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## **Bukit Harimau Menangis**

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# **Responding to the Greenwashing Phenomenon**

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**M**ost companies worldwide invest in green marketing communications, which are considered environmentally friendly and socially engaged. Companies advertise their products as environmentally friendly to achieve better sales, profitability, image, and reputation. However, the reality behind the corporate environment is very disappointing. 95% of green products in Canada and the United States commit at least one of the sins of "greenwashing." At the same time, 66% of global consumers are willing to pay more for environmentally friendly products. When these consumers consider the companies as socially responsible, they are eager to buy products from these companies at a higher price. This strategy is called the greenwashing strategy.

### **Greenwashing Phenomenon**

Greenwashing is the company's marketing and communication strategy to provide an environmentally friendly image, both in terms of products, values, and goals, without actually carrying out activities that impact environmental sustainability. The greenwashing strategy is in the form of advertisements, promotions, or events with environmentally friendly themes. The phenomenon of greenwashing is common in several countries, even in the world. For example, one of the most well-known multinational companies in the world is greenwashing its bottled water products. In Singapore and America, this product is advertised with Plant Bottle. It is a plastic bottle partly made from plants with a recycle symbol. 30% of the plastic bottle material comes from plants, and the bottle is 100% recyclable.

Plant Bottle is just an ordinary PET (polyethylene terephthalate) plastic bottle which is not biodegradable (a material that can be decomposed by other living organisms and comes from plants or

animals), or compostable (a material that can be stored in decaying materials and decomposes then eventually turn into nutrients for plants), both on land and at sea. It is certainly contradictory to the environmentally-friendly claims. In addition, the company also claims that their bottles can be reused as new bottles or reprocessed into other products. Only 20% of the 34.6 billion single-use drinking bottles in the United States are recycled at recycling plants. The company also does not collect and recycle the product. These bottles are made from low to medium quality materials; thus, they do not meet the requirements to be reprocessed into recycled plastic bottles.

Another example of greenwashing is by multinational fast fashion companies (the textile industry that presents ready-to-wear clothing with the concept of rapid fashion changes within a certain period). In 2019, the company released a 'green' clothing edition using 'organic' cotton and polyester that can be recycled. In its promotion, the company mentioned its products as sustainable fashion, making the wearer look attractive and feel that they have contributed to environmental sustainability. It seems to attract consumers to buy a series of products that seem environmentally friendly. The company explained the product is indeed made of 50% of materials that can be recycled in the production process. However, the company did not clarify more about their recycling process, how long it takes to recycle the product's materials, how much carbon is used in its production process compared to other products, and further details to name the product as sustainable fashion.

### **The Role of Regulator**

The regulators do play a big role in greenwashing behavior. However, not all countries have regulations that limit green advertising and green claims, especially in developing countries.

Some countries that already have rules on this include Canada, England, and Australia. Canada released a regulation entitled Environmental Claims: A Guide for Industry and Advertisers to regulate the limits and realization of environmental claims issued by a company. The Department for Environment, Food and Rural Affairs (DEFRA), the UK, which is in charge of the environment, food, and rural areas, has also released a similar regulation. It is considered as an international standard for environmental claims, namely ISO 14021. Australian Association of National Advertisers (AANA), the national agency that regulates advertising in Australia, released the Environmental Claims in Advertising & Marketing Code. The regulation clearly governs the limitation of environmental claims.

## Greenwashing Prevention Pressure

There are several pressures to prevent greenwashing, including: (1) more independent directors; (2) more institutional investors; (3) more compelling public interest through a non-corrupt state system; and (4) transparency. In particular, the two factors of corporate governance are the two most effective factors to weaken the greenwashing behavior of companies. Corporate governance can support effective and responsible stewardship and active ownership because companies with greater supervision are less likely to engage in greenwashing.

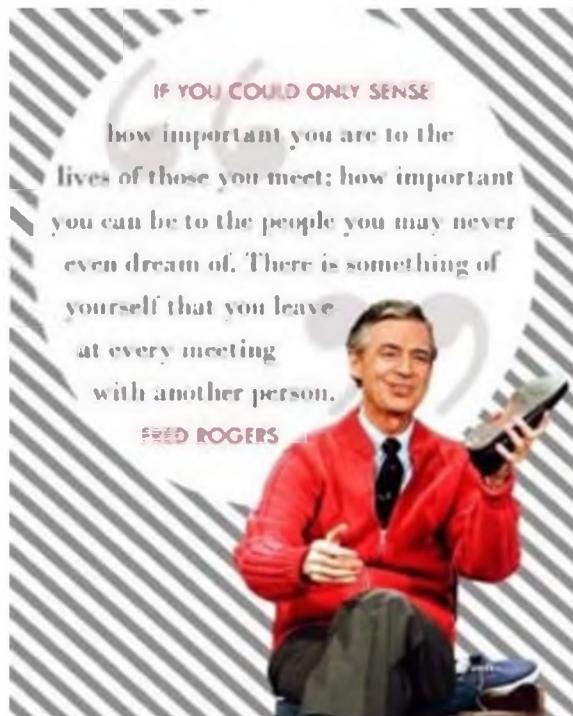
## Company's Best Manner

Greenwashing is indeed a valid marketing and communication strategy for companies. Companies need an environmentally friendly concept, whereas, for now, it is difficult to make a product that is 100% environmentally friendly. It is better if the company increases its efforts to minimize environmental damage. Companies need to be more transparent in all behind-the-scenes processes to build trust with consumers in a healthy manner regarding the environmental impacts. If the company is serious about preserving the environment, the consumers will not hesitate

to use the company's products.

## Consumer's Best Manner

Greenwashing is not solely a corporate sin. Greenwashing can occur due to errors in the whole system, both from the company's side as a producer, the community as a consumer, the government as a regulator, and market needs. Greenwashing is also motivated by the company's obligation to realize the Sustainable Development Goals (SDGs) as determined by the United Nations (UN). Greenwashing can make a company seem sustainable in its accountability report on the SDGs. However, greenwashing will not happen if there is a desire from the public as consumers to stop it. Therefore, several steps need to be taken as consumers. First, to be more selective and careful in choosing the products to be used; second, knowing the origin of the goods used and third, doing more activities that preserve the environment, such as doing 4R (reduce, reuse, recycle, replace) and make items that can be made at home.



Source: Twitter



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