

The Effect of Greenwashing on Brand Equity: A Conceptual Study

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ABSTRACT:

The purpose of this paper is to provide an overview and synthesis of the existing body of knowledge about greenwashing. Specifically, an analysis of the academic literature on greenwashing has been conducted, demonstrating that this topic needs to be further explored. Through the development of scientific knowledge about greenwashing, this social claim is brought to the forefront of business management studies, enabling business management to fight greenwashing and thus reduce the environmental impact of corporate activities. Studying greenwashing will contribute to reducing its frequency, thereby reducing the amount of pollution in the environment. Previously conducted studies have provided some literature based on different approaches, but they have not untangled the intellectual structure and evolution of the body of research regarding greenwashing. A comprehensive analysis of these aspects is provided in this article, as well as a closer examination of the impact of greenwashing practices on the value of green brands

KEYWORDS :Greenwashing, Green brand equity, green consumption, green products and eco-friendly business.

I. INTRODUCTION:

As environmental awareness has increased in recent years, it has led to some changes in consumers' consumption choices and patterns. Consumers' responsible behavior has created demand for a new market segment known as 'green markets', which consists of green products that are environment friendly. It was at this point that major market players recognized this opportunity and ventured into this niche market segment. Following the sudden surge in demand for green products, they were unable to meet the demand for green products. The concept of falsely claiming their product to be green through various methods is

known as greenwashing. The purpose of this study is to examine the concept of greenwashing and how it might impact brand equity.

STATEMENT OF THE PROBLEM:

In this conceptual paper, we aim to contribute to the existing research on greenwashing. In spite of the fact that there have been numerous research studies on greenwashing and green brand equity, this paper aims to provide a concise and clear explanation of green washing. There is a great significance to the present study since it brings to light greenwashing in a way that creates awareness and clear understanding. A comprehensive literature review is conducted in order to explore the concept in depth and explain it in a concrete and precise manner.

RESEARCH GAP

In the past, there have been numerous studies that have been conducted on the topic of green washing, but their focus has mostly been on analyzing the subject in combination with various other factors. It was our intention to conduct this conceptual research in order to achieve a clear theoretical understanding of greenwashing. An attempt is being made here to fill the gap in the existing theory on greenwashing by developing a conceptual study

OBJECTIVES

- To gain a deeper understanding of the greenwashing phenomenon
- To explore the importance of green brand equity in today's competitive market
- To investigate the causes of greenwashing
- To examine the effect of greenwashing on the equity of green brands

GREEN WASHING

'Greenwashing' comes from the concept of 'whitewashing,' which refers to the act of covering up, masking or camouflaging. In 1986, Jay Westerveld was the first to use the term. According to Westerveld, hotels were trying to greenwash their sustainability efforts by promoting the reuse of towels; however, in reality, they had little concern for the environment and only sought to generate profits. The term "greenwashing" describes environmental claims that are untrue, inflated, or misleading.

Green products are distinguished from conventional products by a label that specifies how they differ from them, such as their packaging or the achievement of an environmental certification. There are some products which may appear to possess green characteristics, but which are not in fact green. In greenwashing, organizations claim to be environmentally friendly, but in reality, are not meeting their environmental commitments. (Braga Junior et al., 2019) In greenwashing, organizations claim to be environmentally friendly, but in reality fail to comply. According to (de Jong et al., 2020), greenwashing is the process by which organizations attempt to gain the benefits of a green positioning without observing the corresponding behavior.

An organization that combines good environmental performance with positive communication about its environmental performance is known as a vocal green organization. It is known as silent green organizations when organizations do not communicate about their excellent environmental performance. Greenwashing refers to the practice of organizations communicating positively about their environmental performance while displaying poor environmental performance. Communicating in a manner intended to deceive stakeholders was referred to as greenwashing. (De Jong et al., 2018) Developing eco-friendly products that match or outperform conventional products is the first challenge and creating a positive perception of eco-friendly branding is the second challenge. (Avcilar&Demirgünes, 2016)

TYPES OF GREENWASHING

SELECTIVE DISCLOSURE

(Yang et al., 2020) point was that greenwashing is a type of omission in a corporation's emissions disclosure since corporations do not disclose a decrease in their carbon footprint, while they generally disclose an increase.

DECOUPLING

In the case of decoupling, companies merely claim to meet the expectations of their shareholders without actually changing their practices. In general, this occurs when an organization promotes ambitious but unsustainable projects without a sufficient number of sustainable units in the organization or adequate funding to achieve the goals of the organization

ATTENTION DEFLECTION

Deflecting the attention of stakeholders is a form of symbolic behavior designed to conceal corrupt business practices. There are a variety of communication strategies that involve selective and incorrect disclosures, such as incomplete assessments or statements that are vague and inaccurate. A second way to divert attention in CSR communication is through undefined disclosures, in which corporations highlight the importance of a product without providing any explanation

DECEPTIVE MANIPULATION

Greenwashing can also be described as deceptive handling. As such, sustainable communication implies misleading conduct in which business practices are operated deliberately to convey the impression that a company's products, goals, and/or policies are environmentally friendly

DUBIOUS AUTHORIZATIONS AND LABELS

A firm's approval of standards developed by an external party is generally considered to be greenwashing, which replaces the trustworthiness of a third-party authoriser with the firm's own rights. It is important to note, however, that authorizations at the product and company levels are intended to prevent greenwashing, but they cannot do so on their own. There have been lobbying efforts by companies to introduce an eco-labelling system or stricter labeling regulations. There is a possibility that dishonest manufacturers may attempt to fraudulently obtain eco-labels. Consequently, companies may engage in greenwashing under certain circumstances when obtaining environmental authorizations.

INEFFICIENT PUBLIC VOLUNTARY PROGRAMMES

Despite the many reasons why companies contribute to government-funded voluntary programs, their contribution alone cannot contribute to the improvement of the environment. As an example, those who contributed to the

Energy Policy Act of the Climate Leaders program developed a smaller carbon footprint than those who did not contribute, but those who contributed later did not. There is a possibility that those who joined later may have participated in greenwashing. Public voluntary programs are most effective when strict regulations are applied and fines are imposed on newcomers who fail to adhere to the standards.

CAUSES OF GREENWASHING

Businesses operating in emerging markets include state-owned enterprises (SOEs), private firms, and multinational corporations (MNCs). The role of multinational corporations in providing investment capital and technology transfer is particularly important. Although there are still policies that have negative or unintended consequences, the overall impact of multinational companies on emerging markets has been overwhelmingly positive. As one of the major positive effects of multinational corporations on host markets, they lower prices, increase product quality, and expand the range of products available to consumers. In addition, multinational companies have a significant impact on domestic firms' business practices and assist developing economies in participating in the globalization process. In spite of this, their behavior represents an implicit threat of greenwashing, since external factors cannot adequately counteract environmental threats. There is an increase in greenwashing across the globe, which raises the question as to how it can be mitigated. It is important to examine three major causes of greenwashing in order to address this issue.(Yang et al., 2020)

COMPETITIVE PRESSURE

As a matter of fact, many firms engage in greenwashing in order to make themselves appear environmentally friendly. In this regard, greenwashing is a common technique that allows institutions to gain an advantage over their competitors. In the context of the product market, firms often compete with their rivals in order to gain the favor of consumers, increase their market share, or even fight for survival. Competitive pressure is exerted on a firm via certain channels by other firms seeking to reach the same target market of consumers.

MARKET OPPORTUNITIES

There is an opportunity to identify market opportunities when a company can meet a new demand that is not being met by its competitors. As multinational companies are often producing products that serve new markets or respond to a

growing demand in their own domestic markets, there are many opportunities for MNCs to expand into new markets. Customers have become more environmentally conscious as a result of growing concerns regarding global warming. These market opportunities have often been exploited by corporations by using greenwashing

CONSUMER ATTITUDE TOWARD GREEN PRODUCTS

In general, green products are more expensive than general products. Consumers will be more likely to recognize the benefits of consuming green products if they are provided with more information about their green characteristics. This will allow customers to assess the authenticity of the product and make an informed purchase decision based on the information they receive. A consumer's experience of authentic consumption is defined as authenticity. (Li et al., 2020) Consumers are also encouraged to be more proactive and open to green consumption due to environmental issues

Greenwashing has led to customers becoming suspicious of a brand's commitment to environmental responsibility when there is growing environmental concern, leading customers to be wary of the brand's commitment to sustainability.(Ha et al., 2022) Environmental issues also encourage consumers to be more proactive and open to green consumption

CONSUMER PERCEPTION ON GREEN WASH

Consumers are also aware of greenwashing, which is the practice of misleading consumers regarding a product's green attributes. A company that engages in greenwashing claims that their products are environmentally friendly, which is not substantiated. Greenwashing may cause consumers to be confused by environmental claims and by the purchase of green products. A negative effect of greenwash on the market is that it decreases the demand for green products and makes consumers doubt their purchase. This may lead to consumers not purchasing the green product in the future. As a result of greenwash, consumers will have difficulty judging the quality of products offered by companies. A consumer who is more aware of greenwash will be more likely to perceive risk and be confused by the green claims of companies when they are more aware of greenwash.(Avcilar&Demirgünes, 2016)

GREEN BRAND EQUITY

Marketing efforts contribute to the creation of this incremental value by enhancing the

brand equity of a product. Brand equity is defined as "the added value that a particular brand imparts to a product.". Brands are distinguished from similar products that meet the same needs on a number of different levels. A brand's power is derived from the knowledge in a consumer's mind and from the experience they have gained over time. The term 'brand equity' is used to describe the assets and liabilities related to the brand name and symbol, which contribute to or detract from the value of a product or service to an organization or customer. In the context of consumer products or services, green brand equity refers to green commitments and environmental concerns associated with a brand, its name, and its symbols that add to or detract from the value provided by them. Green brand equity can be created and maintained through a number of factors, including green brand image, green trust, and green satisfaction.

EFFECT ON GREENWASH ON GREEN BRAND EQUITY

Greenwashing has been shown to negatively affect people's perception of a brand or organization, according to research on its effects on consumers and other stakeholders. It has been demonstrated that greenwashing does not have a positive effect on organizations' overall performance, and it might even be negatively impacted (de Jong et al., 2020). Companies are turning green for a variety of reasons such as legal requirements and stakeholder pressure. The company is focused on establishing a green image so as to maintain public confidence and competitiveness. Green marketing campaigns are being implemented by many firms in order to gain a significant competitive advantage. In addition to reducing the value of the brand image, greenwashing by companies creates a negative impact on brand trust.(George & Nair, 2022)

A significant impact of green marketing on brand image can be seen in spontaneous green marketing, which has a significant positive impact on brand image. Brand image is negatively impacted by mandatory green marketing. It has been shown that greenwash perception has a moderating effect on the relationship between consumption values and green trust in research on the influence of consumption values on green purchasing intentions.(Wu & Liu, 2022) Consumers have gradually come to understand the concept of greenwash, and it has gradually become a significant factor in green consumption. A greenwashing campaign may undermine the positive impact of green marketing on brand trust.

In light of the ongoing exposure of greenwash, consumers may have doubts about brands that have issued green statements in the market because they are unable to determine whether these statements are authentic.

Greenwashing impressions have an impact on the perception of a brand. It is possible that the level of influence caused by perceptions of greenwashing can have a direct negative impact on the perception of the brand. In terms of purchase intentions, greenwashing had no significant impact. Consumer perceptions may be negatively impacted by greenwashing practices. In general, consumers have not been willing to spend more money for environmentally friendly cosmetic products manufactured by companies committed to ethical business practices. Consumers are negatively affected by false claims, which generate doubt in their minds, which negatively affects green trust, purchase intention, and word-of-mouth communications. This results in greenwashing creating a short-term profit for the deceptive companies, but a downward trend in the entire green market as a whole. For both the market and consumers, this represents a loss-loss situation. It may be difficult for customers to evaluate the products of a company if the marketing is untrustworthy. Therefore, greenwashing would negatively impact an organization's reputation as a green brand.(Akturan, 2018) As a result of greenwashing, the marketing of green products would be hindered, since consumers would be skeptical of green claims. When consumers are unable to identify the credibility of green claims, greenwash may negatively affect consumer loyalty regarding environmental protection.

II. FINDINGS AND DISCUSSION

A study was conducted to examine how greenwash affects consumer brand loyalty and how moral decoupling shapes this effect. It has been demonstrated that greenwash undermines brand loyalty, and the effect is stronger at lower levels of moral decoupling. The results of our study also have practical implications. We propose that brands eliminate the detrimental practice of greenwashing in order to avoid undermining the loyalty of consumers to brands. Additionally, brands that are serious about their environmental responsibility should pay greater attention to their brand communication and the transparency of their environmental performance.(Xiao et al., 2022) Obtaining certification from a credible third party would be of great assistance in this regard. To avoid moral decoupling, government and environmental organizations could educate

consumers about the dangers of greenwashing in order to prevent moral decoupling.

III. CONCLUSION

Consumers are eager to trust green claims if greenwashing is diminishing in the market. This would improve the effectiveness of green marketing. As a means of reducing greenwash, companies need to ensure that their green claims are more reliable and transparent. As well as identifying the sources of greenwash, firms should systematically eliminate them. The removal of the sources of firms' greenwash can increase the image of their green brands and their customers' loyalty to their green brands. This will further increase the green purchase behavior of their customers. By reducing greenwashing, companies can not only increase their green brand image as well as their customers' green brand loyalty, but also increase the green purchase behavior of their customers. Businesses that are serious about enhancing their customers' green purchase behavior must lower their customers' skepticism about their greenwashing and enhance their green brand image.

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