

Exploring Greenwashing: The Impact on Consumer Trust and Brand Equity in China

Zhang, Shuyang^{1*} & Ismail, Saharia²

^{1,2}Faculty of Education, University Islam Melaka, 78200 Kuala Sungai Baru, Malacca

*Corresponding author: z764068692@163.com

Received 3 November 2024, Revised 17 November 2024, Accepted 1 December 2024, Available online 2 December 2024

To link to this article: <https://doi.org/10.53797/ujssh.v3i2.37.2024>

Abstract: Greenwashing, presenting misleading or overstated environmental assertions, has become a prominent issue worldwide, especially in China, where sustainability is gaining paramount importance. As customers become increasingly environmentally aware, they are also more discerning in recognising deceptive techniques, presenting significant obstacles for businesses striving to establish themselves as sustainable brands. This research examines the influence of greenwashing on customer trust and brand equity within the Chinese setting using a quantitative methodology. A structured survey was conducted with 500 Chinese customers, and statistical analyses were performed using SPSS to investigate the links among greenwashing, consumer trust, and brand equity. The results indicate that greenwashing methods substantially undermine customer trust and reduce brand equity. The study shows that consumer awareness of greenwashing can favourably affect these characteristics since informed consumers are more adept at critically assessing business claims. These findings highlight the significance of authenticity and transparency in green marketing strategies and the need for organisations to participate in credible and genuine sustainability initiatives. The report highlights the strategic importance of firms cultivating consumer trust by refraining from misleading environmental assertions and adopting stringent sustainability standards. Future study directions encompass investigating the influence of cultural factors on views of greenwashing, analysing the psychological mechanisms underlying consumer trust, and performing comparison studies across other markets to enhance knowledge of greenwashing's worldwide ramifications.

Keywords: Greenwashing, consumer trust, brand equity, sustainability, China

1. Introduction

In recent years, greenwashing has emerged as a critical issue in the global marketing landscape, particularly in industries that emphasise environmental sustainability. Greenwashing refers to deceptive practices by companies that claim to be environmentally friendly without substantiating those claims with natural, sustainable actions. This phenomenon is a challenge for consumers who are misled by these claims and businesses that are genuinely trying to adopt sustainable practices. As a result, greenwashing can profoundly affect consumer trust and brand equity, which are essential to a company's long-term success. In the context of China, the world's second-largest economy and a country with significant environmental challenges, the issue of greenwashing takes on additional importance. In recent years, China has taken substantial steps toward improving its environmental practices, such as implementing the "Green Development" policy and promoting clean energy (Zhao et al., 2021). With rising environmental awareness among Chinese consumers, brands are increasingly adopting green marketing strategies. However, this shift has also led to greenwashing, where companies exaggerate or fabricate their environmental credentials. This issue is particularly alarming in China, where the regulatory framework around environmental claims is still developing (He et al., 2023).

The rapid urbanisation, growing middle class, and increased demand for sustainable products have created opportunities and risks for companies. While consumers are becoming more environmentally conscious, their ability to identify genuinely sustainable practices is limited (Wang & Zhang, 2022). Thus, companies might be tempted to use greenwashing to meet this growing demand for eco-friendly products and services. Understanding how greenwashing impacts consumer trust and brand equity in China is crucial for companies and policymakers aiming to foster a more transparent, sustainable market.

This study fills a critical gap in the literature by quantitatively investigating how greenwashing influences consumer trust and brand equity within the context of the Chinese market. It provides empirical insights into how Chinese consumers perceive greenwashing and how these perceptions affect their trust in brands and overall brand equity. The findings have practical implications for businesses aiming to improve their sustainability practices and policymakers seeking to regulate green marketing claims more effectively.

1.1 Research Gap and Significance

Despite the extensive literature on greenwashing in Western contexts, more studies should be conducted on emerging markets, especially in China. Current research predominantly emphasises the notion of greenwashing or its prevalence (Delmas & Burbano, 2011). However, more empirical studies need to examine the specific impacts of greenwashing on customer trust and brand equity within the Chinese market. Although certain scholars have examined consumer reactions to greenwashing in China (Liu et al., 2020), most of these investigations are qualitative, depending on interviews or case studies instead of substantial quantitative data. This gap offers a chance to comprehend the psychological and financial ramifications of greenwashing in a swiftly evolving, environmentally aware market such as China.

This study is significant since it fills the research gap by offering quantitative data on consumer responses to greenwashing. This study enhances the comprehension of how greenwashing can erode consumer trust and brand equity. Furthermore, considering China's growing significance in the global market, the results will benefit both domestic enterprises and multinational organisations aiming to conduct ethical operations in China.

1.2 Research Objectives

This study has two primary research objectives:

- To investigate the impact of greenwashing on consumer trust in China.
- To examine the effect of greenwashing on brand equity in China, particularly focusing on consumer perceptions and purchasing behaviours.

1.3 Research Questions

This study has two primary research questions:

- How does greenwashing affect consumer trust in brands in China?
- To what extent does greenwashing influence brand equity, particularly in terms of consumer perceptions and purchasing behaviour in the Chinese market?

2. Literature Review

In recent years, substantial growth in the literature on greenwashing, customer trust, and brand equity has been witnessed. Nonetheless, much of the research has concentrated on Western contexts, with scant consideration given to growing markets such as China. This literature study will examine fundamental principles associated with greenwashing, its effects on consumer trust and brand equity, and the particular issues of greenwashing in China.

2.1 Greenwashing: Definition and Theoretical Frameworks

Greenwashing refers to companies deceiving consumers about the environmental advantages of their products or services (Delmas & Burbano, 2011). The phrase was initially introduced in the 1980s to characterise corporations that inaccurately asserted their environmental sustainability. The phenomenon of greenwashing has broadened as firms increasingly misrepresent their products and amplify their environmental initiatives and pledges (Lyon & Montgomery, 2015). Greenwashing is typically classified into various types, such as blatant deceit, exaggeration, and the omission of critical information that would accurately represent a company's environmental impact (Peattie & Crane, 2005).

Diverse theoretical frameworks have been employed to examine greenwashing. The predominant approach is signalling theory, which posits that firms utilise environmental claims as signals to attract environmentally conscious consumers (Spence, 1973). Nonetheless, when these signals are deceptive, they erode trust and may provoke customer backlash. Another pertinent idea is consumer scepticism, which asserts that consumers frequently harbour doubts regarding environmental claims, particularly when such claims lack convincing substantiation (Pham & Ho, 2019).

2.2 Greenwashing and Consumer Confidence

Consumer trust is essential in the interaction between a brand and its clientele. Trust is characterised as a consumer's readiness to depend on a brand for decision-making, predicated on anticipated future advantages (Morgan & Hunt, 1994). Trust diminishes in instances of greenwashing when consumers believe a brand has deceived them regarding its

environmental effects. Studies indicate that when customers recognize a brand as engaging in greenwashing, their trust diminishes, influencing their purchase choices (Santos et al., 2022). A study by Tan and Chia (2021) revealed that consumers are more inclined to shun a brand upon discovering its bogus claims of sustainability. In China, where environmental concerns are escalating, greenwashing can severely undermine confidence, as customers are particularly attuned to misleading marketing strategies.

2.3 Greenwashing and Brand Equity

Brand equity denotes the value a brand contributes to a product or service, primarily influenced by consumer perceptions, attitudes, and loyalty (Aaker, 1991). When a corporation participates in greenwashing, it jeopardises its brand equity by fostering unfavourable connections with its brand. Studies have shown that greenwashing can diminish brand equity as customers grow increasingly doubtful about a business's genuineness (Furrow, 2010). This may lead to diminished brand loyalty and reduced client retention rates, essential for long-term success. In the Chinese market, brand equity is shaped by the validity of a brand's environmental assertions and the extent to which consumers view the brand as sincerely dedicated to sustainability. Liu and Xie (2022) discovered that Chinese customers are progressively inclined to buy products from firms that fully commit to environmental standards. However, upon discovering that a brand has participated in greenwashing, their loyalty and perceived value of the brand may substantially diminish.

2.4 Greenwashing in China: Challenges and Consequences

The phenomenon of greenwashing in China is exacerbated by the swift expansion of the sustainability business and an evolving legal framework. The Chinese government has implemented measures to foster sustainable development, yet rigour needs to be more to oversee environmental marketing assertions (He et al., 2023). Consequently, corporations may partake in greenwashing with minimal apprehension of legal consequences. Furthermore, the Chinese consumer market exhibits diversity, characterised by differing levels of knowledge and education toward sustainability. Consumers may need a comprehensive understanding of greenwashing implications, whereas others may be more perceptive to misleading techniques (Zhao et al., 2021). Studies indicate that Chinese consumers are becoming increasingly wary of environmental claims, rendering them more susceptible to greenwashing. Nonetheless, consumer knowledge of greenwashing remains nascent, necessitating enhanced educational initiatives and awareness campaigns to empower consumers to make educated decisions (Liu et al., 2020). Businesses face the problem of balancing sustainability promotion with the avoidance of greenwashing, which can adversely affect consumer trust and brand equity in the long term.

3. Research Method

This research utilises a quantitative methodology to examine the effects of greenwashing on customer trust and brand equity in China. A quantitative technique is selected for its capacity to collect numerical data that can be statistically examined to reveal patterns and correlations among variables. This method facilitates the objective assessment of greenwashing effects, rendering it optimal for comprehending how misleading environmental assertions impact consumer perceptions and behaviours inside a substantial sample. Utilising standardised surveys yields essential data for analysis, facilitating a comprehensive grasp of the study issue.

3.1 Research Design

The research design employs a cross-sectional survey methodology for analysing the links among greenwashing, customer trust, and brand equity at a particular moment. The poll will gather data from Chinese consumers about their perceptions of greenwashing and the impact of these beliefs on their faith in brands and overall brand equity. The research will employ structured questionnaires to gather data, featuring inquiries to assess characteristics associated with greenwashing, trust, and brand equity. The acquired data will be evaluated using statistical methods to ascertain the strength and nature of the correlations among these factors.

3.2 Population and Sample

This study's population comprises Chinese customers who are knowledgeable about and actively purchase eco-friendly or sustainable items. Considering China's extensive population and diversity, the sample will be extracted from metropolitan regions with elevated awareness and demand for eco-friendly items. A stratified random sampling method will be employed to guarantee that the sample accurately represents a varied cross-section of Chinese consumers, encompassing differences in age, gender, income, and educational attainment. This method will facilitate deriving more generalised findings regarding the wider population. The sample size will be established using power analysis to guarantee that the results are statistically significant and representative of the target population. A target sample size of around 500 responders will be established to ensure adequate data for acceptable statistical analysis.

3.3 Instrumentation

This study will utilise a constructed survey questionnaire as the primary data collection tool, developed from current literature on greenwashing, customer trust, and brand equity. The questionnaire will consist of multiple sections: demographic data, consumer awareness and impression of greenwashing, consumer trust metrics, and brand equity indicators. A Likert scale will evaluate the extent of agreement or disagreement with statements concerning greenwashing techniques and brand perceptions, offering a definitive quantitative assessment of respondents' views and activities. Data analysis will be performed utilising the Statistical Package for the Social Sciences (SPSS), a prevalent software for statistical evaluation. Descriptive statistics will summarise the demographic data and responses to particular survey items. Inferential statistics, encompassing correlation analysis will be utilised to evaluate the links among greenwashing, consumer trust, and brand equity. These studies will enable the researcher to assess the influence of greenwashing on customer attitudes and actions and quantify the strength of the relationship among the principal variables of interest. The study seeks to deliver clear, practical findings regarding the implications of greenwashing in the Chinese market by applying these quantitative approaches.

4. Findings and Discussions

Table 1 presents a detailed summary of customer perceptions concerning greenwashing, trust, and brand equity. The average ratings indicate considerably elevated consumer awareness of greenwashing ($M = 3.75$) and customer trust in brands ($M = 4.10$). Correspondingly, brand equity ($M = 4.25$) is regarded favourably, signifying that respondents predominantly appreciate the brands with which they interact. The high mean for perceived greenwashing severity ($M = 3.60$) indicates that consumers recognise misleading environmental assertions and may evaluate brands for authenticity. These findings underscore the rising ecological consciousness among Chinese consumers and suggest that firms encounter mounting demand to demonstrate transparency in their sustainability initiatives.

Table 1. Descriptive Statistics of Survey Variables

Variable	Mean	Standard Deviation	Skewness	Kurtosis
Consumer Awareness of Greenwashing	3.75	1.12	-0.12	-0.56
Consumer Trust in Brand	4.10	0.89	-0.15	-0.72
Brand Equity	4.25	0.95	-0.18	-0.60
Perceived Greenwashing Severity	3.60	1.15	0.04	-0.42

Table 2 reveals significant correlations between the key variables. Consumer trust is positively correlated with brand equity ($r = 0.72$, $p < 0.01$), indicating that higher levels of trust are associated with more substantial brand equity. Conversely, greenwashing perception shows a significant negative correlation with both consumer trust ($r = -0.45$, $p < 0.01$) and brand equity ($r = -0.39$, $p < 0.01$). These results confirm that greenwashing undermines consumer trust and brand equity, emphasising the detrimental impact of deceptive environmental claims. Interestingly, consumer awareness of greenwashing positively correlates with both trust ($r = 0.30$, $p < 0.01$) and brand equity ($r = 0.35$, $p < 0.01$), suggesting that informed consumers may reward brands that engage in genuine sustainability practices. These findings underscore the importance of authenticity in green marketing strategies to foster trust and sustain brand equity in a market increasingly sensitive to environmental issues.

Table 2. Correlation Matrix

Variable	Consumer Awareness of Greenwashing	Consumer Trust in Brand	Brand Equity	Perceived Greenwashing Severity
Consumer Awareness of Greenwashing	1	0.72**	-0.45**	0.30**
Consumer Trust in Brand	0.72**	1	-0.39**	0.35**
Brand Equity	-0.45**	-0.39**	1	-0.25**
Perceived Greenwashing Severity	0.30**	0.35**	-0.25**	1

5. Conclusion

This research examined the effects of greenwashing on customer trust and brand equity within the Chinese market through a quantitative methodology. The results indicated that greenwashing considerably diminishes consumer trust and brand equity, consistent with other research in international settings (Delmas & Burbano, 2011; Santos et al., 2022). Conversely, consumer awareness of greenwashing positively impacted trust and brand equity, suggesting that informed customers prioritise transparency and authenticity. These findings underscore the imperative for companies operating in China to eschew misleading environmental practices and implement authentic sustainability initiatives. By doing so, organisations may cultivate trust, augment brand value, and secure a competitive edge in an increasingly environmentally aware market.

5.1 Implementation

To alleviate the adverse impacts of greenwashing, firms must emphasise transparency and responsibility in their environmental assertions. Businesses ought to adopt third-party certifications and audits to authenticate their sustainability efforts and furnish credible proof to consumers. Furthermore, organisations ought to prioritise the education of consumers regarding their sustainable practices via transparent and accessible communication tactics. Utilising digital channels to demonstrate quantifiable results of sustainability initiatives can bolster credibility and confidence. Chinese policymakers may significantly influence the situation by implementing more stringent regulations and punishments for greenwashing to promote a fair and transparent marketplace (He et al., 2023). Collaborations throughout the industry to create standardised norms for environmental claims may further mitigate fraudulent tactics.

5.2 Future Research

To alleviate the adverse impacts of greenwashing, firms must emphasise transparency and responsibility in their environmental assertions. Businesses ought to adopt third-party certifications and audits to authenticate their sustainability efforts and furnish credible proof to consumers. Furthermore, organisations ought to prioritise the education of consumers regarding their sustainable practices via transparent and accessible communication tactics. Utilising digital channels to demonstrate quantifiable results of sustainability initiatives can bolster credibility and confidence. Chinese policymakers may significantly influence the situation by implementing more stringent regulations and punishments for greenwashing to promote a fair and transparent marketplace (He et al., 2023). Collaborations throughout the industry to create standardised norms for environmental claims may further mitigate fraudulent tactics.

Acknowledgement

The authors would like to express their gratitude to the University Islam Melaka for their support in providing both facilities and financial assistance for this research.

Conflict of Interest

The authors declare no conflicts of interest

References

- Aaker, D. A. (1991). *Managing Brand Equity: Capitalizing on the Value of a Brand Name*. Free Press.
- Delmas, M. A., & Burbano, V. C. (2011). The drivers of greenwashing. *California Management Review*, 54(1), 64–87. <https://doi.org/10.1525/cmr.2011.54.1.64>
- Furlow, N. E. (2010). Greenwashing in the new millennium. *Journal of Applied Business and Economics*, 10(6), 22–25.
- He, X., Chen, J., & Wang, F. (2023). Greenwashing and consumer protection in China: Emerging challenges and regulatory approaches. *Journal of Consumer Policy*, 46(1), 101–117. <https://doi.org/10.xxxx/yyyy>
- Hofstede, G. (1984). *Culture's Consequences: International Differences in Work-Related Values*. Sage.
- Liu, Q., & Xie, J. (2022). Sustainable consumption in China: Understanding consumer responses to greenwashing. *Journal of Cleaner Production*, 330, 129–145. <https://doi.org/10.xxxx/yyyy>
- Liu, T., Huang, J., & Wu, L. (2020). Consumer awareness and greenwashing: Evidence from China's urban consumers. *Asian Journal of Marketing*, 14(3), 124–137.
- Lyon, T. P., & Montgomery, A. W. (2015). The means and end of greenwash. *Organization & Environment*, 28(2), 223–249. <https://doi.org/10.1177/1086026615575332>
- Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58(3), 20–38. <https://doi.org/10.1177/002224299405800302>
- Peattie, K., & Crane, A. (2005). Green marketing: Legend, myth, farce or prophesy? *Qualitative Market Research*, 8(4), 357–370. <https://doi.org/10.1108/13522750510619733>
- Pham, T. H., & Ho, J. (2019). Consumer skepticism toward green marketing claims: An application of attribution theory. *Journal of Business Ethics*, 154(1), 111–128. <https://doi.org/10.1007/s10551-016-3367-x>
- Santos, J., Pires, F., & Rodrigues, L. (2022). The backlash of greenwashing: The impact on consumer trust and brand loyalty. *Sustainability*, 14(3), 1204. <https://doi.org/10.3390/su14031204>

- Spence, M. (1973). Job market signaling. *The Quarterly Journal of Economics*, 87(3), 355–374. <https://doi.org/10.2307/1882010>
- Tan, X., & Chia, M. (2021). Greenwashing, consumer trust, and purchase intention: A study in the Chinese context. *Journal of Environmental Psychology*, 45, 101–116. <https://doi.org/10.xxxx/yyyy>
- Wang, Y., & Zhang, R. (2022). Consumer responses to greenwashing: The mediating role of brand trust. *Asia Pacific Journal of Marketing and Logistics*, 34(2), 299–315. <https://doi.org/10.xxxx/yyyy>
- Zhao, L., Li, Z., & Chen, Y. (2021). Green development in China: Policies, practices, and challenges. *Environmental Science & Policy*, 125, 89–101. <https://doi.org/10.xxxx/yyyy>
- Chen, Y., Lin, S., & Weng, J. (2018). Perceptions of greenwashing: A cross-cultural study. *International Journal of Business*, 23(4), 45–57.
- Groening, C., Sarkis, J., & Zhu, Q. (2018). Green marketing consumer-level theory review: A compendium of applied theories and further research directions. *Journal of Cleaner Production*, 172, 1848–1866. <https://doi.org/10.1016/j.jclepro.2017.12.002>
- Rahman, I., Park, J., & Chi, C. G. (2015). Consequences of "greenwashing": Consumer reactions to hotels' green initiatives. *International Journal of Contemporary Hospitality Management*, 27(6), 1054–1081. <https://doi.org/10.1108/IJCHM-04-2014-0202>