

# Guarding against greenwashing

Terms such as "environmentally friendly", "organic", and "natural" or "pure" are popping up on marketing campaigns across the world for products that range from shampoo to soft drinks, all trying to attract the attention of the growing environmentally conscious consumer.



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However, many product manufacturers are guilty of greenwashing - misleading consumers into believing they are purchasing green products, when in fact they are buying into marketing claims.

Dr Jako Volschenk, senior lecturer in Strategy and Sustainability at the University of Stellenbosch Business School (USB), says "much research exists to show that greenwashing can help companies achieve higher prices for its products, even when the claims they make are false."

"Many companies are faced with intense competition which forces them to continuously differentiate themselves and their products from industry rivals – and green credentials has become that very source of differentiation."



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## Deceptive marketing

However, many of the claims are either ambiguous or deceptive, promoting products by falsely overstating their green product attributes.

“Misleading, vague statements, or absent information are often the method of choice and a recent research study we conducted, indicates good news for companies that tell the truth clearly, while it sends a warning to those who bend the truth.”

He says that their study conducted amongst 481 consumers across diverse demographic and region profiles showed three interesting trends.

“When uninformed consumers are asked to choose between conventional products and green-branded products, they are generally willing to pay a premium for green-branded products regardless of whether the claim is true or not. And when consumers are informed to spot greenwashing, truly green products maintain a premium position.”



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## Greenwash penalty

“But the research made an interesting finding relating to false claims. When consumers are able to spot greenwashing they seem to penalise greenwashed products by instituting a ‘greenwash penalty’, meaning that their willingness to pay drops even below that of the conventional product.”

Dr Volschenk says that the greenwash penalty is not a statement of doubt in the quality of a product but rather an expression of distrust in the brand, driving consumers to rather opt for a product that makes no claim than one that makes fake claims.

## Communicating green status

So how should companies communicate true green status?

“Green companies must first commit themselves to educating consumers about the potential of misleading or false information. This could be done at an intra-industry level to lower costs to individual companies, but requires alignment within the industry.”

“Once consumers are able to spot greenwashing attempts, true green companies should then provide true and transparent information about their own products. This second practice should be done at individual company level if green attributes can provide a price premium. One way to provide information that consumers can trust is by showing certification by a reputable environmental standards agency. The fishing industry, for instance, make use of the Marine Stewardship Council (MSC) label to distinguish companies that go the extra mile to limit the environmental impact of their activities.”

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“The third requirement is that companies should make sure that their reputation is watertight in other aspects too. There is little sense in claiming a product has a lower environmental footprint when it is dangerous for human health in other respects.”

“Organic cigarettes may tick the green box, but its health impact would be open to attack if it tried to gain any market advantage from its organic status.”

He says that companies could still use environmental certification to their benefit, even if there are other impacts.

“There are hardly any products without some environmental impact. But if you have a negative impact in any way, it may be wise to stay clear of expecting consumers to pay a premium for your product. Rather just aim to place your product ahead of the rest by showing you are attempting to limit some negative aspects and being transparent about your impact on the environment.”

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