

SPOT AND STOP GREEN WASHING¹

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Abstract

Several studies have reported the willingness of consumers to pay a premium for green products. By adopting green practises, the firm not only are opening a market for environment lovers, but also arouse a sort of public sentiment among the existing consumers, which can help in creating generating positive cash flows. However, given the circumstances, we cannot accept all environmental claims made by firms at face value. There have been a lot of instances where firms have been using the concept of “green” with an intention to mislead the customers. They seem to have been emphasizing on the green label as a method to build a false brand image. This is known as “green washing”. Going by the literature, there is no dearth of studies which have examined the antecedents of green purchase behaviour. However, to the best of our knowledge, studies on green washing practises followed by firms and its impact on the economy seem to have been highly ignored. Accordingly this study focuses on examining the impact of green washing on the economy. Further we also evaluate the reason why firms tend to go behind green washing and suggest ways to curb this tendency.

Key words: *Green washing, Eye washing, Stakeholder perception, Green labelling, Brand image.*

Introduction

Going green seems to have become a ‘*success manthra*’ for many organizations. Further, they also have realised that showcasing environmentally responsible practises can bring laurels and recognition. However, it is to be noted that people nowadays are not ready to accept these statements at face value. They raise questions and/or like to verify the claims highlighted by the eco-friendly organizations.

Green washing as a concept had been in existence since 1986. It refers to the deceptive strategy played by the companies, and claims themselves as environmentally responsible entities, thus misleading the consumers. The critics had opined that ‘green-washing’ is a socially and environmentally destructive phenomenon. As a result consumers find it very difficult to understand and choose organic products against those who use a green curtain to cover up the hidden motives. Informed customers must be able to discriminate between the truth and the lies (Delmas and Burbano, 2011). Even though literature on the antecedents of green purchase behaviour is rich, to the best of our knowledge, studies on green washing and its impact on the economy seem to be limited. Accordingly, this paper aims to address the following questions (i) what is the impact of green-washing on the economy, (ii) what are common green washing practises followed by organizations, and (iii) what drives organizations to follow green washing practises and how to prevent it.

The rest of the paper is divided into five sections. The meaning and objective of green washing is discussed in the first section. The impact of green-washing on the economy is highlighted in the second section. The reasons why organizations follow green washing practises are reported in the third section. The last section describes the techniques to prevent the green washing practises.

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II. What is green washing?

A false or incorrect impression or misleading information provided by the company about the environment sound nature of their company, practices, product and services, is called greenwashing. In other words, these companies make claims about their products or practises as environment friendly, sustainable, made from recycled materials, chemical free, energy saving benefits, etc. Though somewhat true these claims are exaggerated to mislead consumers. It is derived from the term “Whitewashing” as the companies spread scandalous information to cover up their actual bad behaviours by biased presentation of data. It is a blend of two terms ‘green’ and ‘whitewashing’; which denotes a practise of exaggerating or overselling green characteristics of a product. Green washing is widely recognised as term that describes the practice of making unsubstantiated or overblown claims like sustainability or environment friendly for the purpose of gaining market share (TerraChoice, 2010).

Consumers willing to buy goods and services from environmental friendly are often misled by false and misleading advertisements (Kahle & Lynn, 2014). Greenwashing provides consumers and policy makers an impression that company is taking adequate steps to manage or minimize its ecological footprint. It is an acts as a smoke screen by promoting unproved environment friendly practices, products and services through the means of branding, mislabelling, packaging and public relations (Seele & Gatti, 2017).

A firm involved in greenwashing performs poorly to issues requiring conservation of environment, also poorly communicates their environmental conservation messages. A firm can be either green or brown. Brown firms are those firms who have no green initiatives but either remains silent and let public find out their faults or the company make claims that are false intentionally to mask their wrongdoings (Lyon & Montgomery, 2015). On the other hand, green firms do involve in some form to support the eco-friendly initiatives.

II.I Difference between green marketing and green washing

The objective of both Green Marketing and Greenwashing is to educate consumers regarding how companies maintain their eco-friendly measures. However, these two strategies are entirely different. Green Marketing consists of activities designed to facilitate interaction between human needs and their minimal detrimental impact on the nature (Polonsky, 1994). While green washing refers to a deceptive strategy adopted by organizations to claim themselves as eco-friendly organizations.

III. What is the impact of green washing on economy?

Green washing has an impact on brand attitude but not on the symbolic brand value. The strength of customer loyalty can overshadow the negative effect of green washing. However, consumers lose their confidence in green labelled goods and services after experiencing greenwashing and they find it difficult to differentiate between truly green and green advertised products (Delmas & Burbano, 2011). On one hand it acts as a marketing tactic while on other hand it motivates and encourages practices which can hurt the environment.

People need products that are better for environment but they are doubtful about the accuracy of the messages communicated by the companies. Thus leading to asymmetric information i.e. in an economic transaction; one party will have more information compared to another thereby leading to making poorer decision by one who has less information. From the perspective of business, the demand for products that are environmentally sensitive is increasing, but communication of messages in an accurate and credible manner is challenging. Greenwashing creates negative word of mouth leading to a loss of long term relationship (Kermer, 2017). Companies who do such unethical means to make their balance sheet better made a culture, and seem to have been followed by other new companies creating an industry wide illusion of environment sustainability, thus encouraging the consumers to use product which further increases environmental degradation, thereby degrading the quality of living conditions of future generation (Davis, 1992).

Consumer attention is deviated from efforts to help protect environment by putting their purchasing habits with a green sheen, thereby creating a halo effect. It can lead consumers to stop and move away from environment protection efforts and may lead to more pressure on companies to be stewards of environment . Greenwashing done by competitors can hurt other companies in same industry that are not involved in greenwashing practices (Kumar, 2013).

When consumers detect greenwashing, whether real or perceived one, they stop buying those company products thus decreasing the sales of the company. Similarly, when NGO's detect greenwashing, they launch negative campaigns against these firms. From the regulatory side, on receipt of the information regarding the greenwashing practices, they validate the claim and if found deceptive charge fines to those companies.

Greenwashing is a barrier towards development of a sustainable economy. This makes people sceptical about legitimate environmental initiatives taken by companies thereby slowing down sustainability efforts (Furlow,2010).

IV. Why organizations go behind green washing?

The growing momentum of environment movements and the increasing demand for environment sound (recyclable, less wastage of natural resources, chemical free, healthy, natural) products have led companies to do greenwashing so as to gain an edge and capitalize the increasing demand in the market. Greenwashing is a "mask" to cover up the unsustainable corporate policies and agendas and their environmental wrongdoings. These claims help them to increase their sales expand their market and power by claiming to be friends of environment and also to avoid regulation (Dahl, 2010). By resorting these practises, firm aims to build better brand image, positive public relations, and competitive advantage over a firm that does not care or create harm to environment.

The change of consumer lifestyle, increasing awareness regarding harmful chemicals, increase in disposable income, proven efficacy of products that are natural and growing concern in environmental issues have brought about a change in consumer attitude. The huge demand for green products have made companies to presume to be greener than what they really are and provide products and services (Dhal ,2010; Laufer, 2003).

V. How to stop green washing?

Consumers spend their money only when it meets their expectations. People who have concern about environment will not look for products that are from a company that they feel to be greenwashing. Consumers can also involve in initiatives that speak against greenwashing, thus promoting the companies to effectively making public disclosures (Parguel et al 2015).

(a) Claims must be measurable : Companies need to provide claims that meet the standards and are measurable. Companies need to make sure that they do initiatives in the right way as per the standards and communicate these efforts in an accurate, clean and quantifiable manner to get consumer trust, which is very important and difficult to attain (Zhang et al 2018).

(b) Role of Non-Governmental Organizations (NGO) : To curb green washing NGO have also started playing an active role. NGO support and help companies to recognize issues in depth and give advices that help companies to avoid being accused of greenwashing (Falcão et al, 2020). Media also point out some incidents of greenwashing so that companies will be more careful about their communication messages (Furlow, 2010).

(c) Role of Media: The various concerns of stakeholder regarding greenwashing can be amplified using media, as they provide broad coverage on such issues that can bring about awareness in people. They also can point out some incidents of greenwashing so that companies will be more careful about their communication messages (Furlow, 2010).

V.I Check points to spot green washing

- Usage of words or terms which are too broad and do not convey the clear meaning. Eg: 100% eco-friendly product, Sustainable, Nature-friendly etc
- Exaggerating the claims. For eg: CFC-free product.
- Usage of technical words and/or jargons so consumers cannot understand easily.
- Fabricated proof- Eg: 100% protection against virus, drug approved by ABC Labs
- Underutilise the budget approved for research and development for the purpose of sustainable business practises.
- Incorporating earth tones in the packaging and make it appealing to be a healthy product. Eg: Adding more brown and/or green color in the packaging rather than making it flashy and bright.

VI. How to prevent green washing?

1. Encourage all organizations (including Small and Medium enterprises) to comply with the procedures. The process must be cost effective and quick. The information must be made available in a public domain, so consumers can verify the claims in one go. In this technological advanced world, an application for verifying the claims can be made available.
- a. For example: Corpwatch, a not for profit organization has been actively involved in educating people on information and issues related to corporate accountability of US based firms. They do keep track on organizations, evaluate the practises they do and check the authenticity of the claims made by them.
2. Voluntary disclosure of eco-friendly practises adopted by an organization must be welcomed. These must be fed into the main stream (the database which can be accessed by the public), so information are up-to date and more accurate.
3. Legal implications against greenwashing practises must be uniform for all and should be enforced.
4. Develop and publish Green washing ratio for all firms on a real time basis. Once the master database is made available, the index can be a ratio of complaints filed against the firm and the initiatives that are validated by the competent authority.
- a. *[Green Washing Index (GWI) = complaints filed against the firm/eco-friendly initiatives].*

The lower the ratio, better is the firm and vice versa. In other words, a lower GWI indicates that firm has a high regard for the environment and does not seem to resort to greenwashing practises. On the other hand, a high ratio suggest that firm orientation is to mislead the stakeholders and claiming themselves to be an eco-friendly firm. We believe that the usage and application of this Index (GWI) is far and wide. Apart from consumers, financial institutions and credit rating institutions can use this as one of the important parameters while evaluating the worthiness of the firms (clients). A cleaner and greener firm must be able to raise funds at lower cost as compared to others who just claim to be organic. By having a easy source of finance, firms with lower GWI can channelize these funds to projects which generate positive cash flows, thus ensuring production and supply of cleaner, greener and healthier products for the consumers at large. Similarly, firms which have a higher GWI, financial institutions must charge extra interest rate. This can act as a disincentive for producers who resort to green washing practises.

VII. Conclusion

Green' is a difficult word, it's vivid and robust. In this collaborative framework, companies must not only aim to raise their bottom line, but also to understand the customer's needs and be environmentally responsible. In other words, a smart organization should not focus only on economic goals, but also on environmental and social goals. Unfortunately, many firms tend to follow a deceptive strategy and paint themselves as eco-friendly units. Even though consumers seem to be aware about these tactics like "organic, natural, eco-friendly etc", they fail to make informed choices and often fall into green washing. The companies also need to realise that this mechanism will not yield super normal profits in the long run. Therefore the companies need to conduct business ethically and help consumers to make informed purchase decisions.

It the need of the hour to have stringent laws in place and must be implemented to curb the penetration of green washing practises. Without any doubt it can be stated that, Non-governmental organizations (NGOs), environmentalists and government bodies must join hands together and pro-actively come forward to put an end to such unethical practises. This unity must not be confined to any region or nation; it must be a global effort to protect the stakeholders and to reveal what is true and what is not true. In other words, an overall effort is required not to frame the future that says "Showing green is the passport to success".

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