



Uniqueness and WTP: An ESG Approach

Tommaso Baldi

Dissertation written under the supervision of professor Andrea
Cavicchini

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Abstract

In a world where environmental and social sustainability issues have now reached absolute levels of prevalence, the proper implementation of an ESG strategy has become, for a company, of vital importance. Far from being just a moral decision, opting for the correct strategy in this field can lead to better financial results and companies are becoming more and more aware of this. In the vast world of sustainable investments, my work focuses on uniqueness of a company's offer for what concern its ESG portfolio. While it was shown that, in specific circumstances, a more unique ESG portfolio might result in better financial returns, I intended to delve into an as-yet unexamined topic, that being the relationship between this ESG uniqueness and consumers' WTP. Through an empirical study I conducted and from the data analysis that followed I was able to understand how products from a more unique company experience greater variability in price changes depending on customer's attitude on sustainability, in contrast, companies with more mainstream ESG profiles exhibited more stable pricing patterns, less influenced by consumer positioning on the issue.

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Author: Tommaso Baldi

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Sumario

Em um mundo onde as questões de sustentabilidade ambiental e social atingiram níveis absolutos de relevância, a implementação adequada de uma estratégia ESG tornou-se de vital importância para as empresas. Longe de ser apenas uma decisão moral, a escolha pela estratégia correta nessa área pode levar a melhores resultados financeiros — algo que as empresas têm reconhecido cada vez mais. No vasto universo dos investimentos sustentáveis, meu trabalho concentra-se na unicidade da oferta de uma empresa no que diz respeito ao seu portfólio ESG. Embora já tenha sido comprovado que, em determinadas circunstâncias, um portfólio ESG mais único pode resultar em retornos financeiros superiores, meu objetivo foi investigar um tema ainda não explorado: a relação entre essa unicidade e a disposição a pagar (WTP) dos consumidores. Por meio de um estudo empírico que realizei e da análise de dados

subsequente, foi possível compreender que os produtos de empresas com perfis ESG mais únicos apresentam maior variabilidade nos preços, dependendo da atitude dos consumidores em relação à sustentabilidade. Em contraste, empresas com perfis ESG mais alinhados ao mainstream exibem padrões de preços mais estáveis, menos influenciados pela posição dos consumidores sobre o tema.

Título: Singularidade e WTP: uma abordagem ESG

Autor: Tommaso Baldi

Palavras-chave: *RSC, Singularidade, Disposição a Pagar, ESG, Partes Interessadas, Acionistas, Materialidade.*

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List of Acronyms

- CSR - Corporate social responsibility
- ESG - Environmental, Social, Governance
- PRI - Principles for Responsible Investment
- QAV - Questions’ average
- SASB - Sustainability standard accounting board
- WTP - Willingness to pay

1.Intro

1.1 Background

Quoting Alex Edmans, “Now is the peak of ESG¹.” As of 2022, a total of 4,375 investors, collectively managing assets exceeding 120 trillion dollars, have signed the Principles for

¹ While CSR refers to a broader approach to the sustainability topic and ESG a more quantitative and instrumental one, I’m going to use the two as synonyms as commonly done in literature. Khan et al. (2016)

Responsible Investment (PRI). This represents a significant increase compared to the 63 signatories in 2006. Such exponential growth underscores the transition of ESG (Environmental, Social, and Governance) from a niche concern to a fundamental strategic consideration in investment decision-making. When effectively implemented, ESG principles have demonstrated their potential to generate positive financial returns (Edmans, 2023, 2024; Flammer, 2015; Nardi et al., 2022).

In this evolving landscape, ESG investment is increasingly analyzed within the broader framework of long-term investment rather than being exclusively categorized as a specialized, sustainability-driven approach. Paradoxically, this shift allows us to consider the idea of the “End of ESG” in the sense that ESG is no longer an isolated or exceptional category of investment but is instead becoming integrated into mainstream financial and managerial practices (Edmans, 2023). While ESG investments retain their distinct characteristics, particularly their emphasis on specific long-term assets, they, like all other investments, respond to already-known financial principles, offering both opportunities and risks.

Building upon this idea this thesis aims to explore an underexamined dimension of ESG and corporate strategy: the role of uniqueness in the context of brand experience, a fundamental concept in management studies, in shaping firm performance, particularly in relation to consumers’ willingness to pay. For example in determining whether a company should or should not invest in ESG strategies, it was already observed that product or process differentiation in sustainable practices could be a drive for competitive advantage (McWilliams & Siegel, 2001) and that ESG implementation is successful when it’s difficult to replicate, embedded with the true essence of the company, and aligned with the industry’s needs and characteristics (McWilliams & Siegel, 2011)

By examining the impact of ESG strategy uniqueness on consumer behavior and market outcomes, this study aims to contribute to the literature on the financial and strategic implications of ESG integration within corporate management and investment frameworks.

1.2 Problem statement

In their review of the theme Narayanan & Singh (2023), analyzing more than 70 articles on this topic, found a generally positive relationship between the implementation of ESG strategies and higher WTP, indicating that consumers are not just rational economic actors but also ethically motivated ones. They found that this relationship is positively mediated by,

among others, brand trust, brand loyalty, and customer satisfaction and moderated by factors such as demographics, product types, and company characteristics. However, their review did not consider the potential mediating role of perceived uniqueness.

Uniqueness has previously been examined in the context of WTP, though not in relation to sustainability. In particular, Dwivedi et al. (2018) empirically demonstrated that brand uniqueness positively moderates the relationship between brand experience and WTP, a concept rooted in experiential marketing and brand management. Building on this foundation, and extending the work of Narayanan and Singh (2023), my thesis aims to explore, by replicating in an ESG context the experiment found in Dwivedi et al. (2018) whether perceived uniqueness in a firm's ESG initiatives similarly influences WTP.

Through a survey, I will ask several selected customers if they do recognize the firm's effort to be unique and if they are willing to pay more for the same product just for this reason. Their work focused specifically on brand uniqueness, a topic mainly belonging to the domains of experiential marketing and brand management: with such premises, I saw the possibility of further deepening the concept of uniqueness applied to WTP, but in this, it is exclusively related to the ESG offer proposed by a company. For this reason, expect to find the same kind of positive reaction from the consumers to a firm being unique.

1.3 Relevance

My work takes place in the context of competition between firms when it comes to mimicking or differentiating themselves from competitors in terms of ESG strategy. My research builds upon the article by Nardi et al. (2022) that focuses on the concept of being unique. While scholars and managers are far from having a cohesive point of view on what concerns the differentiation approach, in their work, Nardi et al. demonstrated how, in some specific circumstances that will be discussed, being unique, when it comes to ESG strategy, can positively affect its market return, even more than being highly valued by ESG agencies. While they made it clear how the markets were reacting to differentiation, the analysis of consumers' reactions to this practice has not yet been properly taken into consideration.

This study addresses then a gap in marketing and consumer behaviour research, this one being the examination of the link of a company's perceived uniqueness in sustainability practices and consumers' willingness to pay a premium.

2. Theoretical Background

This chapter provides the theoretical foundation for the study, outlining key concepts and frameworks that support the research on ESG uniqueness, market dynamics, and consumer willingness to pay (WTP). The aim is to establish a clear conceptual framework that links corporate ESG differentiation with financial and consumer behavior outcomes, building upon existing literature in management, finance, and marketing.

2.1 Instrumental ESG

A vast body of literature has developed on this topic, with early neoclassical viewpoints, most notably Friedman (1970) categorically opposing such an approach. In his influential essay, *The Social Responsibility of Business is to Increase its Profits*, he argues that businesses should focus solely on maximizing shareholder value if they operate within legal and ethical boundaries. The author saw the effort of ESG practices as a tax that the company was imposing on shareholders and customers but without a proper system of democratic accountability. Friedman strongly criticized the doctrine of corporate social responsibility (CSR), arguing that it was a "fundamentally subversive doctrine" that undermined free-market capitalism: companies should not be interested in imposing rules that should solely left to the government. Evolving from this position, the researcher's opinion has undergone drastic changes, eventually leading, in the 1980s, to the emergence of stakeholder theory. The first substantial contribution to stakeholder theory was made by Edward Freeman in 1984. Freeman was the first in the modern era to clearly state that among the obligations of a company, were those of considering and caring for stakeholders, defined as anyone affected by the company's activities. These theories aimed to broaden the scope of firms in a way that themes previously outside the government's responsibility were now shared between the two entities. This approach continued to grow in the following years as firms in the modern business environment increasingly assumed responsibilities that were once considered the sole domain of governments.

My research must be situated within Stakeholder theory, a later development in the evolution of these approaches. Emerging in the latter half of the 20th century, Stakeholderism claims that stakeholders encompass all entities that influence a firm's performance or have an interest in its outcomes (Jones, 1995). While shareholders are considered stakeholders, they represent only a subset of this broader category. Stakeholders interact with a firm through contracts of

varying degrees of formality, shaping the company as a product of these interactions. According to Donaldson & Preston (1995) CSR can be conceptualized from three perspectives: Normative tells us how things should be based on moral or ethical reasoning instead of just the financial contribution that they are able to apportion since they have an intrinsic value; Instrumental tells us what happens when we do things a certain way, trying to establish a relationship of cause and effect between stakeholder management and corporate performance: for example, Jones (1995) highlights how a trust-based and cooperative relationship with stakeholders lead to increased stability and risk mitigation. Descriptive tells us how things are, It acknowledges that companies interact with multiple stakeholder groups simultaneously, often balancing conflicting interests. Jones developed its instrumental stakeholder theory as a mixture of multiple disciplines, including behavioral science and ethics. He understood that through trust and cooperation, firms could create competitive advantages that classical economic theories were ignoring. Cooperation and trust would reduce what he called contracting problems, such as moral hazard, adverse selection, and transaction costs, which all created inefficiencies. Despite not being apparently strictly related to the topic of my research, in this simple intuition lies a fundamental insight of instrumental stakeholder theory: that business practices deviating from classical economic assumptions can still bring competitive advantages. This perspective is essential in understanding how stakeholder relationships in sustainable investments can serve as a strategic asset rather than merely an ethical obligation, and it is the key to connecting to contemporary visions that I was inspired by.

Aligning with literature and practice that progressively sees ESG investment as a key business strategy, my work strongly adopts the second approach, the instrumental one. If the motto of ESG practices can be summed up in “doing well by doing good,” my research will mainly focus on the second part of the sentence. As noted by Edmans (2023), ESG investment is often misunderstood as a purely ethical obligation, when it should be assessed through the lens of traditional financial and economic principles. ESG is neither inherently good nor bad; it is an investment decision that should be analyzed based on its impact on long-term financial performance. ESG should be thought of mostly for the economic returns that it can bring to a company, as the vision that sees it as a promoter of well-being for society, as well as a fruitful resource for the company, might lead to ambiguous results (Bebchuk et al. 2022.). Edmans refers to this as “Rational Sustainability”, meaning that ESG practices should be incorporated when it’s proven to contribute to the long-term stability of a company and not for symbolic or

political purposes. Based on this, an economic and financial approach to the topic can better justify the whole matter. (Edmans, 2023, 2024; Edmans & Kacperczyk, 2022).

Contrasting opinions on the theme are many and relevant; the positive effects of ESG on business practices are still debated, underlying theoretical problems such as the contrast between managers and shareholders (Jensen & Meckling, 1976) and essentially flawed system in ESG governance. ESG is frequently criticized for its lack of accountability, as it remains a voluntary framework rather than a legally binding standard. Scholars argue that when ESG principles are adopted within corporate governance, they often fail to provide meaningful protections for stakeholders. Bebchuk and Tallarita (2021) highlight a key concern: when firms embrace ESG and stakeholderism without legal backing, they may weaken stakeholder protections rather than strengthen them. The authors argue that corporate leaders have no binding obligation to prioritize stakeholders' interests, and ESG-driven stakeholder governance provides no clear enforcement mechanisms to hold firms accountable for their commitments. Another relevant theme is the, at times, problematic relationship between managers and shareholders, commonly known as agency theory. Agency Theory describes how managers, acting as agents of shareholders, might pursue personal interests instead of maximizing the firm value, such as career goals or reputational concerns. In an ESG context, this becomes particularly relevant since some ESG goals are not strictly financial, leaving more freedom to the managers and making it more difficult for the shareholders to control them. This might lead to sustainable practices implemented not for creating real additional value, but just for a mere economic return; in order to solve this, linking bonuses to ESG is a commonly used strategy but an effective one: (Lucian Bebchuk et al., 2020) found that most S&P 100 firms with ESG-based compensation structures fail to provide transparent criteria for evaluating ESG performance, making it challenging for investors to determine whether ESG incentives are actually improving corporate value or merely benefiting executives. Another problem revolves around the trade-off dilemma, the problem in determining which shareholders should be prioritized. Often, it happens that the number of stakeholders' interests are high in number, difficult to assess, and even in contrast with one another. While a national state, historically responsible for this kind of assessment, is expected to cover most of them, since it was elected by those same stakeholders that possess the interests, a company might benefit from this ambiguity, gives managers even more discretion in choosing which ESG commitments to pursue and how to justify them, making them less accountable to shareholders. Critiques are also moved in regard to the potential economic return of an ESG

approach. For example, Buchanan et al. (2018) noticed that companies that invested in ESG performed better than their peers before the 2008 financial crisis but ultimately suffered greater losses during and after it. Their explanation is that companies over-invested in a sector without evaluating its actual economic efficiency. This challenges the notion that CSR fosters long-term resilience, suggesting that its financial benefits are not consistently sustained over time.

2.2 Uniqueness

Being unique, being the only one, is an aspect in each one of Porter's five forces since it makes it harder for customers to switch to another competitor and replicate the strategy for a number of different reasons: uniqueness can act as a natural entry barrier since a strong brand reputation or technology might discourage other from entering the same market. Again, for the same reason, a loyal customer of a unique and specific brand will not easily abandon their previous product to switch to another one, which also leads to less bargaining power. (Porter, 1990)

While this approach refers, in Porter's view to brand positioning, nothing excludes that this same concept might apply to different sectors and branches. Building on this perspective, Nardi et al. (2022) focus on the positioning of a company in a market or in an industry in relation to the ESG aspect, claiming that offering something that peers cannot easily replicate can lead to better financial performance despite a not higher overall ESG score.

The contrasting approach to uniqueness is mimicry, which has also been associated with positive outcomes. Jung and Sharkey (2024) argue that firms that align with industry norms and institutional expectations are often perceived as more legitimate and can avoid penalties associated with deviation. Cao et al. (2019) highlight a key reason why firms might adopt alignment instead of uniqueness since this is an effective way to release the competitive pressure of peers, suggesting that these ESG strategies are often a consequence of spillovers rather than internal strategic decisions.

Being unique in business strategy can help companies achieve better market returns. If company A manages to implement a new strategy that increases earnings or diminishes costs, firm B will have to compensate for the disadvantage in order to stay competitive. From this point of view, the ESG context is no different since companies are pushed toward the sustainable standards (mimic) of other companies that are doing better in the sector; in this case, ESG practices become a tool to put pressure on peers, as shown by (Cao et al., 2019)

The authors claim that being unique in categories perceived as relevant (material) in the industry in which a company operates is more challenging, as it would be very costly; in this case, especially for smaller firms or followers, developing a unique offer that involves non-material categories is key to differentiation. Despite that, this possibility decreases as the number of material categories increases. (I will clarify the difference between material and non-material categories at 2.2.)

Despite not being directly involved in the procedure that will tell if uniqueness is a driver for WTP, it is worth mentioning that (Nardi et al., 2022), finds a negative correlation between the increase in the number of material categories and the relative uniqueness and the market return². That confirms, again, that not all industries offer the same possibility of being successfully unique. This is going to be relevant in the choice of the company mentioned at 3.1.

Their empirical findings demonstrate that firms exhibiting the highest squared deviation from the market average in CSR scores for material ESG categories, all else being equal, experience an increase in market value, measured as the product of share price and the number of outstanding shares. Notably, their approach captures both the alignment and differentiation dimensions of corporate strategy, illustrating that while firms may achieve baseline conformity, differentiation in strategic ESG categories can confer a distinct competitive advantage.

In their work, the dependent variable is the difference in market value, as mentioned before, an approach already proposed by (Cao et al., 2019; Flammer, 2015). The reaction of the stock market in the days that follow a precise event best captures the market's reaction to what happened, allowing us to evaluate both the present and past situations. In my work, the dependent variable will instead be WTP, a measure that I assume will show its effects later in time.

2.3 Materiality

² More specifically, they built a variable called $CSRUniqueness \times NumberMaterialCategories$, where the latter serves as a moderator (a variable that influences the strength of the relationship between the dependant and independent variable) to see that it has an effect on the former and ultimately on the dependant variable. Being negative, it means that the higher the uniqueness score and the number of material categories, the lower the market return.

Materiality is an accounting principle, well-known in finance, that guides a company in determining which elements it must disclose. Materiality, as defined by SASB, the most important entity on the topic, is: “Information is material if omitting it or misstating it could influence decisions that users make based on the financial information of a specific reporting entity.” This definition emphasizes the importance of materiality in ensuring that investors and stakeholders have access to relevant financial information when making informed decisions.

Materiality is industry-dependent, meaning that not all industries will have deemed the same categories as relevant for its purpose; intuitively, an oil company will be more concerned and pressured regarding environmental impacts such as carbon emissions, water contamination, and oil spills, while tech firms will be more focused, for example, in an ethical implementation of AI.

Not aligning with material category standards for a certain industry can lead to reputational damage and consequent loss in profits; moreover, firms that do not meet these expectations risk financial penalties, negative investor perceptions, and heightened exposure to legal disputes. By aligning with industry-specific ESG standards, companies can mitigate these risks, enhance their legitimacy, and position themselves defensively against future law disputes. (Cao et al., 2019; Jung & Sharkey, 2024)

Consistently with previous works, In the context of my work, materiality is established by SASB in its materiality map, which determines the significance of certain social, environmental, and governance issues to a company and its stakeholders. The SASB framework determines whether 26 ESG issues are material in relation to the 79 existing industries, and it was used as a basis to calculate the squared difference. In this context, category A is deemed material for industry B if at least one issue identified by SASB as material for industry B is linked to category A based on ASSET4’s definitions.

2.4 Consumers’ Willingness to Pay

Willingness to Pay (WTP) is a fundamental concept in consumer behavior and pricing strategy representing the maximum price a consumer is willing to pay for a product or service. It serves as a key indicator of perceived value, reflecting the trade-offs that consumers make between cost, quality, brand perception, and personal preferences. Understanding WTP is

crucial for businesses across various industries as it directly influences pricing decisions and competitive positioning (Dwivedi et al., 2018; Narayanan & Singh, 2023). A company that properly intercepts a customer's WTP will be able to set prices more efficiently and better propose a price differentiation.

Willingness to pay a premium price (WTPP) is an extension of WTP, that states how much customers are willing to pay more for a product without an increase in its utility (Aaker, 1995) due to factors such as brand Credibility, prestige, or ethical reasons.

While ESG strategies are usually positively associated with WTP (Narayanan & Singh, 2023), it's worth mentioning that there are sectors and circumstances in which this relation does not apply. More specifically as specified by Diallo et al. (2021), the luxury sector is less susceptible to being affected by social and environmental efforts. It was also noted how, in determining WTP, factors regarding product performance, such as quality and availability (CF = Contextual factors) ended up having a greater influence on consumer willingness than the desire to pursue sustainability policies (Biswas, 2016).

According to Schmidt et al., (2024a) when it comes to determining WTP, one of the first issues we encounter is to minimize as much as possible the biases that affect it. Especially when doing it directly, we find ourselves facing two types of biases: hypothetical and strategic biases. The first involves consumers overestimating their WTP, not having to face the economic consequences of their choice, while the second involves them underestimating it in an attempt to lower the price of the future product launch. In their study, the authors object that closed questions tend to be more accurate than open ones; however, when it comes to solving the anchoring problem, closed questions are more prone to produce inaccuracies since respondents tend to deviate less from the given initial price. For this reason, in my work, both types of questions were included.

Based on the theoretical elements just seen, I hypothesize that:

H1: "Perceived uniqueness in ESG strategy positively influences consumers' WTP"

3.Data and Methodology

In this chapter, the research methods employed in this study are outlined, ensuring a scientific foundation for constructing a dataset suitable for testing the proposed hypotheses and conducting exploratory data analysis. Additionally, the chapter outlines the process of

collecting primary data, with a specific focus on the survey methodology employed to assess consumer perceptions of ESG uniqueness and their willingness to pay (WTP).

3.1 Uniqueness Level

To assess a company's uniqueness, I am going to replicate the same experiment done by Nardi et al. in their work. I am going to focus on environmental and social points, since governance ones are considered less central to ESG policies, especially on 8 of them: emissions reduction, resource use reduction, and environmentally driven innovations in the environmental pillar, employees' health and safety, human rights, employee relations, diversity, and community affairs in the social aspect. These indicators represent the fundamental dimensions that I chose in which firms can differentiate themselves in their ESG strategies.

Unlike the original experiment by Nardi et al., I will not use CSR score proxies. The reason for this decision lies in the fact that those proxies were specifically constructed to analyze the relationship between CSR uniqueness and market value, which is a dependent variable not relevant to my research. My primary interest is in understanding the degree of CSR uniqueness itself, rather than its financial market implications. To establish a unique level, we need to address the mean of a CSR score within an industry. The formula to calculate that goes as follows:

$$x_{F,t}^j = \frac{\sum_{i \in F} x_{i,t}^j}{N_{F,t}}, \text{ for all category } j = 1, 2, \dots, 8,$$

$x_{i,t}^j$ is the CSR score for firm I at time t for each categorical variable j. While $\sum_{i \in F}$ is the sum of the scores of the of all firm I belonging to the industry F. $N_{F,t}$ is the number of companies in an industry F at time t.

The resulting $x_{F,t}^j$ indicates the average score of a firm in a certain industry in a given year.

This preliminary operation was necessary in order to establish the squared difference for each company compared to the average of the industry, that is then:

$$Sq\ Diff\ CSR_{i,t}^j = \left(x_{i,t}^j - x_{F(i),t}^j \right)^2, \text{ for all } j = 1, 2, \dots, 8, .$$

The difference is squared in order to eliminate negative results, since having a lower score than the industry average is still part of being unique, and might still contribute to a better market return.

Finally, in order to establish the degree of uniqueness of a certain firm, we have to sum up all the squared difference for the 8 variables of interest such that:

$$\begin{aligned}
 CSR\ Uniqueness_{i,t} &= \sum_{j=1}^8 Sq\ Diff_{CSR_{i,t}^j} \\
 &= \sum_{j=1}^8 \left(x_{i,t}^j - x_{F(i),t}^j \right)^2.
 \end{aligned}$$

This final measure captures the total deviation of a firm's CSR activities from industry norms. A higher value indicates that a firm has a more unique CSR approach compared to its industry peers, whereas a lower value signifies closer alignment with industry averages.

To show the application of this methodology, I provide an example of how two firms, one with high CSR uniqueness and another with low CSR uniqueness, are analysed. Below is an example table showcasing how this uniqueness measure is calculated for two random firms: Bristol-Myers (a firm with high CSR uniqueness) and Amazon (a firm with low CSR uniqueness):

Figure 1: Uniqueness' scores

CSR categories	Bristol-Myers			Amazon		
	Scores (2015)	Ind. average (2015)	Squared differences	Scores (2015)	Ind. average (2015)	Squared differences
Resource reduction	76.91	43.29	1130.37	44.74	44.79	0.00
Environ. innovation	56.98	43.33	186.26	32.64	36.69	16.37
Human rights	60.16	47.72	154.97	53.87	53.09	0.60
Employee health and safety	77.15	46.81	920.51	44.95	43.85	1.21
Employee relations	59.27	47.66	134.84	46.10	47.29	1.41
Community	63.72	46.11	309.85	42.99	46.65	13.43
Diversity	60.61	55.51	26.07	70.01	53.24	281.30
Emissions reduction	66.76	43.17	556.28	42.14	38.86	10.79
CSR Uniqueness			3,419.14			325.11

From this table, we observe that Bristol-Myers has a high CSR uniqueness score (3,419.14), indicating that its CSR strategy significantly deviates from the industry norm. Conversely, Amazon's CSR uniqueness score (325.11) is much lower, implying that its CSR practices are more aligned with industry standards.

3.2 Building the Database

Through R studio, I managed to replicate the experiment with fictional companies: I created a dataset composed of 50 different firms' performance in the 8 already mentioned points, compared to the industry's average; divided into 5 industries and covering a span of 5 years, the resulting dataset was composed by a total of 250 rows. Through the formula previously explained, I calculated the uniqueness score for each one and selected two.

The first step was choosing two firms to present in the survey:

Firm A is a company operating in the tech industry, typically characterized by a limited number of material categories, with the highest overall CSR uniqueness score of 4,491. Firm B is still a company operating in the tech industry but with the lowest registered score of 601.

The second step consisted of manipulating the scores of the two companies in order to alter the final CSR uniqueness score. In order to do that, for Firm A I took the two dimensions in which it deviated more positively and negatively and reduced them to the level of the mean, in order to reduce uniqueness; I opted for the most excellent and the least one in order to reduce the score but without damaging too much the image of the company, since uniqueness is brought in the same way for higher and lower scores compared to the average. For Firm B, I did the opposite, increasing deviance in the same amount that Firm A had initially from the mean for the least deviating best and worst points.

The two points that affected the most Firm A according to the previous process were "Emissions reduction", where their score was 87, compared to the industry average of 58 (+29 points) and "Human Rights", where they presented a score of 48, compared to industry 73 (-25); by equalizing both scores (bringing the squared difference to 0), the new final score was 3012.

For Firm B, the most aligned points were "Human Rights," with a score of 73.66, compared to the industry's 73.44, and "Diversity," where they achieved a score of 80, compared to the market's 78. By increasing the "Human Rights" by 29 points and reducing "Diversity" by 25, the new uniqueness score for Firm B was 2179.

The industry chosen for the experiment was the tech one. As mentioned before, materiality, in the ESG context, changes across industries, and according to the authors, some of them have many more material categories than others. I opted for tech companies for a variety of reasons: first, the tech industry is a relatively low-material-based industry, and for this reason, companies within have a higher degree of freedom to explore different paths to uniqueness.

Moreover, The tech industry is then marked by greater dynamism and evolution and is characterized by continuous dynamic cycles. Companies operating in this sector can continue to be competitively unique even without costly and heavy investments in infrastructure. I also believe that the aspects of uniqueness that distinguish the tech industry are more recognizable to the general public and more connected to marketing and management issues, which are the primary interest of this paper

3.3 Online Questionnaire

Based on the work of Netemeyer et al. (2004), I opted for the experiment, as in literature, the vast majority of studies concerning WTP are conducted in such a way.

An online survey was conducted to produce a dataset for testing the hypothesis related to ESG uniqueness and consumer willingness to pay. A quantitative approach was chosen to collect data from a diverse range of respondents, as the study aims to understand how consumers perceive ESG differentiation and its impact on purchasing behavior.

This method offers several advantages, primarily the possibility of reaching a broad and varied audience, efficiency in data collection, and lower costs compared to other research methods. However, there are also potential limitations. One key concern is that individuals who choose to participate in the survey may have stronger opinions or a greater interest in sustainability, which could influence the findings and limit generalizability to the broader consumer population.

Following the work of Dwivedi et al. (2018), I developed a survey that allowed me to understand customer's positions regarding the chosen firms. For most of I used a 7-point Likert scale that presents respondents with a statement and asks them to rate their level of agreement or disagreement on a graded scale; this allowed me to better understand trends and positions in my research.

The survey is divided in five different blocks:

Block 1 simply introduced and presented the general scope of the survey, including approximate time spent and contact information in case of necessity; additionally, details regarding anonymity and data confidentiality were provided to reassure respondents that their answers would remain private and used solely for research purposes. Block 2 presented a short introduction of the two companies: both being equivalent in terms of quality and prices and working in the tech industry, but A being more aligned with the market in each ESG

category and B being more unique, so better in some areas but lacking in others. Block 3 aims to understand how much consumers recognize and value uniqueness. Participants were asked to express their opinion about this diverse approach in order to understand their preferences; this block has questions that to first directly determine the uniqueness and alignment coefficient for the two companies, relying only on the guidance provided above, and questions that go to compare the two approaches with each other. Block 4 aims instead to see if this recognition actually translated in a higher WTP. Block 5 collected demographic data, including gender, age, income, and education level. These variables were included to identify potential patterns and trends in ESG perception and WTP across different consumer segments. Understanding how demographic factors influence attitudes toward ESG uniqueness helped provide a more comprehensive analysis of the survey findings.

3.3.1 WTP and Uniqueness Measurement

For the Uniqueness recognition block, I presented four statements concerning the strategy of each of the two firms, gradable on a 7-point Likert scale. Along with company specific questions, I added four more concerning a direct comparison between the unique and the more aligned approach. This was done to assess whether, when presented in a more straightforward manner, being unique is valued differently.

In the following block, in order to correctly estimate WTP I followed the work of (Schmidt et al., 2024b) and implemented a direct approach, incorporating both open-ended (where participants state the amount they are paying) and close-ended questions (where participants choose from given price points). Since hypothetical WTP often tends to be inflated compared to real purchasing behavior, as the social desirability bias may affect respondents, the following questions were used to obtain more certain responses, alongside reality check questions assessing past behavior regarding sustainability-driven purchases. After each question concerning WTP for both products A and B, participants were asked to establish the degree of certainty of their purchase.

3.3 Data collection

The survey was published on March 12th and stayed open for a month, specifically until April 12th. It was then distributed among family and friends through direct link and posted on social media platforms such as Facebook or Instagram and on research communities such as Survey Circle as well.

4. Survey's results and analysis

In this chapter, I will provide a detailed description of the results obtained through the survey, aiming to establish a statistically significant relationship between them.

4.1 Survey results

At the conclusion of the survey, a total of 145 responses were recorded. However, after filtering out 9 incomplete responses, the final dataset comprised 115 valid answers. The data were mainly analysed through R studio and excel.

The sample was relatively balanced in terms of gender representation, with 51% identifying as male, 43% as female, and 6% preferring not to disclose their gender. This distribution indicates a fairly even split between male and female participants, with a small percentage opting for privacy.

In terms of age distribution, the majority of respondents fell within the younger demographic, with 33% between 25 and 34 years old, making it the most represented group. Twenty percent of respondents were between 18 and 24, while 10% were in the 35-44 age range. The middle-aged segment, comprising those between 45 and 54 years old, accounted for 14% of the sample, and 20% of respondents were aged between 55 and 64. The least represented group was those aged 65-74, making up just 3% of the total.

When considering income levels, the most frequently reported income bracket was below 20k per year, a figure that does not align with the Italian national average. This discrepancy is likely due to the survey's recruitment channels, which largely consisted of students and younger professionals, thus skewing the sample towards a lower income range.

Regarding education levels, the most commonly reported highest degree obtained was a Master's degree, with 45% of respondents holding this qualification. Additionally, 57% of participants were working full-time, reflecting a sample that was predominantly composed of individuals who had already entered the workforce.

4.2 Recognizing uniqueness

In order to assess the recognition of uniqueness and alignment, two composite metrics were developed, incorporating the results of the four questions related to Company A and Company B. The internal consistency of these metrics was evaluated using Cronbach’s Alpha ³, which measures the reliability of the scale. For Company A, Cronbach’s Alpha was calculated at 0.765, while for Company B, it was 0.850. Since both values exceed the commonly accepted threshold of 0.7, this confirms that the responses are internally consistent and that the results can be considered reliable and strongly correlated.

Table 1: Cronbach’s Alpha

	Metric	QAV	QAV_2
1	Raw Alpha	0.765	0.850
2	Standardized Alpha	0.770	0.855
3	Average r	0.456	0.596

Figure 2: Company A composite score (QAV)

³ Cronbach’s Alpha (α) is a statistical measure of internal consistency or reliability in a set of survey items or test questions. It assesses how well multiple items in a scale or questionnaire measure the same underlying construct. A higher Cronbach’s Alpha indicates that the items are more closely related, meaning the scale is more reliable.

Q4

Company A

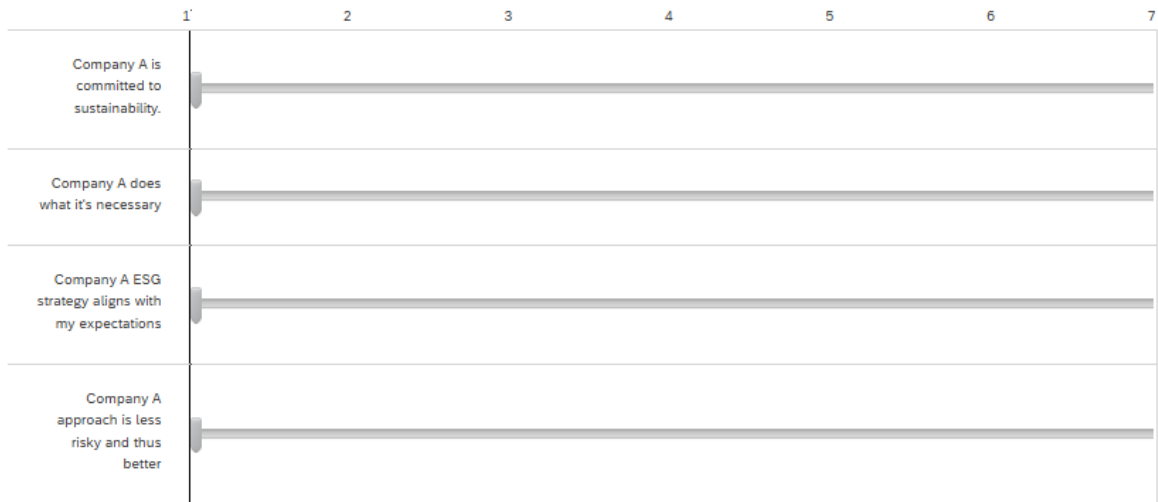


Figure 3: Company B composite score (QAV2)

Q5

Company B

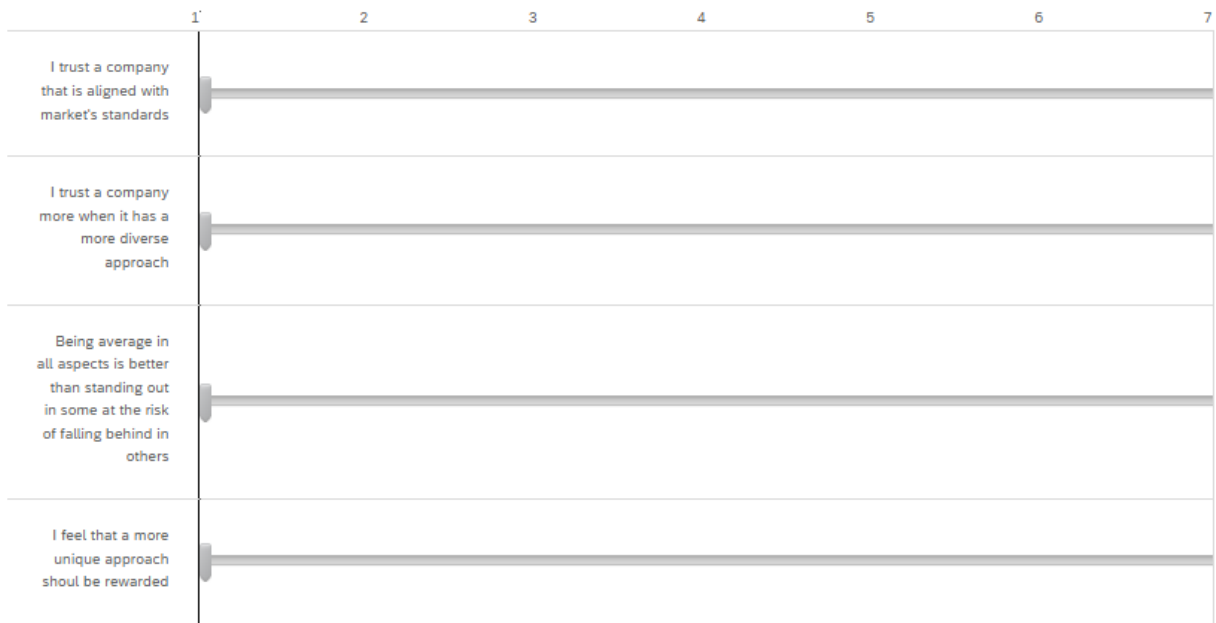


The average score for alignment recognition for Company A was 4.7, while the recognition of uniqueness for Company B was 4.2. When normalized, the data indicated a score of 68 for Company A, reflecting a relatively strong alignment perception, whereas Company B received a significantly lower score of 35, suggesting a weaker recognition of uniqueness.

When asked directly to evaluate an aligned approach to a more unique one, surprisingly, the results were different:

Figure 4: Compared Scores

ESG approach



Question 1 recorded an average score of 4.3, while Question 2 had a slightly higher result of 4.5. Question 3 reported an average of 4.0, whereas Question 4 had the highest score at 4.7. Notably, in both questions related to the recognition of uniqueness, the scores were higher compared to the other two, indicating a stronger perception of uniqueness in the responses.

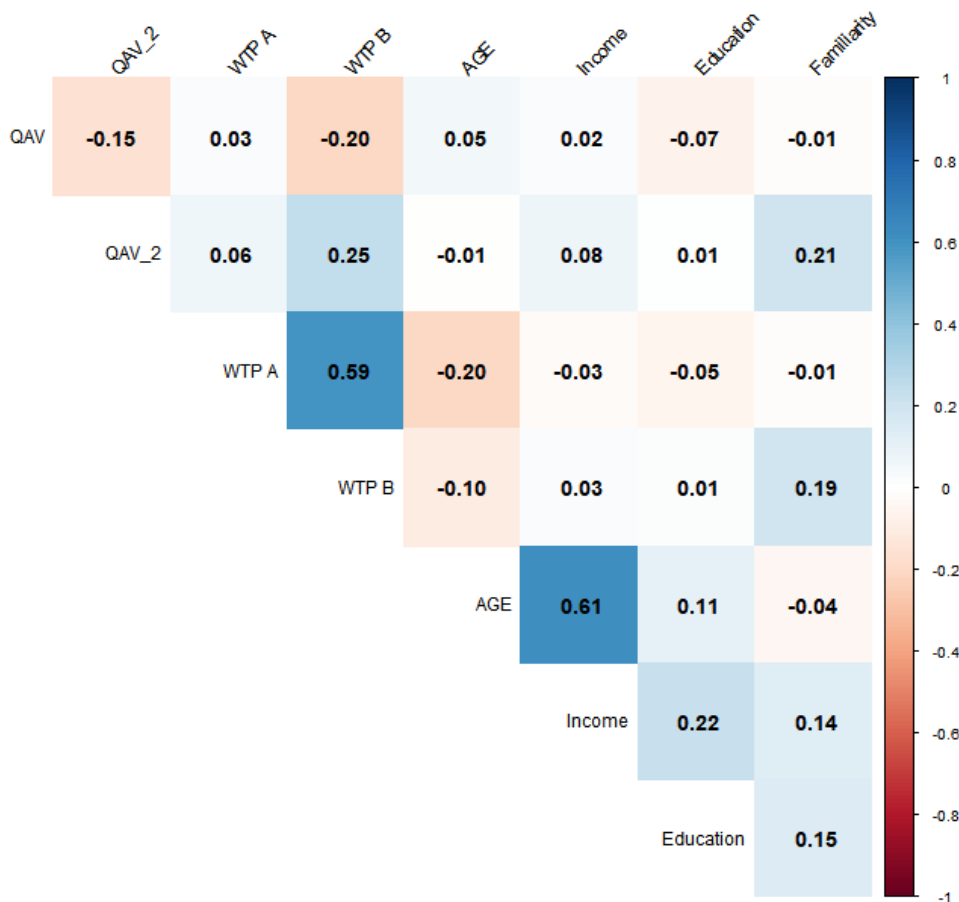
4.3 WTP results

Participants were asked to determine a price for their purchase for both Company A and Company B's products, a smartphone equivalent to an iPhone 16 valued at \$1,500. When setting the price independently, the average price assigned was \$1,155 for Product A and \$1,116 for Product B. However, when prices were predefined, with the lowest set at \$1,500, participants demonstrated little willingness to pay a premium, with results averaging \$1,522 for Product A and \$1,534 for Product B. Additionally, for both products, participants were asked to confirm their willingness to pay, with Product A and Product B receiving an average score of 3.5.

4.4 Uniqueness and WTP

4.4.1 Correlation

Table 2: Correlation Matrix



The Pearson's correlation matrix showed that the composite scores QAV and QAV2 didn't have a significant effect on neither WTP A and B, while they did have it in regard to WTP B, with QAV negatively affecting it (-0.2) and QAV2 positively affecting it (0.25)

4.4.2 Linear Models

Four linear regression model were then conducted in order to better analyse the relationship between our two main variables:

The dependant variables used were WTP for product A and WTP for product B, while the independent variable used were the composite score for Alignment (QAV) , the composite score for uniqueness (QAV2). Additionally several control variables, such as familiarity with ESG practices, previous experience, age and income were added. After assigning a numerical value to the control variables, these 4 equations were run:

$$\text{Model 1: } WTP_A = \beta_0 + \beta_1 (QAV_1) + \beta_2 (FAM) + \beta_3 (Age) + \beta_4 (Income) + \beta_5 (PrevExp) + \epsilon$$

$$\text{Model 2: } WTP_B = \beta_0 + \beta_1 (QAV_2) + \beta_2 (FAM) + \beta_3 (Age) + \beta_4 (Income) + \beta_5 (PrevExp) + \epsilon$$

Model 3: $WTPB = \beta_0 + \beta_1 (QAV1) + \beta_2 (FAM) + \beta_3 (Age) + \beta_4 (Income) + \beta_5 (PrevExp) + \epsilon$

Model 4: $WTPB = \beta_0 + \beta_1(QAV2) + \beta_2 (FAM) + \beta_3 (Age) + \beta_4 (Income) + \beta_5 (PrevExp) + \epsilon$

Table 3: Linear models

	WTP A (QAV)	WTP A (QAV_2)	WTP B (QAV)	WTP B (QAV_2)
(Intercept)	1279.829*** (218.910)	1283.848*** (174.544)	1389.358*** (224.413)	784.823*** (178.759)
QAV	13.922 (35.294)		-75.893* (36.181)	
Familiarity	-10.834 (24.320)	-13.628 (24.760)	44.743+ (24.932)	33.964 (25.358)
AGE	-83.238* (33.427)	-81.896* (33.385)	-41.288 (34.267)	-41.719 (34.191)
Income	63.031 (45.542)	61.277 (45.602)	39.247 (46.687)	31.983 (46.704)
Education	-21.725 (46.379)	-22.100 (46.242)	-15.387 (47.544)	-4.654 (47.359)
QAV_2		17.252 (29.254)		65.674* (29.961)
Num.Obs.	107	107	107	107
R2	0.061	0.063	0.092	0.096
R2 Adj.	0.015	0.017	0.047	0.051
RMSE	399.10	398.72	409.13	408.35

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001

The first two equations aimed to determine the effect of alignment recognition (QAV) and uniqueness recognition (QAV2) on WTP for Product A, while the latter two models did the same but in regard to Product B.

The first two models showed that, for product A, neither alignment or uniqueness recognition had significant effects on customers' WTP. In both cases the two variables QAV and QAV2 showed no significant effect displaying a very high p value.

On the contrary, when trying to predict WTP for product B, the two variables behaved as expected: QAV presented a negative β in model 3, meaning that an higher alignment produced a negative effect on consumer WTP, while in model 4 QAV2 showed a positive β . Both the

variables moreover showed significance below 5% with QAV ($p=0.0384$) and with QAV 2 ($p=0.0307$).

4.5 Control Variables

To determine the influence of factors on the relationship between WTP, uniqueness, and alignment Recognition, 3 control variables were included in the analysis. These variables, such as age, income level, education and prior knowledge of ESG strategies were examined to determine their impact on consumer preferences.

The regression analysis revealed that familiarity with ESG, despite a slight positive correlation with WTP B (0.19) had no statistically significant effect on WTP in the context of linear models, suggesting that knowledge of ESG does not necessarily translate into a higher willingness to pay. This challenges the assumption that consumers who are more informed about sustainability will automatically value ESG attributes when making purchasing decisions.

Age showed a weak negative correlation with WTP (-0.2 for Product A and -0.1 for Product B), indicating that younger consumers might be slightly more inclined to pay a premium than older ones. However, when analysed in the context of the linear regression, age showed a significant negative impact on WTP for Product A ($\beta=-83,24$ $p=0.014$ and $\beta=-81,9$ $p=0.015$), meaning that older consumers were less willing to pay a premium for this product.

Interestingly, age was not significant for Product B, indicating that its effect on WTP may vary by product category.

Similarly, employment status and work type had little to no impact on how individuals perceived uniqueness or alignment recognition. We would expect income or education levels might correspond with a higher willingness to pay, but the data did not support this assumption, indicating that purchasing decisions in this context are more influenced by the perception of the product rather than socioeconomic background.

Overall, the control variables demonstrated that while some external factors, such as prior ESG knowledge and age, may slightly affect WTP, their influence remains secondary compared to the perceived uniqueness of the product. These findings reinforce the idea that companies looking to justify premium pricing should prioritize differentiation and perceived value rather than relying on demographic targeting alone.

5. Conclusions

The final chapter of this study provides a comprehensive overview of the key findings, highlighting the main insights derived from the analysis. Beyond summarizing the results, it explores the broader implications for both managerial practice and academic research. Additionally, it acknowledges the study's limitations and outlines potential directions for future research.

5.1 Uniqueness' findings

This study aimed to examine two key aspects: the extent to which consumers recognize uniqueness compared to alignment in ESG strategies and how this perception influences their willingness to pay (WTP) for products.

Survey analysis revealed that consumers tend to recognize alignment more readily than uniqueness. When evaluated through a composite score based on four survey questions, alignment received an average rating of 4.7, while uniqueness scored 4.2, with normalized values of 68 and 35, respectively.

However, when directly asked to compare a unique ESG approach versus an aligned one, respondents expressed a preference for uniqueness. This discrepancy may be due to the way the question was framed, when uniqueness was explicitly emphasized, it appeared to be a more intentional and distinctive strategy, whereas alignment was perceived as a simpler, more conventional approach.

These findings suggest that uniqueness in ESG strategy is not immediately recognized by consumers but may gain preference when directly highlighted as a differentiating factor.

5.2 WTP Findings

The survey results indicate that customers were not generally willing to pay a premium for a tech product, such as a smartphone, just based on its sustainable attributes. When asked to independently set a price for a smartphone equivalent to an iPhone 16, valued at \$1,500, respondents assigned lower prices, averaging \$1,155 for Product A and \$1,116 for Product B. This suggests that in certain industries, particularly technology, ESG initiatives may carry less influence on consumer pricing decisions compared to other sectors, as discussed in section 2.2. This also supports the idea expressed at 2.1 that ESG strategies are just a form of long-term investment and they are not inherently good or bad.

The regression models highlighted an interesting aspect regarding the relationship between WTP and uniqueness: the recognition of the positioning of the company only affected

willingness to pay of product B, negatively when the customer was valuing higher an aligned position and positively when valuing the diversification. This tells us that a more diverse company is more tends to be differently rewarded depending on the customer's opinion, while a more aligned one is not affected by these views.

5.3 Managerial Implications

This study provides valuable insights for managers, as it enriches the existing perception of ESG.

This study made it clearer how an approach aimed at diversification can be a double-edged sword. In fact, if it has been proven how recognizing the uniqueness of a company's positioning can positively affect WTP, by contrast it has also been of shown how recognizing alignment negatively affects it. A manager thus has the opportunity to better understand the risks and possibilities that diversification can bring to his business.

A valuable lesson can be learnt also by the relatively low WTP emerged from the survey, since it shows ESG is not necessarily effective and that sustainability investments are just long-term investments in a specific field, as suggested in section 2.1 and corroborates the idea that specific industries are less sensitive to a company's effort in this specific sector (Netemeyer et al., 2004). This also reinforces the idea that ESG practices should not be mere compliances measure, but tools to improve a company's metrics.

5.4 Academical implications

The results of this research partially align with the research of Nardi et al. (2022). While it was proven that differentiate from competitors can lead to higher WTP, it also gave additional confirm that deviating from what is considered standard can be risky, as certified by the negative Beta of QAV in model 3. These findings further corroborates the position of Jung & Sharkey (2024) who argue that firms experiencing "status anxiety", particularly those newly included in prestigious rankings, are likely to adopt more aligned CSR strategies to protect their position, suggesting that deviation can, under certain conditions, lead to reduced returns.

Overall this thesis offers fresh perspectives on the ESG debate and contributes to the discussion on the ongoing debate between uniqueness and alignment by giving empirical proof of it within the marketing context.

5.5 Limitations

While it provided valuable insights for both academical and management practices, nonetheless my study presents several limitations: One of the primary limitations of this study lies in the composition of the sample, which was predominantly made up of students and young professionals. This demographic factor may have introduced biases in the results, particularly in how participants evaluated ESG uniqueness, alignment recognition, and willingness to pay (WTP). In two instances, the linear regression results indicated that age had a significant negative impact on WTP for Product A ($\beta=-83,24$ $p=0.014$ and $\beta=-81,9$ $p=0.015$) suggesting that older consumers are less inclined to pay a premium for ESG-related products. Since most participants in this study were younger, their higher baseline WTP might not accurately represent the broader market, where older and more financially stable consumers may exhibit different purchasing behaviours.

Moreover, the sample's income distribution may have played a role in shaping the results. Lower-income respondents generally demonstrate greater price sensitivity, which could have contributed to the relatively low WTP observed across both products. The study's findings showed that income did not have a statistically significant impact on WTP, which may be due to the limited variation in income levels within the sample. A more diverse economic representation could provide stronger insights into how different income groups value ESG uniqueness and alignment.

Another problem is represented by the relatively limited number of responses, that despite being enough to show a significant trend, lack of the possibility of further and deeper statistical analysis. Additionally, from an empirical point of view I received some complaints for the difficulty and the complexity of it: since not many people are acquainted with the concepts of alignment and uniqueness, let alone these two concepts in the context of ESG. If the survey had been designed with a more intuitive or practical framing of ESG uniqueness and alignment, the results might have been different. Alternative methodologies, such as experimental designs, in-depth qualitative interviews, or conjoint analysis, could have enhanced participant understanding and reduced cognitive biases in their responses. Future research should consider simplifying key ESG concepts or providing concrete real-world examples to facilitate better comprehension and more reliable data collection.

Lastly, the experiment was conducted exclusively referring to the tech industry, which has specific characteristics and makes it harder to apply the findings across different industries: a broader approach might have brought different results.

5.5.1 R squared

A primary limitation that occurred during the experiment was the low scores that each model had for what concerned R squared value, that in all of the 4 models showed values under 10%. Despite general lower values are normal for marketing and economics researches, this element tells that the models occasionally failed to proficiently account the variance of the willingness to pay, suggesting that some key predictive variables were missing.

5.6 Future research

Building upon what just said regarding to the limitations, future research might expand and explore these findings:

First, by replicating the experiment in different industries it might be possible to assess how industry specific my findings are and how do they change in different ones: luxury goods for example presents a unique set of features that usually limits the possibility of ESG approaches regarding WTP(Diallo et al., 2021), while fast fashion is usually much more welcoming for these kinds of features. It would also be interesting to expand the sample to include a more diverse demographic and geographic representation would allow for a more nuanced analysis of how different consumer groups perceive ESG uniqueness and alignment. From a marketing perspective, future research would be needed to establish a link between uniqueness recognition and long-term consumer behaviour such as brand loyalty and customer retention.

Another possible approach to the issue would be to follow more closely the process proposed by Nardi: instead of proposing two fictitious companies, it would be interesting to replicate the uniqueness calculation for real companies in other sectors as well, and after identifying the most virtuous ones in this area, propose a survey to note their effectiveness at the marketing level.

Finally, it would then be interesting to investigate why, when compared explicitly, the uniqueness approach prevailed over the alignment approach. In marketing behaviour, it could be studied why this happened and whether it has repercussions for future communications strategies.

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