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## The Influence of ESG Factors on Consumer Behaviour and Brand Perception

Consumer attitudes have undergone a noticeable transformation in recent years, as an increasing number of individuals actively prioritise sustainable and socially responsible products and services. This shift signifies a growing recognition among consumers of their ability to effect positive change through their purchasing decisions. Interestingly, this trend has become even more pronounced during the pandemic, as people have developed a heightened sensitivity towards the environmental consequences of their shopping choices. Consequently, companies are stepping up to meet these evolving consumer demands.

[Deloitte's survey on consumer attitudes and behaviours around sustainability reveals a growing](#) proactive stance among consumers towards adopting a more sustainable lifestyle. Consumers are taking concrete steps to lead a sustainable life, such as recycling household waste, reducing food waste, and minimising the use of single-use plastics, among others. Certain brand values have gained significance when consumers make sustainable and ethical shopping choices. For instance, sustainable packaging is highly valued during grocery shopping, while considerations like waste reduction and carbon footprint play a crucial role when purchasing major household appliances. Moreover, consumers are increasingly attentive to ethical working practices and human rights issues when shopping for clothing and footwear. These findings highlight the increasing importance of sustainability and ethics in consumer decision-making processes.

When it comes to reasons for not embracing a more sustainable lifestyle, cost is often a prominent factor, alongside a lack of interest in sustainability and insufficient information. It is, therefore, unsurprising that businesses play a crucial role in ensuring the affordability of sustainable alternatives for customers. Although there may be initial cost implications for businesses in making sustainable alternatives more affordable for customers, it is essential to consider the long-term benefits, innovation potential, and overall market demand for sustainability. By carefully navigating these factors, businesses can strike a balance between cost considerations and their commitment to sustainability goals.

What more, [in a study conducted by McKinsey](#), it was found that products that promote themselves as ESG-compliant experienced a higher compound annual growth rate (CAGR) of 6.4% during the period 2018-2022. In contrast, products without ESG claims achieved a lower CAGR of only 4.7%. This research highlights the positive correlation between ESG-oriented products and stronger sales growth. Finally, there is another compelling reason for maintaining a focus on sustainability efforts: Competitors are moving forward aggressively on their sustainability agendas.

In the Malaysian context, the influence of ESG factors on consumer behaviour and brand perception is increasingly gaining traction. Consumers in Malaysia are becoming more conscious of the environmental and social impact of their purchasing decisions. For instance, there is a growing preference for products and services that align with sustainable practices, such as eco-friendly packaging, renewable energy utilisation, and waste reduction initiatives. Brands that actively incorporate ESG principles into their operations, supply chains, and marketing strategies are gaining favour among Malaysian consumers. Furthermore, the influence of ESG factors extends beyond environmental considerations to social responsibility and governance. Malaysian consumers are paying greater attention to ethical working conditions, fair trade practices, and community engagement efforts.

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Matrix Concepts Berhad, a prominent affordable housing property developer in Malaysia, exemplifies the recognition that maintaining strong ESG performance is essential for value creation. The company not only focuses on improving its ESG practices but also adopts a triple bottomline approach, encompassing People, Planet, and Profits, as an integral part of its business model. Matrix Concepts continuously adjusts its property launches to align with the actual market demand, ensuring that the properties remain affordable for middle-income Malaysians. By providing quality housing within the purchasing range of this segment, the company not only fulfills the housing needs of the nation but also supports the national aspiration of ensuring housing for all. Of course, the list is not exhaustive and there are a lot more good examples of Malaysian companies that showcase strong ESG practices.

Our investment portfolio focuses on quality companies that possess strong fundamentals, including stable earnings and a promising future outlook, and are led by capable management teams. Please click on the [link](#) to learn more or email us at [phillipmutual@phillipcapital.com.my](mailto:phillipmutual@phillipcapital.com.my) if you require any further information.

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