

Eco-Labeling and Greenwashing in the EU Fast-Fashion Industry

Gabriel Carletto Cousseau

Hanne Thomassen
Inderhaug

Chris Rigneus

Charles Triol

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Research Question and Sub-Questions

RQ:

To what extent can the implementation of new eco-labelling standards reduce greenwashing practices in the EU fast-fashion industry given the uncertainty of consumer behaviour?

SQs:

Why is greenwashing harmful?

How does it impact consumption?

60%

of sustainable claims made by major fashion brands in the EU were misleading or untrue
(Changing Markets Foundation, 2021)



Greenwashing: The Challenge and Its Relevance



Prevalence of Greenwashing in the EU's Fast Fashion Industry



- **Corporate Greenwashing:** the practice of making false or misleading claims about the environmental benefits of their products or services
- **Fast fashion:** production of quickly disposable, cheap clothing at very fast rates following volatile new trends
- **New form of EU-Ecolabeling:** a mandatory, visible label on the package of every piece of clothing to be sold, using vibrant color displaying the X element for the consumer
- **Consumer Behavior:** the decision-making that determines purchasing choices of individuals/ households.

Relevance

- Companies greenwashing makes it harder for legitimately sustainable companies to succeed (Peattie and Peattie, 2015)
- Makes it harder for groups trying to make the fashion industry more sustainable (Sadowski et al, 2021)
- The fashion industry harms the environment in many ways, using excessive amounts of and creating pollution (Sadowski et al, 2021).

Literature Review

- Report from European Commission on stakeholder consultations found that half of products bearing environmental claims were non-compliant with EU rules (European Commission, 2018)
 - Most common environmental claim - products related to use of natural resources (biodegradable, compostable)
- Growth in greenwashing led to identification methods for greenwashed goods
 - Seven Sins of Greenwashing "identified by Terrachoice to assist consumers in identifying and understanding false environmental claims" (Moran & O'Neill, 2022)



Sourced derived from (Tim Dirven / Greenpeace)

Literature Review

Seven Sins of Greenwashing

- Analysing the prevalence of seven sins
 - Recent concept, limited data in EU therefore very similar
 - North American fashion market is analysed
 - Sin of '**No Proof**' was most prevalent (applied to 70% of greenwashed products)
 - Refers to making environmental claims that cannot be substantiated (no factual data)
 - We believe new eco-labelling standards can lead to progressive reduction in greenwashing in EU fast-fashion industry

Figure 1.0



(Source derived from: Greenwashing: Are we really buying green?)

Literature Review

- More than 1,300 scholarly articles contain the word "greenwash" or research the topic
 - Majority have sole aim of debunking claims rather than offering solutions to the problem
 - Over 90 of these articles were researched with QDA (quantitative data analysis) to establish the focus of the articles

All data on slide derived from: (Gatti et al., 2019)

78%

of articles discussed greenwashing in the fields
of communication and marketing

12%

of articles focused on law and legislation

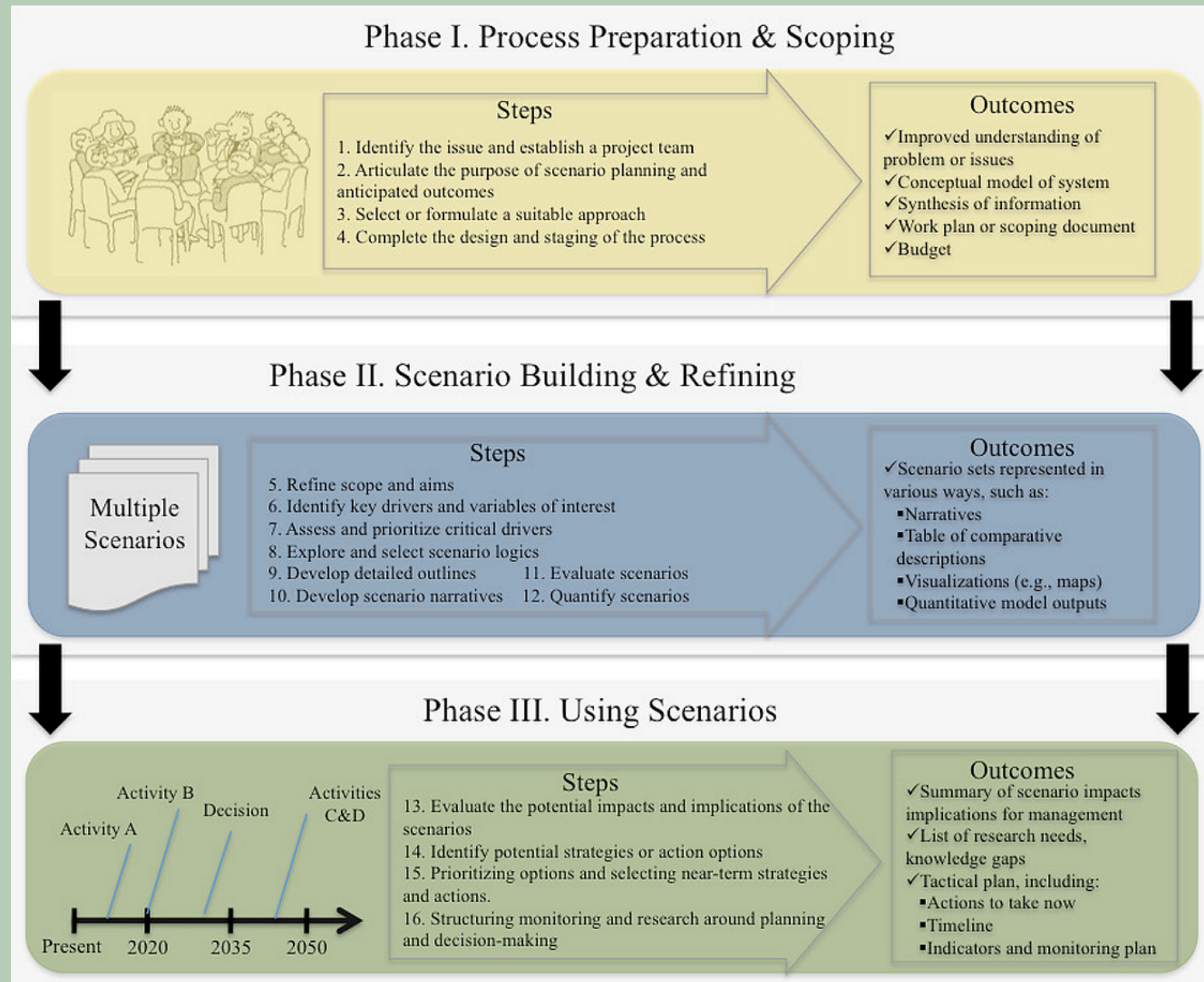
- Clearly wide disparity in research fields, thus our goal is to add to this 12%

Why this approach?

Scenario development

- Not standard for our topic of focus. (natural resource conservation)
- Still appropriate given:
 - **High uncertainty** in key drivers
 - The need to look ahead to assess solutions
- The creation of scenarios:
 - To support decision-making
 - Explore the potential of eco-labelling
 - Understand the impact of external drivers
- The main objective of scenario development is not to predict the future, it is to explore different coherent scenarios and learn from reflecting on the future to improve decision-making in the present. (Glenn & Gordon, 2009)

Overview of the framework



Rowland, E. R., Cross, M. S., & Hartmann, H. (2016). Considering multiple futures: Scenario planning to address uncertainty in natural resource conservation.

Step 3: Select or formulate a suitable approach

- Hybrid scenario approach (qualitative method; would require expert judgement and interpretation)

- 1 • **Gather data** on current state of fast-fashion industry in EU, including;
 - The prevalence of greenwashing practices
 - The level of customer awareness and understanding
 - The resources currently dedicated to enforcing eco-labelling standards

- 2 • **Identify the key drivers** that could influence the effectiveness of the eco-labelling standards, such as;
 - The overall level of commitment to sustainability within the industry
 - The level of resources dedicated to enforcing the standards
 - The level of customer awareness and understanding

Step 3: Select or formulate a suitable approach

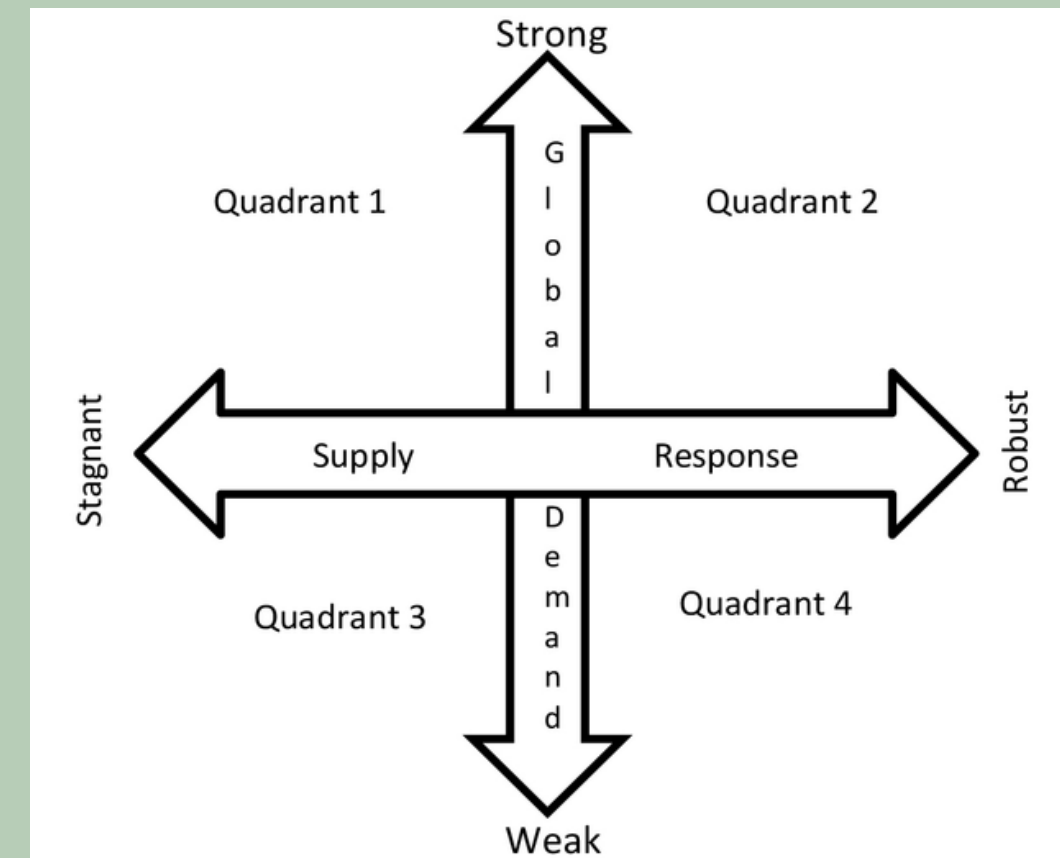
3

- A set of **scenarios are developed**, each representing a different possible outcome
 - Figure 2.0 displays a template for the basic quadrant

4

- The **scenarios are evaluated** based on;
 - Likelihood of occurrence
 - Potential impact they have on greenwashing practices in the industry
- Would allow for comprehensive view of situation, identifying most likely outcome and best course of action

Figure 2.0



(Source derived from: Purdue University)

Step 6: Identify key drivers and variables of interest related to the focus question

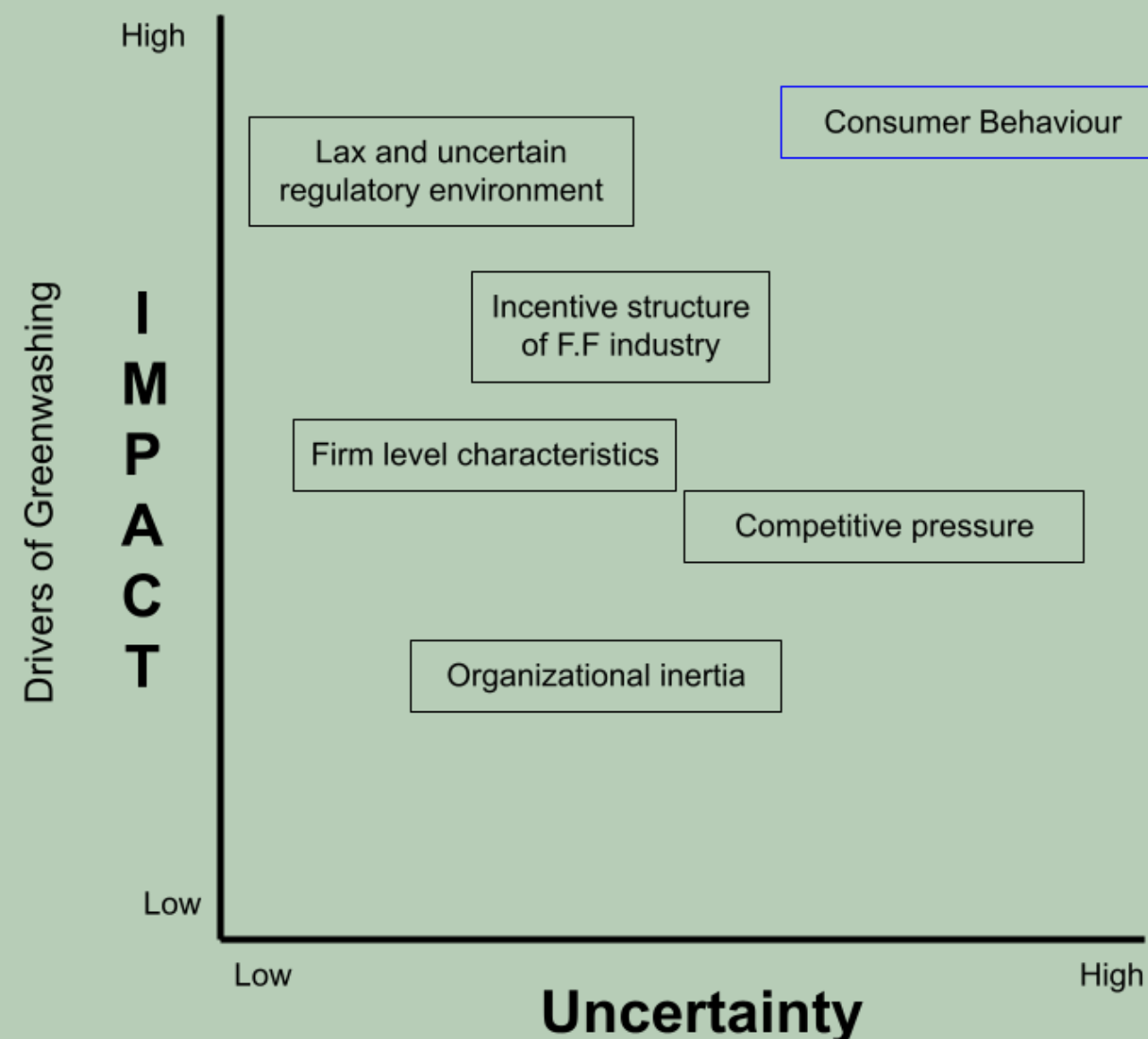
- Crucial to building strong and accurate scenarios
- Non-climate factors are important in our scenario planning effort
 - STEEP Analysis
 - Societal, Technological, Environmental, Economic and Political

Economic	<p>-The rising cost of raw materials, energy, and labour, as well as the increasing demand for sustainable and ethically-made products, can affect the bottom line of fast fashion companies.</p> <p>-The growing market for environmentally friendly products is creating new opportunities for companies to profit. According to a report by Grand View Research, the global market for green packaging is expected to reach \$290 billion by 2025 (Grand View Research, 2020). Additionally, companies that invest in sustainability are more likely to be rewarded by investors, with sustainable companies having a higher return on assets and higher valuations than their peers (Bansal & Roth, 2000).</p>
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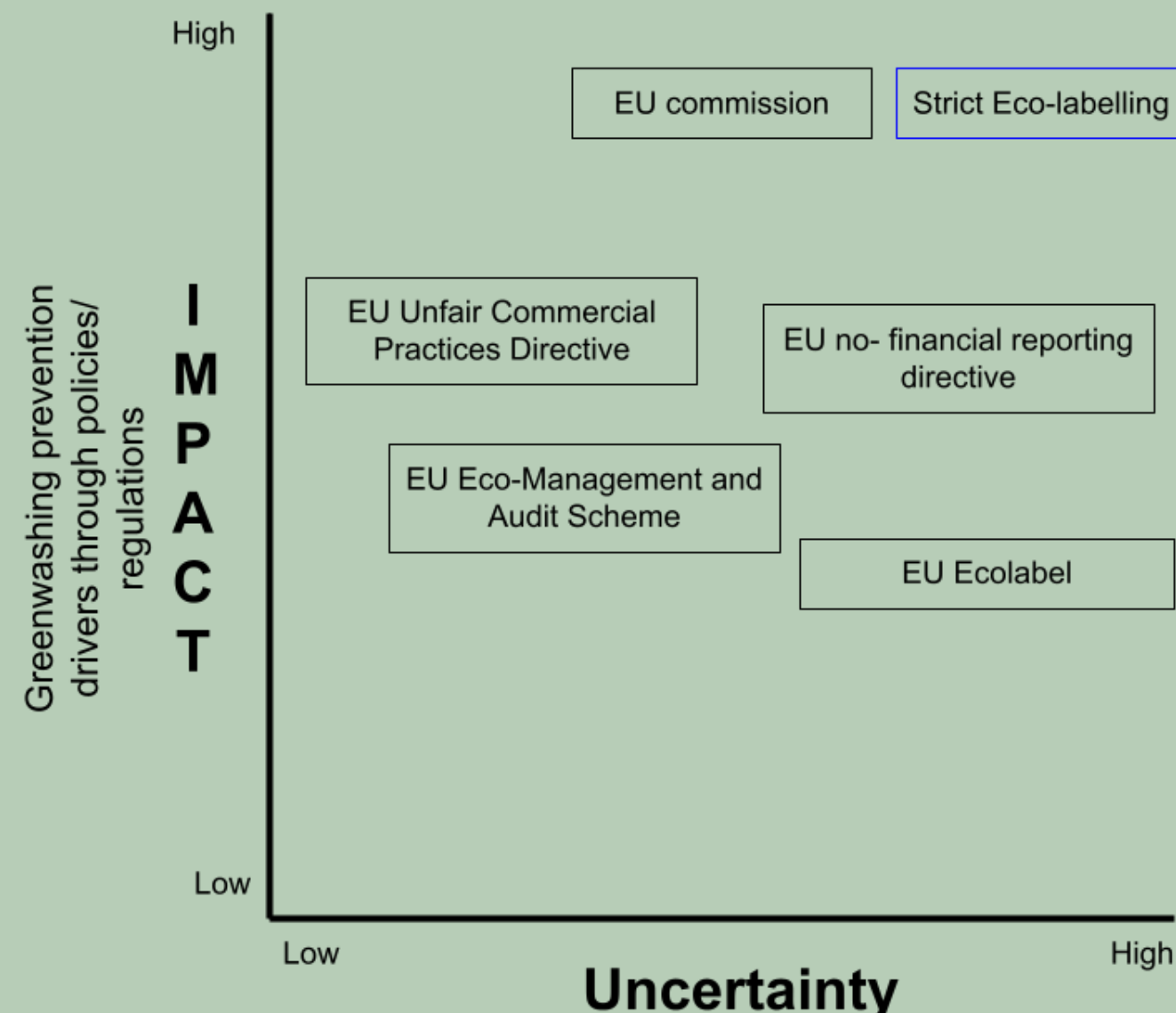
Step 7: Assess and prioritize critical drivers

- Aim is to document high impact / high uncertainty driving forces (to embrace uncertainty)
 - Done through a graphical approach

1. Assessing drivers of greenwashing



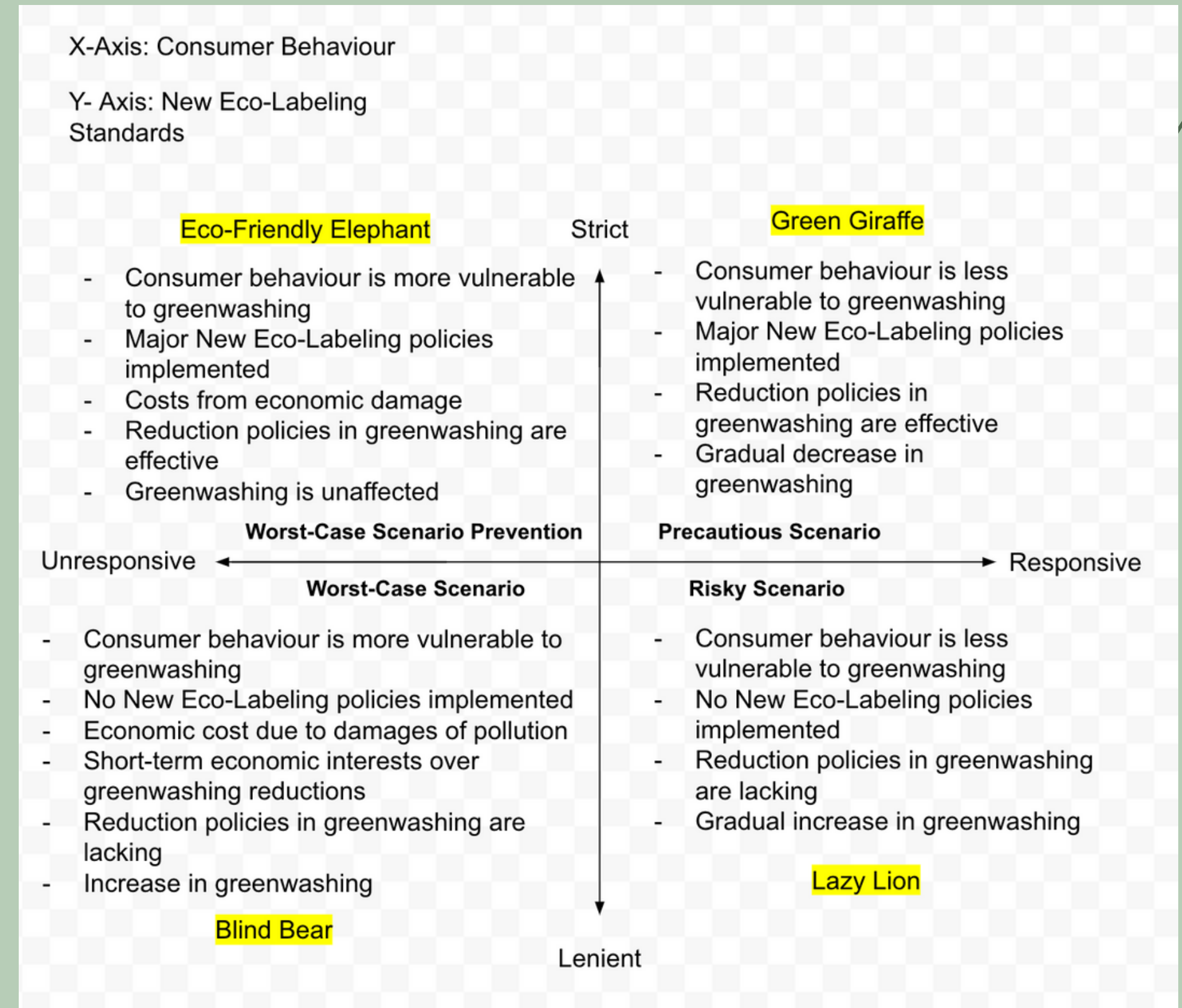
2. Assessing greenwashing prevention drivers



Step 8: Explore and select scenario logics

Figure 3.0

- This study will use the **Basic Quadrant** approach for simplicity
 - Method focuses on 2 key uncertain variables
 - Generates 4 different scenarios as a result
- This method allows for diverse range of scenarios to be developed
 - Figure 3.0 demonstrates the various scenarios that emerge based on the 2 drivers (new eco-labelling standards, consumer behaviour)



Source figure 3.0 (Rigneus et al., Made for research)

Step 10: Develop scenario narratives

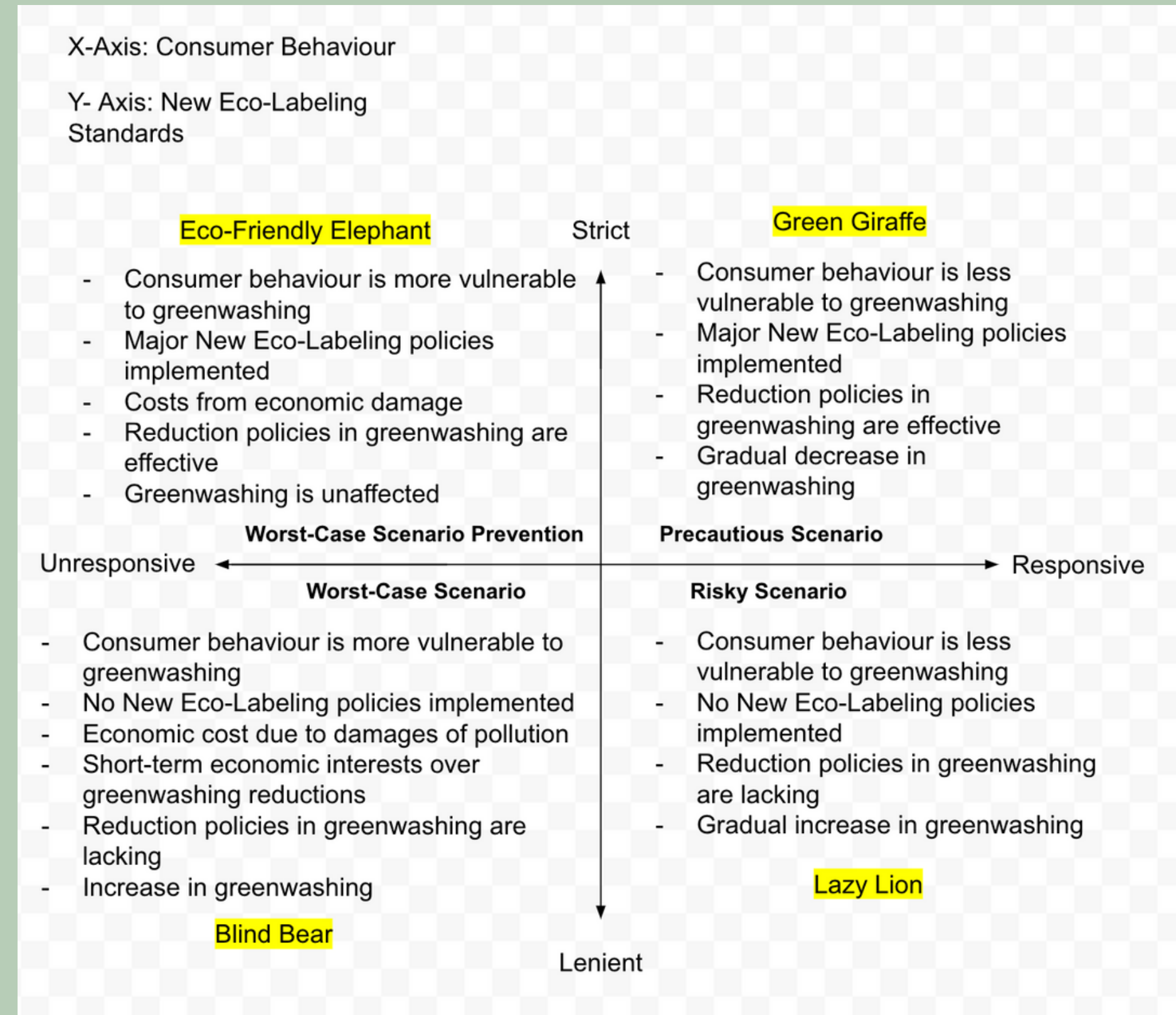
Risky Scenario (Lazy Lion)

- Policies are lenient and consumer behaviour is responsive
 - Government prioritises economy over implementing new policies
- Would only impose new policies if greenwashing becomes greater threat to economy/environment
 - Increase in water pollution, carbon emissions, textile waste generation

Worst-Case Prevention Scenario (Eco-Friendly Elephant)

- New eco-labeling is quickly implemented, but consumer behaviour is not responsive to it
- Less incentives for companies to innovate, given unresponsive consumer behavior
- Fast fashion companies greenwashing would not have profits much affected by the new eco-labeling
- Water, air pollution and textile waste generation would follow their current trend without much downwards change

Figure 3.0



Source figure 3.0 (Rigneus et al., Made for research)

Analysis

Eco-friendly Elephant

- **Consumers would not necessarily adjust their buying behavior**
 - Changes in perception remain unchanged
 - Large government investments with relatively low return
- **A slight overall increase in the prevalence of greenwashing**

Unresponsive

Strict

Blind Bear

- **No anticipated change in consumer behaviour**
 - Economic gains take favour to environmental concerns
- **Increase in prevalence of greenwashing**
- Long-term anticipated economic loss due to environmental damages

Unresponsive

Lenient

Green Giraffe

- **Consumers with a pre-existing interest in sustainability would adjust purchasing behavior to labeling**
 - Changes in perception remain unchanged
 - Large government investments with higher return
- **Anticipated decrease in prevalence of greenwashing**

Responsive

Lazy Lion

- **No anticipated change in consumer behavior**
 - Economic gains take favour to environmental concerns
- Long-term anticipated economic loss due to environmental damages
- **Slight increase in greenwashing**

Responsive

Key findings

Eco-labellings in scenarios with strict policies would reduce prevalence of greenwashing

Effectiveness is contingent upon the customer's existing interest in sustainable clothing

Introducing eco-labeling without efforts to spread awareness would still lead to an overall increase in greenwashing

Consumers with little to no interest in sustainability would not be prone to change behaviour

Key challenges

1

Standardization and consistency

2

Verification and enforcement

3

Limited scope

4

Lack of education

5

Resistance from the industry

6

Cost and implementation challenges

Recommendations

Develop a framework on a European level for standardization of labels

Create a program for consumer education and awareness with involvement from stakeholders

Third-party verifications

A more comprehensive approach

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