GREENWASHING IN CANADIAN FIRMS: AN ASSESSMENT OF ENVIRONMENTAL CLAIMS

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Abstract
Canadians are becoming increasingly concerned about the environmental performance of firms, and are also seeking the environmental information on consumer products. Consequently, almost every Canadian firm takes the ‘environment’ topic as hot to its marketing policies and promoting ‘greenness’ to benefit from self-declared environmental claims. However, many firms advertise the eco-friendly practices hiding their real activities; the practice called greenwashing, which causes the stakeholders to doubt the sincerity of green marketing of all firms. Therefore, the environmental claims must be verifiable if consumers and other stakeholders are to understand the value of the environmental information the companies highlight. The primary purpose of this paper is to find out how and why the Canadian companies practice greenwashing. Secondly, to identify the stakeholders who demand the environmental information relating to the product’s entire lifecycle and can examine the attributes of environmental claim to recognize greenwashers. Using the “Seven Sins of Greenwashing” model, Canadian Standard Association guidelines, and world best practices, we examined, in a sample of consumer products with the self-declared environmental claim, whether the claim might be false, misleading and deceptive or accurate, meaningful, and reliable. We found a considerable amount of greenwashing attributes in environmental claims by Canadian firms.

Keywords: Environmental claims; greenwashing; green products; sins of greenwashing; stakeholders.

JEL Classification: Q01, Q55

I. INTRODUCTION

Academic scholars, media, and environmental activists have played a pivotal role in building awareness of the environmental issues and as the companies have taken the issue in their production and advertising policies, consumers have changed their consumption pattern to environment-friendly products around the world (Easterling, Kenworthy, and Nemzoff, 1996; Schuwerk and Lefkoff-Hagius, 1995). Almost every company is taking the ‘environment’ topic as hot to their marketing policies, and over the last twenty years, the acts of promoting ‘greenness’ increased ten folds (Parguel, Benoit-Moreau, and Russell, 2015), while the trend of eco-friendly product consumption has increased in manifolds. In the USA, for example, as the price of energy continues to hike and consumers are suddenly aware of environmental issues, growth in “green” products has flooded the marketplace as well as the car lot (Furlow, 2010). In Canada, consumers are also becoming increasingly concerned about the environmental performance of products. Likewise, the other stakeholders are also demanding the environmental information on consumer goods. Consequently, to gain a long-term benefit from consumers, Canadian companies take the environmental issues are as responsibility and continue production of environment-friendly products known as ‘green product.’ The central theme of the environmental concept is that the products do not damage the environment whether in their production, use or disposal. In other sense, these products help to preserve the environment by significantly minimizing the pollution they could produce or low carbon emission. But the things have been changed over the time. Manufacturers, importers, distributors, retailers, or anyone likely to be benefited from self-declared environmental claims. By taking the opportunity of consumers hovering towards the environment-friendly products, many of them started deceptive practices in their production and marketing policies. Most of the self-declared environment-friendly products are far behind from the truth, while companies use the term in their advertising and public relations policies misleading customers, is known as greenwashing. In Canada, many firms advertise that they follow environmentally friendly practices to hide their real activities which cause the stakeholders to doubt the sincerity.
of green marketing of all companies. Therefore, these environmental claims must be verifiable if the consumers and other stakeholders are to understand the value of the environmental information that the firms represent.

Based on these considerations it is useful to conduct an empirical study to find out how the Canadian companies are practicing greenwashing; what factors influence the firms to practice greenwashing; the stakeholders who demand the environmental information relating to the product’s entire lifecycle; and how they can verify the information as well as can spot the greenwashers. To this end, the research questions are the following:

RQ1: How are the Canadian firms engaged in greenwashing?
RQ2: What are the factors that influence a firm to practice greenwashing?
RQ3: Who are the stakeholders of green marketing and how they can spot greenwashers?

In this paper, we examined, whether an environmental claim might be false, misleading, and deceptive or accurate, meaningful, and reliable using the model “Seven Sins of Greenwashing,” Canadian Standard Association guidelines, and world best practices. Moreover, through a stakeholder analysis, we ranked the stakeholders of green marketing and how they can examine the attributes of environmental claim to recognize greenwashers. We found a significant amount of greenwashing attributes in environmental claims by Canadian firms. Rest of the paper includes the literature review, research methods, research results, discussion, and conclusion.

II. LITERATURE REVIEW

Greenwashing:

Greenwashing is a relatively new concept in the green marketing literature. Consequently, a limited number of definitions and theoretical concepts of greenwashing are available. The word "greenwashing" was included in the Oxford English Dictionary in 1999 (Investopedia, 2016). The Oxford English Dictionary (2016), defines “greenwashing” as the “disinformation disseminated by an organization so as to present an environmentally responsible public image; while they can be useful, these sorts of standards are sometimes used quite cynically,” where “disinformation” refers to deliberate misleading information. Before the Oxford Dictionary the term “greenwashing” was defined by Greer and Bruno (1996) as “a green-talk and a green practice promoted by the fundamentally unsustainable firms or other uncaring organizations, they easily congeal into a deceptive ideology.” Another definition of greenwashing offered by Walker and Wan (2012) is “symbolic information emanating from within an organization without substantive actions.” They also summarized the greenwashing as “discrepancy between the green talk and green walk.” Accordingly, we define the term “greenwashing” as the deceptive practices in marketing communications where the companies provide information regarding their eco-friendly products to gain more customer attraction, but they are far behind from the truth.

Attributes of Greenwashing:

A good number of studies documented the forms and attributes of greenwashing. TerraChoice (2010) conducted research on 5,296 products claimed as green; only 265 were found as green as they claimed. They also found the seven different ways (sins) of greenwashing commonly used by the corporations which are: no proof (no third-party certification – consumers have no way of validating marketing claims); hidden trade-off (from a sustainably harvested forest environmentally preferable product); smoke and mirrors (it basically shifts the attention away from the eco-unfriendly heart of the product while a fuel-efficient SUV is better than a Hummer); vagueness (“all-natural” doesn’t always mean “healthy”); false labels (beware of “green” logos: they often don’t represent legitimate organizations); irrelevant (CFC free: this is misleading – law already bans CFCs); and bold lies (lax government oversight leads many companies to slap seemingly legitimate labels on poorly tested products). Likewise, JK Consulting Enterprises (2011) provided ten signs of greenwash to recognize the greenwashing practices by the firms. Ten signs are: first, using words or terms without precise meaning e.g. ‘eco-friendly’; second, producing green products polluting environment; third, using green images indicates an unjustified ecological impact; fourth, emphasizing tiny green attribute while everything un-green; fifth, self-declaration as slightly greener than the others even if the others are pretty terrible; sixth, greening dangerous product as eco-friendly; seventh, providing information that only expert could check or understand; eighth, using a ‘label’ looks like third party endorsement; ninth, claiming green without proof; and tenth, entirely fabricated claims or data.

Causes of Greenwashing:

Bansal and Roth (2000) found that companies have three primary motivations to be ecologically responsive to the market: competitiveness (which includes economic or profit motivations), legitimacy (legal obligations) and ecological responsibility. The importance of environmental responsibility is affected
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significantly by the two other factors to have eco-friendly products. These pressures go far beyond the need for goods and service-producing firms to identify and capitalize on new markets for environment-friendly products. However, some factors induce the companies to practice greenwashing. Delmas and Burbano (2011) found out four categories of driving factors that led any organization to become involved in greenwashing. The driving forces are first, nonmarket external drivers include lax and uncertain regulatory environment, activist, NGO, and media monitoring; second, market external drivers consist of consumer demand, investor demand, and competitive pressure; third, organizational drivers composed of firm characteristics, effectiveness of intra-firm communication, incentive structure and culture, and organizational inertia; and fourth, individual psychological drivers include optimistic bias, narrow decision framing, and hyperbolic intertemporal discounting. Similarly, JK Consulting Enterprises (2011) highlighted the causes of greenwashing include booming sales, enhancing reputation, cultural practice, aspirations as action, enthusiastic but uninformed; and consequences are reducing public trust, increasing regulatory risk, damaging and devaluing reputation.

Spotting Greenwashing:

Various organizations have taken different types of initiatives to identify and measure the levels of greenwashing. Founded in Vancouver in 1971, Greenpeace, an independent global campaigning organization working to protect and conserve the environment through changing attitudes and behavior, arranged a greenwashing contest based on print and video ads in 2011 (Greenpeace, 2016). EnviroMedia and the University of Oregon (2009), prepared greenwashing index from the submitted opinion of the different customers through online considering the five factors include misleading ad with words, misleading ad with visual and/or graphics, unprovable or vague ad claiming green, overstating or exaggerating how green the product/company/service actually is, and the ad leaves out or masks important information, making the green claim sound better than it is. Terrachoice (2009) identified seven ways termed as seven sins practiced by the firms for greenwashing. Since the reviews and rankings posted to these websites are based on the perceptions of the critical public, this raises the question of how the critical public’s perceptions would differ from the assessments of an independent party (Gallicano, 2011).

Stakeholders of Greenwashing:

The recognition and analysis of stakeholders of greenwashing are significant to identify the interested parties which seek the environmental information of the consumer products. The term "stakeholder" first appeared in the early 1960s from the word “stake” to mean that some parties are having a “stake” in the decision-making process of the modern corporations in addition to stockholders (Goodpaster, 1991). In line with Thompson’s (1967) claim, a full meaning came out from the definition of Freeman (1984):

“A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives.”

Goodpaster (1991) exemplified stakeholder groups (beyond stockholders) as employees, suppliers, customers, creditors, competitors, governments, and communities who play and put some economic value at risk. By using input-output theory Donaldson and Preston (1995) identified stakeholders like governments, investors, political groups, suppliers, customers, trade associations, employees, and communities who have a one set of interests and benefits over another. In a research of stakeholder theory, Mitchell and Wood (1997) found that the relationship between stakeholders and the company depends on three attributes like power, legitimacy, and urgency. According to Mitchell and Wood (1997), power relationship consists of the firm and stakeholders have dominance over each other (Freeman and Reed, 1983; Freeman, 1984; Carroll, 1993; Langtry, 1994; and Brenner, 1995), or they have the mutual power-dependence relationship (Carroll, 1993). They also showed the legitimacy relationship as a contractual relationship (Freeman and Evan, 1990), stakeholders’ claim (Carroll, 1989), has something at risk (Clarkson, 1994), and stakeholders’ moral claim (Evan & Freeman, 1988). Finally, they described urgency relationship includes the claims for immediate attention to prevent losses, to the pursuit of goals, or selection pressures. It is one of the prime agenda of every business organization to address the issues of stakeholders so that it can run for a longer period. Stakeholders include any individuals or groups who have direct or indirect interest and who affect or are affected by the activities, decisions, policies, practices, or goals of the organization (Carroll and Buchholtz, 2014). The stakeholders are creating pressure to the business to become environmentally sustainable, because, the sustainable business firm can create more loyal customer to earn the profit for a longer period. Environmental Non-Governmental Organizations (ENGOs) monitoring companies’ environmental performance, as well as the performance of their supply chains along with partners in the media, have a tendency to initiate name and shame campaigns against those whose commitment to sustainability is found wanting (Markham et. al, 2014). When a visible competitor has committed to a specific sustainability practice or innovation, it increases manager’s sensitivity to the issue and creates a moral pressure for others to conform (Ramus and Montiel, 2005; Delmas and Toeffel, 2008). Delmas and Burbano, (2011) found that industry associations who might mandate a certain level of demonstrated sustainability commitment as a condition of membership. The Forest Products Association of Canada, for example, requires that all of its
members apply one of three forest management certification systems available to producers in Canada as a condition of membership (Forest Products Association of Canada, 2013). The perception of positive environmental performance may assist firms in influencing the development of environmental laws or regulations in their favor or, more realistically, dissuade regulators from taking action on an individual environmental issue (Walker and Wan, 2012).

III. METHODOLOGY

The primary objective of the empirical study is to identify how the Canadian firms are engaged in greenwashing and what are the factors that influence the companies to practice greenwashing. Moreover, the study also aims to determine the stakeholders of the firms who are impacted by greenwashing, and who impact the company in the decision-making process relating to the environment. Through a rigorous literature review, we pointed out the community who demands the environmental information to take buying decision of green products, to justify the environmental compliance issues, and to drive/influence the company’s decision-making process. On the other hand, to identify the components/attributes and features of greenwashing by the Canadian firms, we used the Environmental claims guidelines for industry and advertisers provided by Canadian Standard Association, the seven sins model of TerraChoice (2009), and the ten signs of greenwashing provided by JK Consulting Enterprises (2011). The seven sins of the greenwashing model have been used in many studies. To assess the degree of greenwashing, we used Greenwashing Index (Exhibit 1), and the seven sins model (Exhibit 2). We have selected self-declared green products that are sold in Canada to measure the degree of greenwashing. We randomly selected 100 consumer goods intermingled with food and beverage, beauty and cosmetics and toiletries, electronics furniture and automobiles, and wearing and household products (Table 1). We focused on food and beverage, baby products, baby toys, cosmetics and toiletries, and electronic products because these are the most susceptible to greenwashing. Also, these product categories are considerably concerned to the consumers who want the information to ensure that their perceived products are safe for their families and are environmentally responsible.

Exhibit-1

<table>
<thead>
<tr>
<th>Greenwashing Index</th>
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<tbody>
<tr>
<td>First</td>
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<tr>
<td>Second</td>
</tr>
<tr>
<td>Third</td>
</tr>
<tr>
<td>Fourth</td>
</tr>
<tr>
<td>Fifth</td>
</tr>
</tbody>
</table>

Source: EnviroMedia and the University of Oregon (2009), Greenwashing index

Exhibit-2

<table>
<thead>
<tr>
<th>Seven sins model</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sin of No Proof: Absence of third party certification</td>
</tr>
<tr>
<td>2. Sin of the Hidden Trade-off: Claiming green based on unreasonably narrow set of attributes without attention to other important environmental issues</td>
</tr>
<tr>
<td>3. Sin of Vagueness: A marketing claim so lacking in specifics as to be meaningless e.g ‘All-natural’</td>
</tr>
<tr>
<td>4. Sin of Irrelevance: Emphasizing environmental issue unrelated to the product e.g. ‘CFC free’</td>
</tr>
<tr>
<td>5. Sin of Lesser of Two Evils: Claiming ‘green’ about a product but lacking in environmental benefits</td>
</tr>
<tr>
<td>6. Sin of Fibbing: Claiming falsely e.g. ‘Energy star certified’</td>
</tr>
<tr>
<td>7. Sin of Worshipping False Labels: Creating a false suggestion or certification-like image to mislead consumers</td>
</tr>
</tbody>
</table>

Source: TerraChoice, 2009. The Seven Sins of Greenwashing

First, we examined the sample through greenwashing index model and the seven sins model, whether the producing and distributing firms practice greenwashing. Second, we developed a seven-scale index focusing on the seven sins model. In each scale, we input each attribute of greenwashing of seven sins model. If one product has at least one attribute of greenwashing, we consider the existence of greenwashing in that product.

Table 1. Sample of the study

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Number of products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Beverage</td>
<td>31</td>
</tr>
<tr>
<td>Beauty and Cosmetics</td>
<td>23</td>
</tr>
<tr>
<td>Toiletries</td>
<td>22</td>
</tr>
<tr>
<td>Electronics, Furniture &amp; Automobile</td>
<td>12</td>
</tr>
</tbody>
</table>
IV. RESULTS

We examined the greenwashing practice in consumer products sold in Canada through the seven Sins model. We verified the information given in the product packaging and labels from the sources include the company website, Canadian Standard Association, Consumers’ Association of Canada, and Google whether the environmental claim is true. We found 94% of the sample products are involved in greenwashing (Table 2) with two to six sins. The 94% of the products represent at least two sins of greenwash while 83% of the products represent at least three sins, and 50% of the products represent four sins. However, no product is involved in all of the seven sins.

Table 2: Greenwashing levels

<table>
<thead>
<tr>
<th>Greenwash Products</th>
<th>94%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Greenwash Products</td>
<td>6%</td>
</tr>
<tr>
<td>At least one sin of greenwash</td>
<td>94%</td>
</tr>
<tr>
<td>At least two sins of greenwash</td>
<td>94%</td>
</tr>
<tr>
<td>At least three sins of greenwash</td>
<td>83%</td>
</tr>
<tr>
<td>At least four sins of greenwash</td>
<td>50%</td>
</tr>
<tr>
<td>At least five sins of greenwash</td>
<td>22%</td>
</tr>
<tr>
<td>At least six sins of greenwash</td>
<td>5%</td>
</tr>
<tr>
<td>All of seven sins of greenwash</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Authors’ figure

Table 3 shows the frequency of sins found in the sample products. 75% of the products’ environmental claims do not represent the clear information while 70% of the products’ do not possess third party certification. Most importantly, customers are misled by the false labels in 65% of the sample products.

Exhibit-3: Frequency of seven sins

Among the categories of the sample products, we found highest amount of greenwashing in electronics, furniture and automobiles (Table 4). The second highest greenwashing exists in wearing and other household products. The average score of greenwashing frequency in all categories of sample products is about 3 or more.

Table 3: Frequency of seven sins

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</tr>
</thead>
<tbody>
<tr>
<td>70%</td>
<td>43%</td>
<td>43%</td>
<td>75%</td>
<td>65%</td>
<td>33%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Source: Authors’ figure

Table 4: Greenwashing by product category

<table>
<thead>
<tr>
<th>Food &amp; Beverage</th>
<th>Beauty and Cosmetics</th>
<th>Toiletries</th>
<th>Electronics, Furniture &amp; Automobiles</th>
<th>Wearing and Other Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of observations</td>
<td>31</td>
<td>23</td>
<td>22</td>
<td>12</td>
</tr>
</tbody>
</table>
V. DISCUSSION AND CONCLUSION

The purpose of the paper was to find out how the Canadian firms are involved in greenwashing and what are the driving factors of greenwashing. Our findings reveal that like other corporate world, Canada is not lagging behind the practicing of greenwashing. Though there are some legal obligations not to use lethal items in the production process, the companies are highlighting the issue in their advertising campaign. For example, Canada banned the use of chlorofluorocarbons (CFC’s) in 1997, but that hasn’t stopped some products from being advertised as CFC-free. From the investigation of CBCnews (2012), it has been found that the presence of greenwashing in Canada is overwhelming. In the report they ranked top ten household products using greenwashing include Dawn Antibacterial dish soap, Biodegradable J Cloth, Vim PowerPro Naturals, T-fall Natura frying pan, Organic Melt ice remover, ObusFormeEcoLogic contoured pillow, Eco Collection bath mitt, Simple Green All-Purpose Cleaner, Sunlight Green Clean laundry soap, and Raid EarthBlends Multi-bug Killer. In our study on 100 self-declared green consumer products, we found 94 products are not green. Among the seven attributes of greenwashing, at least two attributes belong to 94 out of 100 self-declared consumer products. The most common ways of greenwashing are not providing clear environmental information, environmental claims are not certified by third parties, and using false labels.

We have identified the stakeholders who demand the environmental information relating to the product’s entire lifecycle and how they can verify the information. The stakeholders of greenwashing in Canada are all stakeholders of the firms. However, consumers, Consumers’ Association of Canada, Environmental Non-Governmental Organizations (ENGOs), Canadian Standard Association, Government agencies directly affect or are affected by the greenwashing activities. The growth in exaggerated environmental claims being made by firms pushed the Government of Canada to take recent action to update the green marketing guidelines. The Competition Bureau of Canada has responsibility for the regulation of product or service advertising, and disposal which enables regulatory action against those found to be engaging in misleading advertising claims. The law includes the Competition Act, Consumer Packaging, and Labeling Act and Textiles Labeling Act. Since none of the Acts makes particular reference to misleading environmental claims, the Competition Bureau published “Environmental Claims: A Guide for Industry and Advertisers” in 2008 to provide guidance on how the agency would interpret instances of potential greenwashing. The guidance document closely resembles the TerraChoice Seven Sins of Greenwashing (TerraChoice, 2010). For example, it discourages firms from using vague claims such as green, eco or environmentally friendly, and encourages companies to make reference to established sustainability management systems, such as the Canadian Standards Association or Forest Stewardship Council, to provide greater justification for their environmental claims (Competition Bureau of Canada, 2008).

We have used only self declared consumer products for our primary research that is considered as our research limitation. Further research will be helpful to find out the levels of greenwashing in industrial/business products. This study has important implications for regulators, manages, and customers. We have shown the real picture of ways of greenwashing among the consumer products in Canada. From this research, the regulators will get guidelines to prepare proper regulations to stop greenwashing. Furthermore, they (regulators) will be also able to detect the drawbacks of present guidelines of greenwashing. Moreover, since the customer awareness is gradually increasing regarding climate change and other environmental issues, the managers of the firm will be able to adopt business policy avoiding greenwashing from this paper. Finally, the consumers/customers will get rigorous information to find the different ways out of greenwashing in their purchase decision making.

VI. REFERENCES