



KPMG GLOBAL SUSTAINABILITY SERVICES™

## Sustainable Insight

Your quarterly insight into sustainability

How to avoid greenwash

January 2009

# How to avoid greenwash



## Introduction - the case for sustainable marketing

'Sustainable marketing' is a way for companies to create value by promoting a company, product or service with an environmental or social dimension. This kind of marketing is on the increase as companies seek to innovate in the area of sustainable products and services and also seek to differentiate themselves by promoting responsible behaviour. Sustainable marketing is fast becoming a key part of communications – but when done incorrectly, it can also damage a company's reputation and brand. For marketing to be truly sustainable, it should ensure that false impressions are avoided.

Environment-related marketing – or "green" advertising – is now a key component of sustainable marketing. Consumers are being offered a range of products and services that claim to be "green" – from energy efficient cars and eco-stores to washing powder that saves on water. Sustainable marketing

can help promote trust and interest in a brand or appeal to the consumer who is concerned about living a 'sustainable' lifestyle, while innovation around sustainable products and services offer companies potential new markets.

Yet as sustainable marketing increases, so has consumer awareness and questioning of company motives and claims. Complaints are being upheld through advertising 'watchdogs' of false claims around "green" advertising. Companies are being accused of using "greenwash" to sell products and in some countries, like the UK, there is a visible backlash against "green" marketing. Greenwash claims directly attack the credibility of particular companies, accusing them of falsifying facts and misleading customers.

Companies have a responsibility to their audiences to be transparent about claims of sustainability. This

can be difficult when standards around environmental disclosure may be lacking or where vague pseudo-scientific concepts or descriptions are used (for example, by saying an item is "biodegradable" without any specific detail or by creating new terms like "water neutral"). At the same time, sustainable marketing can be used to positively encourage behaviour change among consumers around environmental and social issues – and companies remain in an ideal position to educate and inform consumers.

Despite the increasing claims of greenwash, sustainable marketing is likely to become more prolific across Europe in the short-term. Our January 2009 Sustainable Insight explores the area of sustainable marketing. We look at how companies can highlight their products and services to customers, while adhering to responsible principles of marketing.

# Managing opportunities and risks



## Labeling

To date, the marketing of sustainability has developed at different paces across sectors. Some, like the food and retail sectors, have progressed quickly in sustainable marketing, prompted by the pressures and awareness around the issues that affect their brands. For example, the food sector has responded to issues around health, particularly obesity; while areas of retail

now reveal information on product sourcing and supply chains. In the Netherlands, retail chain Albert Heijn and WWF-Netherlands (the World Wide Fund for Nature) teamed up to create a sustainable fish initiative, to increase sales of sustainable types of fresh and frozen seafood. Information about the sustainability status of seafood products is displayed and products are labeled to inform consumers of Albert Heijn's

commitment to sustainable fishing. Labeling and third party endorsements can inform consumers of the product's composition, supply chain and its impact on the environment. Environmental labeling is already common on 'white goods' (like washing machines) to show energy consumption and efficiency; properties also include energy consumption rankings, and some countries, such as the Netherlands, have environmental labels on their cars. In the longer-term, labeling and standards may become more common in advertising. Companies and sector organisations may voluntarily choose to disclose environmental impacts through product information and labeling, either through their own marketing or by using third party endorsements. But the downside of labeling is that it can result in some confusion among consumers when brands adopt different forms of labeling or baffle consumers with scientific language.

## Sector self-regulation

Already some sectors, like the alcohol sector, have adopted a responsible approach to marketing and monitoring by means of self-regulation. Self-regulation aims to pre-empt any possible regulation of the sector and may be used to mitigate the risk of legal action from consumers. In some cases, self-regulation may be genuinely designed to promote responsibility in the sector, irrespective of legal pressures.

Self-regulation is usually a process involving lobbying and discussions among industry, government and civil society. Its output may include the creation of a marketing code for the 'self-regulated' sector, and a system to monitor compliance. This helps to

create a level playing field among competing companies, by binding all companies to the same rules, including possible constraints on marketing and sales techniques. This approach also seeks to limit the risk of one company bringing the entire industry into discredit through irresponsible action. However, there is currently no consensus that self-regulation works in terms of actually reducing any potentially damaging effects of a product. It is also unclear whether all stakeholders are willing to agree on the self-regulation of a sector – for example, some advocacy groups may take a different stance than business.

The alcohol sector adopted this self-regulation approach. Alcohol companies participate in the recently formed 'Alcohol and Health Forum' (2007) – a European-led forum of 59 businesses and NGOs. Among others, it aims to reduce excessive alcohol consumption among young people and to provide a standard approach

to marketing for the industry<sup>1</sup>. Part of the Forum's tasks is to prevent irresponsible marketing and examine trends in alcohol advertising, product placement, sponsorship and other forms of marketing.

A self-regulatory sector approach to an issue, supported by a code (or Charter) and industry best practice, means that unsubstantiated marketing claims are more likely to be avoided. For example, alcohol advertising and its other forms of marketing follow strict guidelines and messages. This may include a ban on advertising that suggests social or sexual success after drinking alcohol as well as the means of screening ads before they are released. Many alcohol companies encourage consumers, through advertising, to "drink responsibly". Implementing these responsible marketing practices can positively demonstrate brand leadership for these companies. In contrast, the regulated tobacco sector offers a very different approach – it has been forced

to put warning labels ("smoking kills") on cigarette packets and advertising.

This responsible approach to marketing is something that could be adapted to other sectors that tackle different issues. Our diagram (on page 5) shows how two sectors – the alcohol and automotive sectors – may deal with sustainable marketing.

## Some basic sustainable marketing principles:

1. Be authentic in your communications: do not exaggerate or over-promise and make sure you can verify all points made.
2. Suggest pro-active solutions: if the product you offer may never be fully "green" (such as hybrid transport) suggest ways for your customer to

mitigate environmental harm – for example, by applying eco-efficient driving techniques or by mixing personal car travel with train travel.

3. Create new business models: consider whether your business is able to adjust to alternative 'sustainable' service models that respect the environment as well as consumer needs. For example, lease products rather than sell units; encourage refilling rather than repurchasing; offer upgrades to an existing product rather than replacing it. These models can encourage long-term loyalty.
4. Consider areas where the brand can use its influence to encourage

sustainable practice among consumers: positive brand influence can add a "feel-good" factor to the brand. While changing the assumptions on which you base your product development can encourage innovation.

5. Tame your communications if products are already known to be inherently healthy: not all products need to be promoted for their "green" credentials – there are many products that are inherently better for people's health and better for the planet. Just make sure that your product's performance offers a logical link to its marketing claims.

<sup>1</sup> [http://ec.europa.eu/health/ph\\_determinants/life\\_style/alcohol/alcohol\\_com\\_en.htm](http://ec.europa.eu/health/ph_determinants/life_style/alcohol/alcohol_com_en.htm)

# Monitoring greenwashing



There are sectors that seem to be more prone to greenwashing than others. This may be due to a lack of agreed standards within the sector around sustainable marketing. The automotive sector, in particular, stands out: some car brands promote “green” products, like a hybrid or eco-efficient car, as a product differentiator. The greenwash issue here is that the company may also sell cars that have little sustainability credentials or the company itself may have low standards of sustainability, despite having a “green” product category.

One of the challenges for companies is that sustainable marketing should be viewed in the context of their business as a whole – rather than focusing solely on a product or service – if they are to avoid accusations of greenwash. To date, the greenwash agenda that is being pushed by the media and the NGO community has focused

on ‘outing’ exaggerated claims. But companies should question the fundamental issues that may lie behind any greenwash claim – rather than simply readjusting their marketing. This can involve addressing the “green” components of the product or service that is advertised and being aware of the facts and criteria behind any claims.

A guide to avoiding greenwash has been created by communications company, Futerra, based on existing international codes. Futerra’s ‘Greenwash guide’ identified 10 forms of greenwashing that broadly fall into the following categories:

- exaggerating the environmental ingredients of a product, such as false performance claims;
- giving a false impression of a product by projecting a “green” image that does not match with the reality

(for example, by using suggestive pictures that indicate a “green” impact), or

- stating facts that lack proof; lying; creating false endorsements or deliberately using unclear jargon<sup>2</sup>.

Some countries have taken steps to create their own ‘sustainable marketing’ guidelines and principles, issued through government bodies or industry associations. For example, the UK’s ‘Green Claims Code’ was produced by government department, DEFRA (the Department for Environment, Food and Rural Affairs), as guidelines for companies; in the Netherlands the Dutch Advertising Code Authority has its code, which includes the Code for Environmental

<sup>2</sup> see the Guide at <http://www.futerra.co.uk/services/greenwash-guide>

Advertising, while Nordic countries follow Consumer Ombudsmen guidelines. However, there may be a case for introducing overall sustainable marketing guidelines, through a body like the European Commission, which could supplement the EC’s existing communication principles and ISO standards on eco-labeling. After all, sustainability issues can be potentially more complex than general marketing issues.

Stricter monitoring of marketing claims is currently carried out by existing advertising ‘watchdog’ bodies (like the UK’s Advertising Standards Authority), which aim to ensure that advertising codes are followed and “green” claims are monitored. It is possible that these watchdog bodies may take a firmer stance against companies that make misleading marketing claims. Just as alcohol advertising should not include claims that drinking will lead to sexual success, other industries may no longer be able to promote environmental claims that cannot be substantiated. In future, (self) regulation may take things even

further, where a ‘health warning’ may apply if the product or service is inherently not “green”. So, a sector like the aviation industry may eventually contain ‘health warnings’ around advertising, such as “flying increases your carbon footprint”.

Sustainable marketing should follow some basic principles to avoid greenwash. This can be done in two ways:

- If the product is inherently not “green”, do not try to make it appear so. Seek to ensure that any marketing claim can be substantiated and do not play up the minor ‘green’ aspects.
- Develop greener products so that claims are substantiated with tangible design, technology and innovation. Some companies have invested in eco-design and technology.

The final check by companies should seek to ensure that any marketing is balanced against the actual performance of the product or service.

	ALCOHOL INDUSTRY	CAR INDUSTRY	SELF REGULATORY RESPONSE	HOW TO AVOID GREENWASH
Marketing claims on product features	Sexual success*	Low(er) emissions	Commercial communication codes	<ul style="list-style-type: none"> <li>• Substantiate claims</li> <li>• Balance with inherent characteristics</li> <li>• Third party label</li> </ul>
Inherent product characteristics	Health risks	Not green	Warning labels / responsibility messages	<ul style="list-style-type: none"> <li>• Evaluate risks of greenwashing</li> <li>• Apply warning labels / responsibility messages</li> <li>• Third party label</li> <li>• Change product</li> </ul>

\*Hypothetical example. Not common marketing practice

# Steps to take in sustainable marketing

From our firms' experience, we know that the formulation of a code can be useful for companies and sectors that do not yet have standardised practices in place. The following steps can be used to set up and implement a sustainable marketing code:

## Create an authentic marketing code:

- Determine the scope of the code: is it applicable to all types of media (such as the internet) and will it be a company or sector exercise?
- Consider how you can distinguish your company (or sector) with a code. Ask your stakeholders what they expect from a code.
- Set boundaries: describe what is – and is not – possible and acceptable.
- Include guidelines to management and employees on how they should act in situations where clear-cut rules are impossible or undesirable.
- Circulate drafts of the code among selected stakeholders for suggestions for improvement.

## Keep the code alive:

- Create a culture in which dilemmas can be raised and discussed productively.
- Make the code part of the competencies of managers.
- Train internal and external marketing and sales teams on the use of the code.
- Search for creative, original and unexpected means of communicating the code that will infuse people with pride, energy and awareness to fully commit to the code.
- Communicate the business case for compliance with the code.
- Monitor compliance with the code and also include it in the business planning cycle, setting targets for improvements.
- Include the code in performance



appraisal reviews.

- Include in the code your conversations with stakeholders, asking for feedback and suggestions on how its practical application can be improved.
- Adjust to local cultural and legal conditions.
- Emphasise that the code is not only about compliance but aims to create the right mindset.

## Monitoring the effectiveness of the code:

- Periodically assess the level of buy-in for responsible marketing (for example by conducting a survey).
- Assess the effectiveness of

supporting measures and instruments.

- Ask marketing and sales teams about their experience with the code and room they see for improvement.
- Determine what follow-up activities have been taken after the code was launched.
- Analyse cases of non-compliance to uncover issues and opportunities for improvement.
- Ask the marketing business function to report on its activities and experiences with the code.
- Disclose information externally about the adherence to the code and have this assured by a third party.

# Conclusion

Both environmental concerns, like climate change, and social issues such as product sourcing, are of increasing concern among consumers. It is fast becoming essential for companies to ensure that their marketing principles and brand development are extended to include a check on environmental and corporate responsibility claims. Sustainable marketing that is clear and transparent, regarding environmental and social claims, can add credibility to a business.

Companies - and their marketing agencies - should use existing guidelines when creating marketing material to help avoid damage to reputation or brand. This is particularly

relevant for large companies with significant advertising spend. If no guidelines exist, then a code will need to be created.

The marketing of environmental and social issues has the potential to become either self-regulated or regulated through a government body, with the aim of ending consumer deception or confusion, and of helping create a level playing field across the sector around marketing. Sector collaboration should be encouraged to standardise marketing principles by the creation of relevant marketing codes. This will help prevent greenwash and also help to clarify messages to the consumer.



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### More information

For more information on the topic of sustainability please go to:

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