and developing nations (Garzón-Jiménez & Zorio-Grima, 2022). For instance, in the F&B industry, ESG practices prompt firms to embrace sustainable policies due to the industry’s dynamic nature and susceptibility to issues such as deforestation, as well as environmental and social concerns (Chong & Loh, 2023). Therefore, businesses in the F&B sector are subject to a variety of ESG practices, which present both potential opportunities and substantial threats (Shabani et al., 2022)

Customer Engagement

In recent decades, customer engagement (CE) research has seen remarkable growth. Introduced in marketing literature post-2000, the concept of CE gained traction around 2010, despite its presence in academic discussions since 2006 (Lim et al., 2022). Contemporary studies highlight a plethora of customer management practices and marketing approaches that enhance CE and business value (Flacandji & Vlad, 2022). A key insight is that businesses are investing in CE strategies that integrate rather than separate firm-customer interactions.

Impulsive Buying Tendency

Impulse Buying Behavior (IB) was first recognized in scholarly literature in 1940, marking a pivotal moment in understanding consumer behavior. The phenomenon of impulse purchasing affects between 40% and 80% of buying decisions, highlighting its significant impact on consumer patterns. Despite the economic downturn caused by COVID-19, Gaol et al. (2022) found that impulsive purchases still account for 20% of retail sales. The academic landscape, however, remains fragmented with numerous studies across various disciplines focusing on IB, including marketing, information systems, business and management, and tourism (Ampadu et al., 2022), indicating a broad but disjointed interest in the subject.

Impact of ESG on Customer Engagement

In the context of the F&B sector, the relationship between ESG factors and customer engagement is increasingly recognized as vital for brand success. Pre-

vious studies highlight the importance of CSR, a key element of ESG, in building brand trust and thereby enhancing customer engagement. The Environmental pillar, emphasizing sustainability, has been shown to significantly affect brand loyalty and customer engagement. Concurrently, the social aspect of ESG, dealing with a brand's societal impacts and ethical standards, is instrumental in driving customer engagement. Finally, Governance, focusing on ethical management and transparency, is crucial in establishing consumer trust and engagement. (Gallo et al., 2023) These findings underline the growing importance of comprehensive ESG strategies in fostering customer loyalty and engagement in the modern marketplace. This study formulates the following hypothesis:

H1. *ESG practices will have a positive effect on customer engagement.*

Impact of Environmental pillar on Customer Engagement

Focusing on sustainability and ecological impacts, the environmental dimension substantially shapes customer perceptions, notably in urban environments. Contemporary consumers, being more environmentally aware, frequently assess brands based on their ecological sustainability commitments (Wand et al., 2024). Practices such as reducing carbon footprints, minimizing waste, and utilizing sustainable ingredients are not merely acts of corporate responsibility but strategic approaches to enhance brand loyalty and customer engagement, particularly appealing to the environmentally-conscious market segment. These environmental initiatives serve as vital tools for brands to attract and retain a customer base that prioritizes environmental consciousness. Study proposes the hypothesis:

H1a. *Environmental pillar will have a positive effect on customer engagement.*

Impact of Social pillar on Customer Engagement

The Social aspect of ESG, dealing with a brand's societal impacts and ethical standards, is instrumental in driving customer engagement. Social responsibility initiatives resonate deeply with consumers, fostering brand trust and loyalty. Such initiatives, when perceived as genuine and impactful, lead to increased customer engagement and advocacy, further enhancing brand reputation (Bae et al., 2023). Consumers

are increasingly attentive to how brands impact their communities. This aspect is especially significant in places where there's a notable focus on social responsibility among young consumers. Such commitment aligns with consumers' values, fostering stronger brand-customer relationships. As a result of the aforementioned analysis, the hypothesis of study is:

H1b. *Social pillar will have a positive effect on customer engagement.*

Impact of Governance pillar on Customer Engagement

Governance in ESG, focusing on ethical management and transparency, significantly affects customer trust and engagement. Effective governance practices build consumer confidence, loyalty and engagement, crucial for establishing strong relationships and long-term customer retention. In the F&B sector, where consumer trust is essential, good governance practices are key to fostering customer loyalty and engagement. Transparent and ethical governance significantly influences consumer engagement and loyalty. Brands that exhibit responsible governance are more likely to establish enduring relationships with their customers, as trust in governance is a critical factor in consumer decision-making (Gaol et al., 2022). Accordingly, this study proposes the following hypothesis:

H1c. *Governance pillar will have a positive effect on customer engagement.*

Impact of Customer Engagement on Impulsive Buying Tendency

Customer engagement has the potential to encourage impulsive purchases, such as those influenced by emotions or social dynamics. Implementing an ESG practice in F&B brands can generate enthusiasm, heighten consumer engagement, and foster a propensity for impulsive purchasing, driven, for instance, by emotional factors (Luo et al., 2024). With increasing customer engagement, Luo et al., (2024) state that individuals are prone to elevate their cognitive engagement (e.g., through content processing), affective engagement (e.g., by evoking effect), behavioral participation (e.g., through liking or sharing), and/or social engagement (e.g., through collaborative content creation). In other words, customers who are actively engaged are more inclined to undergo a sense of immersion, making impulse

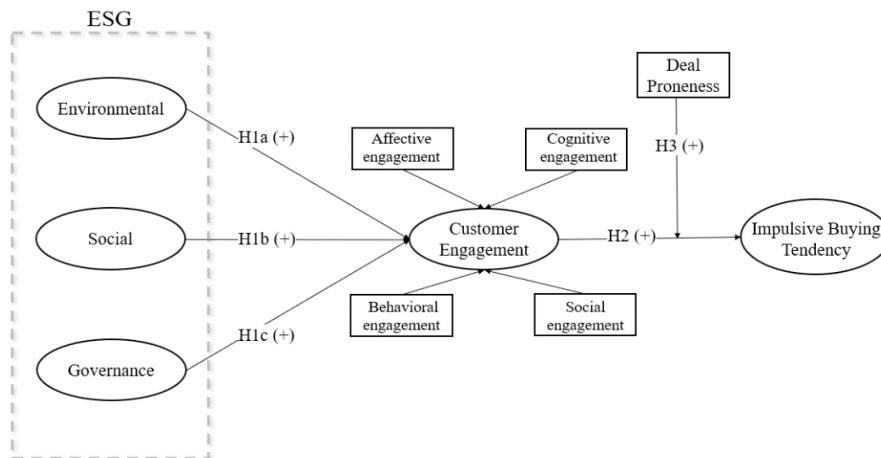


Figure 1. Research model

Source: By authors, 2024

buying more accessible. There has:

H2. *Customer engagement positively affects the customer’s impulse buying tendency.*

Moderating role of Deal Proneness

In the realm of impulse buying, various factors, including shelf positioning, packaging design, and sales promotion, have often been associated with stimuli. Furthermore, deal proneness pertains to a consumer’s tendency to pursue and engage with special discounts and promotions such as coupons, rebates, and sales. Customers displaying varying degrees of deal proneness are expected to demonstrate distinctions in their purchase behavior (Luo et al., 2024). Specifically, millennials are recognized for their inclination towards seeking deals, thus, they may be incentivized by the possibility of obtaining favorable offers such as discounts or flash sales (Antunes et al., 2022). Study suggests:

H3. *When customers are more receptive to deal proneness, the relationship between customer engagement and impulsive buying tendency is stronger.*

Research methodology

The study delineated a framework comprising five latent variables interconnected with 31 measurement variables. In this study, it garnered 325 complete responses via Google Forms. Conducted from January to February 2024, the survey ultimately yielded 322 valid samples for further analysis after excluding 3 that were deemed invalid. The research utilized a

5-point scale, adapted from prior literature and translated into Vietnamese for the context of this study. The three dimensions of ESG, serving as stimuli, include Environmental, Social, and Governance. Following this, the variable Customer Engagement in the Organism group comprises four dimensions: Affective Engagement, Cognitive Engagement, Behavioral Engagement, and Social Engagement. The study then focuses on the Response variable, Impulsive Buying Tendency. Additionally, the authors consider the moderating effect of Deal Proneness on the relationship between Customer Engagement and Impulsive Buying Tendency, with responses ranging from 1 (totally disagree) to 5 (totally agree).

3. Research results & discussion

3.1. Descriptive statistics of sample characteristics

Following a meticulous review, 322 valid responses were utilized for subsequent analysis. The majority of respondents are students who studying and living in HCMC, constituting 58% of the total. The frequency of purchasing F&B sector products ranged from 1 to 3 times, accounting for 50%. The monthly income of respondents (including allowances) primarily falls below 4 million VND, representing 48.4%.

3.2. Assessment of Structural Model

The statistical significance of the standardized path coefficients was assessed through a bootstrapping process involving 5,000 subsamples. The model accounted for 59.4% (R² = 0.594) of the variance in

Table 1. Quality Criteria - R Square

	R Square	R Square Adjusted
Customer Engagement	0.595	0.594
Impulsive Buying Tendency	0.632	0.628

Table 2. Structural model results

Hypothesis	β	P Values	Decision
H1 ESG \rightarrow Customer Engagement	0.771	0.000	Supported
H1a Environmental \rightarrow Customer Engagement	0.168	0.027	Supported
H1b Social \rightarrow Customer Engagement	0.370	0.000	Supported
H1c Governance \rightarrow Customer Engagement	0.319	0.000	Supported
H2 Customer Engagement \rightarrow Impulsive Buying Tendency	0.419	0.000	Supported
H3 Deal Proneness moderates \rightarrow Impulsive Buying Tendency	-0.023	0.156	Rejected

Source: By authors, 2024

Customer Engagement and 62.8% ($R^2 = 0.628$) in Impulsive Buying Tendency. This indicates that most variables have a high level of impact (over the 50% range), with Impulsive Buying Tendency showing the highest influence.

The research results support hypotheses H1, H1a, H1b, H1c, demonstrating the interaction between the ESG variables group and the Organism variable - Customer Engagement: Environmental ($\beta = 0.168$; $p = 0.027$), Governance ($\beta = 0.319$; $p = 0.000$), Social ($\beta = 0.370$; $p = 0.000$). Similarly, the relationship between Customer Engagement and Impulsive Buying Tendency ($\beta = 0.419$; $p = 0.000$) was also strengthened, thereby supporting hypothesis H2. However, the moderating relationship of the Deal Proneness variable on the Customer Engagement - Impulsive Buying Tendency relationship was rejected ($\beta = -0.023$; $p = 0.156$), thus eliminating H3.

3.3 Discussion

In the contemporary Food and Beverage (F&B) industry landscape, integrating Environmental, Social, and Governance (ESG) practices into business operations has become more crucial than ever. Drawing on the theoretical foundation of the Stimulus-Organism-Response (SOR) model and the Theory of (Un)planned Behavior, along with the arguments developed from the studies by Tripopsakul & Puriwat (2022), and Luo et al. (2024,) this study presents several significant findings. The results presented that ESG practices positively affect Customer engagement

within the F&B sector ($\beta = 0.771$). Compared to the Social pillar, which is the aspect that has the strongest impact ($\beta = 0.370$) when focusing on each component, focusing simultaneously on all three aspects of ESG has over double the impact. Customer engagement may be effectively supported by sustainable development efforts such as ESG initiatives. The most significant factor impacting Customer engagement among the three pillars of ESG is the social pillar ($\beta = 0.370$). The social dimension can be considered as CSR which is the origin of ESG (Wang et al., 2024)

Governance pillar is the second strongest factor affecting Customer engagement ($\beta = 0.319$). Puriwat & Tripopsakul (2023) revealed a significant relationship between economic performance and effective governance strategies. Environmental pillar has a weaker influence on customer engagement than the above two factors ($\beta = 0.168$) but it's also a relatively important factor. In the context of Vietnam, the Government has made a strong commitment to sustainable development, reducing 30% of methane emissions that cause the greenhouse effect by 2030, and cutting grid emissions to zero to achieve a sustainable economy Net Zero by 2050 (Anh et al., 2023). In the intricate web of factors leading to impulsive buying tendencies, our research delineates customer engagement as wielding the most substantial influence ($\beta = 0.419$). The criticality of customer engagement in precipitating impulsive buying tendencies can be attributed to several factors. Following customer engagement, deal proneness is identified as the second most potent driver of impulsive buying tendencies in study ($\beta = 0.393$).

In this study, this issue from the perspective of the

F&B industry in Vietnam, a market with distinct cultural and economic features. The research validates the significant influence of ESG factors on customer engagement and impulsive buying behaviors in the F&B industry. The rigorous methodological approach ensures the reliability and validity of the findings, providing a sound basis for future studies and strategic business applications. The rejection of H3, while initially unexpected, ultimately contributes to a more nuanced understanding of the relationship between deal proneness and impulsive buying, opening avenues for further exploration into the complex nature of consumer behavior.

4. Managerial implications & conclusion

The findings of this study could significantly enhance our understanding of several key aspects. Firstly, the factor ESG, when implemented and managed effectively, is acknowledged as a crucial tactic for businesses striving to achieve company's lifelong value (Bae et al., 2023) and sustainability (Koh et al., 2022) across environmental, societal, and governance dimensions, whereas their connection in the newer context of Food and Beverage relatively unexplored, also about impulse buying. Our findings highlight the importance of the application of ESG Practice in the F&B sector to the customers' impulse buying. This finding raises key implications for further theory development. In simpler terms, customers who believe a company prioritizes environmental, social, and governance (ESG) factors tend to engage that brand more, which is consistent with previous studies.

As a result, it is critical to deliver solutions at price points that align with their budget-conscious behavior. Furthermore, recognizing and attending to their unique ESG goals can strengthen their bond with a business. Businesses may develop a deeper sense of engagement among these customers by customizing suggestions within the ESG framework that are suited to their unique values and concerns. Utilizing websites to provide these customized recommendations is also vital. Young customers can be effectively reached through digital platforms due to their accessibility and effortlessness. Businesses may connect with their target audience more effectively and show them that they are committed to environmentally and socially responsible activities in a way that appeals to them by making appropriate use of these platforms.

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