

## SUSTAINABILITY PRACTICES AND COMPETITIVE ADVANTAGE IN INDONESIAN CONSUMER GOODS COMPANIES

Ijang Faisal<sup>1\*</sup>, Herry Achmad Buchory<sup>2</sup>, Uce Karna Suganda<sup>3</sup>

<sup>1</sup> Universitas Muhammadiyah Bandung, Bandung, Indonesia

<sup>2,3</sup> Universitas Widyatama, Bandung, Indonesia

<sup>1</sup> [ijang.faisal@umbandung.ac.id](mailto:ijang.faisal@umbandung.ac.id), <sup>2</sup> [herry.buchory@widyatama.ac.id](mailto:herry.buchory@widyatama.ac.id), <sup>3</sup> [uce.suganda@widyatama.ac.id](mailto:uce.suganda@widyatama.ac.id)

### Abstract

**Background:** Environmental concerns and stakeholder pressures drive Indonesian consumer goods companies to adopt sustainability practices, yet implementation varies substantially across organizations. **Aims:** This study examines sustainability practice adoption and its relationship with competitive advantage in Indonesian consumer goods sector. **Research Method:** Mixed-methods research combining survey of 142 consumer goods companies with case studies of 10 sustainability leaders across food, beverage, personal care, and household products categories. **Results and Conclusion:** Companies implementing comprehensive sustainability strategies demonstrate 27 percent stronger brand reputation, 23 percent improved customer loyalty, and 31 percent better investor attractiveness compared to minimal adopters. However, only 34 percent of companies integrate sustainability into core strategy. Green product development, waste reduction, and sustainable sourcing emerge as most impactful practices. **Contribution:** Research provides framework for Indonesian consumer goods companies to develop sustainability strategies generating competitive advantages while addressing environmental and social responsibilities.

*Keywords: Sustainability Practices, Competitive Advantage, Consumer Goods, Indonesia, Corporate Social Responsibility, Green Marketing*

### Introduction

Indonesian consumer goods companies face increasing pressures to adopt sustainability practices from multiple stakeholders including environmentally conscious consumers, socially responsible investors, regulatory authorities, and civil society organizations (Anderson & Thompson, 2024). These pressures intensified following Indonesia's climate commitment to achieve net-zero emissions by 2060 and growing public awareness of environmental issues including plastic pollution, deforestation, and carbon emissions.

Sustainability encompasses environmental, social, and governance (ESG) dimensions requiring integrated approaches addressing resource efficiency, waste reduction, responsible sourcing, employee welfare, community development, and ethical governance (Chen & Rodriguez, 2023). Consumer goods companies particularly face sustainability scrutiny given direct environmental impacts through packaging materials, manufacturing emissions, water usage, and supply chain practices affecting agricultural and resource extraction communities.

However, sustainability implementation varies dramatically across Indonesian consumer goods sector. Leading companies implement comprehensive sustainability strategies integrated into core business operations, while many maintain minimal compliance-driven approaches treating sustainability as peripheral concern (Buchory et al., 2024). This variation partly reflects uncertainty about sustainability's business value, implementation complexity, and resource requirements for systematic adoption.

Growing evidence suggests that authentic sustainability practices generate competitive advantages through enhanced brand reputation, customer loyalty, employee attraction, operational efficiencies, risk mitigation, and investor appeal (Kumar & Park, 2024). Conversely, companies perceived as environmentally or socially irresponsible face boycotts, regulatory penalties, difficulty attracting talent, and investor divestment. Sustainability increasingly constitutes business imperative rather than optional initiative.

Indonesian context presents specific sustainability challenges and opportunities. As emerging economy, Indonesia balances economic development with environmental protection amid rapid industrialization. Consumer willingness to pay sustainability premiums varies across income segments and product categories (Aripin et al., 2024). Regulatory frameworks continue evolving, creating uncertainty about compliance requirements and enforcement consistency.

This research examines sustainability practices among Indonesian consumer goods companies and their relationships with competitive advantage indicators. By combining industry-wide survey with deep case study analysis, this study identifies effective sustainability approaches suitable for Indonesian business contexts (Saepudin et al., 2024).

## Literature Review

### Sustainability and Competitive Advantage

Sustainability literature increasingly challenges the traditional view that environmental/social responsibility conflicts with financial performance. Resource-based view suggests that sustainability capabilities constitute valuable, rare, inimitable resources generating competitive advantages (Anderson & Thompson, 2024). Stakeholder theory argues that addressing diverse stakeholder interests enhances long-term organizational success compared to narrow shareholder focus.

Empirical research demonstrates positive relationships between sustainability and performance through multiple mechanisms: improved brand reputation attracting customers, operational efficiencies reducing costs, innovation stimulation developing new products/processes, risk mitigation avoiding regulatory penalties and disruptions, and enhanced employee engagement attracting and retaining talent (Chen & Rodriguez, 2023). However, relationships depend on authentic implementation rather than superficial greenwashing.

## **Consumer Goods Sector Sustainability**

Consumer goods companies pursue sustainability through green product development using environmentally friendly materials and processes, sustainable packaging reducing plastic usage and improving recyclability, responsible sourcing ensuring ethical supply chains, waste reduction and circular economy approaches, carbon footprint reduction in operations and logistics, and water stewardship especially in beverage and personal care sectors (Kumar & Park, 2024).

Studies show that consumer goods sustainability practices influence purchase decisions, particularly among younger educated urban consumers. However, price sensitivity limits willingness to pay sustainability premiums especially in price-conscious emerging markets (Lee & Santos, 2023). Successful companies integrate sustainability without significant price increases through operational efficiencies and gradual consumer education.

## **Indonesian Consumer and Regulatory Contexts**

Indonesian consumers demonstrate growing environmental awareness but complex purchase behavior balancing sustainability concerns with price, quality, and convenience priorities (Rahman & Wilson, 2024). Urban middle-class consumers show strongest sustainability preferences, while lower-income segments prioritize affordability. Product category influences sustainability importance, with higher involvement in food/beverage and personal care than household cleaning products.

Indonesian regulations increasingly mandate sustainability practices including waste management, emissions reporting, sustainable palm oil certification, and plastic reduction targets. However, enforcement inconsistency and implementation timelines create uncertainty for companies planning sustainability investments (Aripin et al., 2024).

## **Research Method**

This mixed-methods study surveyed 142 consumer goods companies across food, beverage, personal care, and household products categories operating in Indonesia. Company sizes ranged from medium enterprises (50-250 employees) to large multinationals (1000+ employees). Survey assessed sustainability practice adoption, implementation depth, perceived benefits, challenges encountered, and competitive advantage indicators including brand reputation, customer loyalty, and investor interest.

Complementary case studies examined 10 companies recognized as sustainability leaders through industry awards, certifications, or public reputation. Case studies represented diverse product categories and business models including multinational subsidiaries, large domestic companies, and innovative medium enterprises. In-depth interviews with sustainability directors, marketing leaders, and operations managers explored sustainability strategies, implementation processes, stakeholder engagement, and business outcomes.

Competitive advantage measurement incorporated brand reputation scores from consumer surveys, customer loyalty metrics including repeat purchase rates and net promoter scores, investor attractiveness indicated by ESG ratings and access to sustainability-focused funding, and operational performance metrics including resource efficiency and waste reduction achievements.

Survey data analysis employed descriptive statistics, correlation analysis examining relationships between sustainability practices and competitive advantage indicators, regression modeling controlling for company size and product category effects, and comparative analysis between sustainability leaders and minimal adopters. Qualitative case study data underwent thematic analysis identifying best practices, success factors, and contextual adaptations.

Research conducted between April and October 2024 captured current sustainability landscape while allowing retrospective analysis of implementation journeys and outcome evolution. Study limitations include potential social desirability bias inflating sustainability practice reports and difficulty attributing competitive advantage to sustainability versus other organizational strengths.

## Results and Discussion

### Sustainability Practice Adoption

Survey results reveal that 34 percent of Indonesian consumer goods companies implement comprehensive sustainability strategies integrated into core business operations, 48 percent adopt selective practices in specific areas, and 18 percent maintain minimal compliance-driven approaches. Common practices include waste reduction programs (implemented by 72% of companies), sustainable packaging initiatives (64%), energy efficiency improvements (58%), and responsible sourcing commitments (47%).

Large multinational subsidiaries demonstrate highest sustainability adoption rates given global parent company requirements and access to implementation resources. Indonesian domestic companies show more variable adoption based on leadership commitment and perceived business value. Medium enterprises face greater implementation challenges due to resource constraints and limited sustainability expertise.

**Table 1. Sustainability Practices and Competitive Advantage Indicators**

Company Category	Sustainability	Brand Reputation	Customer Loyalty	Investor Rating
<b>Comprehensive (n=48)</b>	High	8.6/10	74%	A-/BBB+
<b>Selective (n=68)</b>	Medium	7.4/10	62%	BBB/BB+
<b>Minimal (n=26)</b>	Low	6.8/10	51%	BB-/B+

## Sustainability and Competitive Advantage

Statistical analysis demonstrates significant positive relationships between sustainability practice comprehensiveness and competitive advantage indicators. Companies with comprehensive sustainability strategies achieved brand reputation scores 27 percent higher than minimal adopters, customer loyalty rates 23 percent higher, and substantially better investor ESG ratings (Anderson & Thompson, 2024).

Specific practices showing strongest competitive impacts included green product development attracting environmentally conscious consumers (mentioned as purchase factor by 42% of surveyed customers), sustainable packaging reducing environmental guilt and enhancing brand perception (38%), and waste reduction demonstrating corporate responsibility (34%). Responsible sourcing primarily influenced B2B customers and institutional buyers rather than individual consumers.

Operational benefits emerged as unexpected sustainability advantages. Waste reduction programs generated cost savings averaging 12 percent of waste management budgets. Energy efficiency improvements reduced operating costs by 8-15 percent depending on initial inefficiency levels. Water conservation lowered expenses in beverage and personal care manufacturing. These operational benefits helped justify sustainability investments beyond reputational considerations (Chen & Rodriguez, 2023).

## Implementation Challenges

Common implementation challenges included high initial investment costs for sustainable technologies and materials (mentioned by 68% of companies), complexity of supply chain traceability and certification especially for agricultural inputs (61%), consumer reluctance to pay price premiums for sustainable products (54%), and difficulty measuring sustainability ROI demonstrating business case (47%).

Greenwashing concerns emerged as significant issue. Consumers and NGOs increasingly scrutinize sustainability claims, demanding transparency and third-party verification. Companies making unsubstantiated claims faced backlash damaging brand reputation more severely than companies acknowledging limited sustainability progress. Authentic communication about

sustainability journeys including challenges proved more effective than overstated claims (Kumar & Park, 2024).

## **Success Factors**

Case studies identified key sustainability success factors including strong leadership commitment providing resources and organizational priority, integration into core strategy rather than peripheral CSR programs, stakeholder engagement involving customers, employees, suppliers, and communities in sustainability initiatives, transparency in reporting progress and challenges, and continuous improvement mindset recognizing sustainability as journey rather than destination (Lee & Santos, 2023).

Successful companies developed sustainability narratives connecting environmental/social initiatives with brand purpose and customer values. They educated consumers about sustainability benefits rather than assuming awareness, used certifications strategically for credibility while avoiding excessive certification costs, and collaborated with suppliers on sustainability improvements rather than imposing requirements without support.

## **Conclusion**

This research demonstrates that comprehensive sustainability practices generate competitive advantages in Indonesian consumer goods sector through enhanced brand reputation, customer loyalty, and investor attractiveness (Anderson & Thompson, 2024). However, sustainability adoption remains limited with only 34 percent of companies implementing integrated strategies, suggesting substantial opportunity for competitive differentiation through sustainability leadership.

Effective sustainability requires strategic integration into core business operations rather than peripheral initiatives. Green product development, sustainable packaging, waste reduction, and responsible sourcing emerge as most impactful practices (Chen & Rodriguez, 2023). Operational benefits including cost savings complement reputational advantages, strengthening business case for sustainability investments.

Authenticity proves critical given increasing stakeholder scrutiny and greenwashing risks. Companies should communicate sustainability journeys honestly including challenges and progress rather than making unsubstantiated claims (Kumar & Park, 2024). Third-party certifications provide credibility but require cost-benefit evaluation.

Future research should examine sustainability practice evolution over time, consumer willingness to pay sustainability premiums across income segments and product categories, and emerging sustainability innovations including circular economy models and carbon neutrality approaches. Industry-specific sustainability frameworks would address unique challenges across food, beverage, personal care, and household product sectors (Aripin et al., 2024).

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