

## Debate

# Are Consumers Being Greenwashed?

**ISSUE:** Is it acceptable for companies to exaggerate environmental claims in order to sell products, or is this practice deceiving consumers?

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Environmentally friendly products are more popular than ever. In the United States, consumers spend \$25 billion a year on products that are dubbed “natural” or “organic.” Being perceived as “green” can help many firms create a competitive advantage, as it is a quality increasingly valued by consumers. However, greenwashing has also become a problem as more companies seek to jump on the eco-friendly bandwagon. Greenwashing involves misleading a consumer into thinking that a product or service is more environmentally friendly than it is. It can range from making environmental claims that are required by law and are therefore irrelevant (e.g., CFC-free) to puffery, or exaggerating environmental claims, to fraud. Firms need to be careful when using words like green, sustainable, or environmentally friendly so as not to mislead consumers and face potential litigation.

The FTC can take firms to court that ignore “green guides” and seek fines to reimburse consumers. However, most companies do not face legal repercussions from their claims. Between 1992 and 2000 the FTC filed about two complaints a year, but none of them went to court. Since then, the FTC has taken legal action against three companies, all of which were announced on June 9, 2009, the day of a congressional hearing about environmental marketing.

The current administration has taken a tougher stand on environmental issues, and as greenwashing becomes more prevalent, it is likely that legal action will increase. A survey in twelve large retail stores found 1,700 different products with green claims. In addition, a recent survey found that 10.4 percent of advertisements in six national magazines made environmental claims. Since one-third of consumers rely exclusively on labels to decide if a product is environmentally friendly, it is important that labels tell the truth. Some organizations have taken on the challenge of developing a certification system to help consumers make informed decisions when buying supposedly green products. For example, the Carbon Trust offers a certification that validates claims about reducing carbon output. However, certification organizations are not always trustworthy either. Some of them charge a fee and do not hold products to rigorous standards. For the time being, the best way for consumers to be informed about eco-friendly products is to do some research before going shopping.

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There are two sides to every issue:

1. Government regulation will be necessary to force companies to remain truthful in their green claims.
  2. Private green certification programs are the best method for consumers to evaluate and compare claims.
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