

# **Greenwashing and Consumer Trust**

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<p>Abstract</p> <p>Greenwashing has become a big phenomenon in today's consumer society. Consumer motivations and interest in environmental friendliness are at an all-time high and they keep climbing. Sustainability has been a megatrend for the last decade, which has prompted consumers to change their mindsets as well and redirect their priorities in purchasing. This has enabled marketers to increasingly use greenwashing and thus mislead consumers to gain market share, in an increasing amount.</p> <p>The main objectives for the study were to deduct how common knowledge of greenwashing is, how common experiences of it are and how greenwashing affects consumer trust in green brands and products. The hypotheses were that greenwashing has a negative impact on consumer trust, many consumers are not aware of what greenwashing is and consumers are sceptic about companies' honesty and transparency.</p> <p>The study was conducted through an online survey shared on social media platforms. The total number of responses was 77 and the demographic group was mainly constructed of millennials and generation Z and most participants were female.</p> <p>The results suggest that greenwashing does have a negative relationship with consumer trust. The collected data suggests that while many think of sustainability and environmental friendliness as a purchasing priority, they are not aware of what greenwashing is. There was also an indication that many consumers who are aware of what greenwashing is encounter it, which suggested that it is very much present, but as many consumers lack knowledge of greenwashing, they are not able to recognize it and that consumers are sceptic about honesty in advertising.</p>		
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Tiivistelmä <p>Viherpesusta on tullut suuri ilmiö tämän päivän kulutusyhteiskunnassa. Kuluttajien motivaatio ja kiinnostus ympäristöystävällisyyteen ovat ennätysellisen korkealla ja jatkavat nousua. Kestävä kehitys on ollut megatrendi jo viimeisen vuosikymmenen, mikä on saanut kuluttajat muuttamaan myös ajattelutapojaan ja prioriteettejaan ostoksia tehdessä. Tämä on mahdollistanut markkinoijien viherpesemisen ja täten kuluttajien harhaanjohtamisen markkinaosuuden kasvattamiseksi enenevissä määrin.</p> <p>Tutkimuksen päätavoitteina oli selvittää, kuinka yleisesti kuluttajat tietävät mitä viherpesu on, kuinka yleisiä kokemukset siitä ovat, ja kuinka viherpesu vaikuttaa vihreisiin brändeihin ja tuotteisiin kohdistuvaan kuluttajaluottamukseen. Oletuksena oli, että viherpesulla on negatiivinen vaikutus kuluttajaluottamukseen, monet kuluttajat eivät ole tietoisia siitä mitä viherpesu on, ja että kuluttajat ovat skeptisiä yritysten rehellisyydestä sekä läpinäkyvyydestä.</p> <p>Tutkimus suoritettiin nettikyselyn kautta, joka jaettiin sosiaalisen median alustoilla. Vastausten koko määrä oli 77 ja demografinen ryhmä koostui pääasiassa milleniaaleista ja sukupolvi Z:sta, ja suurin osa vastaajista oli naisia.</p> <p>Tutkimuksen tuloksista voidaan päätellä, että viherpesulla on negatiivinen vaikutus kuluttajaluottamukseen. Vaikka monet priorisoivat kestävää kehitystä ja ympäristöystävällisyyttä ostoissaan, he ei eivät ole tietoisia siitä, mitä viherpesu on. Tutkimuksesta selvisi, että monet kuluttajat, jotka ovat tietoisia viherpesun määritelmästä, kuitenkin kohtaavat sitä. Viherpesu vaikuttaa siis olevan yleistä, mutta koska monilta kuluttajilta puuttuu tietämys viherpesusta, he eivät pysty tunnistamaan sitä. Johtopäätöksenä voidaan todeta, että kuluttajaluottamus on heikkoa ja kuluttajat ovat skeptisiä mainonnan rehellisyydestä.</p>		
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# 1 Introduction

## 1.1 Motivation for the research

Sustainability and eco-friendliness have been megatrends in industries throughout the globe and major topics of discussion everywhere from government summits to social media platforms to product development in the last years. These topics are quite controversial still and tend to cause a lot of discussion and raise opinions widely from both ends of the spectrum, the objectors and the pro-environment consumers. It has become very common for companies to be vocal about corporate social responsibility (CSR) and to advertise their efforts for the environment, however small they may be. This rise in awareness and interest has created a space for false and misleading advertising in the form of greenwashing, as companies try to ride the sustainability wave in order to boost their image, whether they are actually green or changing practices towards greenness or not. The question is how much greenwashing negatively affects mindsets and what the threat or possible existing experiences of it do to consumer trust towards green products and brands.

It is important for consumers to recognize greenwashing and to be able to be critical when reviewing and purchasing green products, as the risk of facing greenwashing has grown so rapidly recently. It is also important for marketers to recognize the harms of greenwashing that outweigh the pros of engaging in it and to be able to see the effect greenwashing has on the trust and scepticism of consumers. This thesis tries to provide insight on this issue.

## 1.2 Research questions and objective

The goal of this thesis is to research consumer knowledge and experience on greenwashing and the relationship between the threat of greenwashing and consumers trust in brands and companies that are green and sustainable.

Research questions:

1. How common are knowledge and experience of greenwashing?
2. How does greenwashing affect consumer trust in green brands and products?

It is expected to be found in this research that greenwashing does have a negative impact on consumer trust towards companies and products branded as green as a whole and that despite this, many consumers are unaware of what greenwashing is. It is also expected to be observed that consumers will report being distrustful of companies' honesty and transparency in the first place and that most of them will perceive sustainability as a purchasing priority despite skepticism. These assumptions are based on the emerging megatrend of sustainability in business, the rising eco-awareness of consumers and the change in consumers motivations on green and sustainable consumption, that has been emerging in the last years. (Lubin & Esty 2010.) (Hale 2018.)

### 1.3 Structure of the thesis

This thesis consists of five parts. The first two chapters are meant to provide an insight into the drivers of this thesis and background knowledge on the topic area before opening the research up more. The first chapter is the introduction. In it the motivation for choosing the thesis topic, research question and objectives and the structure of the thesis are presented. The literature review is chapter two. In any research it is crucial to understand the basics of the topic and concepts used. When conducting research on greenwashing and related marketing and consumer conception and habits, it is very important that the basic concepts of these are presented and understood, in order to be able to grasp the research results and place them in appropriate context and scale. When talking about green marketing and greenwashing, the trends and drivers in the field and the ever developing nature of consumer knowledge have to be taken into consideration and understood also. That is why these topics are dealt with in chapter two.

The third chapter is the methodology of the thesis research. This part will include three parts: the research methods, the procedure and the sample. It will explain the

approach used in the study, what measurements were used and the demographic details gathered from the survey in the final sample. After methodology, the fourth part presented will be the results. This will cover the results from the entire survey and present them. The fifth part will be the discussion, limitations and recommendations and managerial implications. It will cover whether the hypotheses presented in the beginning of the thesis were true or not and present recommendations for future research and points that should be taken into consideration when dealing with greenwashing.

After the five core points, at the end of the thesis, the references used and the appendices, such as the survey used for this research will be presented.

## **2 Literature review**

### **2.1 Introduction**

This literature review studies the concept of greenwashing, its driving forces and what it results in in terms of consumer behavior and trust. It provides a base for the hypothesis of the research and links them to existing literature and theories.

#### **2.1.1 The definition and history of greenwashing**

Greenwashing is a practice of misleading consumers used by companies. When engaging in greenwashing companies utilise advertising techniques for their products or services or falsely emphasize company level positive environmental practices, that brand them as more “green”, which in this instance means sustainable and eco-friendly, than they or their production process and raw materials actually are. This is done with misleading consumers in order to achieve more financial revenue, positive publicity and a responsible brand name. Greenwashing can be defined as an intersection of two behaviours of companies, which are poor environmental performance and positive communication on environmental performance. (Delmas & Cuerel Burbano 2011.)

Greenwashing is not a new discovery, as the phenomenon has been recognized and accepted widely since the mid-1980's, as a term describing companies practice of attempting to reach market share by making exaggerated and redundant arguments and claims of greenness, sustainability or environmental friendliness. Despite the fact that it has been used for many years now, the usage of greenwashing in advertising has drastically increased in the last few years. (Dahl 2010.) Although according to Engblom, (2013) greenwashing is not intentional on every instance it occurs. It might also be due to ignorance.

These days sustainability and ecological friendliness are considered as a whole set of activities, which includes the designing, manufacturing, packaging, transportation, storing, sales, utilisation, re-utilisation and disposal of the product, but it has not always been like this. Today's consumers are increasingly aware of what is considered to be sustainable and ecological and what is not and they are sharing this information amongst each other in increasing amounts as mouth-to-mouth information and through social media. (ibid.)

The core of the problem is the fact that there are no strict regulations on greenwashing. The mitigation of greenwashing is especially challenging in the case of limited and uncertain legislation and regulation. The explosively increasing amount of greenwashing may have severe negative effects on the confidence of consumers and business partners such as investors in green products and services and marketing and companies that are actually environmentally responsible, which makes stakeholders less willing to reward companies based on their environmentally friendly and sustainable performance. As a result of this companies have a lower threshold to engage in environmentally damaging behavior. This has been shown to give birth to negative externalities and as a result of that to increase the negative effects on social wellbeing. (Delmas & Cuerel Burbano 2011.)

Another problem with sustainable development is that even though the green awareness of consumers is increasing in a fast pace, consumers knowledge on ecological matters and the products and services, that are produced, stored and transported in a sustainable and ecological manner, and their availability globally and locally is still quite inadequate and that consumers are still making conclusions based

on emotions and pictures. (Kolppo, 2009.) This offers a perfect spot for greenwashing marketers.

Misleading and false communication must stop in order to maintain the trust of consumers and to increase it. The recent exploding increase in publicity of green media, products, services and marketing has provided advertisers and companies with too much room to interpret greenness, sustainability and eco- friendliness in a complex manner and given birth to a lack of trust. As a result of this the whole meaning of the green movement has become easy to underestimate. It is also threatening to make consumers spiral back into consumer apathy. The millennials, who are now in their twenties and thirties, are becoming a big part of the consumer group and as they have grown up in the volume of products and services in the 1990's they have learned to make decisions based on the many values of different producers and manufacturers. It is also crucial to notice that this generation is well versed in using the tools that enable them to expose false and misleading advertising on the internet and spreading information on these kinds of problems. It is also said that the millennials are the most active in this effective information spreading of misleading ads and injustices. (Ottman 2011.)

Most greenwashing happens in firm generated marketing in firm generated content (FGC). There has not been basically at all research on greenwashing in consumer generated content (CGC), which suggests that there is none. (Kumar et al. 2015.) Taking into consideration the rapid growth of CGC it is unlikely that this is true. FGC in social media creates a whole new way for companies to greenwash as when placed on social media, it has a huge impact on customer behaviour. (Kumar et al. 2015) While FGC is more visible and there is more of it, the growth of CGC in social media, for example in the form of lifestyle blogs and product placement in celebrities social media accounts, also suggests that greenwashing can be present in CGC too and as celebrity endorsements and life style blogs for example have become a very influential tool in marketing on social media, where the content is either paid for but generated by a consumer of the product or unpaid promotion of a product from one consumer to the other without affiliation to the company, it is highly likely that greenwashing in CGC has grown exponentially as well in the last few years.

Given the ground-breaking reach of social media companies the trust in social media as a marketing channel from companies has increased explosively. According to a study by Kumar et al., FGC has a positive and notable effect on the behaviour of consumers. It is shown that FGC works in a synergistic way with television and e-mail marketing. It is also found that it has a far more significant effect on experienced, tech-savvy and social media prone consumers. (Kumar et al. 2015.) Kumar et al. (2015), have studied the effect of three FGC characteristics, which are valence, receptivity and customer susceptibility, and found that while all three have a positive impact, the effect of FGC receptivity is the widest. This opens a very wide channel for companies and marketers to engage in greenwashing, as there are various channels and ways to do it. This in turn can help in masking greenwashing so that it is not obvious and easy to detect from the consumer point of view and the large amount of information thrown at consumers from all directions at the same time can lead in confusion, which again is a perfect spot for greenwashers as a confused consumer might not be able to detect greenwashing quickly or at all as they are in an information overload.

## 2.2 The effects of greenwashing

There has been research on the effect greenwashing has on the purchase intentions of consumers. Research done by Chen, Lee, Lin & Lai (2015), suggests that greenwashing connects with green brand image and green loyalty, which in the case it existed in a given case, would affect the purchase intentions of consumers purchasing green products and services in a negative manner. A negative connection between greenwashing and consumers purchase intention is relayed by the brand reputation and image of green producers and loyalty to green brand and products. (Chen et Al. 2015.) Because of this, Chen et Al. (2015) suggest that in order to boost the green purchase intention of consumers companies should dial down on the use of greenwashing and take measures to positively strengthen their green brand image in other, truthful ways.

### 2.2.1 The drivers of greenwashing

There are many different types of drivers when it comes to greenwashing. The biggest ones are external, organizational and individual drivers. Companies usually need to spend a lot less time to change their communication about greenness and environmental performance to look more positive than they would need if they were to actually make changes to transform their processes into more sustainable and green ones. The means to identify the reasons for greenwashing can be found from existing literature and studies considering management, strategy, sociology and psychology, that has information on how and what can affect individual and company behaviour when in different situations and circumstances. (Delmas&Cuere Burbano 2011.)

In the framework constructed by Delmas & Cuere Burbano in 2011, the drivers of greenwashing are divided into three levels, which are explained in the table below (See *Table 1 Greenwashing driver levels*).

<b>External</b>	<b>Organizational</b>	<b>Individual</b>
Non-market actor such as regulator and NGO and market actor such as consumer, investor and competitor originated pressures	The company's incentive structure, ethical climate inside the company, the effectiveness of intra-company communication and organizational inactivity	Narrow-decision framing, exaggerated intertemporal discounting and optimistic bias

*Table 1 Greenwashing driver levels*

The regulatory environment of today is one of the main drivers of greenwashing. The regulations considering greenwashing are incredibly lax and the enforcement of the regulations is not effective, and many times not supervised at all. Differences in greenwashing legislation between different countries and challenges when interpreting appropriate jurisdiction on practices between countries have a big effect on the uncertain regulation and legislation environment for international companies. When it comes to the biggest and most direct drivers of greenwashing regulatory context is in a very big role. This is due to the limited disciplinary consequences of greenwashing. (ibid.)

A few contributors to greenwashing are limited and defective information on companies' environmental performance and the changeability of regulatory punishments. When individual consumers make decisions in times of rising uncertainty, based on very limited and flawed information, the cognitive tendencies, for example narrow decision framing, are heightened. Regulators can take action based on the heightening of cognitive tendencies in order to increase the availability of information and to make the uncertainty about greenwashing punishments smaller. Managers can make sure that incentives are adjusted and take action to counter individual cognitive tendencies, like the one described earlier, and the drivers of greenwashing on the organization level. (ibid.)

Delmas and Cuerel Burbano (2011), suggest the following:

*“Our recommendations emphasize that a multi-stakeholder approach including managers, policymakers, and non-governmental organizations(NGOs) could be effective to reduce greenwashing in the current regulatory context by improving the transparency of firm environmental performance, by facilitating and improving knowledge about greenwashing, and by effectively aligning intra-firm structures, processes and incentives.”*

Consumer and investor demand for greener and more sustainable products, services and companies are also external market drivers. It is possible that organization level drivers may get more pronounced if they are in a loose regulatory context. This is because companies have to deal with less incentive to change and come up with new

structures and processes in order to modify organizational habits. When there are uncertain conditions or limited or lacking information, cognitive tendencies get more substantial and they have a bigger effect on the decision making of individuals. The current regulatory environment also affects to this. Regulatory context is a very influential driver of greenwashing made by companies. Different strategies between companies cannot be solely explained by institutional factors. Market external factors are drivers of greenwashing as well. Company characteristics, proposal structure and the ethical atmosphere in companies, how the intra-company communication is going, and organisational inactivity have a lot of effect in managing how companies react to the external drivers of greenwashing. Additionally, the aforementioned psychological and cognitive factors on the individual level can have an effect on the decision-making process of managers. This in turn affects the process of external drivers turning into motivation to act. The availability and trustworthiness of information on greenwashing by companies and environmental performance that is judged by different stakeholders are affected by the regulatory context that has an indirect effect on the drivers of greenwashing. regulatory context also indirectly affects the other drivers of greenwashing by being a part of an uncertain atmosphere and environment considering punishments for taking part in greenwashing. (ibid.)

### 2.3 Corporate social responsibility

*“Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable — to itself, its stakeholders, and the public” (Chen 2020).*

Corporate social responsibility is also sometimes called corporate social accountability and corporate citizenship. If a company is partaking in corporate social responsibility in their actions and processes, they are able to be aware of the affects their actions have on all aspects of society. These aspects are for example economic, social and environmental. If a company is practicing corporate social responsibility it means that in the normal course of business they are conducting their business and everything it includes in a way or ways that instead of having and causing negative

effects the society and environment, enhances the positive effects. Corporate social responsibility is a very wide concept and the way it is presented and how it works differs depending on the company and industry. Corporate social responsibility is one way through which companies can enhance society and simultaneously fortify and boost their own brand. Corporate social responsibility is as important to the companies as it is to the society and community and corporate social responsibility actions are also able to help strengthen the relationships between the company in question and its employees. The activities may be able to enhance the morale of the employees and aide everybody involved with it to become more connected to the world surrounding them and what's happening in it. If a company is striving to be socially responsible the first thing they need to be is responsible to itself and its shareholders. Many times companies that are able to utilise corporate social responsibility programs are the ones that have been able to grown their size to the level that they are able to help society without personal disadvantage and because of this corporate social responsibility is mainly a strategy used by large corporations. (ibid.)

The International Organization for Standardization, more commonly known as ISO, has published standards that the goal of which is to aide companies in implementing corporate social responsibility. The standard, ISO 26000, is voluntary and it presents guidance, unlike other ISO standards which usually give requirements. This is because the nature of corporate social responsibility is less quantitative than qualitative and thus the strict standards cannot be certified. The ISO 26000 helps understand the definition of social responsibility and guides companies and organizations on how to turn corporate social responsibility principles to effective real life actions. The ISO 26000 is meant to all different kinds of companies and organizations regardless of their size, location and industry. Many big and critical stakeholders everywhere on earth have contributed to the development of ISO 26000, which was released in 2010, and because of this the standard can be viewed as representing an international consensus. (ibid.)

Corporate social responsibility is a big and critical part of greenwashing, as if a company is truly implementing corporate social responsibility principles and succeeding in these activities and processes, they are contributing to society and the

environment positively, which means that cannot and will not partake in greenwashing, as it has negative effects on society and the environment. As corporate social responsibility is mostly a strategy used by big companies, the big companies using it might try weeding out greenwashing from their specific industries as they take a huge part of the market share. Thus, they are also giving an example to smaller and medium sized companies that it is possible to grow and thrive in business without using false and misleading activities such as greenwashing.

Battista Derchi (2017), finds that corporate social responsibility reporting correlates with the appearance of positive events in the future by using a regression analysis, that is linear, and has a fixed-effect estimator as a controlling tool for the panel linear regression analysis with a fixed- effect estimator to control for the various concerns left out.. In the case that a CSR report is produced, it does not seem to reduce future concerns, which creates a contrast. It is said that results like this are consistent with some companies documented proneness to use corporate social responsibility reports as a way to greenwash. It is also shown that the cumulated experience in CRS reporting by companies increases the appearance rate of future environmental and social strengths. (ibid.) According to a study conducted by de Jong, Huluba and Beldad (2019), using lies or half-lies, greenwashing, in advertising when compared to true green behavior, do have a negative effect on reputation. The study also suggested that the only time a desirable positive effect on company reputation is achieved, was in the case of truly green behaviour. It is also found that when senior executives' compensation contracts that are attached to the company's corporate social responsibility targets are implemented, the company's proneness to greenwash is reduced. This backs up the argument that corporate social responsibility reporting might act as an effective monitoring system. (Battista Derchi 2017.)

## 2.4 Consumer consequences of greenwashing

### 2.4.1 Consumer confusion

Consumer confusion is big problem when it comes to greenwashing. It diminishes the purchase intention of consumers while simultaneously affecting their green trust and loyalty to green products negatively.

The fact that consumers are provided with an increasing amount of information that is relevant to their purchase decisions in their purchasing environments is growing the problem continuously. Information searching has been turned into more of an obligation than an option for consumers as consumer organizations are urging consumers to shop around and search for the best deal all the time. Consumers can and are likely to get overloaded and confused by the ever-growing amount of products and services and the information attached to every single product and brand, and the overloading and confusion can in turn result in stress, frustration and bad purchase decisions from consumers. The overloading and confusion can be especially acute in purchase situations which require high involvement and complexity in which consumers have to spend more time and effort to acquire information and to think about it carefully before making the final purchase decision, thus having a higher risk to get confused and overloaded. (Vincent-Wayne & Papavassiliou 1999.)

Consumer confusion is a marketing problem in many different fields, such as computer software and multimedia, food labelling and conceptions about diet and nutrition, recycling symbols and environmental friendliness claims and games, homeopathic medicine, detergents and complaint channels in public services. Confusion can be thought of as a hygiene factor when it comes to consumer decision making; the presence of consumer confusion may result in dissatisfaction and the lack of it will not make the consumer want to purchase and it will not be a sure way to achieve satisfaction. Misuse of products is a potential outcome of confusion. This in turn may lead to consumer dissatisfaction, decrease in repeat sales and customer retention, increase in the amount of returned products, decrease in customer loyalty and weak and negative brand image. Because of this companies need to be aware of

the cause factors of consumer confusion in order to keep their business on the level it is. They also need to know the ways they can aide consumers make the choice decision clearer, which is something that needs to have obvious educational implications. Through this kind of confusion among consumers, greenwashers are benefitting and capitalising on the consumers lack of truthful knowledge about the environmental and health implications of green products. (ibid.)

The aforementioned information overload, which contributes to the consumer confusion, is a result of human beings limited ability to assimilate and process new information during a given time. The more time a consumer has to process the information the less likely confusion caused by the information overload is. Even though consumers might have very clear conditions and criteria for their purchases they can still possibly be open to or unsure about the consideration set of products and services because they can get confused when they are in contact with the purchase and choice environment. (ibid.) Vincent-Wayne & Papavassiliou (1999) who quote Jacoby (1977) say that information can defined as *“The number of purchase alternatives (brands) times the number of information dimensions presented to a subject”*. Due to this confusion can be generated not only by the growing and massive product offering but also by the increasing amount of information attached to every single product. As a result of this confusion can be seen as being born from three main sources:

- overbig offering and choice of products and services,
- the similarity of products, and
- indistinct, misleading or insufficient information that is mediated by using marketing communications.

The last section tries to underline a selection of the most critical sources of confusion that make an appearance in today’s marketplace which can have implications on the competitive advantage of a product. (ibid.)

Terms and expressions, for example the words healthy, diet, green, natural and eco, have a very highly marketable nature. They are massively useful in selling for

example food to consumers that are health-conscious, but these kind of product claims can be very misleading and inadequate when it comes to truthful information. (ibid.) Misleading product claims like this are creating consumer confusion and diminishing consumer trust and these terms and expressions are very commonly used in greenwashing and environmental claims by companies. These are used along with the colour green, which commonly creates an association in consumers' minds about actual greenness and the colour used in packaging, adds and on products.

#### 2.4.2 Consumer trust

According to Kantsperger & Kunz (2010), credibility and benevolence are crucial building blocks in creating trust in consumers and that companies should put in place systematic processes that continuously work towards furthering these two aspects.

Various different scientific fields have been interested in researching the position of trust in human relations and it has been recognized as an important aspect for many years now. There is a variety of literature available on the subject of trust in this context. According to Sæmundsson (2012), the concept of trust is fairly simple, and it is a state of uncertainty, a space placed between knowing something and not knowing it. Consumers that readily possess all the information about the matter at hand are able to make informed and rational decisions about it and thus do not need trust as they already know what is true and what is not. In turn consumers who have no information whatsoever about for example a green product, cannot have any trust and they just have to hope as they have no information to base their trust on. Consumers who are in the aforementioned middle state however are able to have trust as they have to make a decision based on a limited amount of information, but are able to evaluate choices, for example purchases, based on this information. (Sæmundsson 2012.) This is a good example of why consumer trust is so important when it comes to green marketing and dangerous when it comes to greenwashing, as consumers who trust something and are betrayed, are not likely to re-purchase and in the future they will have all the necessary information to know for a fact that the claim of greenness is fake and thus they have no need for trust and won't buy the product again.

Consumers are becoming more distrustful of ads every day and due to this rapid increase in concern over the honesty in advertising, they have become increasingly sceptical of ads and highly critical in their evaluation of ads. Consumers easily feel that they cannot put their trust in green ads, as they are sceptical if the claims of quality, especially in the sense of eco-friendliness and sustainability are actually true. This proves that consumer trust is a crucial part of successful advertising and that distorted perceptions of ads and their trustworthiness do have an impact on the readiness of consumers to purchase. (Aij & Sutikno 2015.)

The lack of trust and presence of scepticism and confusion in consumers, caused by greenwashing, has potential to create a sense of risk in consumers' minds that is associated with the products they purchase. According to Peter and Ryan (1976), risks that are perceived are associated with the consequences of making the wrong choice. According to Assael (2004), there are different types of risk groups that have been identified that have an effect on trust. They are the following:

- Financial risk: The money spent on the possibly faulty and greenwashed product related to the disposable income of the consumer making the purchase
- Social risk: The product or service does not meet the certain standards of valuable reference groups
- Psychological risk: The feeling of failure and defeat a consumer experiences after they realize they have made a mistake with a purchase or been duped for example by a greenwashed ad
- Performance risk: The purchase may not function as well as can be expected or at all
- Physical risk: The product or service might produce physical, bodily harm to the user resulting from poor product performance

The risks mentioned above are all relevant in greenwashing and related to it. All of these risks are associated with, and are relevant to, the greenwashing issue. (Aij & Sutikno 2015.) Risks perceived may have a very adverse effect on consumer trust, as

when greenwashing starts to diminish consumer trust, the risks perceived climb higher and higher and every time a consumer faces greenwashing, their green trust gets weaker and weaker. A study conducted by Aij & Sutikno in 2015 gave the following result:

*“Respondents generally felt that green ads were misleading and they were therefore sceptical about the ads. We found that variable switching intention was significant only as the consequence of green trust. Our results, therefore, confirmed that perceived consumer scepticism is the extended consequence of greenwashing and that switching intention is the consequences of green trust.”*

This confirms that consumer green trust plays a very big role in the purchase and switching intention of consumers and that greenwashing causes major problems in consumer trust as scepticism is high and the voluntariness to change products, for example from green products to normal ones, grows as a result of lack of trust and greenwashing. This is why marketing strategies need to be transparent and truthful and not greenwashed, as it helps avoid creating consumer confusion and lack of trust as both present a negative correlation between them and purchase intentions of consumers.

### **3 Methodology**

#### **3.1 Research methods**

This research is a mix of qualitative and quantitative approaches, as in the survey the data collected is both numerical and written, for example there is a question in the survey about experiences with greenwashing, where participants were asked to write out their answers as well as numerical data such as birth year and numerical measurements on trust. The combination was chosen as it offers the widest range of questions and answer types for the survey performed for this research, thus enabling

an answer pool that is as versatile as possible. This in turn lessens the possibility of unilateral answers without a possibility to use self-reported measurements in answer possibilities, which were crucial for this research to be successfully carried out and to gain the most honest answers possible from participants. The research was deductive, as it is based on existing theories and phenomena in the field of greenwashing and green marketing. There were no interviews or other research strategies used in this research, so the final sample and results are comprised wholly of the survey results and literature review.

### 3.2 Procedure

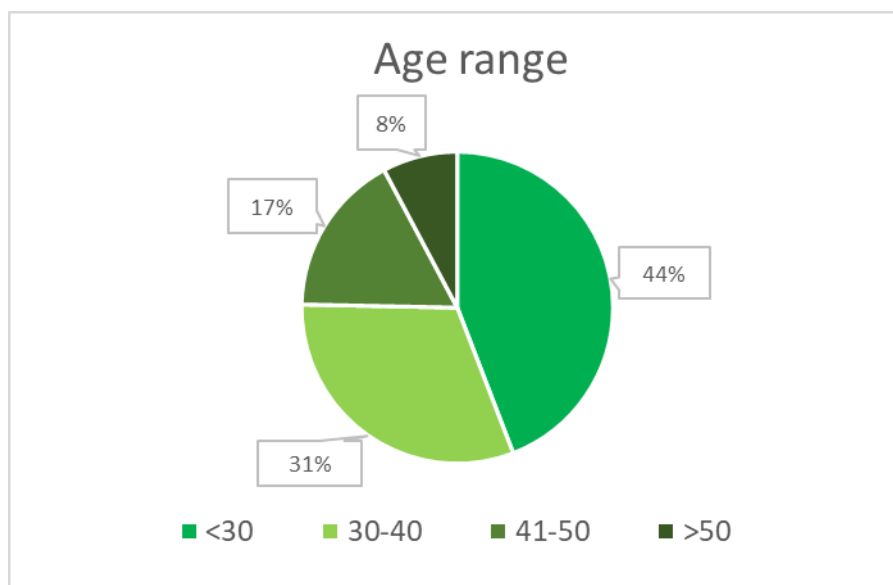
The participants were asked to take part in the study in links shared on social media and the survey was available in both Finnish and English to include an audience that is as diverse as possible. In the first four questions of the survey, the participants were asked to provide basic demographic information. These questions were about gender, year of birth, occupation and highest level of education. After these initial questions the participants had to answer eight additional questions dealing directly with the title of this thesis. The next three questions were on the topic of participants' prior knowledge and experience of greenwashing before the survey and situations where they have faced greenwashing. After these questions the participants answered five additional questions on overall attitudes towards greenness, whether greenwashing affects their willingness to purchase green products, the transparency of green advertising and overall trust in the transparency and honesty of companies. The questions were answered on self-reported measurements and the survey was anonymous.

### 3.3 Sample

The participants (77) were acquired through a survey held online. The survey platform used was Google Forms and the survey was shared as two links, one in Finnish and one in English, to ensure an answer pool as large as possible and to not exclude answers based on language. The survey links were shared on social media

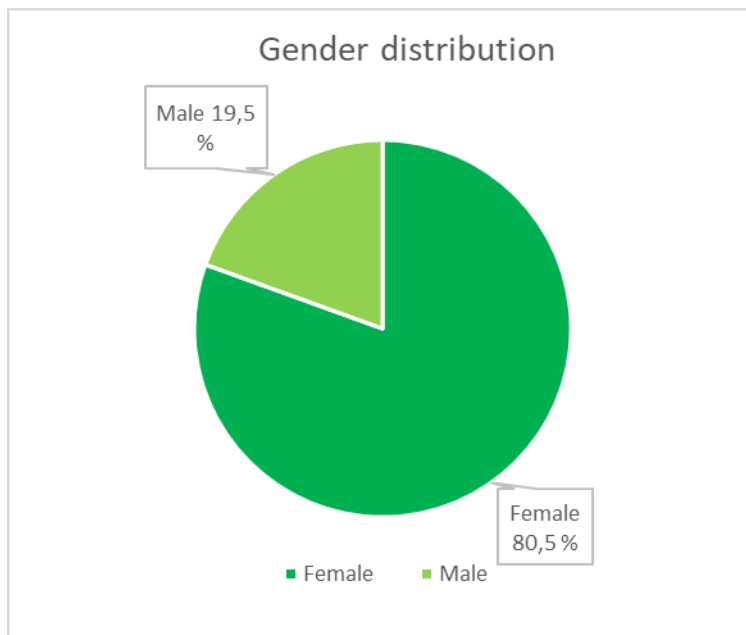
platforms (e.g. Facebook and WhatsApp). The final sample is comprised of 77 answers. Of all the answers eight were given in English and 69 in Finnish. All answers in the research survey have been taken into account and none were excluded from this analysis.

The age range of the participants (see *Figure 1 Age range of participants*) was from the year 2000 to the year 1959. Majority of the participants were 40 years old or younger, which places them in the millennial (born in the through the 1980's to mid-1990's (Millennial N.d..)) and generation Z (born from mid-1990's to the early 2000's (Generation Z N.d..)) generations.



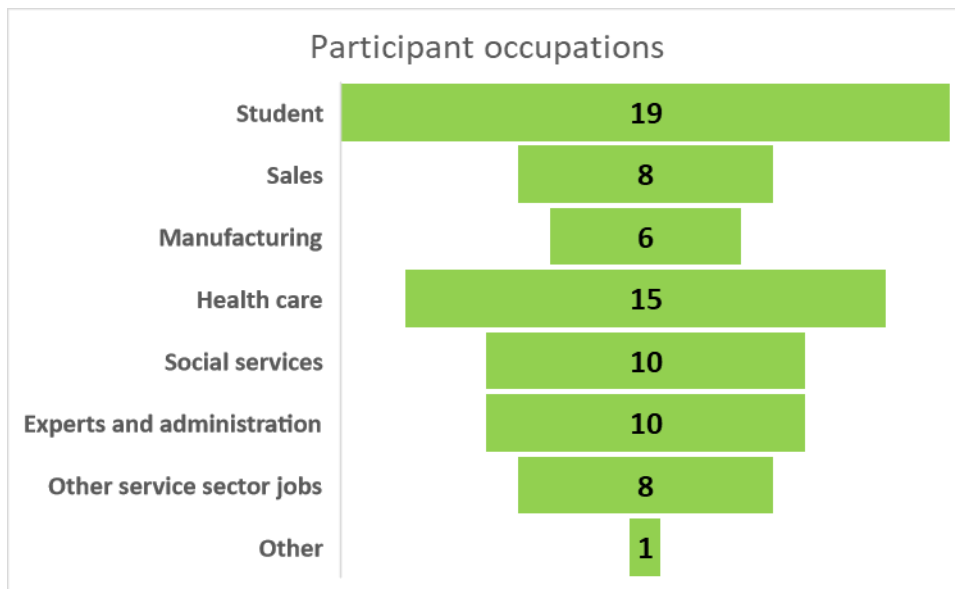
*Figure 1 Age range of participants*

The participants were given three options when asked to disclose their gender and the options were male, female and other. As can be seen in *Figure 2* below, the gender distribution was strongly female as of the 77 answers in the final sample, 80,5 per cent (62) are female and 19,5 per cent (15) are male. There were no participants who chose the option "Other".



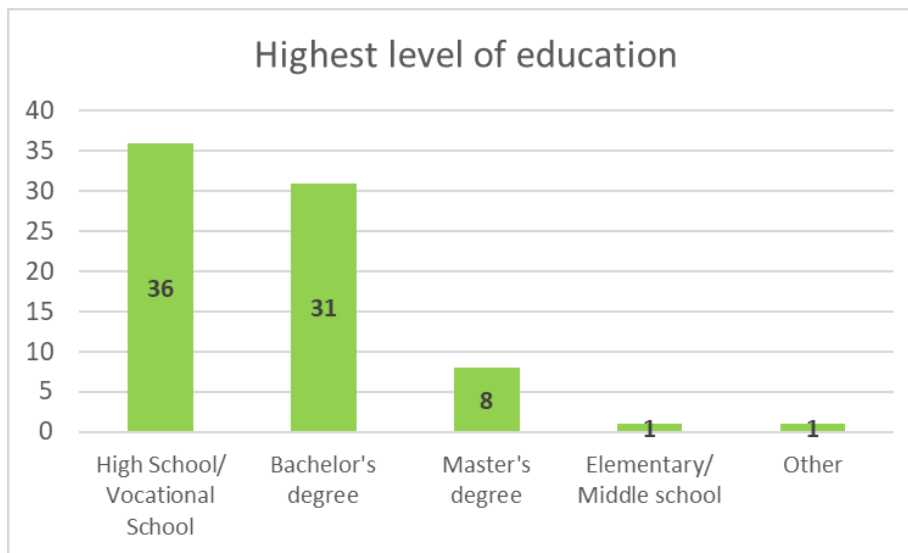
*Figure 2 Participants' gender distribution*

The participants were asked to disclose their occupation. The ones that were retired were asked to write retired and their previous occupation. The occupations were then divided into groups based on the field. The groups were the following: Students, Sales, Manufacturing, Health care, Social services, Experts and administration, Other service sector jobs and Other. Students and health care employees were by far the largest groups, with 19 (24,67 %) of all participants being students and 15 (19,48 %) health care employees. The final division can be seen below in *Figure 3 Participant occupation groups* the whole list of occupations listed by participants can be seen in the appendices (see *Appendix 3 Participant occupations*).



*Figure 3 Participant occupation groups*

As can be seen in *Figure 4 Participant education levels*, the participants highest level of education had a sizable variation. The levels presented in the survey were elementary- & Middle school, High school / Vocational School, Bachelor’s degree, Master’s degree, Doctorate, Other and No education. There were no participants that chose the “Doctorate” and “No education” options. The high number of bachelor’s level degree holders and high school or vocational school level participants can be tied to the young age ( 75 % being under 40-years old) and occupational groups (most groups requiring a vocational school or a bachelor’s level degree) of the participants.

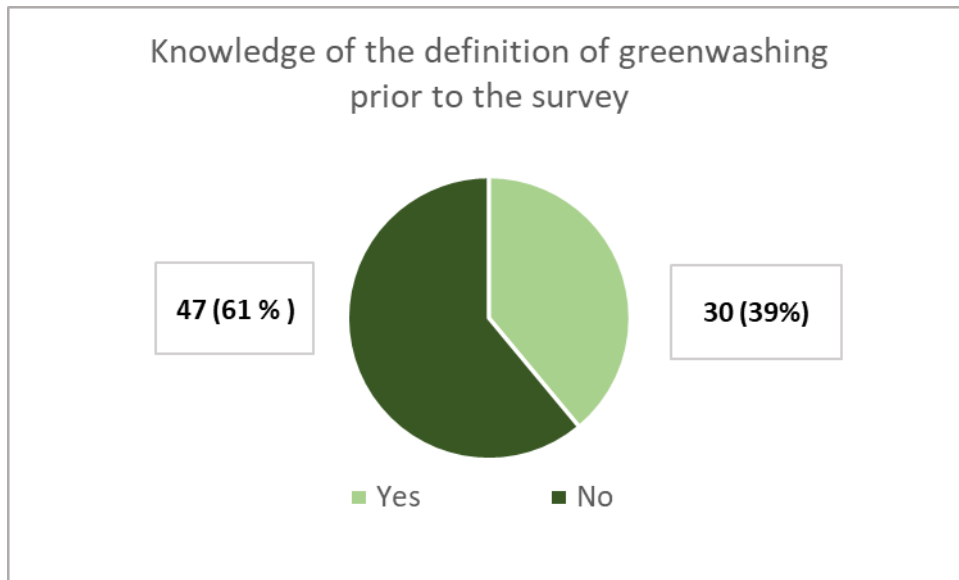


*Figure 4 Participant education levels*

## 4 Results

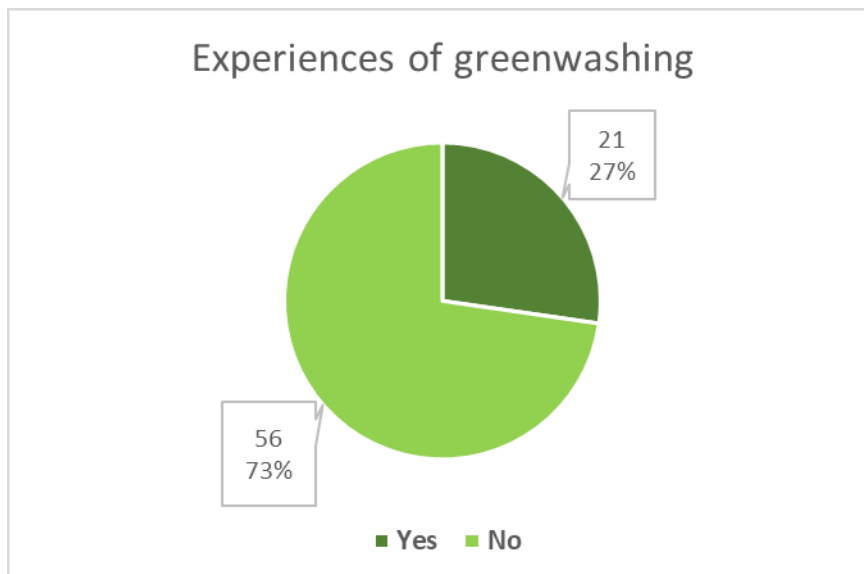
The results of the research survey from the self-reported measurement questions will be presented in this chapter.

Out of all participants (77), only 39 per cent reported as having been aware of what greenwashing is prior to taking part in the survey. A definition of greenwashing was provided in the beginning of the survey to enable the participants who were not aware of the definition to answer more accurately. The division of participants who were aware of the definition of greenwashing and who were not was big, but not overly drastic (see *Figure 5 Participants' knowledge of the definition of greenwashing*).



*Figure 5 Participants' knowledge of the definition of greenwashing*

As can be seen in the figure below, most participants have not encountered greenwashing before. 73 per cent of participants reported that they have never faced greenwashing before. The participants who had faced greenwashing before were asked to give an example in an open field where they could write out their experience. The answers provided in Finnish have been translated into English. A few examples of the experiences are listed below *Figure 6*.



*Figure 6 Previous experience of greenwashing*

*“One of the most clear examples is fast fashion H&M, which offers a coupon for a price reduction for your next purchase if you return textiles you no longer use into their stores. This of course encourages recycling, but above anything it encourages to support H&M and to buy clothes as new. “*

*“In fast fashion the customer is given the chance to recycle their old clothes, even though the current products offered by the fast fashion company are not eco-friendly. Companies producing consumer goods also have a bio/eco option, even though they produce heaps of normal, non eco-friendly products.”*

*“Hesburger: materials and information have been changed to down to earth and green tones. The colours in the restaurants have also been changed to green tones and the company advertises how the carbon footprint of their products has been credited etc., even though everybody knows how polluting the fast food business is as a whole.”*

*“Proctor and Gamble launched a line of shampoos and conditioners that claimed to be made of recycled plastic. This may have led many consumers to believe bottles were entirely made of recycled plastics. In fact. Only a small layer of the plastic bottles was made from recycled plastic and only a small fraction of the bottle was composed of recycled plastic, i.e. 10%.”*

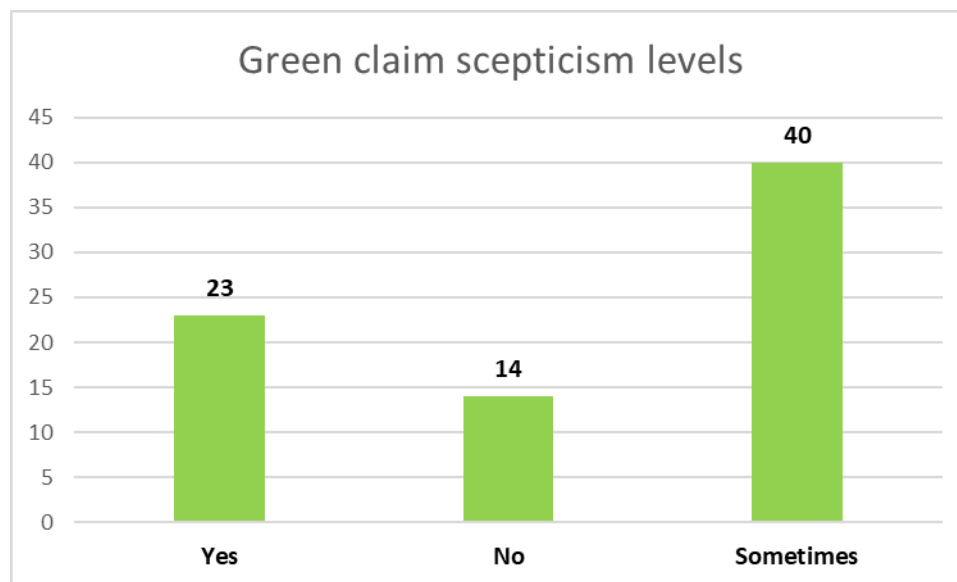
*“Volkswagen commercials before their greenwashing was revealed.”*

*“Beauty products, many claim to be eco, but according the inch list they are not.”*

*“The product has been produced elsewhere even though it has the Avainlippu- stamp. (Avainlippu is a Finnish certification only given to products produced in Finland.) Or that a well-known brand is manufactured abroad.”*

The experiences described by the participants were mostly in the fashion, car and food industries and many described experiencing greenwashing conducted by big multi-national companies. One of the most textbook examples of greenwashing are the experiences of H&M and Proctor and Gamble. These are big multinational companies and the participants were led to believe greenness claims, that try to change the image of the company, even though they are false.

In question number eight, the participants were asked to answer if they ever ponder whether the products they are purchasing that are branded as green are actually as green as they claim to be, otherwise stated whether they are sceptic about claimed greenness or not. The majority of participants relayed that they do think about the truthfulness of green claims at least sometimes (see *Figure 7 Green claim scepticism levels*). The participants who chose the option “Sometimes”, were by far the biggest group, almost doubling the amount of the second biggest group, the ones who answered “Yes”. 52 % of the 77 participants said that they do think about the truthfulness of the green claims, while 30 % answered yes and only 18 % said that they do not think about this at all.



*Figure 7 Green claim scepticism levels*

Well over half of the participants reported that the possibility of facing greenwashing negatively affects their willingness to buy green products (see *Figure 8 The effect of greenwashing on purchasing willingness*). 47 participants answered yes and 30 answered no. The gap between the sizes of the two groups is quite big, and keeps in the same theme of contrast between the sceptic yes-answers and the non-sceptic no-answers, in the sense that in both question, this and the previously presented, the group that is at least somewhat critical is much larger.

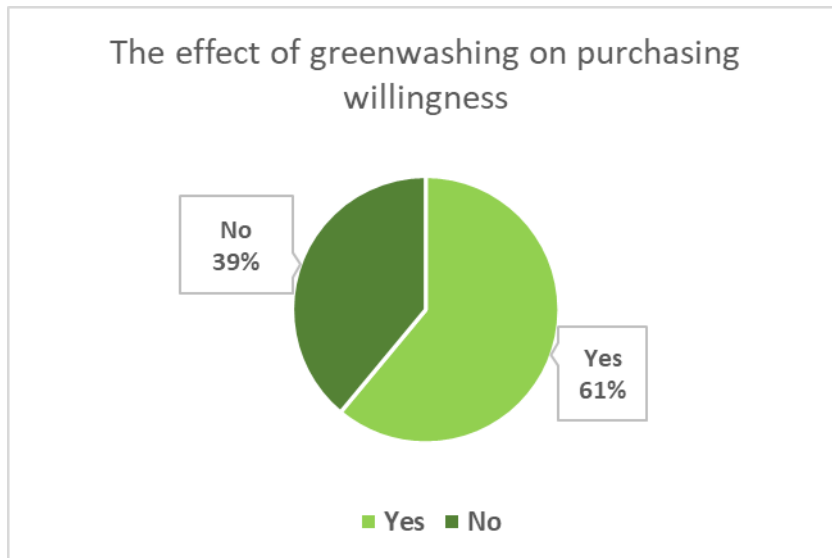


Figure 8 The effect of greenwashing on purchasing willingness

The participants were asked whether they prioritize environmental friendliness when they are making purchases. As in the two previous questions, the majority chose “Sometimes” as their answer, all together 64%. “No” was by far the least favourite answer of participants, gathering only 13 % of the whole answer pool, and while many chose “Sometimes” it was clear that in all purchases environmental friendliness is not a priority to consumers as “Yes” gathered only 23 % of all the answers.

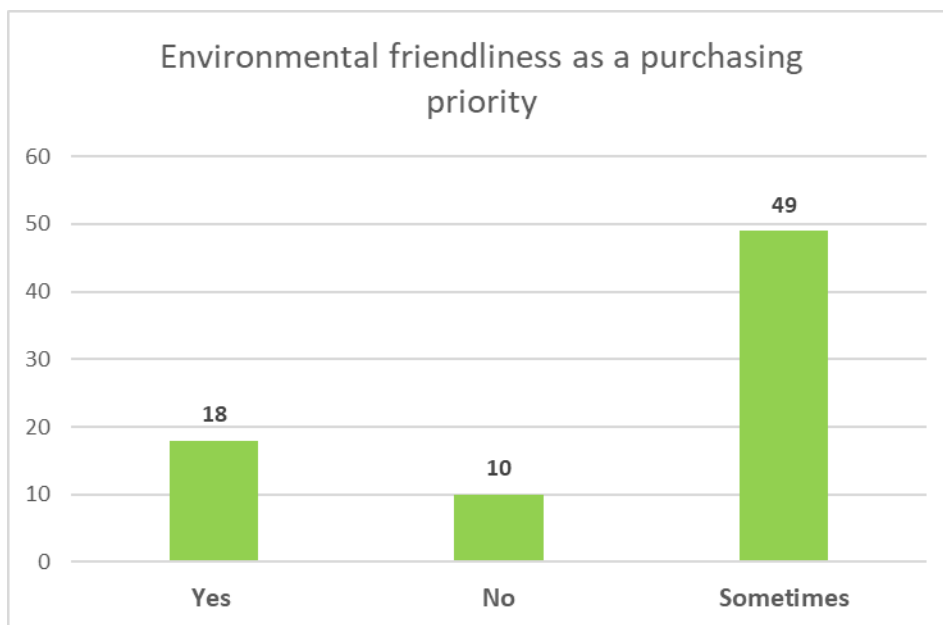


Figure 9 Environmental friendliness as a purchasing priority

The two last questions were composed by using the five-point Likert scale and were about perception of honesty and transparency and trust in that companies do not mislead consumers on purpose and are honest on principle. In the 11<sup>th</sup> question, about perception of honesty and transparency, point one was “Very clear and transparent” and point five was “Not clear and transparent at all”. The results are presented below (see *Table 2 Perception of transparency and clarity in advertising*). There were very few answers on either of the extremities and most answers were placed right in the middle of the scale at point three, which represents a middle ground, often described as the golden mean, a balance between naïve trust and extreme scepticism and lack of trust in the case of greenwashing.

<b>Perception of transparency and clarity in advertising</b>		
<b>1.</b>	4	5%
<b>2.</b>	16	21%
<b>3.</b>	38	49%
<b>4.</b>	19	25%
<b>5.</b>	0	0%
<b>Total</b>	<b>77</b>	<b>100%</b>

*Table 2 Perception of transparency and clarity in advertising*

In the last question, about whether the participants trust companies to be honest in principle and to not mislead consumers on purpose, point one was “Complete trust” and point five was “No trust”. The results were similar to the ones on the other five-point Likert scale, with very little answers on either of the extremities. In this case the middle ground veered towards point four on the side of very little trust, with 44 % of the answers placed at point four. The final division of answers can be seen below (see *Table 3 Trust in honesty and avoidance of misleading by companies*).

<b>Trust in honesty and avoidance of misleading by companies</b>		
<b>1.</b>	0	0%
<b>2.</b>	22	29%
<b>3.</b>	14	18%
<b>4.</b>	34	44%
<b>5.</b>	7	9%
<b>Total</b>	<b>77</b>	<b>100%</b>

*Table 3 Trust in honesty and avoidance of misleading by companies*

## **5 Discussion**

The results of the survey suggest that in general, knowledge of greenwashing is not common, as only 30 participants knew the definition of the term before taking part in the survey. This might be due to the fact that the term is not widely used in everyday life despite it being widely recognized in the scientific and advertising communities.

A little over 2/3 of the participants who reported knowing what greenwashing is prior to taking part in the survey for this research, reported as having faced greenwashing. This suggests that there is a large amount greenwashing being done in the advertising industry. Based on this finding, it can also be said that while experiences of greenwashing were on a relatively high level among consumers who are aware of the definition of greenwashing, they are not necessarily facing more greenwashing, but that they perceive greenwashing more frequently as they are actually able to recognize it. Altogether the commonness of knowledge of greenwashing was low, but experience of greenwashing high, when the fact that recognition of it is difficult if the consumer is unaware of what greenwashing is.

Based on the research results it can also be found that greenwashing does in fact have a negative impact on consumer trust toward companies and green products. A majority reported as thinking critically about greenness claims and the possibility of greenwashing affecting their purchase willingness of all products branded as green, despite holding environmental friendliness as a priority when making purchases at least part-time. This provides the suggestion that consumer trust is in fact negatively affected by greenwashing, as despite having a sustainability positive mindset, consumers are wary of trusting greenness claims in advertising and try to deduct whether claims are truthful or not by questioning their trust in the honesty of companies and marketers producing the advertisements.

Consumers are also already wary of advertising, as was proved by the results of the survey in the parts where trust in honesty and avoidance of misleading on purpose and perception of clearness and transparency were questioned. The results clearly suggest that consumers do experience lack of trust and scepticism towards green products and companies in general and that this is as mentioned before, despite a relative level of environmental friendliness being perceived as a common purchasing priority. This lack of trust may lead to consumers choosing to forget sustainability as a priority, as the growing amount of greenwashing, negative experiences with it in advertising and increasing lack of trust and confusion among consumers, can cause consumers to feel perceive being green as too hard and not worth it, as they have to think critically and assess their choices more and more and still they risk falling victim to greenwashing.

## 5.1 Limitations of research and recommendations

There were some limitations to this research. The first limitation was the amount of answers. There were 77 answers in total, which is a relatively small answer pool. Also, the gender division of the participants was very much female, as 62 of the participants were female and only 15 were male. It would have been preferable if the sample was more balanced in gender as this could have changed the outcomes of the research.

Secondly, the answers were gathered on social media, so all the participants had a connection of some level to the author or the friends and family who shared the links in their social media platforms. This could subject the answers to biases based on the relationship with the author and due to the fact that most people who had access to the shared survey links were of certain political and environmental beliefs as they are a part of the authors social network and people with the same type of beliefs and value systems tend to group together.

Future research on this subject could be conducted on a bigger pool of participants and in a neutral focus group who are priorly unknow to the researcher, and the nationality of participants could be more diverse, as now most answers were given in Finnish. It would be interesting to see also whether the results change if a similar study was conducted on consumer trust and greenwashing in consumer generated content, as this research mainly focuses on greenwashing and content generated by companies. The result could possibly be very different, as greenwashing done by companies is more high profile and catches the attention of a large group of people at once while consumer generated content does not usually get as big an audience as company generated content does.

## 5.2 Managerial implications

Understanding the basics of greenwashing is a must for any marketing professional today. Marketers have to be well versed on the current megatrends and associated phenomena, such as the megatrend of sustainability and the associated greenwashing in advertising. Without an understanding of these, no managerial endeavors can be successful in today's world, as stated earlier the consumer mindsets are rapidly moving towards environmental friendliness and a sustainability mindset, and even though there are still consumers who do not regard sustainability and greenness in their purchase behavior, most consumers think about advertisements critically and are able to assess the truthfulness of marketing claims. This is why it is important for marketers and managers to keep trained in the subject, especially in the field of green marketing.

It is important to understand what kind of an effect greenwashing has on consumers and how damaging it can be to consumer trust and brand image. As it was discovered in this study, greenwashing does have a negative impact on the purchase intention of consumers and it damages consumers trust in green products and brands as a whole, so it is vital for marketers to know how to avoid using it as the if discovered the effects are the opposite of what they should be in a good advertisement.

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# Appendices

## Appendix 1

## Survey in Finnish

### Viherpesu

Viherpesu on toimintapatapa , jonka tarkoitus on harhaanjohtaa kuluttajaa uskomaan, että yritys tekee enemmän ympäristöystävällisyyden eteen kuin se todellisuudessa tekeekin. (Greenwashing n.d.). Tämä voi olla esimerkiksi tuotteiden kuvailua ympäristöystävällisen kuvan välittävillä termeillä mainonnassa, vaikka tuote ei todellisuudessa ole vihreä.

\*Pakollinen

Syntymävuosi \*

Valitse

Sukupuoli \*

- Mies
- Nainen
- Muu

Ammatti ( Jos olet eläkkeellä kirjoita eläkkeellä sekä aikaisempi ammattisi) \*

Oma vastauksesi \_\_\_\_\_

Korkein koulutustaso \*

Valitse



Tiesitkö ennen tätä kyselyä mitä viherpesu on? \*

Kyllä

Ei

Oletko koskaan kohdannut viherpesua? \*

Kyllä

Ei

Jos vastasit edelliseen kysymykseen kyllä, kerro missä, miten ja millaista viherpesua olet kohdannut.

Oma vastauksesi

---

Ostaessasi vihreäksi brändättyjä tuotteita pohditko ovatko ne todella yhtä vihreitä kuin niiden väitetään olevan? \*

- Kyllä
- Ei
- Joskus

Vaikuttaako viherpesun mahdollisuus halukkuuteesi ostaa vihreäksi brändättyjä tuotteita? \*

- Kyllä
- Ei

Onko ympäristöystävällisyys sinulle prioriteetti ostoksia tehdessäsi? \*

Valitse ▼

Kuinka läpinäkyviä ja selkeitä vihreitä tuotteita myyvät yritykset ovat mielestäsi mainonnassaan? \*

1 2 3 4 5

Todella selkeitä ja läpinäkyviä      Eivät ollenkaan selkeitä ja läpinäkyviä

Luotatko että yritykset ovat lähtökohtaisesti rehellisiä eivätkä johda kuluttajia tarkoituksellisesti harhaan? \*

1 2 3 4 5

Luotan täysin      En luota ollenkaan

Kiitos vastauksestasi!

Greenwashing. N.d. Page of Cambridge Dictionary. Accessed on 18 July 2020. Retrieved from <https://dictionary.cambridge.org/dictionary/english/greenwashing>

## Greenwashing

Greenwashing is an action, that is meant to mislead consumers into thinking that the company does more for environmental friendliness than they actually do (Greenwashing n.d.). This can be for example using terms that imply environmental friendliness in their advertising when the product is not actually green.

\*Pakollinen

Year of birth \*

Valitse



Gender \*

- Male
- Female
- Other

Occupation ( if you are retired please write retired and your previous occupation) \*

Oma vastauksesi \_\_\_\_\_

Highest level of education \*

Valitse



Before this survey, did you know what greenwashing is ? \*

Yes

No

Have you ever encountered greenwashing? \*

Yes

No

If you answered yes in the previous question, please elaborate where, how and what kind of greenwashing you have encountered.

Oma vastauksesi

---


When purchasing products branded as green, do you ponder if they are actually as green as they are claimed to be? \*

- Yes
- No
- Sometimes

Does the possibility of greenwashing affect your willingness to buy products branded as green? \*

- Yes
- No

Is environmental friendliness a priority to you when making purchases? \*

Valitse 

How transparent and clear do you perceive companies selling products to be in their advertising? \*

1 2 3 4 5

Very clear and transparent      Not clear and transparent at all

Do you trust companies to be honest in principle and to not mislead consumers on purpose? \*

1 2 3 4 5

Complete trust      No trust

Thank you for answering!

Greenwashing. N.d. Page of Cambridge Dictionary. Accessed on 18 July 2020. Retrieved from <https://dictionary.cambridge.org/dictionary/english/greenwashing>

Student
Practical nurse
Nurse
Sales person
Counselor
Teacher
Paper process worker
Security expert
Environmental engineer
Class teacher
Service supervisor
Security guard
Restaurant chef
Assembly worker
Communications specialist
Hairdresser
Kindergarten teacher
Trade
Hr- & payroll manager
Welder
Warehouse worker
Bachelor of business administration
Public relations officer
Librarian
Pharmacist
Electrician
Security expert
Library assistant
Global salesperson at a paper company
Leading expert
Occupational safety expert
Foreman
Special education teacher
Early childhood education teacher
Quality control
Bachelor of social services
Solution specialist
Workman

The occupations written by the participants in the survey are pictured. There are less than 77, the answers in the final sample as some participants had written down the same occupation. The occupations are colour coded by group:

Yellow = Students

Red = Health care

Beige = Sales

Blue = Social services

Purple = Manufacturing

Grey = Other service sector jobs

Magenta = Experts and administration

Orange = Other