



## Corporate Reputation as a Mediator Between Environmental Awareness and Brand Transparency Toward Social Sustainability in Indonesia's Beauty Industry

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**Abstract.** *This research explores the role of corporate reputation as a mediator between environmental awareness and brand transparency toward social sustainability in Indonesia's beauty industry. With growing consumer expectations for brands to align with environmental and social causes, this study examines the impact of environmental awareness and perceived brand transparency on social sustainability through corporate reputation. A quantitative research approach is employed using multiple regression analysis and Sobel tests on data from Indonesian beauty product consumers. The findings reveal that while perceived brand transparency positively affects corporate reputation, environmental awareness does not directly influence reputation or social sustainability. Additionally, corporate reputation does not mediate the relationship between environmental awareness, brand transparency, and social sustainability. These results suggest that transparency enhances brand reputation but does not automatically translate to social sustainability perceptions. The study recommends further research on additional mediators and practical strategies for companies to implement impactful social sustainability practices.*

**Keywords:** brand transparency, corporate reputation, environmental awareness, Indonesia, social sustainability

### 1. INTRODUCTION

Sustainability has become a central issue in global business practices, encompassing environmental, economic, and social dimensions. While environmental and economic aspects often dominate the conversation, social sustainability—which focuses on the long-term well-being of communities, equity, and ethical conduct—has increasingly gained prominence in both public and academic spheres (Carroll & Buchholtz, 2019). In today's business landscape, companies are not only evaluated based on their profits or product quality, but also on their contributions to society and alignment with public values. This shift is particularly noticeable in Indonesia's consumer-facing industries, such as the beauty and cosmetics sectors.

In 2023, the Indonesian beauty and personal care market reached a value of over USD 7.5 billion, with expectations of a growth rate exceeding 6% annually through 2027 (Statista, 2024). This expansion is not solely driven by rising income and demand, but

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also by growing consumer awareness. A 2023 YouGov survey found that 74% of Indonesian consumers expect brands to actively support environmental and social causes, with more than half expressing a willingness to switch to brands that better align with their values (YouGov, 2023).

This shift in consumer expectations is primarily shaped by two key factors: environmental awareness and perceived brand transparency. Environmental awareness refers to consumers' understanding and concern for issues like plastic waste, carbon emissions, and sustainable sourcing. On the other hand, perceived brand transparency is defined as how openly and honestly a company communicates its values, sourcing practices, production processes, and social initiatives (Farooq, Farooq, & Jasimuddin, 2021). However, the influence of environmental initiatives and transparent communication on broader perceptions of a brand's contribution to social sustainability is not always direct. Instead, it is often mediated by the company's corporate reputation, which plays a crucial role in shaping stakeholders' interpretations of corporate actions. Corporate reputation is defined as the collective evaluation of a company's behavior, integrity, and past performance (Lee & Yoon, 2020).

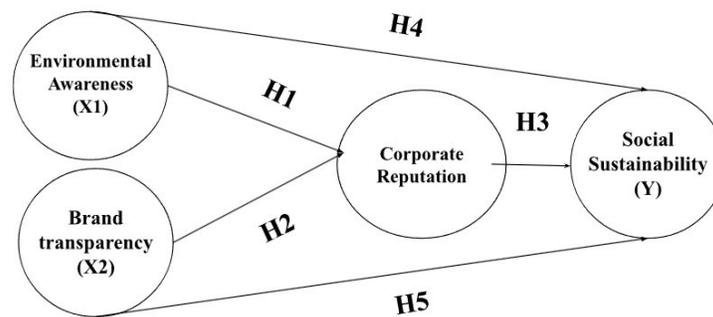
Several studies have provided empirical evidence supporting the mediating role of corporate reputation. For instance, a study by Nurapni, Darma, and Hermawan (2024) demonstrated that while environmental awareness alone did not directly influence purchase intentions among Unilever consumers in Sukabumi, green marketing and transparency significantly improved brand image, which in turn influenced consumer decisions. Similarly, research by Kartasasmita and Kurniawati (2024) found that perceived brand ethics and environmental packaging positively impacted brand integrity, strengthening brand legitimacy among halal cosmetic consumers in Jakarta. Despite these findings, corporate reputation is often treated as a final outcome rather than a mediating factor. This gap in the literature highlights the need for further investigation, particularly in contexts where public perception plays a pivotal role in determining the effectiveness of sustainability initiatives.

This study seeks to fill this gap by examining how corporate reputation mediates the relationship between environmental awareness, perceived brand transparency, and social sustainability. By exploring this mediation, the study aims to enhance the

understanding of the complex interplay between these factors within the beauty industry in Indonesia.

The objective of this study is to investigate how environmental awareness and perceived brand transparency influence social sustainability, with corporate reputation serving as a mediating variable. This research will contribute to a deeper understanding of the factors that drive social sustainability in the beauty industry, particularly in Indonesia.

## 2. LITERATURE REVIEW



### 2.1 Environmental Awareness

Environmental awareness refers to the level of public concern regarding environmental issues such as climate change, pollution, and waste. This concern plays a critical role in influencing consumer decisions and expectations of corporate behavior. According to Becerril-Castrillejo and Muñoz-Gallego (2023), individuals with high environmental awareness are more inclined to support companies that implement sustainable initiatives such as eco-friendly packaging, ethical sourcing, and carbon reduction. Similarly, Ghali-Zinoubi (2022) emphasized that environmentally aware consumers are more willing to pay a premium for green products. In the beauty industry, which is often criticized for excessive plastic use and harmful chemicals, consumers tend to assess brand reputation based on how responsibly the brand addresses environmental concerns.

**H1: Environmental Awareness positively affects Corporate reputation**

### 2.2 Perceived Brand Transparency

Perceived brand transparency is defined as how openly and honestly a brand communicates its product contents, sourcing, production process, and ethical standards. Transparency plays a vital role in trust-building, especially in industries where consumer safety and values are critical, such as cosmetics. As argued by Mitschke (2024), consumers demand full disclosure about what they are applying to their skin and how it is produced. Dima et al. (2023) found that transparency regarding green attributes significantly influences consumer willingness to adopt sustainable cosmetics, as it enhances both brand image and credibility.

## **H2: Perceived Brand Transparency affects Corporate Reputation**

### **2.3 Corporate Reputation**

Corporate reputation represents the collective perception of a company's trustworthiness, values, and ethical consistency over time. It is an intangible asset that shapes how stakeholders respond to a firm's actions. A company with a strong reputation is more likely to gain public support, especially when introducing social initiatives (Norsyarmimi et al., 2025). Yu (2024) adds that reputation is not merely a reflection of past performance but a vehicle that translates environmental and ethical behavior into perceived social contribution. Therefore, this study hypothesizes that corporate reputation positively affects social sustainability (H3).

Furthermore, corporate reputation is expected to act as a mediating factor in the relationship between both environmental awareness and brand transparency with social sustainability. This mediation is based on the understanding that consumers perceive a company's actions such as going green or disclosing honest information through the lens of its reputation. If a company is trusted and respected, its environmental and ethical efforts are more likely to be seen as genuine and impactful. Accordingly, corporate reputation is hypothesized to mediate the relationship between environmental awareness and social sustainability (H4), and also between perceived brand transparency and social sustainability (H5).

## **H3: Corporate Reputation positively effects Social Sustainability**

## **H4: Corporate Reputation mediates the relationship between environmental awareness and social sustainability**

## **H5: Corporate Reputation mediates the relationship between Brand Transparency and social sustainability**

### **2.4 Social Sustainability**

Social sustainability encompasses corporate practices that support equity, inclusion, community well-being, and cultural respect. Unlike environmental or economic sustainability, which often focus on measurable outputs, social sustainability emphasizes ethical labor practices, representation in branding, and empowerment programs. According to MDPI (2022), firms that demonstrate social sustainability tend to enjoy stronger consumer loyalty and public support. In the context of the beauty industry, this includes commitments to inclusive advertising, fair wages, and advocating for diverse identities (Vogue Business, 2023).

## **3. METHODOLOGY**

### **3.1 Research Design**

This research employs a quantitative approach that is appropriate for testing hypotheses and measuring relationships between variables through numerical and statistical analysis. Specifically, an associative research design is used to evaluate the connections among environmental awareness, perceived brand transparency, corporate reputation, and social sustainability. Multiple regression analysis will be applied, as this method is well-suited for examining the impact of more than one independent variable on a dependent variable under conditions of normal data distribution (Sekaran & Bougie, 2021).

### **3.2 Population and Sample**

The population of this study consists of Indonesian consumers who use beauty products. Clearly defining the population is essential to ensure the accuracy and relevance of the findings. A simple random sampling technique will be applied to ensure each member of the population has an equal opportunity to be selected. A minimum sample size of 100 respondents is targeted to meet the requirements for conducting multiple regression analysis and ensuring statistical reliability (Hair et al., 2021).

### **3.3 Data Collecting Method**

Data will be collected through an online questionnaire distributed using Google Forms. This platform facilitates efficient and broad distribution, especially through digital platforms such as social media, online communities, and beauty product forums in Indonesia. To ensure clarity and accessibility, the questionnaire will be presented in Bahasa Indonesia, making it easier for participants to understand and respond accurately.

### 3.4 Research Instrument

The instrument of this research is a structured questionnaire consisting of closed-ended items measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Each variable in the study environmental awareness, perceived brand transparency, corporate reputation, and social sustainability is operationalized using indicators adapted from prior validated studies. For environmental awareness, items will be adapted from Bülbül, Demirtaş, and Gül (2023); perceived brand transparency will follow indicators from Gleim and Stevens (2024); corporate reputation will reference Cheng, Qiu, and Xu (2024); and social sustainability items will refer to the indicators suggested by Annarelli, Catarci, and Palagi (2024). The questionnaire will be pre-tested with a small group of respondents to ensure reliability and clarity before final data collection begins.

## 4. RESULT

### 4.1 Normality

**Table 4.1 Normality Test**

<b>One-Sample Kolmogorov-Smirnov Test</b>		Environmental Awareness	Brand Transparency	Corporate Reputation	Social Sustainability
N		110	110	110	110
Normal Parameters <sup>a,b</sup>	Mean	21.39	21.65	22.29	21.66
	Std. Deviation	2.925	3.105	3.069	2.916
Most Extreme Differences	Absolute	.073	.064	.075	.080
	Positive	.073	.064	.039	.075
	Negative	-.050	-.050	-.075	-.080
Test Statistic		.073	.064	.075	.080
Asymp. Sig. (2-tailed)		.192 <sup>c</sup>	.200 <sup>c,d</sup>	.163 <sup>c</sup>	.076 <sup>c</sup>
a. Test distribution is Normal.					
b. Calculated from data.					
c. Lilliefors Significance Correction.					
d. This is a lower bound of the true significance.					

Sources: Data yang diolah dari (SPSS) 2025

The results of the Kolmogorov-Smirnov test indicate that all four variables—environmental awareness, perceived brand transparency, corporate reputation, and social sustainability—have a significant value (Asymp. Sig.) greater than 0.05. This confirms that the data is normally distributed and meets the assumptions required for parametric statistical analysis. Therefore, multiple regression and Sobel test procedures were appropriate for this study.

#### 4.2 Coefficient of Determination (R<sup>2</sup>)

**Table 4.2 R<sup>2</sup> Test**

Matriks	R Square	Adjusted R Square
	R Square	Adjusted R Square
Corporate Reputation (Y)	0.232	0.217
Social Sustainability (Z)	0.275	0.254

Sources: Data yang diolah dari (SPSS) 2025

The value of the coefficient of determination (R<sup>2</sup>) was 0.275 or 27.5%. This shows that the variables Environmental Awareness and Perceived Brand Transparency simultaneously influence Corporate Reputation by 27.5%, while the remaining 72.5% is influenced by other factors not examined in this study.

#### 4.3 F Square

**Table 4.3 F Square Test**

Matriks	f Square	Salin ke Clipboard: Format Excel			
		Brand Transparency (X2)	Corporate Reputation (Y)	Environmental Awareness (X1)	Social Sustainability (Z)
Brand Transparency (X2)			0.175		0.006
Corporate Reputation (Y)					0.064
Environmental Awareness (X1)			0.042		0.335
Social Sustainability (Z)					

Sources: Data yang diolah dari (SPSS) 2025

The regression analysis was conducted to test the influence of Environmental Awareness and Perceived Brand Transparency on Corporate Reputation. The results

showed that Perceived Brand Transparency had a significant effect on Corporate Reputation, while Environmental Awareness did not have a significant effect.

#### 4.4 t-Test

**Table 4.4**

	Sampel Asli (O)	Rata-rata Sampel (M)	Standar Deviasi ...	T Statistik (  O/STDEV  )	P Values
Brand Transparency (X2) -> Corporate Reputation (Y)	0.386	0.372	0.173	2.228	<b>0.026</b>
Brand Transparency (X2) -> Social Sustainability (Z)	0.076	0.059	0.251	0.303	<b>0.762</b>
Corporate Reputation (Y) -> Social Sustainability (Z)	-0.246	0.218	0.303	0.811	<b>0.418</b>
Environmental Awareness (X1) -> Corporate Reputation (Y)	0.190	0.235	0.247	0.769	<b>0.442</b>
Environmental Awareness (X1) -> Social Sustainability (Z)	0.530	0.170	0.362	1.466	<b>0.143</b>

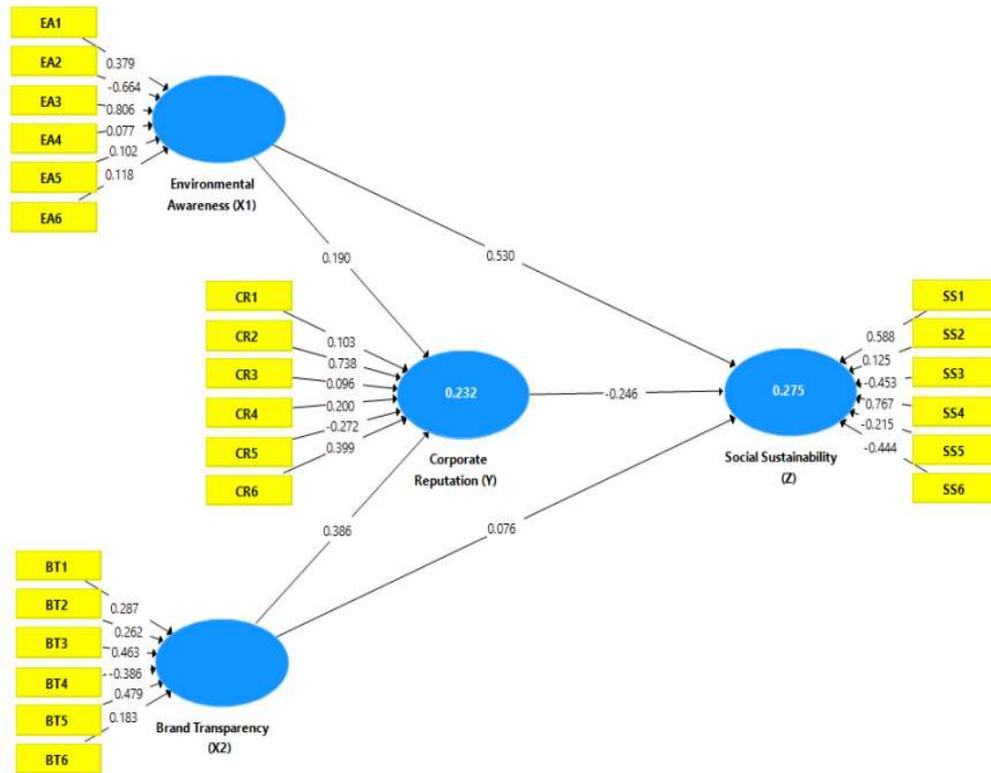
sources: Data yang diolah dari (SPSS) 2025

The t-test results showed that:

1. Environmental Awareness had no significant effect on Corporate Reputation (sig. > 0.05).
2. Perceived Brand Transparency had a significant positive effect on Corporate Reputation (sig. < 0.05).
3. Corporate Reputation had no significant effect on Social Sustainability (sig. > 0.05).
4. Environmental Awareness and Perceived Brand Transparency had no significant direct effect on Social Sustainability (sig. > 0.05).

#### 4.5 Mediation Test (Sobel Test)

**Table 4.5 Mediation Test**



Sources: Data yang diolah dari (SPSS) 2025

The Sobel test was used to determine the mediating effect of Corporate Reputation on the relationship between Environmental Awareness and Social Sustainability, and between Perceived Brand Transparency and Social Sustainability. The results showed that Corporate Reputation did not mediate either relationship significantly ( $\text{sig.} > 0.05$ ).

## 5. CONCLUSION AND RECOMENDATION

This study aimed to explore the impact of environmental awareness and perceived brand transparency on social sustainability within the context of the Indonesian beauty industry, with corporate reputation serving as a mediating variable. Based on the analysis and hypothesis testing, several key conclusions were drawn. First, perceived brand transparency was found to have a significant influence on corporate reputation. This result underscores the importance of clear, honest communication between brands and consumers, particularly in sectors where ethical practices and values are paramount. Consumers reward transparency with greater trust and a more favorable perception of the

brand. On the other hand, environmental awareness alone did not significantly affect corporate reputation. This suggests that mere awareness, without tangible and meaningful actions by the brand, may not be sufficient to influence consumer perception. Furthermore, corporate reputation was not found to significantly impact social sustainability nor mediate the relationship between environmental awareness or brand transparency and social sustainability. These findings indicate that while corporate reputation is important, it may not be the key factor in shaping how consumers perceive a brand's social contribution.

In conclusion, the study highlights that while transparency can enhance a brand's reputation, it does not automatically lead to improved perceptions of social sustainability. Environmental efforts must be supported by concrete actions and consistent communication to be truly effective in shaping consumer views on sustainability.

For future research, it is recommended to investigate additional mediating or moderating factors that could strengthen the connection between environmental initiatives, transparency, and social sustainability, such as corporate social responsibility programs, ESG (Environmental, Social, Governance) disclosure quality, or customer engagement. Longitudinal studies and qualitative research could offer valuable insights into evolving consumer expectations and brand perceptions.

From a practical standpoint, beauty brands in Indonesia should look beyond superficial environmental claims. It is crucial for companies to implement and publicly highlight impactful programs, such as fair labor practices, inclusivity, and support for marginalized communities. Transparency must be coupled with meaningful actions. Effectively communicating these efforts to consumers can enhance both brand reputation and the public's perception of the company's social contributions. Furthermore, businesses should consider investing in storytelling and transparent reporting mechanisms, such as sustainability reports or regular impact updates. These efforts will help companies align their values with those of their consumers, fostering trust and loyalty over the long term.

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