

GREENWASHING AS A CHALLENGE TO SUSTAINABLE DEVELOPMENT: IMPACT ON BUSINESS COMPETITIVENESS

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Abstract: *The article explores the phenomenon of greenwashing as a threat to sustainable development and business competitiveness. It analyzes the main causes, consequences, and modern approaches to preventing ecological manipulation. Special attention is given to innovative technologies' role in ensuring environmental initiatives' transparency.*

Keywords: *greenwashing, competitiveness, sustainable development, ESG, ecological marketing, corporate responsibility.*

Modern businesses actively integrate sustainable development concepts into their operations, enhancing their reputation, consumer trust, attraction of environmentally conscious investors, and overall competitiveness. However, alongside genuine environmental initiatives, cases of greenwashing – a manipulative practice where companies mislead consumers about the environmental friendliness of their products or activities – are becoming increasingly common. This phenomenon not only undermines trust in businesses but also creates risks for investors and consumers.

The term «greenwashing» was first used in 1986 by American environmentalist Jay Westerveld. In his essay, he described a case where hotels encouraged guests to reuse towels, claiming it was for environmental protection. However, Westerveld argued that the true goal of such initiatives was to reduce laundry costs rather than demonstrate genuine environmental responsibility [1]. This case became one of the first documented examples of greenwashing, which later spread as a practice where companies claim to be eco-friendly without taking real actions to reduce their negative environmental impact.

According to the definition by the German Federal Environment Agency (Umweltbundesamt (UBA)) – «In general, «greenwashing» is understood to mean the attempt by organizations to give themselves a «green» or «sustainable» image, particularly through communication and marketing measures, without actually systematically implementing corresponding sustainability-oriented activities in their operational business» [2]. According to EU Regulation 2020/852 on the taxonomy of sustainable economic activities, «greenwashing» is defined as the practice of gaining an unfair competitive advantage by marketing a financial product as «environmentally friendly» even if it does not meet basic environmental standards [3].

Greenwashing can be considered one of the major challenges in the field of environmental marketing because it: Contributes to the spread of false information about the environmental friendliness of products and services, making it harder for consumers to make informed choices; Creates a misleading perception of socially responsible business, undermining trust in companies that genuinely strive to minimize their environmental impact; Reduces the effectiveness of government regulations and international environmental standards, as the complexity of verifying a product's environmental attributes makes it difficult to detect dishonest practices.

Companies engage in greenwashing for various reasons. In some cases, it is a deliberate strategy aimed at manipulating consumers to increase sales and create the illusion of environmental responsibility. Other companies may unknowingly spread false environmental claims due to a lack of awareness about sustainability standards and regulatory requirements. The absence of clear regulatory frameworks, the difficulty of verifying environmental claims, and the desire to gain competitive advantages without real environmental efforts all contribute to the spread of greenwashing in today's business environment.

Greenwashing has negative consequences not only for individual companies but also for society as a whole. When consumers are misled about the environmental friendliness of products or services, they may unknowingly make choices that harm the environment rather than contribute to its preservation. This creates the illusion of progress toward sustainable development while, in reality, distorting its true meaning. As a result, trust in genuine environmental initiatives declines, and responsible companies that adhere to sustainability principles face unfair competition.

Moreover, such misinformation slows down the formation of an environmentally conscious society, reduces the effectiveness of environmental policies, and weakens incentives for businesses to implement real «green» transformations. In the long term, this can lead to increasing environmental threats, as consumers lose the ability to support truly environmentally responsible businesses.

In 2020, the European Commission conducted a study revealing that more than half (53.3%) of the examined environmental claims in the European Union were vague, misleading, or unfounded, while 40% lacked any supporting evidence. This situation arises due to the absence of unified regulations for companies making voluntary «green» claims, leading to the spread of greenwashing practices and creating an uneven playing field in the EU market, putting genuinely sustainable companies at a disadvantage [4].

To address this issue, the European Commission proposed the Green Claims Directive in March 2023. This initiative aims to ensure the transparency and reliability of environmental claims made by companies. According to the proposal, businesses that wish to market their products as «eco-friendly» will be required to conduct a scientifically substantiated assessment of their environmental impact and obtain independent verification of their claims. This will help consumers access accurate information and make informed choices while also creating a level playing field where companies that genuinely implement sustainable practices are rewarded for their efforts [5].

It is important to note that the problem of greenwashing is not exclusive to the EU. In Ukraine, according to a PwC survey conducted in December 2020 among 1,000 consumers, 70% of respondents preferred products with transparent and reliable information about their origin. This indicates the growing environmental awareness of Ukrainian consumers and highlights the need for clear standards for environmental claims to prevent misleading information and support truly sustainable practices [6].

It should be noted that the use of manipulative practices that mislead consumers about the environmental friendliness of a product or a company's activities may bring short-term benefits at first glance. However, in the long run, such actions lead to significant reputational, financial, and legal risks.

Reputational risks. The exposure of false environmental claims can result in a loss of trust from consumers and partners. Companies that engage in greenwashing risk damaging their reputation, which negatively affects their competitiveness. In the long term, restoring trust may require substantial financial and image-related resources.

Financial sanctions and legal consequences. Governments in many countries are introducing stricter requirements for corporate environmental reporting and marketing claims. Companies caught engaging in greenwashing may face not only financial fines but also lawsuits, leading to additional costs and reputational damage.

Declining consumer loyalty. Consumers are becoming increasingly informed and cautious about companies' environmental claims. The exposure of greenwashing can lead to the loss of customers who prefer truly environmentally responsible brands. Moreover, negative publicity on social media can significantly amplify this effect, resulting in long-term consequences for businesses.

Furthermore, greenwashing can harm innovation and fair competition in several ways [7]:

Firstly, resources spent on creating a mere illusion of sustainability could have been directed toward genuine innovations that provide real and long-lasting environmental benefits. For example, if a company invests in marketing to position itself as environmentally responsible but does not invest in sustainable practices, it diverts resources from developing truly eco-friendly products and services.

Secondly, greenwashing can create a so-called «race to the bottom» where companies feel compelled to resort to manipulative environmental claims to remain competitive. This, in turn, can reduce incentives for real investments in sustainability, as businesses may believe their efforts will not receive due recognition.

Thirdly, greenwashing makes it harder for consumers to identify and support genuinely sustainable companies. If environmental claims from brands cannot be trusted, consumers may become skeptical even of businesses that are genuinely committed to sustainable development. This, in turn, weakens the market for environmentally responsible companies and slows overall progress in sustainability.

To prevent greenwashing, modern enterprises must adhere to transparent, responsible, and long-term approaches to environmental marketing.

Firstly, blockchain technology and digital product passports should be implemented to ensure supply chain transparency and verify the authenticity of environmental claims. This will provide consumers with reliable information about the origin of raw materials, the production process, and the environmental impact of products.

Secondly, big data analytics and artificial intelligence should be used to verify environmental reports and detect discrepancies between advertising claims and actual performance. Automated monitoring systems can help identify questionable statements and increase corporate accountability.

Thirdly, businesses should align with international environmental standards such as EU Ecolabel, Fair Trade, and FSC, which ensure that products comply with sustainability principles. Official certification reduces the risk of manipulation and enhances trust in the brand.

Additionally, companies should actively promote consumer awareness, conduct informational campaigns, and implement educational initiatives on responsible consumption. Improving environmental literacy among customers will reduce the impact of greenwashing on their purchasing decisions.

Finally, social media and crowdsourcing platforms should be leveraged for open interaction with consumers and experts. Establishing independent verification mechanisms for environmental claims will help eliminate dishonest practices and build a strong, positive corporate image.

Thus, greenwashing not only hinders real environmental progress but also creates additional risks for businesses themselves. The implementation of transparent environmental labeling standards, independent audits of «green» initiatives, and strengthened government oversight can serve as key measures in combating this phenomenon.

The use of innovative technologies and adherence to international sustainability standards are crucial tools for preventing greenwashing and ensuring long-term competitive advantages. Only a responsible approach to sustainable development can guarantee businesses long-term competitiveness and consumer support during the transition to a more environmentally oriented economy.

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