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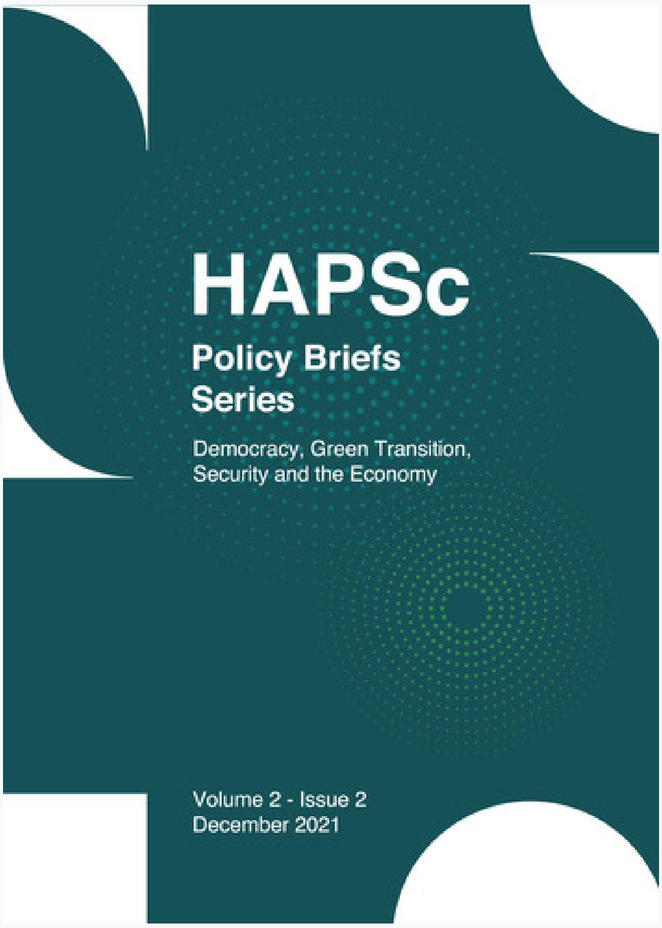

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Effects of Greenwashing on the Markets of the Western World[1]

Thessalia Mysirli[2] & Dimitra Axarli[2]

Abstract

With the beginning of the new century, more and more consumers from the western world have taken a step further towards sustainable decisions. This leads them to be conscious of the company they support and buy from. In order to keep up with consumers' expectations, some companies have decided to promote a positive image of environmental performance, yet their real environmental performance has not changed. This practice is called greenwashing. This paper aims to take a closer look at this issue by using some case studies, and to inform the reader for some of the effects the act of greenwashing has brought into the surface in the western world.

Keywords: Greenwashing; corporate social responsibility; competition.

Introduction

In the past few decades, an increase in demand for green and sustainable products and services has been observed. Companies often use claims that sound environmentally friendly, but are actually vague, and at times may be false, in order to attract those upcoming green audiences. As a result, "greenwashing" has become commonplace in our market (Furlow, 2010). A "people-planet-profit" performance evaluation has become a necessity for corporations in order to survive and thrive in their industry (de Jong et al, 2018). Greenwashing gives companies an opportunity to access the benefits of Corporate Social Responsibility (CSR) and chase a competitive advantage, while avoiding the additional costs of implementing the policy (ter Beest, 2020). This kind of strategy does not have the same positive relationship with financial performance that a true environmental commitment has and thus, it does not seem to contribute to consumers' buying interests. That is the reason why greenwashing is not an advised strategy for big corporations to follow (de Jong et al, 2018).

Additionally, after the outbreak of the COVID-19 pandemic, western consumers have started showing a preference towards more sustainable and purpose-driven choices, in fashion or energy for example. As Roberts-Islam (2020) notes, in a survey conducted by Mckisney & Company, in several western countries, the percentage of consumers who are more mindful on what they are buying - and from where - is progressively rising, and will continue to do so. But even before COVID-19, pressure for environmentally-friendly products from consumers to companies had already begun to increase and

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more than 50% of buyers are willing to give more money than usual in order to buy products from companies that do not harm the environment (de Freitas Netto et al., 2020). This will naturally create a window of opportunity for companies, where they will have to choose between a holistic and real yet slow and costly eco-friendly transition, or a pretty wrapping with an empty package.

This Policy Brief aims to raise awareness of this issue and provide the reader with several proposals to tackle it. In the first part, the explanation of two very distinct cases of greenwashing will take place. After conceiving a better understanding through those case studies, the effects of greenwashing to almost any economic and environmental sector are going to be highlighted. Lastly, there will be a small discussion on several measures each affected sector could take, in order to deal with the consequences of greenwashing – and greenwashing itself.

1. Case Studies

In order to follow a more in-depth approach to greenwashing and to really understand the effects of this issue, first of all it is only natural to take a closer look at some memorable case studies of this phenomenon over the years. Therefore, in this part of the Policy Brief, the focus will be on two main levels where greenwashing engagement can be found; the "claim" and "executional" level. According to de Freitas Netto et al. (2020), the "claim" level is where the companies are implementing greenwashing in a product level, whereas the "executional" level is about the images, words, sounds and colours a company uses in its products and advertisements. In the claim level, the focus will be on INDITEX company (ZARA, H&M etc.) and on the executional one, there will be the example of FIJI Natural Artesian Water (FIJI Water) company. By doing so, the goal is to achieve a deeper understanding of how greenwashing works in action.

Before starting, it is interesting to look at the first example of greenwashing –when the name of this phenomenon was given. According to Gallicano (2011), the concept of greenwashing was first introduced to dictionaries as a word, after Jay Westerveld -an environmental activist- realised that a policy of a certain hotel was for the residents to reuse the towels, for the sake of the environment. This caught the eye of Westerveld, since this hotel did not have a holistic approach on the protection of the environment (recycling for instance), yet in order to save some money for its own profit it called on environmental awareness. After this incident, more and more people started to take notice of this practice either to be more cautious of their decisions or to copy this hotel's approach for their own profit - and implement greenwashing policies.

The following examples will show us exactly how that phenomenon can be seen in vivo. In each case study, the focus will be on examples of greenwashing (since they followed one - or more - of the "sins" of greenwashing) and on what level the practice of greenwashing took place (claim or executional).

Claim level

The first example is the INDITEX company, which includes fast-fashion companies like ZARA and H&M. In those cases, some specific sectors named for example "Join Life" or "Conscious" have been created, where clothes are fabricated with a percentage of organic cotton, or recycled fabrics etc. There are several critiques on this approach, mainly that those companies use greenwashing techniques to appeal and deceive the customers and simultaneously have as little economic damage as possible (Cwienk, 2020).

The first two sins that can be seen, are the sin of vagueness and the sin of no proof; both H&M and ZARA, use their own labels that are recognizable from an everyday consumer ("Join Life" and "Conscious"), to indicate that the clothes from those sectors are made with a great percentage (the least 50%) of organic cotton or recycled textiles. That being said, there is a luring vagueness in those statements, since firstly each year the percentage of those materials varies and also it may drop way less than 50% (for instance, in 2020 the percentage was 16%) (Cwienk, 2020). So, the sin of vagueness is taking place and creates a great deal of confusion to the customers who are willing to support those brands even if the percentages are not precise.

Besides, the claim for organic cotton is truly very vague. Even if some percentage of the clothes from this particular collection is from organically harvested cotton, there is a great deal of other stages (dyeing, printing, sweeing) from cotton to become a piece of clothing. In the process of all these stages, much environmental damage is still taking place, without having the respective "advertisement". For example, a great percentage of global wastewater (around 20%), is caused during those in-between stages, according to the UN Environment Programme (Cwienk, 2020).

Another issue is the fact that those labels are created by the company itself. This means that it is on the company's willingness and decision whether to inform the customers about the stages that follow the harvesting of the organic cotton or not. In any case, it is much more reliable to use independent certifications rather than a company's one (Cwienk, 2020).

Another sin that can be observed in those companies, is the sin of the hidden trade-off; the only way for a fast-fashion brand to be called sustainable for real, is by taking drastic measures and not just tiny steps without any other effort. The clothing industry is highly polluting, as long as tons of clothes are found in waste every year (Müller, 2020). The production of clothing and other fast-fashion materials requires huge amounts of energy and water, a fact that cannot go hand in hand with claims of sustainability. Thus, even if organic cotton or recycled materials are used in some products, that should not overlap the truth about fast-fashion production and its levels of pollution in general (Cwienk, 2020).

It is important to understand that the effort towards an eco-friendlier approach is not an easy one. It goes without saying that the companies who are willing to do so, have to take smaller steps during this transition. Thus, it is only natural that those companies at some point of their transition may have a contradiction - a sin. But there is a difference; in that case, those companies would be more open to communicate their place of transition (for example, using a small percentage of recycling materials, but the end goal is to use 100% recycling materials, and how they are working towards that). They would be more transparent with their actions and would have nothing to hide or exaggerate. For instance, even though ZARA has made announcements for several steps towards more eco-friendly products, it seems that all of them are just statements, enough to south the stakeholders but not enough to really make the company eco-friendly. In other words, it is following the steps of greenwashing (Frost, 2019).

Executional level

An example of greenwashing on an executional level, is the FIJI Water TV Commercial: Nature's Gift. By using a soothing voice of a child and with sticking visual effects from nature (with crystal clear waters, sunlight and trees), Fiji water advertisement creates a contrast between the grey imagery of a big city and the exotic beauty of Fiji Islands. The purpose of this advertisement is to inform the viewers that Fiji water is untouched by men and is pure and healthy.

Even though this seems like the epitome of nature, it is not; it is served in plastic bottles that take years to decompose and the carbon dioxide produced for the manufacturing and the transportation is not by any means sustainable (Blue, 2018).

Many other examples could be provided to support this idea, such as General Electric and LG (de Freitas Netto et al., 2020) or Starbucks (Gallicano, 2011). This shows us just how widespread and simultaneously almost undetectable the act of greenwashing is, that affects many sectors of our lives.

2. Effects of greenwashing

Greenwashing is a “disease” that negatively affects, not only those who are incorporating this kind of strategies, but also those who revolve around their supply chains such as the customers, the competitors, the global sustainable development and even the investing capital market. The effects of the practice of greenwashing are nowadays present more than ever. Nonetheless, the empirical research on the subject (effects of greenwashing) is still primitive (de Jong et al, 2018).

From the point of view of the corporations, it is beneficial to work on a CSR portfolio (de Jong et al, 2018). This creates skepticism from the consumer's side. The public usually regards big companies as polluters that are focused on profit-maximization and not as environmentalists (De Vries et al, 2015). The multitude of vague and misleading environmental claims has caused consumers to question corporate honesty, and cry greenwashing at every turn. In addition, overuse and misuse of the "green" claims can saturate the market to the point that the greenness of the product may become meaningless to the consumer (Furlow, 2010). Moreover, if the consumer finds the claim to be unreliable, they are likely to disregard all environmental claims, thereby avoiding any product that may in fact be better for the environment (Furlow, 2010). Consumers deem a company's positive action (e.g. a cigarette production company supporting cancer research) as insincere when it conflicts with the consequences of the company's core business (producing cigarettes) (De Vries et al, 2015).

Besides the fact that greenwashing might mislead and break the trust of the consumers, a significant effect it has is that companies that bona fide have included environmental CSR policies in their strategy might lose their competitive edge (Furlow, 2010). Because of increased consumer skepticism and misleading environmental claims, companies that are trying to become more environmentally friendly might lose their competitive edge, lose the rewards and the motive to transition to their greener function. (Furlow, 2010). Competition in some industries is a significant factor that might lead a firm to greenwashing (ter Beest, 2020).

A third effect of Greenwashing is the obstacle it creates to the global sustainable transition of the markets. Most big corporations in the energy, fashion, transport, agriculture and many other sectors that are great polluters, are trying to protect their interests with the least cost. This practice, however, puts walls in front of the great issue of the past two decades for green transition towards a more sustainable way of life (de Jong et al, 2018). The European Green Deal is an effort that is left behind in action due to companies protecting their interests, as the German automotive industry does.

Last but not least, Greenwashing may negatively affect the investing capital market towards the greenwashing and dirty companies, but it might also have a negative effect towards green firms' investing (ter Beest, 2020).

3. Discussion

Greenwashing is a fact in the 21st century and some measures should be taken. The following are a few recommendations as to what the consumers, companies themselves and enforcement bodies could do to reduce the phenomenon of Greenwashing.

Consumers should look out for words like pure, natural, earth-friendly, eco-friendly, organic, green, reduced emissions, sustainable etc. as they may be deceptive. For supporting evidence, they should search on the corporate websites and sustainability reports in order to verify the green claims (Aggarwal & Kadyan, 2014).

For Companies, it is important that they be transparent and ethical, as it does pay in the long term and to communicate only significant and material environmental achievements (Aggarwal & Kadyan, 2014). To disclose not just their positive environmental impacts, but also the negative ones and to back-up all your claims with relevant data and true eco-labels and certifications as well as go for independent verification of environmental claims from credible third parties. Suspicions of corporate greenwashing are reduced by acknowledging economic motives instead of communicating environmental motives for such investments (De Vries et al, 2015).

For Regulatory and Enforcement Bodies, it is recommended that the government and private sectors cooperate to set strict regulations (Aggarwal & Kadyan, 2014). Another helpful step would be to ensure strict enforcement and compliance of regulations. The most important step enforcement bodies could take is the environment protection and consumer protection bodies to increase awareness about greenwashing among consumers, companies and marketers. Prevention is the best medicine for a 'disease' like the Greenwashing of the 21st century.

Conclusions

Summarizing, greenwashing by big corporations in the 21st century might hurt companies that are willing to make the transition, mislead consumers and break their trust and end up hurting the environment due to the fact that consumers and corporations might abandon green products and services because of a lack of trust and motives (Furlow, 2010). Since the demand has changed, it is only natural for the production to evolve as well. But even if companies decide to evolve verbally and not practically (by using the tools of greenwashing), there are still ways to spot the problem, spread the knowledge and take action.

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