

Responsible consumption in the context of ESG transformation of the economy

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Abstract. The formation and development of responsible consumption arise in the context of digital transformation, generational change, international certification systems creation, and the growth of environmental consciousness. The term "responsible consumption" has no clear category boundaries in the scientific literature. However, most authors emphasise the number of additional requirements in the entire product value chain emergence such as production technologies; corporate social responsibility programs; business processes transparency as well as their ethics; packaging specifics; certification availability; raw materials; and product performance characteristics. Digitalisation and development of the responsible consumers segment have a great impact on the business environment changing, contributing to the emergence of new market niches and ecological products, as well as other opportunities and risks. Business leaders need recommendations for adapting existing marketing strategies in the direction of building marketing ecosystems and new formats of communicating with the consumer. The paper describes a full range of digital marketing communications tools for interacting with responsible consumption followers. The authors propose to use influence-marketing to broadcast corporate values and key ideas of sustainable brand as well as its ecological image to the target audience. Trustworthy interaction between the company and responsible consumption trendsetters is possible through co-creation marketing; as a result, the additional value joint creation and the common solution of environmental, social, and economic problems formation happen in the frames of this interaction.

1 Introduction

In the 1960s several scientific works (R. Carson, G. Fisk, K. E. Henion, T. C. Kinnear, R. D. Straughan, J. A. Roberts, K. Peattie,) initiated the responsible consumption concept development. The umbrella term LOHAS (Lifestyles of Health and Sustainability) was applied to describe a new type of consumer. Modern audience tends to make choice of products more conscious, ecologically, and socially responsible. Considering this trend, the value chain is changing, and a number of additional parameters from raw material extraction to product utilization is implemented. The responsible consumer considers the sources of raw materials, minimization of environment negative impact during production, employees'

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working conditions, possibility of harmless products disposal and recycling after consumption, health benefits, and other aspects [1, 2]. Responsible consumption is focused on the welfare of future generations, environment protection, and often involve an increase in current financial expenses [3].

It seems necessary to mention that responsible consumption formation and development arise in the context of other international trends: digital transformation, national standards increase, international certification systems creation, generational change, and ecological consciousness growth (Fig. 1) [4-6]. In 2015, 193 member states of United Nations accepted seventeen Sustainable Development Goals (SDGs) until 2030, including responsible consumption and natural resources conservation.

In 2004, the former UN General Secretary formulated the following ESG principles, which are also closely related to the Sustainable Development Goals:

- environment (responsible attitude to the environment);
- social (high social responsibility);
- governance (high quality of corporate governance).

However, the popularity of implementing ESG principles into business processes has increased especially in the last five-seven years. This is confirmed by the distribution of ESG ratings of companies, ESG awards and ESG reports from companies belonging to different fields.

It is important to note that digital transformation is not only a structural changes driver for Russian and Global economies, but also one of the most powerful tools for supporting sustainable development. Digital technologies accelerate a zero-waste economy development, create new workplaces in "green" industries, contribute to social integration, opportunity disparity reduction, education and financial inclusion increasing [7].

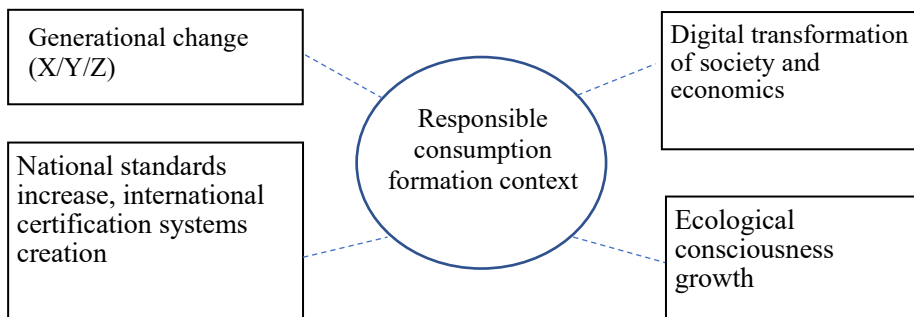


Fig. 1. “Responsible consumption” trend formation context

The regulations of the digital transformation are the following [8, 9]:

- sociality (social ecosystem with deep integration with external organizations creation, thematic networks development, expansion of communication tools);
- big data (scaling of data processing capabilities and market maturity with a full range of services: from algorithmic basis to big data processing and storage);
- mobility (instant access to the devices that process and store information);
- cloudiness (remote access to the large data arrays and synchronizing ability).

Digitalization also contributes the responsible consumption concept popularization, such as companies’ operations transparency, instant corporate news spreading, product information availability, and media prosumerism development.

2 Materials and Methods

Digitalization and development of the responsible consumers segment have a great impact on the business environment changing, contributing to the emergence of new market niches and ecological products, as well as other opportunities and risks. Modern business leaders are thinking along creating marketing ecosystems, breakthrough business models, and new formats of interaction with the consumer [10,11]. Managers of up-to-date organizations need recommendations for adapting existing strategies, tactics, and certain events in the context of accelerated responsible consumption concept digitalization and development.

The object of the study includes the consumer behavior in the Russian market. The subject of the study includes the influence of digital marketing communications on consumers' behavior in the framework of sustainable development concept.

The purpose of the study is to theoretically explore the new consumer type phenomenon, as well as to describe the digital marketing communications tools required to build a trusting relationship between the company and the responsible consumption trendsetters.

The main objectives of the study are:

- to systematize the subject field, as well as to research the new type of consumers, who strive to make their product choices more conscious, environmentally and socially responsible;
- to analyze the context of the responsible consumption formation and development;
- to study the responsible consumption impact on markets and companies' activities;
- to propose the digital marketing communications tools set for the interaction with the responsible consumption followers;
- to develop the recommendations for adapting marketing activities in the conditions of society's orientation towards sustainable development in the Russian market.

The following scientific methods were applied in the study: comparative and contrastive analysis, synthesis, generalization, analogy, marketing research applied methodologies, trendwatching, content analysis method, individual expert analysis, expert interviews, case studies.

3 Results

In the context of sustainable development and responsible consumption concept popularization, a social-ethical marketing concept emerged, including consumers and society satisfaction in the field of social, ecological, and economic development [12-14]. Its main component is an ecological marketing concept, which is focused on the meeting the needs for ecological products, as well as organic products and raw materials market development. In the last decade the most relevant areas of social-ethical marketing have become such issues as sustainability brand, environmental image, and corporate social responsibility. The choice of a particular product is becoming much more dependent on the company's reputation and the values it declares. An increasing number of business leaders are beginning to consider responsible consumption while evaluating business market competitiveness, developing a product strategy, and searching for new development opportunities [15, 16].

According to the experts' forecasts [17], not only the actual increase in the number of buyers with responsible consumption principles is expected, but also the "evolution" of each single responsible consumer. Consumers pass a kind of "learning curve", which implies a gradual changing of consumption habits and lifestyles and, as a result, expanding the range of products which responsible consumption principles are applied to. The "evolution" of responsible consumers encourages companies to follow the corporate responsibility principles, as well as to form additional environmental requirements for suppliers [18].

In fact, we can identify the following major responsible products market niches in B2C market: natural products, organic cosmetics, sports items, eco-products for children, eco-friendly household chemicals, eco-friendly building materials, responsible fashion, "green" real estate, responsible tourism, sustainable transport, responsible investment, and recycling of goods [19, 20].

Currently, the concept of responsible consumption has evolved, and, in addition to green marketing and social-ethical marketing, the concept of ESG marketing has emerged. ESG marketing involves using ESG principles (environmental sustainability, social responsibility, quality corporate governance) in a company's marketing activities to create the company values and promote its sustainable development by transmitting responsible behavior through products, communications, and employees.

The following components of ESG marketing may be highlighted [21]:

- Environmental Belief which involves increased consumer attention to the climate change issues;
- Social Belief which is related to heightened consumer attention to the overall benefit that a company should bring to everyone;
- Governance Belief which involves the improvement and importance of corporate governance, transparency of processes within corporations;
- ESG advertising which entails active communication of brands promoting ESG agendas;
- ESG branding which involves positioning brands and differentiation from competitors based on the ESG factors.

The trend, according to which two types of companies most frequently utilize ESG marketing, is obvious:

1. Companies that are "green" (natural cosmetics, sports goods, eco-products) or are associated with social responsibility (charitable organizations, public funds). For such companies, ESG principles are the foundation for their activity and are embedded in their core values.

2. Companies that have a negative impact on the environment (companies involved in the resource extraction and mining, automotive and aviation industries, and other industrial industries). For such companies, ESG marketing is a way to convey their responsibility to the society and offset the damage caused to the environment.

Investors are also concerned about what is being done with their money, that is why they prefer to invest in companies that use ESG principles in their operations [22]. There is a tendency of both decreasing investments in companies with high carbon risk scores and an increasing demand among investors for companies that follow environmental principles, particularly those advancing the ESG direction [23]. Thus, a new direction in business, known as "socially responsible investing," is emerging.

The synergy of ESG principles and digital transformation (ESdIGital) contributes to more accurate forecasting of production processes outcomes, ensures company transparency and efficacy, as well as creates new growth opportunities. As a result, companies become more transparent to consumers, investors, and potential employees by disseminating information about ESG activities through online channels. Therefore, digital transformation facilitates the dissemination and development of the ESG concept.

Movements affecting several market niches, such as "Slow life," "No-bye," DIY, upcycling, use-sharing, etc., happen at the same time. Slow fashion, slow food, and slow beauty represent values of slow quality process of producing goods as opposed to fast food and fast fashion. Slow philosophy followers purchase products from local producers and prefer local brands as opposed to global brands. "No-bye" members do not buy new clothing and cosmetics for at least a year, demonstrate existing clothing and cosmetics usage, and share experience in managing their budgets and purchasing only the most necessary items. "Do it yourself" is a set of strategies and techniques that allow creating your own cultural

eco-product. "Upcycling" is a creative transformation of waste into art objects, household items, accessories, and clothes. There is a tendency to co-sharing, for example, co-sharing trips (Uber, Lyft), living spaces (Airbnb), furniture (Avito), vehicles, which is especially relevant for the modern millennial generation.

Such things as generational change, ecological consciousness growth, and consumers active position during sustainable development values creation, facilitate the switching to an interactive, two-ways, integrated communication process between a company and a buyer. The digital environment is the basis for dialogue and for building trusting relationships in various fields such as ecosystems conservation, healthy lifestyles, equitable working conditions, national cultural specifics preservation, and equal opportunities for citizens in society.

According to David Gefen and Detmar V. Straub's model, trustful communication in the Internet environment is formed based on four main principles such as honesty, company actions predictability, ability to solve problems, and goodwill. Interaction between companies and responsible consumption followers is possible with the help of digital marketing communication modern tools (Fig.2).

The communication process, when the concept of "responsible consumption" is accepted by the market, is a sort of sustainable development principles diffusion. In the chain of diffusion communication, responsible consumption trendsetters are an essential link, with whom, first of all, companies need to form trusting relationships. In the context of Influence-marketing, companies address opinion leaders and responsible consumption trendsetters in order to broadcast corporate values and key brand ideas to the relevant audience in the closest possible way, and to avoid image threats. With the help of Influencers, manufacturers can inform the audience about the meaning of their eco-labels and ways of reducing plastic consumption, as well as talk about recycling and animal welfare.

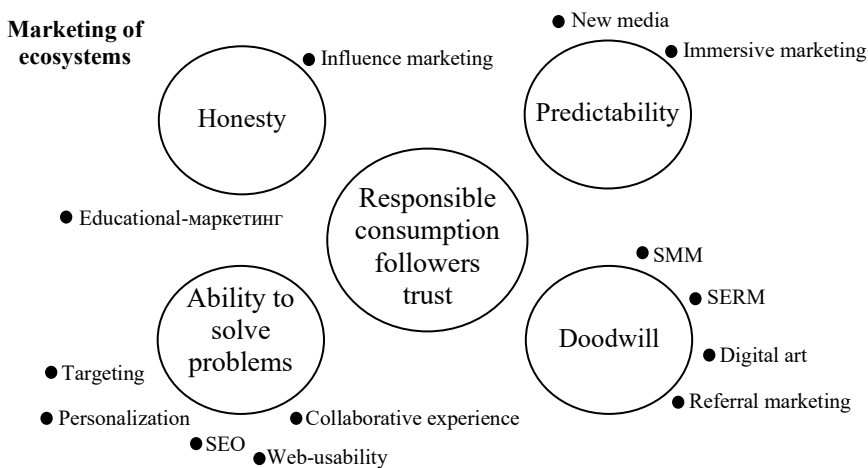


Fig. 2. Interaction between companies and "responsible consumption" followers with the help of digital marketing communication modern tools

Responsible consumption popularization proceeds very actively through social networks. Brand sustainability and business structures environmental image have a dependence on social networks moods; therefore, a significant share of marketing resources is spent on SMM. In the context of educational marketing, socially responsible companies implement educational initiatives. "New media" provides opportunities for quick and wide media content about the environmental and social companies' components spreading. Active

company participation in online events, dedicated to environmental preservation, will receive a response about the necessity in offline discussions of relevant issues. Immersive marketing solves the mistrust problem due to the lack of information about eco-product composition, size, and characteristics by creating a complex visual environment with multiple sensory modalities and wide representational capacity. Augmented reality (AR), virtual reality (VR), and mixed reality (MR) tools are also used to support the ecological image.

Trustworthy interaction between the company and responsible consumption trendsetters is possible through co-creation marketing; as a result, the additional value joint creation and the common solution of environmental, social, and economic problems formation happen in the frames of this interaction.

Through the resources consolidation it becomes possible to change the product composition in the more useful direction for consumer and environment; to consider the packaging optimization and switching it to the reusable and recyclable materials; to create services for used products collection, replacement and recycling; to change a product model to a service model with the recycling chain ending not at a consumer, but at a producer; to obtain certification recognized among consumers.

Several organizations focused on trendsetters and responsible consumption followers are already available and fixed on the Russian market. Among other things, eco-business development success depends on the ability to build a communication landscape with eco-consumers audience. Moreover, digital marketing communication tools are relevant for internal marketing as well. Employees themselves more often initiate measures for recycling paper, sorting waste, and disposable dishes refusal in companies.

4 Discussion

Several organizations focused on trendsetters and responsible consumption followers are already available and fixed on the Russian market. Among other things, eco-business development success depends on the ability to build a communication landscape with eco-consumers audience. Moreover, digital marketing communication tools are relevant for internal marketing as well. Employees themselves more often initiate measures for recycling paper, sorting waste, and disposable dishes refusal in companies.

5 Conclusion

According to the overview, most foreign and Russian authors' publications reveal the responsible consumption audience behavioral patterns with a description of their socio-demographic characteristics, beliefs, and intentions. In addition, some authors also clarify the responsible consumption antecedents, including culture and values. The term "responsible consumption" has no clear category boundaries in the scientific literature. However, most authors emphasize the number of additional requirements in the entire product value chain emergence such as production technologies; certification availability; corporate social responsibility programs; packaging specifics; raw materials; business processes transparency as well as their ethics; and product performance characteristics.

As a result of new market niches emerging, a number of manufacturers reconsider and transform the product core or direct investments into the new eco-solutions development. The marketing function of the company, in particular the communication function, is also transformed. In the conditions of rapid digitalization, digital marketing communications are used as tools to build ecological image and sustainability brands. The future potential is seen in the consolidation of company resources and responsible consumption trendsetters within the concept of creative marketing.

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