

GREENWASHING: NEW AREA OF CORPORATE CONCERN

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ABSTRACT

Changes in behaviour on the part of consumers and stakeholders are encouraged as a result of the implementation of the Sustainable Development Goals (SDGs) and the growing number of environmental challenges. As a result, stakeholders attempt to invest in environmentally friendly businesses and initiatives, customers choose to purchase green goods rather than conventional ones, and investors prefer to interact with eco-friendly businesses. In this scenario, businesses need to immediately adjust their business strategies so that they conform to the current trend of shifting away from excessive consumption and toward environmentally responsible consumption. This procedure results in an increase in the frequency with which greenwashing is used as an unscrupulous marketing technique to showcase the company's environmental successes. This article explains green marketing, why becoming green is essential, reviews some of the reasons firms are adopting green marketing strategies and addresses some of the issues associated with green marketing .

Keywords: Greenwashing, SDGs, Eco-Friendly Businesses, Green Marketing, Business Strategies.

Introduction

Changes in behaviour on the part of consumers and stakeholders are encouraged as a result of the implementation of the Sustainable Development Goals (SDGs) and the growing number of environmental challenges. As a result, stakeholders attempt to invest in environmentally friendly businesses and initiatives, customers choose to purchase green goods rather than conventional ones, and investors prefer to interact with eco-friendly businesses (Torelli et. al 2020). In this scenario, businesses need to immediately adjust their business strategies so that they conform to the current trend of shifting away from excessive consumption and toward environmentally responsible consumption. This procedure increases the frequency with which greenwashing is used as an unscrupulous advertising technique to showcase the organization's environmental successes, as defined by Siano, Voller, and Conte (2017). Greenwashing, as defined by Siano, Voller, and Conte (2017), involves the promotion of short-term sustainable development goals despite a lack of actual eco-efficiency. "Greenwashing" is the promotion of "green" initiatives without really investing in such initiatives to mitigate their negative effects.

What is "Greenwashing"?

Due to the changing climate and its visible effects, with each passing day, the environmental concern amongst the people of Earth is rising. One of the major reasons for environmental deterioration is harmful impacts on the environment by major companies and organizations in their different forms. With alarming concern for the environment, companies are trying to make a change in their product cycle and manufacturing and are showcasing generously how they are doing their part to reduce these concerns.

But are these claims real? Sometimes yes, but sometimes the answer is No! Sometimes companies try to put a false imprint on the minds of their consumers or deliver deceptive data depicting how their products are more environmentally friendly or by which medium they are trying to bring about a change. This process is known as "greenwashing." In 1986, Jay Westerveld created the phrase "greenwashing," in the context of the "save the towel" campaign in hotels, saving hotels money on

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laundry. Most people used to get their news from broadcast media like TV, radio, and newspapers, making it impossible for them to verify the claims being made. It includes an unconfirmed claim to deceive consumers into thinking a company's products are eco-friendly when they're not.

Greenwashing and Corporate Social Responsibilities

"Greenwashing is actually in a corporation's best interest." This statement raises doubts about the sustainability of the organization. It means that greenwashing can only be beneficial for a corporation if they are successful in misleading customers. Yu et. al. (2020) investigated mechanisms by using environmental and governance data of the firms to understand the greenwashing behavior of large firms. This study found that greenwashing behavior can be controlled by institutional investors and directors by keeping the public interest in mind.

It is always advisable that a company should take an authentic sustainability journey instead of indulging in malpractice and putting their goodwill at risk. Greenwashing is a dirty exercise, and it can be a hell of a costly trip to clean the dirt. Let us see how greenwashing can damage the corporate social image of a company:

- **Increasing Consumer Skepticism:** Environment-friendly consumers constantly make a conscious effort to buy and utilize sustainable and environment-friendly goods so as to lessen their harmful influence on the environment. If consumers are deceived by companies, then it may discourage them from buying such goods. Once consumers misplace belief in a company, they may jump to the conclusion that their hard work to save the environment won't matter, as an individual can't do anything if larger organizations don't care about the cause. Akturan & Tezcan (2019) results show that greenwashing increases green skepticism, whereas green brand connections and equity decrease it and impact green skepticism and green brand connotations.
- **Damaging the Atmosphere:** Companies can get so engrossed in influencing their consumers that they are environment friendly that they can get lost in the dirt of greenwashing forgetting about the environmental concern. It may lead to serious environmental harm.
- **Fading Consumer Power and Deteriorating use of Consumers' Money:** Nobody wants to be taken advantage of when they shell out money for a service or purchase something. They are usually willing to spend extra money on it. Customers are willing to pay a premium for products they care about, especially if those products are made in an environmentally responsible manner. The last thing a consumer wants to do is spend money on a company that claims to help the environment and therefore may be charging higher prices and is just misleading them.
- **Company Reputation and Sales:** Many businesses have realized that the benefits of green cleaning do not outweigh the potential risks in a country where customers have easy access to accurate historical information. When any organization engages in greenwashing and eventually consumers get to know about it, the damage to a business name gets worse than just making an effort to have a natural friendship, to begin with.

When consumers see greenwashing, they tend to distrust the product and brand. The greatest problem for corporations is implementing steps that show care for the environment since people are less inclined to tolerate greenwashing. Green marketing includes reducing environmental consequences and pollutants, protecting the environment, and using sustainable resources (Polonsky, 2011). This involves the analysis of communication strategies and techniques designed to gain a competitive advantage over rival brands and to highlight the company's sustainability function (Hasan & Ali, 2015).

Sins of Greenwashing

Researchers at Terra Choice went through approximately 5,000 claims related to the environment by USA, Canada, and UK retailers (Dahl, 2010). They conducted a survey with 2,219 different products and found that 98% of them committed at least one of the "seven sins of greenwashing." The following acts are considered to be among the seven deadly sins:

- A covert trade-off is made when one option for reducing a product's carbon footprint (such as using plant-based ink for printing) is prioritized over another (such as recycling multiple lines).
- Sin of no proof: making claims about a product's natural ingredients without providing evidence, such as test results or independent certification. Looking for something that is constantly available without giving any explanation about the purchase of the product or furnishing proof of any certificate.

- **Vagueness:** Making vague or confusing claims for the consumer to understand. A plastic bag that says it won't rot but doesn't say when or how.
- **Irrelevant:** The natural claim is true, but it doesn't matter or help people who are looking for products that are good for the environment. Since India got rid of CFCs because of the Montreal Protocol, a company that makes refrigerators or air conditioners has a free claim on CFCs.
- **Lesser of Two Evils:** when an organisation claims a product is raw and is more expensive than other products in the same category, despite the fact that all of these products are harmful to the environment. SUVs that run on gas and cigarettes that are made from living tobacco are two examples.
- **Counterfeit Labels:** A product that uses counterfeit labels or claims to have certifications from third parties when none exist.
- **Fibbing:** In the context of environmental issues, "fibbing" refers to making false claims. For instance, there are products on the market that claim to be energy-efficient but, in reality, they do not live up to their claims.

Why Do Companies Indulge in Greenwashing?

Despite knowing the damage to company goodwill and public image, few companies still indulge in greenwashing. Greenwashing is a phenomenon that has emerged as a result of the widespread popularity of environmentally friendly goods. Bams et al. (2022) research propose an integrated framework for assessing CSR's contribution to social welfare from an institutional theory viewpoint. Strategic CSR businesses beat corporate greenwashing enterprises with regard to sustainability, controversy, emissions, and labour conditions. They achieve financial success. Nevertheless, research on how greenwashing influences customers is still in its infancy. Let us try to understand what motivates them to indulge in this dirty business.

- **Consumer Attitudes:** Consumers nowadays are aware of rapid environmental concerns and their attitudes are shifting toward green products because these brands are promoting their products as green products to grab their consumer's attention (Jong et al., 2018).
- **Consumer Belief:** Belief influences the buying behavior of consumers and also has an effect on consumer attitude. Consumer beliefs about environmentally friendly products are directly related to their buying and using the same. Companies use this green advertising to build consumer belief and attitudes toward their products to sell more of them (Braga et al., 2019).
- **Consumer Loyalty:** A good environment friendly leads to the most positive effect on its consumers. It builds an environment-friendly reputation for the company in the marketplace (Wang et al., 2020). According to the industry, an optimistic commercial image will lead to an upsurge in consumers' intent to purchase goods from that very particular company. If a company can convince consumers that they are environmentally friendly, it can build a loyal consumer base.
- **Subjective and Control Forces:** Subjective forces refer to social pressure. It can be from anyone, starting from an individual to a social group. Other than that, there is also growing pressure from control forces like the public and government for large companies to mitigate the ill impact of their activities on the environment (Marquis et al., 2016). So, to comply by these forces, a company may indulge in a showcase of environmentally friendly activities, but this leads to greenwashing practices.

This strategy is used by companies to generate extra profit. If any company markets its product as a sustainable product or an environmentally friendly product, it directly attacks consumers who are environmentally friendly, and they will buy the product in their belief to save the environment. Companies mostly put up a higher price for such products, knowing that these types of products have a loyal consumer base and will consume them irrespective of the higher price. This helps the company to earn higher revenue and profit.

Case Study: H&M Company Involved in Greenwashing

The Swedish multinational clothing-retail company Hennes & Mauritz AB is well-known for its trendy, affordable apparel for men, women, and children. There is a conflict between rapidly changing trends, the quality of products, and their influence on the environment that has led to a fad in the textile industry. "Greenwashing" is the practice of making false claims that a company's clothes are good for the environment. The growth in the number of H&M's showrooms shows how profitable and easy it is to

make cheaper clothing. At the same time, expansion comes at a significant expense to the natural world. According to Remake non-profit fashion, 80% of discarded fabrics worldwide are burned or tied up, just as 20% are recycled or reused. from the eye after the marketing of the company. In 2019, H&M unveiled its "green" clothing line entitled "Conscious." The line may seem eco-friendly at first glance, but it's actually just a marketing ploy to make them appear that way. In reality, a shell marketing strategy is used to make them look more environmentally friendly. H&M line "Conscious" motto is: "Buy our selection of solid fashion pieces that make you both feel good." In addition, popular concepts like "sustainability," "green," and "environmentally friendly" do not have a unified, official definition.

A "green" long-sleeved shirt for men from H&M is "100% natural cotton." How could it be possible that shirt that takes up to 20,000 gallons (20,000 L) of water to produce be preserved? Well, this happens as companies are legally able to escape through the process of the transparent depiction of the process. Since most advertising relies on unrestricted explanatory language, customers are free to draw their own conclusions. Therefore, consumers have to decide for themselves which company will represent their prices. That's where the dirt Well, we talk about consumers that are college students with a limited budget. Then they will select expensive, trendy clothing that has an impact on their wallet but not the environment. Consumers consume these products as advertising makes them attractive while the truth of greenwashing practices is kept secret and hidden. H&M presents the idea that used clothing that ended up in their recycling bins was transformed into brand-new clothing. However, Elizabeth Cline, an environmentalist, claims that with less than 1% of the clothes gathered, that is not possible. Worldwide, only 25% of recycling materials end up arranging crops. In the clothing sent to H&M's, the company that handles H&M donations - states that only 35% of the collections are reused altogether.

The actions of H&M have an impact not only on the company's customers but also on the residents of the communities in which clothing is manufactured and discarded. If we see a bigger picture, almost all living things on earth are directly or indirectly affected by all types of pollution that are added to the environment. Customers are impacted as a result of the fact that shoppers who are concerned about their impact on the environment when purchasing clothing are unknowingly giving their money to a business that has misled them. If customers decide to sue the company for providing them with false information, the business will take a major hit. Examining the applications of a company like H&M could lead to unwanted expansion.

Impact on the Environment

H&M adversely affects the environment as participants who are often excluded, people living in areas affected by landslides and other related activities, suffer greatly due to this. This is due to the fact that their lack of access to basic necessities like water has a negative impact on their health. More pollution is caused by the fast fashion industry and the textile industry in general than is caused by the clothes themselves when they are discarded. "Dyeing cloth is the second largest water pollution in the world" and the water required to manufacture a single cotton shirt "is enough for one person to drink for two and a half years". Besides humans, other organisms and plant life are also impacted. The consumers and people living in areas where clothing is discarded and manufactured are affected by H&M's actions. If we see a bigger picture, almost all living things on earth are directly or indirectly affected by all types of pollution that are added to the environment. Consumers who make purchases based on their concern for the environment may be contributing to a company's fraudulent practices. The company will take a major hit if consumers decide to sue it for providing false information and damaging the brand's reputation.

Although there has been some damage caused by rapid fashion, H&M says nothing about it. Of course, they are not responsible for caring for the earth. Every person's opinion matters to the businesses that are directly responsible for environmental damage because they are consumers. Consumers need to have a greater awareness of the ethics behind the fashion items they purchase in order to combat this issue, as the social sustainability of the industry is dependent on it.

Conclusion

In this newly developing and rapidly expanding market for environmentally friendly products and services, some organizations are truly environmentally conscious. The newly developed categorization of greenwashing might safeguard assertions that are not supported by evidence and protect these genuine ecologically conscious businesses. Critics of the increasingly popular concept of corporate social responsibility (CSR) argue that companies tend to prioritise the more visible CSR initiatives while skipping off on the less visible ones. This is done so that companies may use CSR as a publicity stunt (Wu et al.,2020). Greenwashing is a common term that refers to the practise of companies emphasising

things that can be seen while ignoring ones that cannot. There are two distinct categories of businesses to take into account here: companies whose main motivation is to maximize their profits, and socially responsible businesses, which are not only driven by a desire to maximize their profits, but also by a real concern for the common good. In this study, we investigate how the strategies of a company and the general welfare of society are impacted by the openness of information, and we find both the good and the bad elements of greenwashing. A lack of transparency creates an incentive for a company that is motivated by profits to participate in greenwashing by noticeable investment. Greenwashing discourages customers from making well-informed purchasing choices, although it does increase total expenditure on CSR. Greater transparency that is sufficiently high puts an end to greenwashing and has the potential to inspire a socially responsible company to make more visible investments in the face of the possibility that a profit-driven company may engage in greenwashing. However, the value of this additional investment will decline as the level of openness continues to improve.

For future study, we suggest the development of methods to quantify the extent to which businesses engage in greenwashing. Further studies can be done to investigate the impact of financial limitations placed on businesses as well as the negotiating power of customers: Both raising the size of the budget and the negotiating power of consumers might potentially result in a worsening of the socio-economic situation.

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