

Impact of Green Washing on Consumers and Businesses

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Abstract. The degree to which ethical values are ingrained in an organization's culture is one of the key variables influencing its performance. In the long term, clients develop loyalty and trust toward an ethical company. However, even the biggest corporations appear to disregard these moral principles in favor of increased profiting through green washing practices. Consumers will be better able to choose real green items if they are aware of the negative effects of green washing. Additionally, it will assist the businesses by educating them on how green washing practices harm their brand's reputation and customer loyalty, ultimately leading to a decline in sales and market share.

Keywords: Corporate, Green marketing, Green washing, Ethics, and Advertising.

1 Introduction

Environmental conditions have deteriorated significantly as a result of the recent fast industrialization and globalisation. Globally, people, businesses, and governments are very concerned about this now [1]. Customers are more concerned about the things they buy and their effects on the environment, which is reflected in their purchasing patterns [1]. Manufacturers now employ eco-friendly practises in both the production process and the finished product due to the growing consumer acceptance of green products [1]. Green marketing has been regarded as the most effective method for luring a sizable population of eco-conscious consumers [2]. Developing a green mentality involves making on-going efforts to reduce the adverse effects on the environment, sometimes shallowly and other times deeply. According to research, green-washing commercials are effective at drawing in clients [2]. Many consumers choose green items because they want to live a life that allows them to make decisions that are either good for the environment or have little influence on it [2] Products and services that are not typically environmentally friendly tend to make green claims [3]. The fact that consumers cannot easily verify a company's claims about its green product offerings, even after using the goods or services, is a significant factor in favour of companies making such claims [3]. Unclarity confusion, similarity confusion, and overload confusion are the

three main types of uncertainty that green consumers typically encounter. Uncertainty perplexity occurs when a customer lacks current product information, making it challenging to assess the product.

When distinct products' similar outward appearances confuse the consumer, similarity confusion occurs. When a consumer is presented with so much pertinent information that it becomes difficult for them to choose between products, this is known as overload confusion [4]. By investing significant sums of money in promoting themselves as environmentally friendly businesses, many businesses attempt to portray themselves as being environmentally conscious. However, the truth remains that they just try to hide their negative environmental impact by selling their products as "green" goods rather than truly reducing it [4]. Customers are now less certain that advertising is a genuine form of communication [5], which makes them sceptical of advertising. The green product claims made by the businesses, cannot be supported by sufficient standardised standards and regulations. Many people continue to be unaware of the benefits of green products. To persuade customers to convert to green items will take a lot of work and time because consumers typically resist changing their purchasing habits. If a product satisfies all environmental standards but falls short of customer expectations, it loses its value. Therefore, the product needs to meet the requirements for both environmental friendliness and customer pleasure [5] The Green Gap Survey of 2008, done by the Boston College Centre for Corporate Citizenship and Cone LLC, found that 48% of consumers believe that green products have a beneficial impact on the environment and 40% of consumers favour green products [6].

2 Literature Review

[1] Analyzed the technique of "greenwashing" involves businesses making unfounded or deceptive claims about the environmental and social benefits of a given good or service, or even the firm as a whole. By investing more time, money, and effort into promoting their products as "green," rather than actually reducing their negative environmental impact, companies engage in the technique of "greenwashing," which makes them appear more environmentally friendly than they actually are. Through examination of their commercials, corporate websites, and sustainability reports, this article investigates the green marketing strategies used by a select group of corporations from the automotive, electronics, food and beverage, and personal care industries. The paper's primary goal is to gauge the amount of greenwashing by businesses and grade their environmental claims on a scale of 1 to 5. This article also conducts a cross-sector examination of their green-washing scores and links the greenwashing score with the total CSR score. The study reveals that green-washing methods are used by even businesses with good overall CSR scores. The authors also offer strategies for authorities to stop greenwashing, consumers to recognise it, and businesses to avoid it.

[2] Discussed the mediating roles of green consumer uncertainty and green perceived risk, the research investigates the impact of greenwash on green trust. Taiwanese consumers who have purchased electronics and information items in Taiwan are the study's research subject. This study uses structural equation modelling to conduct an empirical study. The findings indicate that greenwash and green trust are mutually exclusive. As a result, this study advises businesses to stop greenwashing in order to increase customer green trust. Additionally, this

study discovers that the negative association between greenwash and green trust is mediated by green consumer uncertainty and green perceived risk. Therefore, greenwash not only has a negative impact on green trust directly, but also indirectly through green consumer misunderstanding and green perceived risk. Therefore, corporations must lower their customers' green consumer uncertainty and perceived risk if they want to lessen the unfavourable relationship between greenwash and green trust.

[3] Will business operate as usual over the next ten years as the environmental impacts of the BP oil spill gradually pass into history²⁷⁰, its financial focus remaining unaltered and its commitment to CSR remaining little more than a hollow marketing gimmick? ²⁷¹ We hope not; instead, we hope that one good thing to come out of the catastrophe will be long-lasting modifications to corporate law and practise that will encourage businesses to take actual, more significant CSR initiatives. These adjustments could be as straightforward as public acceptance of the fact that corporate fiduciaries do not always need to prioritise shareholder profits above all other concerns and effective implementation of labour and environmental regulations. True transformation also needs a way to back up business claims of social responsibility, as the BP case study illustrates. This can be accomplished via conventional methods of deceptive advertising and securities fraud, as well as components of the Dodd-Frank Act, alone or in concert with the acts of private certifying companies. Instilling more social responsibility in Anglo-American companies and enabling them to go "beyond profit" is what we believe these suggestions will achieve.

[4] Due to the current legal framework's weakness as well as the lack of globally applicable norms and guidelines for environmental messaging, the practise of "green washing" is expanding. The consumer is willing to pay more for green items, but businesses must also be dependable enough to provide high-quality goods rather than engaging in greenwashing practises. It's time for businesses to incorporate sustainable development into their marketing strategies so that future generations can experience sustainable growth.

[5] Greenwashing is a practise when businesses deceive customers about their environmental performance or the environmental advantages of a commodity or service. The growing prevalence of "greenwashing" can have severe negative impacts on investors' and consumers' trust in environmentally friendly products. It is extremely difficult to mitigate greenwashing when there is little or no regulation. The article presents suggestions for managers, politicians, and NGOs to lessen the prevalence of greenwashing by examining the external (both institutional and market), organisational, and individual causes of the practise.

[6] Ecological concerns are evolving and disseminating throughout society. People are modifying their behavioural patterns as they become more environmentally conscious. Strong environmental signals are being transmitted by consumers through their purchasing habits. As a result, Green Consumerism is expanding globally. The "Eco-Marketers" are using fresh Green marketing strategies to ease the shift to a more "Green" mentality. Going green has become a marketing catchphrase. Green marketing is being adopted on a continuum. On the one side, businesses are adopting it as a holistic idea in every facet of their operations; on the other hand, many businesses are engaging in green washing, where they just use it to project an image of being more environmentally sensitive. This study provides an overview of green marketing principles, investigates various factors influencing green brand equity, examines the driving forces behind green product innovation, and assesses the viability of numerous

significant national green marketing programmes. By contrasting the Indian example with the rest of the world, we are able to identify the numerous Green Marketing potential and risks. Additionally, we connect corporate social responsibility and green marketing (CSR).

[7] This article's goal is to identify the green advertising aspects that influence buy intention literature in order to create a more straightforward and accurate model of purchase intention. This article uses the difference in purchase intentions between metro and non-metro customers to measure the impact of green advertising. It stands to reason that for the eight factors used in the current study, metro and non-metro customers had different levels of purchase intention. By looking at the theoretical underpinnings for general products and services, the conceptual framework of factors influencing customer attitude—including credibility, consumers' trust, viewers' attitudes, brand image, the media, green education, reference group influence, and perceived effectiveness of environmental behavior—is developed. The effects of these characteristics of green advertising on purchase intention and the distinction between metro and non-metro customers were measured using linear regression and the z-test method, respectively. The findings demonstrate that the dimensions of green advertising—viewers' attitudes, brand image, the media, green education, reference group influence, and perceived effectiveness of environmental behavior—develop the purchase intention, while purchase intention based on credibility and consumer trust do not differ significantly between the two regions. According to regression analysis, there is a substantial positive linear association between the variables included in the study—green advertising and purchase intention—in both regions.

[8] Swedish customers are increasingly concerned about the environment, and the market for green goods and services has grown dramatically in recent years. In numerous instances, businesses engage in "green washing," or the use of false or misleading environmental claims, in an effort to satisfy customer demand for eco-friendly products. The goal of this thesis is to evaluate how customers' perceptions of deception, attitudes toward advertisements, and purchase intentions are affected by green washed advertisements. A quantitative method and an experimental study design were used as the method. A greenwashed advertisement enhances customer purchase intentions while having no negative effects on consumer views. The desire of consumers to appear environmentally conscious appears to outweigh their willingness to evaluate the environmental promises made by businesses. There is little motivation for businesses to halt green washing if there is no effective marketing legislation or educated consumers.

[9] examined "greenwash" economic model in which a company strategically publishes environmental data, and an activist audits the corporation and fines it for only sharing the good aspects of its environmental profile. Our thorough characterization of the model's equilibria allows us to make a number of inferences concerning disclosure behaviour. By identifying a nonmonotonic relationship between a firm's anticipated environmental performance and its environmental disclosures, we explain inconsistent findings in the empirical literature. Greenwashing is discouraged by increased activist pressure, although some businesses are compelled to disclose less about their environmental performance. Environmental management systems deter companies from "greenwashing," which may be justified by public regulations encouraging companies to adopt them.

[10] Claimed that businesses that are eager to win over more customers often exaggerate their commitment to the environment in an act known as "greenwashing." Investigating customer perceptions of greenwashing practices and examining the effects on green brand trust, loyalty, and image among Indian consumers are the goals of the study. Design and methodology: The study uses a written questionnaire to gather survey information from about 500 customers across India. In order to investigate the proposed relationship between constructs impacted by greenwashing from the perspective of consumers in the Indian setting, the study used structural equation modelling (SEM). According to the survey, Indian consumers are becoming more aware of greenwashing practices, which have a detrimental effect on consumer trust in green brands and weaken their reputation and brand loyalty. Policymakers, researchers, practitioners, and managers can use the study's findings to educate Indian consumers about greenwashing practices.

3 Research Methodology & Objectives

1. Primarily, the objective of the research is to conceptually understand the term 'Green Washing' and associated difficulties with its implementation in corporate houses. (Section-IV, V & VI)
2. The Paper is also focused to elaborate further scope for Green Washing in context to organizations and consumers. (Section VII)
3. Research Methodology basically comprised of Secondary Data and is based on the purposeful reviews of the research work done in the selected domain.

4 The Difficulties with Green Washing

American environmental activist Jay Westerville coined the phrase "green washing" in 1986 [7]. The major way that green washing is spread is through ads that make false claims, omit details concerning the veracity of those claims, or do both at once (7). Green washing is a risky technique since the organisations that support it cannot demonstrate the validity of their green practices [7], which may erode consumer confidence in real green products [8]. In order to preserve a positive business image, green washing is the deliberate concealment of negative facts and projection of the positive information about products [8]. It is a purposeful action taken by businesses that includes decisions about selective information disclosure that are frequently profitable to businesses but dangerous to society. Instead of genuinely investing money in making their products more ecologically friendly, corporations that practise "green washing" try to spend enormous sums of money on selling them as green products [8]. Most consumers typically find messages about green products perplexing. Because of this misconception, the producers continue to market their goods as "green" products. The boundary between advertising green products for business profit and for social responsibility compliance is frequently blurry. The investors' trust may also be harmed by green washing. It encourages consumers to spread false information, which misleads others about the veracity of the companies' green promises [9]. Due to the mistrust fostered by these deceptive green washed marketing, consumers are unable to establish a long-term relationship with the businesses. Therefore, organizations making green claims should uphold their statements. In addition to the green claim method, some businesses have used the executional green washing

strategy, in which there is no explicit claim of greenness but certain imagery in the advertisement implies that the product is eco-friendly, such as recyclable, eco-friendly, etc. [10]. Some businesses even make an effort to draw customers' attention away from the goods and toward the social contributions they make with the money they gain from selling the product.

5 Celebrity Endorsements

Customers can typically discern the goals behind a green washing marketing, but because of their passion for nature, the visual cues in the advertisement tend to draw them to purchase the product [11]. Some businesses convince well-known celebrities to endorse their products in order to benefit from their credibility. The purpose behind this is to engage in the unethical practise of "green washing" by capitalising on the public's faith in celebrities. When green claims made by businesses are supported by well-known celebrities, they should be subject to rigorous cross-examination. Consumers put their trust in the celebrity and the firm in this case, and neither of them should be able to manipulate that trust. When consumers' confidence is diminished, it causes uncertainty and makes it challenging for them to discern between phoney and real green businesses. If such a circumstance occurs, it is extremely discouraging for real green businesses that cannot afford or do not believe in having famous people endorse their products. The relevant authorities should create strict legislation to punish both green washing corporations and celebrity endorsers who have influenced customer purchasing decisions in favour of the product they are endorsing [12].

6 Responses

According to certain studies, some knowledgeable customers use social media to call attention to these deceptive green-washed marketing. However, nothing is known about how the businesses have responded to these demands because they too utilise social media to promote their eco-friendly promises. According to the most recent environmental data, CO2 emissions and pollution levels worldwide are at a concerning level. This demonstrates that the majority of businesses utilise "green washing" as a tactic to boost their brand image and sales while avoiding putting green standards into practice. To gain a greater market share, they made exaggerated and unjustified promises about producing ecologically friendly goods and services [13]. As a result of these unfounded claims, a company by the name of Enviromedia developed the Green Washing Index to monitor environmental claims made by businesses. Many businesses are currently able to get around marketing regulations and promote their goods via green washed advertising. A 2010 poll by Terrachoice demonstrates the various ways in which a business might deceive its clients. Seven of these practises, dubbed the "seven sins of green washing," have been developed to raise consumer awareness. They discuss the sin of the hidden trade-off, in which businesses advertise their goods as "green" while focusing only on a small number of environmental characteristics and ignoring more significant environmental issues. The sin of no proof is then discussed, in which a company's claim to be environmentally friendly is not supported by any supporting data or by any outside certification. Another topic they touch on is the sin of ambiguity, which shows that their assertions are too hazy for the consumer to comprehend and interpret. They then discuss an assertion that, while true in the context of current environmental policies, is irrelevant, which

they refer to as the sin of irrelevance. The sin of choosing the lesser of two evils is then brought up, explaining why a company's claim might only be valid for that specific product category and not for the category's total impact on the environment. The assertion is then described as being completely false, which they refer to as lying. The sin of worshipping fake labels, wherein the businesses rely on false labels and authorizations from third parties, is the last topic they discuss. [14] Given that they contravene the laws governing safety and the environment, some of these immoralities should unquestionably be regarded as crimes.

7 The Way Ahead

Authorities should specify the parameters and elements of corporate green marketing. Without it, businesses will be free to engage in greenwashing practises without really breaching the law [15]. In order to determine the extent of deviation from benchmarks for green advertising and corporate codes of behaviour, the government authorities should also perform routine green audits [16]. To stop green washing, tough yet effective policies should be implemented at every level, starting with the village, tehsil, district, state, and federal levels. Consumers' general awareness must be increased so that they can tell the difference between products that have been "green washed" and those that are truly green. Due to the increased consumer awareness of green washed items, this will also discourage businesses from engaging in green washing tactics for fear of revenue loss [17]. Additionally, consumer awareness needs to be raised so that they can tell the difference between genuine green advertising and greenwashed advertising. Government officials and the media should both play a significant role in this approach [18].

Now is the time when consumers need to be adequately informed about green washing. Real and trustworthy green businesses will become less significant in the business world if green washing is allowed to continue unchecked. In order to stop this practise, authorities should concentrate on enacting strict laws [19]. Customers should independently verify the veracity of the green claims made by the businesses by comparing these claims with proofs available on Google and the businesses' websites [20]. Companies should clearly and logically describe their "green" claims, highlighting both the advantages and disadvantages of their products. They should also back up all of their environmental claims with pertinent information and certifications issued by reliable third parties [21]. A Public Private Partnership (PPP) approach can be used, in which the government and business organisations work together to develop rules and regulations that will simplify and effectively enforce environmental regulations. Organizations in charge of consumer and environmental protection should be given more authority to raise awareness among all parties involved [22]

8 Conclusion and Future scope

Due to the current legal framework's weakness as well as the lack of globally applicable norms and guidelines for environmental messaging, the practise of "green washing" is expanding. The consumer is willing to pay more for green items, but businesses must also be trustworthy enough to provide high-quality goods without engaging in green washing practises. It's time for businesses to incorporate sustainable development into their marketing strategies so that future generations can experience sustainable growth.

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