

Greenwashing: how green is it?

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Introduction

On March 22, 2023, the European Commission adopted a “*Proposal for a Directive on Green Claims*”. The proposal is designed to put a stop to the practice of greenwashing and, if adopted by Member States of the Union, it will force companies doing business in Europe to be more scrupulous and evidence based about their environmental claims.

With hospitality businesses competing to show their ‘green’ credentials to attract customers who are increasingly looking for environmentally friendly products and services, we explore in this article the importance of environmental sustainability in the consumer decision making process and analyse some of the communication pitfalls that hoteliers face in their journey to promote their sustainable initiatives.

Environmental activists and unhappy consumers can quickly punish businesses by highlighting their indiscretions through social media and other channels. This can turn consumers off products and dramatically damage businesses which are deemed to be greenwashing. The proposed legislation is a timely reminder to businesses that having a clear ESG strategy alone is not sufficient. They will also need a data driven approach and a well-informed communication team to back up their claims in order to avoid governmental and public accusations and potential penalties for greenwashing.

Regulations and politics

A recent report by the European Union revealed that approximately 53% of green claims give misleading, vague or unfounded information. Even more surprising is that 40% of claims have no supporting evidence (European Union, 2022).

Following on from these research results, on March 22, 2023, the European Commission adopted a “*Proposal for a Directive on Green Claims*” with measures to combat false representation of environmentally friendly practices and ensure consumers receive reliable, comparable and verifiable environmental information on products.

Key takeaways from the proposal include:

- establishing clear criteria on how companies should prove their environmental claims and labels
- requirements for these claims and labels to be checked by an independent and accredited verifier
- new rules on governance of environmental labelling schemes to ensure they are solid, transparent and reliable

The Green Claims Directive would be enforced by competent Member States' authorities. For companies, this means stricter control on publishing material and reporting information. The proposal would require Member States to fine companies up to 4% of their profits and bar them from public procurement contracts should they make unsupported environmental claims.

Due to the upcoming European Parliament elections in 2024, the full adoption of the “Directive” may take some time. Once in place, each EU Member State will be required to implement the provisions of the Green Claims Directive in national law and will be permitted to adopt even more rigid rules. This will diminish the potential for companies to disseminate false information, giving consumers other tools to stand up against such practices and report greenwashing to the relevant authorities.

Modern consumers

Consumers today are becoming highly aware of the impact their spending habits and day-to-day practices have on the environment. This is highlighted by the 2020 survey by the German Environmental Agency which found that for 65% of Germans, environmental and climate protection is a very important issue. The issues at stake have been emphasised, amongst others, by academics, businesspeople, politicians, filmmakers, activists and celebrities. This

constant repetition from so many sources, and supported by the media, backed up by science-based evidence, has played a role in re-shaping consumers perception about the environment, alongside their behaviour and spending habits.

A study from 2022 encompassing more than 10,000 people across 17 countries conducted by global strategy and pricing consultancy Simon-Kucher & Partners, revealed significant paradigm shifts in how consumers feel about sustainability and their willingness to spend more for sustainable products and services. Primarily, consumers view themselves as individuals with a capacity for change, those who have the power to do so, choose a sustainable product over the one less friendly for the environment. Inexplicitly this reveals to companies that the time for change has come. Continuing 'business as usual' is no longer an option.

Globally, 85% of people indicate that they have shifted their purchase behaviour towards being more sustainable in the past five years. Across industries, sustainability is becoming a compelling factor conditioning decision-making choices in relation to purchasing criteria with price and quality continuing to be more prominent factors.

Travel and tourism are high up in the rank of industries where consumer environmental awareness has become a significant criterion influencing purchasing habits (*2022 Global Sustainability Study: The Growth Potential of Environmental Change, 2022*). The challenge for consumers is to find out what is real and what is greenwashing.

Contextualizing greenwashing

As consumer preference for sustainable products has grown so has the problem of **greenwashing**. When Jay Westerveld first used the term in his 1986 essay examining practices in the hotel industry, most consumers “*received their news from television, radio and print media – the same outlets that corporations regularly flooded with a wave of high-priced, slickly-produced commercials and print ads.*” As methods of communication and advertising moved on “ways to greenwash consumers became more sophisticated”, wrote Bruce Watson in his 2016 article for The Guardian.

Greenwashing is the act or practice where companies provide the public or investors with unsubstantiated or outright false information which mislead them about their environmental commitments in order to win over consumers.

Greenwashing generally occurs in two forms: 1) unintentionally overinflating green credentials or 2) doing this deliberately.

Greenwashing has rightfully secured a negative connotation among modern day consumers for falsely portraying companies' environmental efforts. Organizations have been known to invest significant resources to promote themselves as environmental champions, when many of their practices may leave a lot to be desired. This can be effective to fool consumers temporarily but has the potential for long term damage to the business as legislation is tightened.

Typical ways of greenwashing include:

- o False impressions

- Using images of beautiful landscapes in an ad, for example, can convey sustainability while the product isn't.

- o Misleading advertising

- Terms like natural, organic, and sustainable are used without any third-party certification.

- o All talk but no action

- A brand claims they're going green but doesn't actually change any policies to support the claim.

- o Distraction

- A company promotes a product as green but ignores other aspects that hurt the environment.

- o Meaningless

- A brand promotes a product as eco-friendly when it's actually something that's a common attribute or a regulatory requirement.

Business owners who fall into the unintentional greenwashing category should be aware of the risk that greenwashing accusations can be weaponised. Passionate environmentalists and activists can cause real financial and reputational damage to businesses which they feel are not behaving appropriately. The punishment for doing this intentionally may be even more severe.

The dilemma for business owners is challenging because of the scale of the climate change problem and the unfortunate reality that most human activities can be accused of causing harm to the environment. Under these circumstances how can business owners decide what actions they should take to reduce their environmental impact? If they do take action (which of course they should), how can they measure and communicate their improvements and actions to potential customers in a meaningful and honest way without being labelled as 'greenwashers'?

Hotels going green

With improved environmental awareness and the desire from guests to reduce the impact that their consumption makes on the environment, increasing number of consumers value and support tourism products with positive sustainable development practices. Niche hotels and large hotel operators who have pledged to take a more environmentally friendly path are likely to attract such guests. However, those same consumers tend to look elsewhere if they notice poor or irresponsible environmental practices.

A growing number of hotel owners and operators have found ways to cater to eco-conscious consumers and in return, reduce the impact of their business on the environment. Some steps taken by hotel properties to 'go green' include the following:

- cutting down on plastic items
- reducing paper usage
- introduce recycling options easily available for guests
- environmentally friendly room amenities (reusable day-to-day items, natural and organic soaps/shampoos in biodegradable packaging, natural materials)
- reducing food waste
- local ingredients in f&b outlets– supporting the local economy, if possible, serving homegrown produce
- smart water, heating and cooling systems
- reducing housekeeping visits and using chemical free cleaning products, green certificates, etc

The industry has come some way since 1986 when the term 'greenwashing' was first used to describe the practice in hotels of providing guests the option to re-use their towels to protect the environment.

The recently opened Hotel Marcel New Haven, Tapestry Collection by Hilton located in New Haven, Connecticut, USA provides an example where the focus is on one aspect of sustainability. The hotel is a good example of how a property can achieve net-zero carbon emissions.. Entirely powered by renewable energy, this renovated property built during the 70s in a modernist style (formerly home to the HQ of the "Armstrong Rubber Company") claims to be a green marvel. However, there is a catch.

Net-zero carbon emissions apply to hotel operations only. The *embodied carbon** released during the renovation and furnishing phase is often not discussed. For instance, new mechanical systems installed in a hotel emit large amounts of carbon during fabrication,

transportation and installation. Although acknowledged by the project's architects, such information may not be stated at the front page of the website as an eco-certification would be.



Hotel Marcel New Haven, Tapestry Collection by Hilton, USA

The issue of embodied carbon could well be the next source that activists call out as 'greenwashing'. Hotel developers and investors will have to look at new solutions such as using circular and recyclable building materials, or offsetting to reduce their impact and to improve the image of their developments in the eyes of consumers.

** Embodied carbon refers to the greenhouse gas emissions arising from the manufacturing, transportation, installation, maintenance, and disposal of building materials.*

Eco-labels

One of the options available to help hoteliers is to use eco-labels to inform guests and other stakeholders about their actions towards the environment. For guests, eco-labels provide a trustworthy source of information. For hoteliers, they can show which sustainable practices have been implemented in a hotel's daily operations and sometimes in the construction process. For developers, they can help to get a hotel project approved in an increasingly tough regulatory environment.

With more than 200 eco-certification agencies worldwide (*Global Sustainable Tourism Council, Earth Check, Green Globe, LEED, BREEAM, EU Eco label* to name a few) the choice is abundant.

Eco-labels are typically allocated to hotels if a set of requirements are fulfilled by the hotel property. Generally, they consist of satisfying parameters according to environmental, social and economic commitments.

For example, LEED certification requires an assessment of areas such as energy and water efficiency, materials used, indoor air quality and awareness and education.

The Radisson Blu Hotel Faridabad in India earned its LEED Gold status by implementing additional sustainable practices. These include two rainwater harvesting pits and a heat-island roof top with solar panels that can generate an estimated 70,000 Kwh/year. On top of that, the hotel was designed with LED lighting, solar panels, solar lighting, and efficient HVAC systems that offer at least a 40% energy savings over traditional systems. Additionally, the hotel has reduced water waste by 43% thanks to low flow toilets and the utilisation of treated grey water from a nearby sewage treatment plant.

These improvements can be highlighted to guests and come with the stamp of approval of a reliable certification which should help defend accusations of greenwashing. Furthermore, complying to the standards set-up during eco-labelling process, hotels can significantly save on utilities and contribute to sustainability (as is in The Radisson Blue Hotel Faridabad example).

Among other non-financial benefits, eco-labels reflect positively on the hotel's brand image. They help to differentiate hotels in the eyes of guests. Eco-labels are also seen as marketing instruments. They set a standard which is to be respected by the hotel. A promise is given to guests that they are staying in an environmentally friendly property. However, with so many different options available, the credibility of eco-labels might be questioned if handled poorly. Their misuse leads to **greenwashing**.

Conclusion

The proposed legislation is designed to help consumers to find out whether the company they are interested in buying a product or service from has adjusted its business practices to a more sustainable, environmentally friendly processes or whether they are simply greenwashing with empty unsubstantiated claims and promises. This is good news for consumers who are inundated with information that is often contradictory; but also good practice for businesses, as activist and environmental groups armed with as little as a mobile device can quickly derail companies with poorly conceived and executed 'environmental' claims.

From vague claims to fake data, **greenwashing** is more present in our everyday lives than many realise. Companies need to understand that consumers have a desire to purchase sustainable products and are increasingly starting to evaluate their impact on the environment. For many of them, impact is the decisive factor in the decision-making process in selecting a product.

The ever-changing landscape of sustainability and the increasing number of environmentally

aware consumers puts pressure on companies to communicate clear and honest information. As new taxonomy and reporting regulations emerge in Europe and elsewhere, business leaders will have to commit more resources to the issue or take the risk of losing consumer confidence or falling foul of government regulations.

To avoid greenwash-related legal, financial, and reputational risks, all environmentally themed advertising campaigns and any representations made to the public or employees about a business's green-credentials, must be specific, valid and evidence-based according to a report published by the General Counsels Committee of the *Energy & Environment Alliance* (EEA). The EEA is a global coalition of hospitality leaders, working together to achieve net zero carbon and to excel in environmental, social and governance (ESG) leadership, in a robust, timely and commercially sustainable way.

ESG and sustainability are here to stay. Telling people about your efforts with towels and plastic straws will not be enough. If you are interested in learning more about the EEA and other initiatives to support your sustainable business goals, please contact Adam Maclennan at london@PKFhospitality.com.



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