Sustainable Subterfuge: How Greenwashing Hinders the Ability of Consumers to Choose Environmentally Sustainable Companies

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Abstract: *The practice of corporate greenwashing, when a company makes illegitimate claims to uphold environmentally conscious practices, has been the subject of public attention in several incidents over the past decade. Greenwashing demoralizes a consumer's green purchase intentions, and discourages consumers that may have previously intended to support companies that protect the environment. Corporations' false advertising inhibit the ability of eco-friendly companies to bring sustainable changes to the mainstream consumer market. While the public has been seen to inflict temporary backlash against corporations that have been accused of greenwashing, the financial implications of such temporary backlash have not been found to outweigh the financial gain that comes with green advertising. Without harsher restrictions on illegitimate sustainability claims, the effort to create a more environmentally conscious consumer market is obstructed.*

Keywords: greenwashing, green practice, green purchase intention, sustainability, consumer market

With the opportunity to advertise to populations worldwide comes great responsibility and obligation to legitimacy. Within the last sixty years, an inventive form of illegitimate sales technique has begun to appear in the consumer market: greenwashing. Greenwashing occurs when a company intentionally advertises environmentally conscious or sustainable efforts it does not adhere to in reality (Zhang et al. 740). As the number of known greenwashing cases continues to increase, consumers are tasked with deciding how important environmental protection is to them long-term. A large number of consumers have shown increasing concerns for climate change and green practices: "during the past decade, one of the most popular and universal issues raised has been that of sustainable development, ensuring that following generations will be able to experience the same standards of living and opportunities for growth that are currently enjoyed" (Accorsi et al. 88). As a result, today's market appears to desire eco-friendly efforts, but that does not always mean that consumer purchase intentions will be permanently influenced when an established corporation is found to have illegitimate sustainability claims. Corporations that provide goods and services through environmentally conscious means exist, but such businesses are easily overshadowed when popular corporations falsely claim to enact environmentally responsible procedures. When environmentally focused corporations are blocked from the business of green consumers, it inhibits their ability to bring eco-friendly changes to the mainstream market and hinders the general consumer's ability to support eco-friendly companies and efforts. The green practice directed marketing that many consumers find appealing comes with the obligation to ensure that the marketing provided is accurate.

The concern for environmentally conscious conduct has gained greater popularity among general consumers not just domestically, but internationally. Szabo and Webster's research study on consumer perception of environmental responsibility found "8,000 consumers in 16 countries [demonstrate] that consumers believe that environmental responsibility has become increasingly important, with 85 percent indicating that they are willing to change brands or their own behaviors to protect the environment" (722). The results of this study support the idea that most consumers' purchasing decisions can be influenced by claims of sustainable procedures, as well as a growing trend among consumers to support environmentally conscious firms. However, supporting environmentally responsible companies becomes discouraging and difficult for a consumer when false claims are made. Even though "greenwashing may benefit the company by increasing profits, it can have a negative impact on the sustainability of society as a whole" (Xiaoqian Lu et al. 3). Additionally, "greenwashing has negative externalities, as greenwashing by one brand can negatively affect consumers' willingness to purchase green products from other brands in the industry" (Lu et al. 3). The dissuasion of green purchase intentions hinders the viability of making green practices more prevalent within the general consumer market.

As greenwashing becomes more prevalent, the knowledge of such false practices can affect consumers. Upon being deceived while attempting to make informed purchasing decisions, consumers "often hold anti-corporate biases and distrust advertising, making it difficult to gain confidence in the legitimacy of green marketing" (Szabo and Webster 720). Waning confidence in the legitimacy of corporate sustainability claims discourages a consumer's enthusiasm for supporting green corporations, and thereby interferes with the efforts of environmentally focused corporations. If genuinely sustainable companies are perceived as illegitimate by consumers, unsustainable procedures will continue to dominate the consumer market. In order to better understand how greenwashing can be avoided, it is important to understand how illegitimate sustainability claims happen and the results that follow.

An incident in which illegitimate claims occur can vary in several ways. Although greenwashing can sometimes be as simple as intentionally false claims during a planned advertising campaign, Gerdien de Vries and colleagues' research supports other possible instances in which falsifications can occur. These researchers have defined that "corporate greenwashing is typically associated with a gap between rhetoric and reality" (Vries et al. 143). In some cases, a firm may not have initially had deceptive motives. The firm likely wanted to appeal to environmentally concerned consumers while failing to live up to the rhetoric created by its advertising campaigns. The presence of advertising has the ability to influence the level of skepticism a consumer has towards certain companies, such as those in industries that have been guilty of greenwashing in the past. De Vries and colleagues' studies indicate that consumers are likely to suspect hidden motives when a corporation in a historically unsustainable industry, such as oil fracking, participates in green advertising. The studies indicated consistently high levels of consumer skepticism unless said corporation expressed financial motives behind instituting green procedures (Vries et al. 152). The general consumers' skepticism is likely due to major greenwashing scandals witnessed in the past by companies such as British Petroleum (BP). As false green advertising continues to be an issue in modern advertising, reoccurring scandals contribute to instant skepticism towards most green advertising. An organization, Greenpeace, has been created to assist the public in recognizing false green advertising; however, recognizing greenwashing does not always lead to consumer action.

Some members of environmental organizations attempted to make an example out of the major energy firm's mistakes, but in doing so they have caused researchers to ask a key question: does discovered greenwashing have enough negative financial impact to prevent other companies from doing this in the future? In 2008, Greenpeace called attention to BP's greenwashing by giving the company an award for "worst greenwash" for "announcing its commitment to alternative energy sources while at the same time allocating 93% of its total investment fund to the development and extraction of fossil fuels" (Vries et al. 142-143). BP committed most of its known greenwashing during the "Beyond Petroleum" campaign, as BP released public statements and advertisements touting its commitment to reimagine energy in a more eco-friendly way. Such advertisements "evolved from outright denial to more subtle forms of propaganda, including shifting responsibility away from companies and on to consumers" (Supran and Oreskes). Their "Beyond Petroleum" campaign ran for eight years and came to a halt two years before an environmental disaster occurred in 2010 when a BP oil rig exploded, killing eleven men and spilling approximately 134 million gallons of oil into the Gulf of Mexico, according to the National Oceanic and Atmospheric Association. After this incident, BP became an example to other corporations as to how the general public would react to discovered greenwashing. In the first two months immediately after the spill, prices at BP gas stations declined approximately 2.9 cents per gallon. BP also saw an 18% decline in profit margin compared to industry standards at the time (Barrage et al.). Unfortunately, the public reaction to BP's greenwashing did not appear to have long-term effects: "consumers did 'punish' BP temporarily following the spill, but that punishment was significantly reduced by pre-spill exposure to BP advertising during the 'Beyond Petroleum' campaign years" (Frick). Some consumers appeared to boycott BP after the scandal was made public, but this temporary 18% decline in profit margin did not outweigh the profit that BP made from green advertising prior to the environmental disaster. The sheer volume of profit produced by BP's eight-year campaign before the scandal meant that companies might not be deterred from future greenwashing because "green advertising functioned as an insurance policy against the cost of an environmental disaster" (Frick). If no financial incentive is provided to deter companies from greenwashing, it will continue to happen. If the public does not begin to completely boycott companies that greenwash, then future corporations may do exactly as BP did and use the profit that comes from greenwashing campaigns as financial cushioning for future environmental scandals. Greenwashing, in cases such as BP's, is not harmful to the long-term financial stability of a large corporation, but it allows for avoidable environmental harm to go unchecked.

Although demanding more transparency from corporations is justified and necessary for protecting sustainability efforts, greenwashing can occur in different ways based on the company and supply chain. In many cases, research has shown that greenwashing can occur at the supply chain level of a firm's operations, rather than by the firm itself (Pizzetti et al. 22). In such instances, the supplier of a corporation's goods does not uphold environmentally conscious practices that comply with the corporation's green claims. Supply chain level greenwashing still poses a threat to sustainability-focused companies; however, greenwashing at the supply chain level shifts the blame for false green advertising from the corporation to its supplier.

To better understand how varying forms of greenwashing occur, Pizzetti and colleagues defined three separate types of greenwashing: direct, indirect, and vicarious greenwashing. Direct greenwashing is committed intentionally by the corporation in question. Indirect greenwashing is defined as a supplier's intentional noncompliance with promised sustainability, unknown to the company that they are supplying. Vicarious greenwashing is left as the middle ground in which a company promises sustainable practices while continuing to do business with a supplier that is not sustainable (Pizzetti et al. 22). By defining how greenwashing can be allowed to occur within a corporation's processes, researchers can better tailor their methods for encouraging an end to greenwashing to be specific to the source. Research continues to show that sustainability in manufacturing requires careful procedure by all parties involved.

Much research has begun in hopes of assessing the magnitude of greenwashing within all industries and its potentially harmful effects. Research published in 2018 focused on the negative effects greenwashing has on the general consumer's perception of green advertising. Upon conducting a study on 553 consumers, the researchers found that "greenwashing perception is negatively correlated with green purchasing intentions" (Zhang et al. 749). Zhang and colleagues' research supports the argument that greenwashing can negatively affect aconsumer's green purchase intentions and buying patterns, regardless of being prone in the past to choose companies that claim to have sustainable procedures. A reduction in green purchase intentions hinders the financial success for sustainability-focused companies. For such reasons, many environmental activists have requested more government involvement in preventing false green advertising (Ebbs and Schulze). Unfortunately, Volkswagen's recent greenwashing scandal proved that even government involvement is not a foolproof method for ending false advertising.

In September 2015, the United States Environmental Protection Agency discovered Volkswagen had committed deliberate acts to hide the environmental impact of some of their vehicles; this information was released to the American public. The company was caught intentionally cheating nitrogen oxide emission tests conducted to meet American emission requirements by installing software that lowered the emission yield temporarily during testing. Once the testing was complete, the software was disabled and allowed the vehicle's emission yield to return to the true amount it releases while in use. When the vehicles were eventually tested without the software, their nitrogen oxide emissions were found to be "at up to 40 times the permitted level. 'Noticeable' deviations between testing results and real-world use, Volkswagen says, affected 11 million vehicles worldwide" (Lane 32). Such a direct form of falsification cannot be attributed to anything other than intent to deceive consumers with complete disregard for environmental harm. Volkswagen was ordered to buy back almost five hundred thousand vehicles that were sold in the United States as well as pay 2.8 billion dollars in criminal penalties ordered by a federal judge as part of a settlement with the United States Department of Justice. Volkswagen's criminal penalty was the largest criminal fine negotiated by the United States government against an automobile manufacturer. In a settlement between Volkswagen and the Environmental Protection Agency in July 2016, the car manufacturer was ordered to provide funds to offset the extra pollution created by the vehicles in question. In using software to conceal the environmental threat certain vehicles posed, Volkswagen opened the door to a new form of greenwashing where technology is used to deceive the public (Lane 33). In cases such as Volkswagen's, government action was taken and negative consequences were enforced. The large expense of billions in fines provided a financial incentive against cheating government tests. Enforcing harsh financial penalties that either offset the profits made by greenwashing or offset the pollution could be an effective means of deterring some corporations from false green advertising.

Corporate greenwashing is a form of deceit that discourages the expansion of sustainable companies and efforts to bring environmentally conscious procedures to the market. The effort to switch the procedures of the general consumer market to more sustainable practices is hindered if consumers are unable to decipher which companies are genuine and which are falsely advertising. Greenwashing demoralizes green purchasing intentions for many consumers, who previously intended to support companies that protect the environment, and therefore lower the ability of sustainable companies to reach a larger consumer base. Environmental incentive for companies to avoid greenwashing exists, but there currently does not appear to be a harsh enough financial incentive. Although many consumers have been shown to favor companies that boast sustainable practices, there appears to be temporary backlash against companies that falsely promise sustainability. The profit that many corporations have the potential to make from green advertising has been shown to outweigh the public's temporary backlash. Without rigorous financial penalties meant to offset pollution or profit made from false green advertising, greenwashing poses more financial incentive to large corporations. Corporate greenwashing places the financial gain of a corporation before the protection of the environment. Without consumers or governments providing a financial incentive to avoid false advertising, companies will continue to do it. Expanding public awareness of greenwashing is necessary because only through consumer recognition and action will there ever be change.

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