

GREENWASHING: A Study on the Effects of Greenwashing on Consumer Perception and Trust Build-Up

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ABSTRACT

The growing prominence of green advertising has led to an increased confusion in the minds of the consumers about the green claims used in numerous advertisements. The purpose of the study is to identify the sectors where greenwashing is most rampant from the consumer's perspective and to analyze the consumer's perception of greenwashing tactics, identify the reasons for greenwashing by brands from the consumer's perspective. The convenience sampling was used for data collection. A sample size of 150 was chosen for the study. The respondents comprised of individuals across different age group and professions in Delhi NCR. Research findings showed that the most rampant sectors where greenwashing is prevalent are 'Automobile', 'Industrial Manufacturing' and 'Beauty products/cosmetics (65.7%)'. Consumers perceive usage of 'fluffy language' such as the use of words like 'eco- friendly', 'natural' as the most frequently used greenwashing communication tactic. A lack of proper regulatory system and compliance by the companies result in poorly researched products and misleading claims aimed at manipulating consumer.

1. Introduction

In the early 1990s, products touting environmental claims saw an exponential rise. Although the 'green' phenomenon vanished as swiftly as it appeared, to attract an increasing segment of environmentally aware consumers, many producers are again resorting to the practice of endorsing their products, or even themselves, as being green. Therefore, usage of environmentally friendly sounding claims which are actually ambiguous and at times may be false is becoming commonplace. 'Greenwashing' refers to disseminating incomplete or false information by a company in order to project an ecologically responsible public image. It is not a new phenomenon; since the mid-1980s, the term 'greenwashing' has garnered wide acceptance and recognition for describing the practice of making exaggerated or overblown claims of eco-friendliness or sustainability in an effort to capture market share.

In current times, appealing at just the functional or emotional level is not sufficient for a brand. A social obligation is expected of businesses by the consumers. In the consumer product industry, firms usually have to incorporate an ecological dimension to establish a successful brand (Kotler, 2011).

More than half of 18,000 consumers surveyed in 2014 from all over the world stated that environmental performance was a source of worry for them (Globescan, 2014). Compared to previous years, an amplified concern about the environmental issues was shown by consumers in most countries. In a study conducted by the American PR firm (Edelman, 2012), consumers' attitude regarding the social responsibility claims by the corporates were examined. The

study comprised 16 countries and its 8,000 consumers. Irrespective of the country, it exhibited the consumer belief in the increased importance of environmental responsibility. Additionally, it was revealed that 85 percent of the consumers were keen to change brand or alter their own conduct to help improve the environment. Several instances have occurred where unjustified and exaggerated claims of eco-friendliness and sustainability have been made by companies striving to meet the demand for green products by consumers (Terrachoice, 2010). Companies' attempt to rapidly meet this increasing demand for green products has led to the rise of the term greenwashing, which has grown considerably over the past years and has become increasingly debatable. In this study, greenwashing is defined as deceptive or misleading ecological claims that are ambiguous, untrue, or omits vital information or a combination of these (Carlson, L., Grove, S. J., & Kangun, N., 1993). For instance, when it comes to either branding, marketing or packaging, over 90 percent of North American consumer products are guilty of greenwashing on some way or the other (Terrachoice, 2010).

Among some consumers, there is a distrust for communication by corporates concerning green and eco-friendly products. Instead of actually adhering to their communicated green message, there are doubts that firms are framing a responsible green image without really altering their behavior, therefore the term greenwashing (Darnall, N, Pointing, & Vazquez-Brust, 2012) (Jones, P., Clarke-Hill, C., Comfort, D., & Hillier, 2008) The use of greenwashing in marketing efforts leads to numerous questions regarding the term and its consequences. When consumers are making choices, what is the role played by design and communication of advertisements? Is it actually possible to influence buying

intentions and obtain a more environmentally friendly image with the use of irrelevant claims and greenwashed messages? There are many sins of green washing like **Sin of the Hidden Trade-off**: A claim proposing that a product is 'green' on the basis of a narrow set of traits without considering other significant environmental issues. **Sin of No Proof**: An environmental claim that cannot be validated by readily available supporting information or by a credible third-party certification. **The sin of Vagueness**: A claim that is so broad or poorly articulated that its actual meaning is likely to be misconstrued by the consumer. **Sin of Worshipping False Labels**: A product that falsely gives the impression of a third-party endorsement either through words or images when no such thing exists; so called fake labels. **The sin of Irrelevance**: It is an environmental claim that may be truthful but for consumers seeking environmentally friendly products, it is unhelpful or holds no importance. **The sin of Lesser of Two Evils**: A claim that might hold true within the product category, but at the peril of diverting the buyer from the wider-reaching environmental impacts of the category as a whole. **The Sin of Fibbing**: Environmental claims that are purely dishonest.

2. Review of Literature

Green or environmentally friendly products can be largely defined as products "that when compared to the standard substitutes, will cause less harm to the environment, in terms of contaminating the earth or diminishing the natural resources, and/or can be preserved or recycled (Shamdasani, P., Ong Chon-Lin, G. , & Richmond, D. , 1993). From consumer's perspective, being green constitutes of a lifestyle of minimal impact on the environment, or in the best case, making choices that help and benefit the environment. In the pursuit of minimizing environmental damage, consumers are met with many decisions (Banerjee, S., Gulas, C.S., & Iyer, E., 1995). Being green is about consistent efforts, whether large or small, to lessen the environmental impact.

Numerous strategies are employed by companies to show their concern for environmental issues. A green advertisement is one such strategy. The concept of green advertising began in the 1970s when oil price hike instigated recession and ecological damages that had been disregarded for long. In a very short span of time, people were confronted with the fact that resources were limited and that their usage had a significant impact on the environment. Companies tried to get on board this green movement and reacted to consumer's anxiety by employing marketing strategies communicating green messages (Haytko, D. L. & Matulich, E., 2008) Banerjee et. Al (1995) explain green advertising as any advertisement that meets one or more of the subsequent criteria: (1) The association between a product/service and the biophysical environment is directly or indirectly addressed by it. (2) Endorses a green lifestyle with or without stressing a product/service. (3) Showcases an environmentally responsible corporate image. (Pranee, C., 2010) establishes that green advertising must be truthful and lawful and in adherence to environmental rules, regulations, and policies. In practice, companies often do not conform to all these statements but manage to follow the set guidelines in their arena of advertisement (Eltell, T. & Åberg, 2012).

3. Skepticism towards green advertisement

The growing prominence of green advertising has led to an increased confusion in the minds of the consumers about the green claims used in numerous advertisements. One of the key reasons for the confusion is the absence of commonly accepted definitions of usual claims used by advertisers such as "environmentally friendly", "biodegradable", "natural", "ozone friendly", etc. (Paço, A. M. F. & Reis, R., 2012). Often, there is a lack of knowledge on the part of the consumers to comprehend the information that such claims are based on and although the specificity of guidelines is increasing, green product claims remain to be unclear and dubious (Newell, S.J., Goldsmith, R.E., & Banzhaf, E.J., 1998). In contrast, it is likely that the message will be ignored altogether by the consumer if it is too descriptive or technical (Paço & Reis, 2012). The difficulties associated with discovering the truth and the false in green advertising has led to an overall cynicism among consumers. This skepticism has made it tough for the actual eco-friendly firms to communicate their environmental contribution, which may hamper the growth and development of real green products. In fact, if the environmental benefits explained by the ads and labels are stopped being trusted by the consumers, the effort of employing green communication for marketing may be lost. Unconsciously, the skeptical consumer might hinder environmentally friendly products and their development (Paço & Reis, 2012).

If an advertisement is perceived as environmentally misleading or greenwashed by consumers, they perceive it as deceptive (Newell et. al, 1998). Therefore, consumers who identify an advertisement as greenwashed should perceive it as more deceptive than a neutral ad. The question is if consumers can detect the greenwashed claims. **Green or Greenwashed advertising claims** Carlson et. al (1993) categorize environmental advertising claims by dividing the claims into a matrix of 5 different types: (1) **Product-oriented**: claims with a focus on characteristics of a product (e.g., biodegradable). (2) **Process oriented**: core production methods or disposal procedures within the company (e.g., uses only recyclable materials). (3) **Image oriented**: the organization is associated with an ecological cause (e.g., dedicated to saving the trees or the oceans). (4) **Environmental fact**: describing the environment or its state at large through an independent statement (e.g., forests are being demolished). (5) **Amalgamation** of the claims above. Often, the efforts to explain the phenomenon of greenwashing differ as the term is defined in a vague and broad concept. (Delmas, M. A. & Burbano, V., 2011) define the term as 'a juncture of two organizational behaviors: poor ecological performance and communicating positively about environmental performance.

They projected a typology of organizations constructed on two dimensions: (a) environmental performance (differentiating between "green" and "brown" establishments) and (b) communication about environmental performance (differentiating between "vocal" and "silent" establishments). A typology with four cells is formed with these two dimensions. Firms that combine good ecological performance with positive communication about their environmental performance are

called vocal green firms. Firms who have good environmental performance but do not communicate about it are called silent green organizations. Firms that combine poor ecological performance with positive communication regarding their environmental performance And organizations that combine bad environmental performance with positive communication are greenwashing organizations. The final category is of silent brown organizations which have poor environmental performance and make no communication regarding their ecological performance.

In their report titled "The Drivers of Green Washing", Magali A. Delmas and Vanessa Cuerel Burbano proposed that occurrence of greenwashing has risen steeply in recent years; firms have been increasingly combining poor environmental performance and practices with positive communication about their environmental performance.

Consumer and investor's confidence in ecologically responsible organizations and green products can be deeply affected negatively because of greenwashing; leading to stakeholder's reluctance to reward organizations for their eco-friendly performance. In turn, the incentives to engage in ecologically detrimental behavior by the firms' increases, which generate negative externalities and hence affect social welfare negatively.

4. Why companies use greenwashed advertisement

According to Delmas and Burbano (2011), there are primarily four fundamental reasons why firms choose to engage in greenwashing: The character of the firm: Greenwashing is strongly driven by customers' and competitors' expectations to positively emphasize their environmental performance. For instance, more than the service industry, there's a greater pressure on consumer products from consumers to follow environmentally friendly practices and green marketing is much more recurrent here. Ethical climate and incentive structure: Large financial goals often lead managers to indulge in unethical practices to achieve them. So, a company's willingness to engage in unscrupulous practices for profits and enhancing their environmental standing is greatly impacted by the firm and the industry's ethical climate.

Organizational inertia: New environmental targets and measures are set up by managers and marketing experts, and companies are painted as 'green' much before these requisites are met. Particularly in large older firms, because of the organizational inertia, operational changes are difficult despite the promises.

Business's internal communication and its effectiveness: Different departments of a company often communicate poorly or sub-optimally. Many times, a well-developed strategy for green marketing by certain superiors or an outside marketing firm is not aligned with the objectives or resources of other parts of the organization. Often, inertia in the organization is associated with this factor.

5. Purpose of the study

To identify the sectors where greenwashing is most rampant from the consumer's perspective. To analyze the consumer's perception of greenwashing tactics. To identify the reasons for greenwashing by brands from the consumer's perspective. To analyze consumer loyalty and trust build up towards green claiming brands.

6. Research Methodology

The convenience sampling was used by the researcher in selecting the sample from the target population. A sample size of 150 was chosen for the study. The respondents comprised of individuals across different age group and professions in Delhi NCR. A structured questionnaire was used to obtain relevant primary data which was mailed to respondents. The questionnaire was constructed using a 5-point rating scale and consisted of 15 questions. The questionnaire contained various aspects of greenwashing advertisement and the primary focus is the consumer's perception of greenwashing and its communication. Personal interviews and observations were also made for further clarification. SPSS statistics was used to perform the necessary analysis of the data. Bar graphs, tables, and charts have been used to present the data. Further analysis was carried out by calculating the Mean Scores and performing Cross Tabulations with the help of SPSS.

7. Data Analysis and interpretations

Table1: Respondents profile		Frequency
Gender	Female	84
	Male	66
Age	Below 20	13
	20-30	73
	30-40	47
	40 and above	17
Occupation	Self-employed	48
	Service	55
	Homemaker	17
	Student	30
Annual Income	Less than 5 Lakh	49
	5-10 Lakh	58
	10-15 Lakh	19
	More than 15 Lakh	24
Green User	Yes	62
	No	88

Out of the total respondents, 55.7% were female and 44.3% were male. 48.6% are in the age group 21-30, 31.4% are in between 31-40, 11.4% are 40 and above and 8.6% are below the age of 20. 37% are in service, 31.4% are self-employed, 20% are students and 11.4% are a homemaker. 38.6% have their annual income between 5-10 lac, 32.9% have less than 5 lacs, 15.7% have income 15 lac and above

and 12.9% have income between 10-15 lac. 58.6% of them consider themselves green users while 41.4% do not consider themselves green users.

Reasons for buying green products	Frequency
I think Green products are relevant to my shopping needs	68
I am aware of Green products	66
Easy availability of the Green products	58
The wide variety of Green products	39
I trust Green-product claims	44
I think Green products are of superior quality	49
Value for money	44

Out of the total 150 respondents, 62 are green product users. Further, 78.1% of the users cited 'value for money' and 75% cited 'I think green products are of superior quality' as the primary reasons they go for green products. Other key reasons for opting for green products are 'I trust green-product claims' (65.6%), 'awareness of green products' (56.3%), 'relevance of green products to the shopping needs' and 'easy availability of green products' (50%).

Reasons for not buying Green Products	Frequency
Don't think Green products are relevant to shopping needs	56
I am unaware of Green products	24
Don't know where to find Green products	66
Feel there are not enough Green product options	60
Don't trust Green-product claims	38
I think Green products are of lesser quality	26
I think Green products are too expensive	47

Out of the total 150 respondents, 88 denied being green users. Further, 75.6% of the non-users cited 'don't trust green-product' claims as the chief reason for not buying green products. The next key reason is 'not enough green options' (68.3%) followed by 'I think green products are too expensive' (63.4%). Other reasons for not buying green products are 'don't think green products are relevant to the shopping needs' (53.7%), 'don't know where to find green products' (43.9%) and 'unawareness of green products' (29.3%)

Sectors where the greenwashing concept is more rampant according to consumer	Frequency
Agriculture	49
Automobile	116

Beauty products/Cosmetics	99
Clothing	56
Electronics	94
Food/Beverage	56
Financial Services	28
Government	36
Healthcare	88
Industrial manufacturing	112
Utility goods	77

From the data collected, the most rampant sector engaged in greenwashing as per the consumer's perspective is 'automobiles' with 116 respondents (77.1%) opting for it which is closely followed by 'industrial manufacturing' with 112(74.3%) responses. The other sectors are 'beauty products/cosmetics' with 99 (65.7%) responses, 'electronics' at 94(62.9%), 'healthcare' (58.6%), 'utility goods' (51.4%), clothing and foods/beverages (37.1%), agriculture (32.9%), 'government' (24.3%) and lastly 'financial services (18.6%). It is evident from the study that consumers perceive automobiles and industrial manufacturing as sectors which mislead them the most regarding their green claims and have the highest probability of engaging in greenwashing.

The data obtained from the questionnaire meets the reliability standards. Cronbach's Alpha value gained is 0.729 and the minimum acceptable value for the reliability of data is 0.7.

Tactics perceived by the consumers	Mean	Std. Deviation
Fluffy language(Words or terms with 2 clear meaning e.g. eco- friendly)	1.63	0.783
Green product vs. dirty company(Such as efficient light bulbs made in a factory that pollutes rivers.)	2.04	0.751
Suggestive pictures(Green images that indicate an (unjustified) green impact (e.g. flowers blooming from exhaust pipes).	1.96	0.824
Emphasizing one tiny green attribute when everything else is not green	2.03	0.701
Declaring they are slightly greener than the rest, even if the rest are pretty terrible.	2.06	0.883
Greening a dangerous product (e.g. Cigarettes)	2	0.722
Use of scientific words	1.83	0.722
It could be right, but there is no evidence	2.37	0.951
Totally fabricated claims or data.	2.56	1.03

The most commonly used greenwashing communication tactic as perceived by the consumers is 'fluffy language' with a mean score of 1.63. The second place is occupied by 'use of scientific words' with a mean score of 1.83 followed

by 'suggestive pictures' with a mean score of 1.96. Other greenwashing tactics used by the companies and their mean scores are 'greening a dangerous product' (2.00), 'emphasizing one tiny green attribute when everything else is not green' (2.03), 'green product vs dirty company' (2.04), 'declaring they are slightly greener than the rest even if rest is pretty terrible' (2.06), 'totally fabricated claims or data' (2.56) and 'no evidence' (2.37)

	Mean	Std. Deviation
To Increase brand credibility	1.63	0.685
To Improve company or brand image	1.94	0.657
Competitive advantage	2.27	0.588
Employee satisfaction, morale, retention	2.47	0.829
Product, service or market innovation	2.16	0.792
Business model or process innovation	2.13	0.76
New sources of revenue or cash flow	2.21	0.815
Enhanced stakeholder relations	2.8	0.987

The most common reason for the brands to engage in greenwashing as perceived by the consumers is 'to increase the brand credibility' with a mean score of 1.63. The second most important reason is 'to improve company or brand image'. Other motives and their mean scores are 'business model or process innovation' (2.13), 'product, service or market innovation' (2.16), 'new sources of revenue or cash flow' (2.21), 'competitive advantage' (2.27), 'employee satisfaction, morale, retention' (2.47), and 'enhanced stakeholder relations' (2.80)

	I will terminate any relationship between me and the company if I find the brand is engaged in Greenwashing.	Agree	Neutral	Disagree	Total
Victim of Greenwashing	Yes	22	7	8	37
	No	20	3	2	25
	Maybe	30	38	20	88
Total		72	48	30	150

Out of the 37 respondents who agreed to have been victims of greenwashing, 22 agreed that they will terminate any relationship with the company engaged in greenwashing, 7 were neutral, 8 disagreed. Out of the 25 respondents who have never been a victim of greenwashing, 20 agreed that they will terminate any relationship with the company engaged in greenwashing, 3 were neutral and 2 disagreed. The maximum number of respondents, i.e., 88 opted for 'maybe' and were unsure whether they have been victims of greenwashing. Out

of these 88 people, 30 agreed that they will terminate any relationship with the company engaged in greenwashing, 48 were neutral, 30 disagreed

		I intend to keep purchasing from the brands claiming green.			Total
		Agree	Neutral	Disagree	
Victim of Greenwashing	Yes	17	10	10	37
	No	15	4	6	25
	Maybe	48	30	10	88
Total		80	44	26	150

Interpretation: Out of the 37 respondents who agreed to have been victims of greenwashing, 17 agreed that they intend to keep purchasing from the brands claiming green, 10 were neutral and 10 disagreed. Out of the 25 respondents who have never been a victim of greenwashing, 15 agreed that they intend to keep purchasing from the brands claiming green, 4 were neutral and 6 disagreed. The maximum number of respondents, i.e., 88 opted for 'maybe' and were unsure whether they have been victims of greenwashing. Out of these 88 people, 48 agreed that they intend to keep purchasing from the brands claiming green, 30 were neutral and 10 disagreed.

8. Result and discussions

According to the consumers, the most rampant sectors where greenwashing is prevalent are 'Automobile' (77.1%), 'Industrial Manufacturing' (74.3%) and 'Beauty products/cosmetics' (65.7%). Consumers perceive usage of 'fluffy language' such as the use of words like 'eco-friendly', 'natural' as the most frequently used greenwashing communication tactic. It is followed by the use of 'scientific language', use of 'suggestive pictures' such as that of flowers blooming from an exhaust pipe or unnecessarily using the green background to falsely imply a green product or brand and 'greening a dangerous product' such as cigarettes. 'Increasing the brand credibility' is one of the major reasons why brands engage in greenwashing according to consumer perception. Portraying a brand as 'green' is supposed to make it more trustworthy and reliable. 'Improving the company or brand image', 'business or process innovation' and 'new revenues of cash flow' are other reasons consumers perceive as motivating organizations to greenwash consumers. Out of the total respondents surveyed, 25% agreed to have been greenwashed while only 16% denied being greenwashed. A majority of those surveyed, i.e., 59% were unsure whether they had been greenwashed at some point. It can be inferred that consumer awareness about greenwashing is relatively low and so they can be easily misled by the profit-hungry companies.

Irrespective of the fact whether they have been greenwashed before, a majority of the respondents were in agreement that they will terminate any relationship with the

brand if they find out about its greenwashing practices. However, the respondents show an inclination towards the brands claiming green which may lead to repeat buying behavior. It can be inferred that merely portraying a brand as green can have significant trust build up among the consumers and increase consumer loyalty.

9. Conclusion

In recent times, the number of products advertised as being green as increased enormously. Changing consumer lifestyle, growing awareness about harmful chemicals, increasing disposable incomes, proven efficacy of natural products and growing concern for the issues plaguing the environment have all led to companies trying to cash on this shift in consumer attitude. As a result, greenwashing has become rampant, as the overlap between the real business practices and what is communicated to the consumers reduces. Especially in India, a lack of proper regulatory system and compliance by the companies result in poorly researched products and misleading claims aimed at manipulating consumer.

The presence of loopholes and an almost-80-year law finally affect only one segment — consumers. Buyers often do not have enough information about such products but

nevertheless, make purchases based on advertisements and market positioning.

From the study conducted, it is inferred that consumers do have an understanding of greenwashing tactics used by the firms such as the use of words like 'herbal', 'organic' and natural but when it comes to their buying behavior, they often do not make informed choices and end up being greenwashed. 'Green' suggestive labels, pictures, words, and packaging seem attractive to the new age consumer who is inclined to buy the product.

Firms try to increase their credibility and improve brand image through the practice of greenwashing. But the truth is once the false claims are revealed, there is a greater risk of tarnishing the brand image and losing the trust built over the years among the consumers as happened with the case of Volkswagen, also leading to legal hassles. Hence, it is imperative for companies to conduct their business ethically and for the consumers to be aware and make informed purchase choices such as check if the product packaging has the full list of ingredients, take a look at what is mentioned in the company's website and that the product should be certified by an authorized government body.

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