

NIM INSIGHTS

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GREENACTING VS. GREENWASHING

MADE FAIR: THE FAIRPHONE

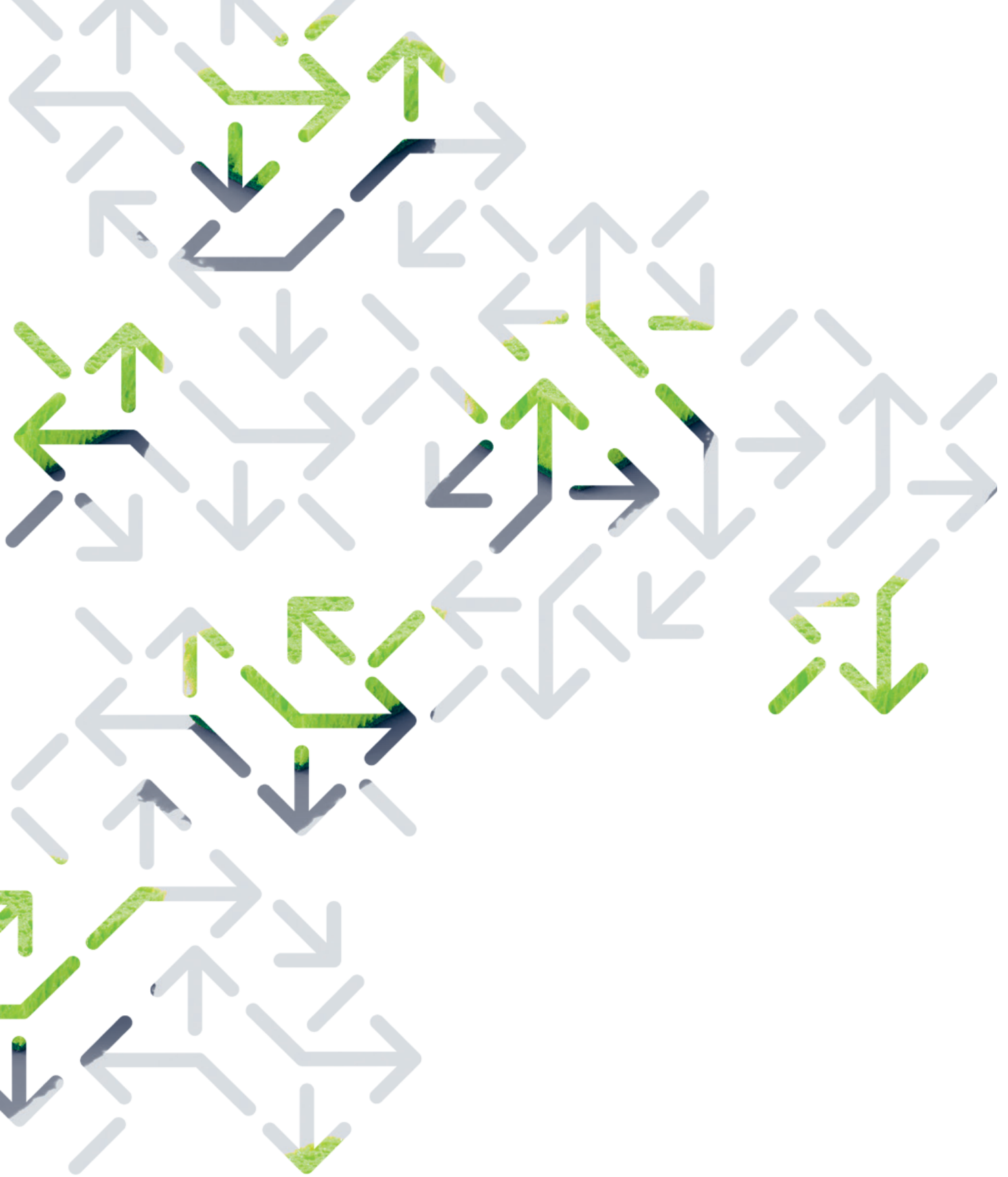
A Smartphone That Respects Our Planet—
Interview with Bas van Abel, founder and
entrepreneur, Fairphone

50 SHADES OF GREEN(WASHING)

The Challenge of Communicating
Sustainability Convincingly

GREENHUSHING

The New Threat to Sustainability
Marketing—With Harmful Effects for
Both Consumers and Companies?



Dear Readers,

Welcome to a new edition of NIM INSIGHTS, the research magazine of the Nuremberg Institute for Market Decisions (NIM). At a time when environmental awareness is not just a preference but a necessity, the distinction between genuine sustainability efforts and mere green veneer is becoming increasingly important. This issue of NIM INSIGHTS—“Greenacting vs. Greenwashing”—delves into this crucial topic and provides a comprehensive and insightful perspective on authentic environmental responsibility.

We examine the phenomenon of greenwashing and provide insights into how it affects consumer trust and market dynamics. We also present research and strategies that highlight the role of marketing in guiding consumers toward truly green choices.

To highlight this topic, we also offer an engaging dialogue with a leading sustainable brand, Fairphone, which provides a real-world perspective on the challenges and successes of true sustainability.

Join us on the winding road from greenwashing to greenacting and support a shift toward honest and environmentally conscious business practices.

With this issue, we aim to provide you with new food for thought through exciting insights, spark ideas, and perhaps even strengthen the collective commitment to real sustainability efforts, aka greenacting.

We wish you an enjoyable read,

Dr. Fabian Buder
Head of Future & Trends Research

Nina Hesel
Senior Researcher

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PHOTO: VYACHESLAV CHISTYAKOV VIA WESTEND61

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THE DILEMMA

Greenacting

The authentic commitment and implementation of sustainable practices by businesses, resulting in tangible environmental benefits. These actions should be measurable and not only of symbolic nature.



Greenwashing

A deceptive practice used by companies to appear environmentally responsible through marketing, without substantive environmental actions or by exaggerating the undertaken actions.

Greenhushing

The deliberate underreporting or withholding of information about genuine sustainable efforts and achievements by organizations, often driven by fear of greenwashing accusations.



PHOTO: MATTHIAS CLAMER VIA GETTY IMAGES

CLIMATE PROTECTION MAKES THE BIGGEST LEAP IN THE CHALLENGES RANKING

The shopping cart is half full, but the wallet is empty? According to the latest “Challenges of Nations” study conducted by NIM, people in the UK and France consider inflation to be their biggest current concern.

In Germany, it ranks second on the list of challenges. By contrast, the greatest current concern for Germans is the protection of the environment and the climate. This is also the challenge that makes the biggest leap compared to the latest “Challenges of Nations”: In 2018, only one in ten respondents named environmental and climate protection as a pressing social problem; in 2023, one in two respondents named this problem.

In addition to today’s concerns, the “Challenges of Nations” study also focused on tomorrow’s challenges. Respondents in the eight countries surveyed generally expect a significant proportion of today’s concerns to remain relevant in the next 10 years, albeit with decreasing intensity. The only exception is environmental and climate protection. In the list of future challenges, this growing concern ranks first.

FURTHER READING

Nürnberg Institut für Marktent-
scheidungen (2023). Challenges
of Nations.

(Only available in German)

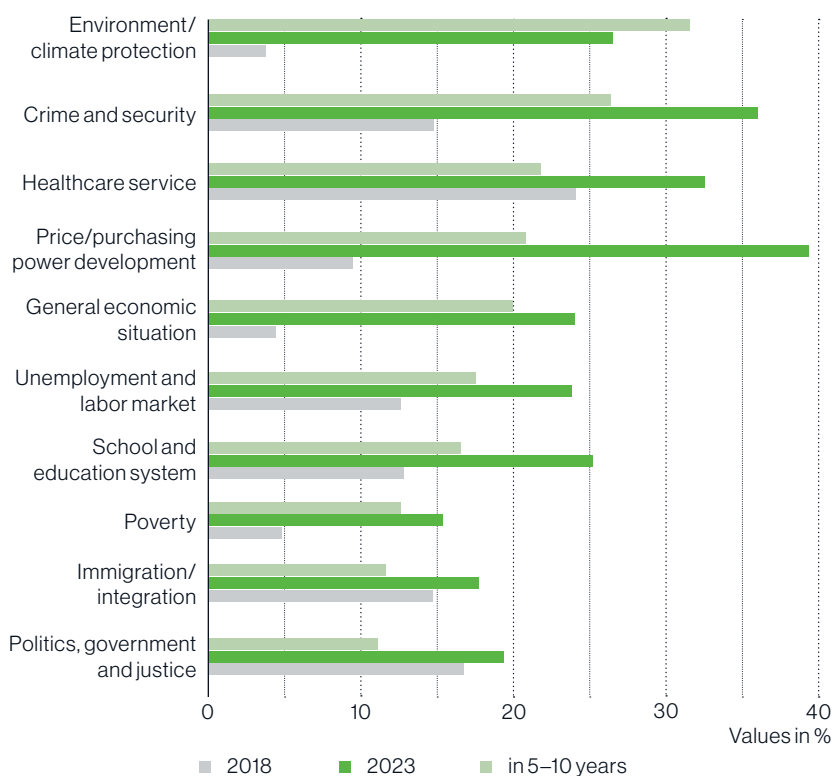
Development of Urgent Matters Over Time

In your opinion, what matters require to be resolved most urgently in your country today?

And if you think 5–10 years into the future: What do you think, which urgent matters will your country have to solve then?

Unaided responses (net sum per topic) | multiple responses possible

BASE: All respondents in 8 countries, n = 8,008 | Values in %



CONSCIOUS CONSUMPTION

This issue of the NIM Marketing Intelligence Review covers various aspects of the pursuit of sustainable consumption. These articles inquire into the barriers to sustainable consumption, and the reasons why consumers might resist being made responsible for it. You will also read about conscious consumption, the arguments against it, and the dilemmas it might create for individuals.

Overall, this issue shows that small changes, such as adding information to product labels or developing a consumer-focused app, can produce positive results.

FURTHER READING

NIM Marketing Intelligence Review, 14(1), 11-17.



1 out of 4

GREENWASHING OF MEAT SUBSTITUTES: CHEATING WITH PRODUCT PACKAGING AND RAW MATERIALS

If consumers want to give up meat but don't want to miss out on the familiar taste, it's easier than ever. Plant-based meat substitutes make this possible without consumers having to radically change their eating habits. In particular, the lower ecological footprint—compared to conventional meat—is a decisive factor in the purchasing decision. Manufacturers are therefore focusing on the sustainability of their products in their communications. However, some of these claims can be classified as greenwashing.

In a qualitative analysis of the 10 best-known manufacturers of meat substitutes in Germany, 8 of them had advertised their products with greenwashing

claims. On average, almost a quarter of the claims made by all manufacturers were greenwashing claims, with three manufacturers using up to 50% greenwashing claims.

The primary topics of greenwashing claims were the plastic-based packaging and the sourcing of main ingredients. Some manufacturers tried to present the plastic packaging as sustainable to reflect the environmentally friendly image of the products. In some cases, attempts were made to actively deceive consumers by presenting false reference values. One example is the comparison of the CO₂ values of seitan, a substitute for chicken meat, with those of beef in order to exagger-

ate the positive effect of meat substitutes.

By using vague language and selective disclosure of information, manufacturers sometimes take advantage of consumers' lack of knowledge about sustainability to engage in greenwashing. This makes it challenging for consumers to make informed, sustainable market decisions.

SOURCE

Klare, S. (2023). Good for the environment and the image? Greenwashing among producers of meat substitutes. Bachelor thesis in Economics, FAU Erlangen-Nuremberg.

GREENWASHING: CONSUMERS AND COMPANIES WANT CLEAR LEGAL REQUIREMENTS

Have we seen the end of “all-natural”? Is the advertising climate too hostile for the term “environmentally friendly”? We take a closer look.

Authors: Tobias Biró and Dr. Andreas Neus

In today's marketing landscape, the term “sustainability” has become as sales-critical and brand-defining as the words “quality” or “new.” In addition, while it remains a powerful theme in any company's communicative arsenal, its misuse—or “greenwashing”—has made sustainability communication increasingly difficult to navigate and successfully implement.

Just how confusing greenwashing and its definition are can be seen in Germany, where the number of cases involving allegations of greenwashing has recently increased. Adding to the general uncertainty are often contradictory court rulings where one company is prohibited from using terms such as “climate-neutral” or “environmentally-neutral,” while another is not.

A shared desire for more clarity

A study by the Nuremberg Institute for Market Decisions (NIM) found that the desire for compulsory regulations regarding sustainability claims was equally important among consumers and companies. For the study, 805 marketing and retail managers and 8,008 consumers from eight countries were surveyed on their attitudes toward and use of sustainability claims and their openness to more regulation concerning such use. The results showed that a very high percentage on both sides agreed with the regulatory ideas presented to them. Interestingly, a large majority of both consumers and marketing managers at the same time rejected the idea to scrap existing regulations in the area of CSR/sustainabili-

ty-related communication and leave further development to the free play of market forces. The figures can be interpreted as approval in principle of the European Commission's current intention to establish legal criteria for voluntary environmental claims.

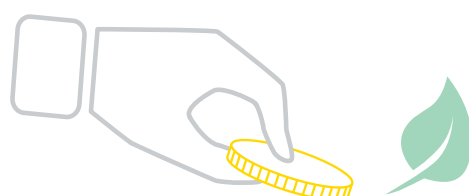
Sustainability is a guiding factor in consumer behavior

Sustainability sells. The NIM study showed that 76% of the consumers surveyed said that sustainability influences their purchasing decisions. The respondents were also willing to pay an average premium of 22% for products whose CO₂ emissions have been verifiably avoided or offset. This message is not lost on companies: Half of them already use a commitment to sustainability in their communication, with another 32% planning to do so. However, with the growing utilization of claims in combination with an ever more critical public, the danger of greenwashing is also growing.

7 out of 10

consumers say they would turn away from companies or brands that are accused of making false or misleading sustainability promises





+22 %
is what people are willing to pay as an average premium for products whose CO₂ emissions have been verifiably avoided or offset



Green or just going through the motions?

Establishing concrete regulations for sustainability claims is not done overnight. This means that until then, consumers will have to take companies at their word. However, consumers' trust and loyalty can be easily lost when a company is caught making false claims. When this happens, the damage can be immense: Out of 10 consumers, 7 say they would turn away from companies or brands that are accused of making false or misleading sustainability promises. The NIM study also shows that 29% of the companies surveyed have already been publicly confronted with allegations of greenwashing. As a result, 1 in 5 have significantly toned down their sustainability communication in a phenomenon known as greenhushing. Still, keeping quiet about one's efforts doesn't help anyone because it makes it even harder for sustainability-minded consumers to shop according to their preferences. Moreover, companies will not be able to explain to consumers the higher costs of more sustainable production compared to competing products. ←

FURTHER READING

Nürnberg Institut für Marktentscheidungen (2023).

Greenwashing vs. Greenacting: Wishes, expectations and perspectives of consumers and marketing managers in eight countries. NIMpulse 2023-4.

KEY INSIGHTS

- Sustainability is a guiding factor in consumer behavior. Every second company addresses the customer's desire through sustainability promises.
- Consumers are willing to pay more for products that promise sustainability. This is an opportunity for companies to increase revenue and thus cover additional costs related to sustainability.
- Consumers trust sustainability promises if the company advertising them is credible to them. Credibility can also be achieved through certifications, transparency, and cooperation with external stakeholders.
- Credibility is often called into question. About one in three companies has already been confronted with greenwashing allegations.

The associated risks weigh heavily: 7 out of 10 consumers turn away from such companies or brands.

- Interest in sustainability is great. However, the potential for misunderstandings and accusations of fraud in sustainability promises is also great. To resolve this dilemma, consumers and companies want clear standards and legal requirements.

50 SHADES OF GREEN(WASHING)— THE CHALLENGE OF COMMUNICATING SUSTAINABILITY CONVINCINGLY

Due to the increasing importance of sustainability in corporate communication, having to face greenwashing accusations has become a widespread apprehension in marketing today. Increasing customer sensitivity, governmental regulation—with the EU Green Claims Directive on the horizon—and NGOs stepping up the blaming-and-shaming game have created an environment in which it is challenging to communicate convincingly.

Author: Prof. Dr. Matthias Fifka





PHOTO: WITTHAYA PRASONGSIN VIA GETTY IMAGES

Being accused of greenwashing is not a recent phenomenon. The term itself is commonly attributed to Jay Westerveld, an American environmental activist who attacked the American hotel industry for their “Save the Towel” campaign in 1986. Westerveld claimed that the call to their guests to reuse towels was not environmentally motivated but a simple maneuver to save money.

Westerveld claimed that the hotel industry had not done anything to protect the environment before and basically was built on a business model doing substantial harm to the environment. Thus, their campaign was purely “cosmetic” from his point of view. Inherent in this argumentation are three challenges for companies wanting to communicate their environmental activities that we will address later on:

- Any communication of early-stage environmental activity could be regarded as greenwashing.
- Green communication by companies pertaining to an industry whose business model causes environmental damage (which applies to any industry to some degree) might inevitably be seen as greenwashing.
- Economic and ecological pursuits are mutually exclusive.

Just what is greenwashing?

As can be seen from Westerveld’s accusations, greenwashing is potentially broad in nature and is subject to two perspectives: the one of the company acting as a sender and the one of the consumer who receives the company’s message. From the company’s point of view, Baum (2012: 424) appropriately describes greenwashing as “the act of disseminating disinformation to consumers regarding the environmental practices of a company or the environmental benefits of a product or service.” Thus, greenwashing entails a purposeful attempt to mislead the customer about the environmental performance of a company or its products and services.

From the consumer’s perspective, greenwashing “lies in the eye of the beholder,” as Seele and Gatti (2015: 239) have

observed. Simply said, what appears as greenwashing to one consumer might not be regarded as such by another. For the company communicating its environmental activities, this inevitably leads to the challenge that the line between communication perceived as authentic and communication perceived as misleading is blurred. Greenwashing as such is a phenomenon that comes in many shades.

“Greenwashing lies in the eye of the beholder.”

Prof. Dr. Matthias Fifka is Chief Sustainability Officer, Head of the Institute of Economics and Business, and Professor for Strategic and Value-Oriented Management at FAU Erlangen-Nuremberg.



PHOTO: MAX SCHWARZHANS

The many shades of greenwashing

A first step in overcoming this challenge is to know what practices can easily be perceived as greenwashing and thus should be carefully considered. Or, seen from the other perspective, these are the practices that make companies vulnerable to attacks by NGOs, journalists, and consumers.

1.

Offering no proof: Not providing evidence for the claims you make is the safest road for companies to be accused of greenwashing—in particular, when numbers provided lack any basis for calculation or substantiated scientific evidence.

2.

Being vague: The attempt to appear green by sending vague messages might also seem an easy choice. Typical examples are claiming that the ingredients used are “natural” or the product is of “regional origin.” Crude oil also is a natural product, and Europe can also be seen as a region.

3.

Using meaningless labels: Closely related is the application of meaningless labels. Using a label that is easy to obtain (some can be purchased without meeting any requirements) or even designing your own label might be tempting. Keep in mind that “the other side” is now providing databases accessible for everyone to make detecting meaningless labels quite easy.

4.

Green overloading: Just like meaningless labels and terminology, using green colors paired with trees, happy animals, and clear lakes on your product might lead to suspicion that behind all the greens, you have something to hide.

5.

Emphasizing the irrelevant: At times, companies resort to pointing out product features that can be taken for granted, such as marking a product to be free of animal testing in a jurisdiction where animal testing is prohibited anyway. Unsurprisingly, emphasizing that you are acting within the limits of the law does not resonate well.

6.

Emphasizing the exception: This could also be referred to as “lighthouse projects.” A good example is a cruise ship company that made a big deal out of putting one ship running on natural gas into service, while the other 12 continued running on crude oil.

7.

Stressing the lesser of two evils: Emphasizing the good side of a product while hiding the much larger negative impacts is sometimes hard to detect for the consumer, but it is by no means “bulletproof.” Declaring that you have managed to reduce the energy consumption of a product by reducing its weight while hiding that the new material used to achieve this is not recyclable, or even hazardous waste, might backfire.

8.

Making diffuse promises: Promising to act green or to improve is not wrong by any means. But then the follow-up is essential. If you do not live up to your promises or wiggle out by claiming that the promise was meant differently, you will be regarded as a cheater.

Prevention against greenwashing accusations

After having looked at what you should not do, let us discuss what you should do in order to avoid accusations of greenwashing.

A good start is to match your existing or planned green communication with the list above, though it does not claim to be exhaustive. If you find an overlap, then you should reconsider what you are doing. Does that mean you should halt all your communications and only resume your marketing when you have become the greenest company on earth?

Definitely not. There is nothing wrong—unlike what Westerveld claimed—with communicating your first environmental activity ever. But then you should acknowledge that you have just started out, that this is your first step, and that you are aware that there is a long way to go. Being honest and authentic is the best way to prevent greenwashing accusations. Consumers do not expect you to be perfectly green instantly and will understand that it is a learning process. So take them along the way.

This also entails that you admit the shortcomings of your efforts. If the new material you are using is more environmentally friendly than the one before, but still not fully recyclable, admit it. In many cases, we do not have the perfect solutions yet and will need to develop new materials, technologies, processes, or even systems, such as the circular economy. You might argue that it is impossible to put all this on your product or its packaging unless you want to have it look like a dictionary. That is a point, but the respective information can be provided as a follow-up on your website, where there is plenty of space. And you can easily link to it by means of a QR code and thus refute any claims that you are trying to hide something.

Closely related is the ability to back up what you have claimed. Not being able to substantiate your efforts or performance makes you easily vulnerable to attacks. But if you can show how you calculated the emissions reductions you communicate, there is no ground for accusations—certainly implying that your numbers are substantial and your math is correct.

What about the confrontational argument that you are only in it for the money or do not really care about the environment and only do what you do to improve your image? The latter, in

particular, is the end of all arguments, because it is hard, if not impossible, to dispel it. What could you argue? That you do not care about your balance sheet or reputation? That would probably be the least convincing counterargument of them all. Because, after all, you operate in a free market, where what you do has to pay off at least in the long run and that is hard to achieve if your image is ruined. Thus, if the new LED lighting system you have installed reduces not only energy usage and emissions but also your operating cost, there is nothing wrong with making that transparent. The accusation to have done it only for the money can still be made, but no one can accuse you of lacking transparency.

New regulation looming on the horizon

When you have taken care of all of the above, you essentially do not have to worry about new regulations looming on the horizon. In March 2023, the EU Commission published a proposal for a directive that aims at preventing companies from advertising themselves or their products or services as more environmentally friendly than they actually are by purposefully misleading consumers. The overriding goal of this so-called “Green Claims Directive” is to ensure transparency and give consumers the certainty that something that is advertised as being green actually is.

The directive seeks to prohibit making claims on environmental benefits that result from what is required by law anyway (see No. 5). Claims on benefits exceeding legal boundaries have to be substantiated by scientific evidence (No. 1). But that is not all. If positive environ-

mental effects are advertised, they must not be outweighed by any negative side effects (No. 7). To provide such a full picture, the company has to make clear if the claim is related to the whole product or only a part of it, or to all or only certain activities of the trader. Labeling schemes are also targeted by the proposed directive. New private labeling schemes are only allowed if they provide added value in terms of their environmental ambition, compared with existing eco-label schemes, and are approved in advance. If developed and brought on the market, they need to contain transparent information about the issuer, the objectives, the requirements, and the procedures pertaining to the monitoring of compliance with the label in question.

Finally, all environmental claims and labels will have to be verified by an independent auditor in accordance with what the

“Being honest and authentic is the best way to prevent greenwashing accusations.”



PHOTO: ANNA EFETOVA VIA GETTY IMAGES

directive stipulates. The directive will reduce environmental advertising substantially not only because of the limitations it places on green claims but also because of the costs resulting from the auditing process. How do you deal with that? You will have to make your green advertising more selective—unless you have coffers full of money—choosing key areas and products or services you bring to market. You will also have to implement the processes needed to generate the necessary sci-

entific information or proof and have it audited. This implies entering into partnerships and developing the respective workflows, and most importantly, getting rid of unsubstantiated claims and happy pictures from la-la land that you might still be using in your communications. Though the directive will not come into force before 2026, most likely, the best time to get started is today because, in the meantime, NGOs, journalists, and consumers will take over. ←

GREENHUSHING: THE NEW THREAT TO SUSTAINABILITY MARKETING?

Greenhushing, which involves companies downplaying or even not communicating their sustainability efforts at all, has not received as much attention as the well-known problem of greenwashing. However, it too can have numerous harmful effects for both consumers and companies.

Authors: Nina Hesel and Dr. Fabian Buder



Is greenhushing preventing real sustainability communication and environmental progress? And how can its harmful consequences be avoided?

The purchase decisions of consumers are a key factor in steering market activity in a more sustainable direction. And indeed, consumers are increasingly seeking to buy more sustainably. According to a 2023 international study by the Nuremberg Institute for Market Decisions (NIM), 66% of consumers prefer to buy products that advertise a sustainability claim.¹ The evident problem: Often, only the suppliers know the actual level of sustainability of their products, while consumers are left to take their word for it. Consumers can only base their decisions on the information accessible to them. This potential lack of information creates information asymmetries and may limit consumers' ability to make informed purchasing decisions.

Greenhushing: Just as detrimental as greenwashing

One well-known strategy companies use to exploit this information asymmetry is greenwashing, by exaggerating their environmental performance in their communications. As we know, this often backfires; exposed companies lose their reputations and consumers may refrain from buying their prod-

ucts—a familiar story so far. Greenwashing has come under fire from government organizations, NGOs, and the general public, and rightly so. Now companies know better than to inflate their sustainability achievements. Problem solved? Not really, as the societal backlash against greenwashing can prompt companies to start “greenhushing,” the opposite of greenwashing—when companies do good environmental work but don’t talk about it or downplay their efforts.

Not talking about your sustainable actions and sustainable product attributes is detrimental on many levels. First, if a company does not communicate the sustainable aspects of its products, consumers seeking sustainability may simply not recognize the products as such and be prevented from making informed consumption decisions according to their



¹ The study surveyed 8,008 consumers and 805 marketing decision-makers from companies in eight countries. For more information, please see p.10 of this magazine issue.

22% of companies have deliberately refrained from communicating their sustainability progress for fear of greenwashing accusations.

NIM 2023, survey of 805 marketing decision-makers in eight countries

preferences. From a supplier's perspective, ensuring sustainability throughout the supply chain is often associated with additional costs. It may be difficult to justify a price premium for sustainable products if a company does not communicate and display sustainable product characteristics. This could put the company at a competitive disadvantage, as it will not be able to create demand for its unrecognizable green products. Ultimately, this leads to nothing less than a potential market failure, as greenhushing makes it difficult for supply and demand to meet efficiently.

Another possible negative consequence of greenhushing is that it can impede real sustainable progress. If companies do not share their environmental goals, activities, successes, and failures, other companies cannot learn from these experiences and follow best practices. In addition, when companies are silent about their actions, it may slow the development of reliable standards for sustainability communication.

On a more general level, there is also a risk that if many companies adopt the strategy of "greenhushing" and talk less about sustainable measures, this could reduce the attention paid to sustainability overall, as consumers are less confronted with the environmental aspects of their purchasing decisions.

Why do companies keep quiet?

Often, greenhushing is rooted in the genuine desire to avoid greenwashing accusations and possible legal ramifications. According to the NIM study, 22% of companies have, at some point, deliberately refrained from communicating their sustainability progress in fear of greenwashing accusations. Experts from various business and academic fields have pointed out the great sense of uncertainty among companies about communicating their environmental and social activities. Tightened regulations and a more aware consumer base have added to the reluctance to convey a sustainable stance and become a potential target for critical questions.

POSSIBLE MOTIVES FOR GREENHUSHING

Fear of greenwashing accusations: Companies may be reluctant to talk about their sustainability activities out of concern for being unfairly criticized, gaining a negative reputation, or being "canceled."

Lack of confidence in goal achievement: Some companies may be uncertain about their ability to meet sustainability goals.

Uncertainty about communication standards: The lack of clear, standardized guidelines can leave companies unsure of when and how to convey their initiatives.

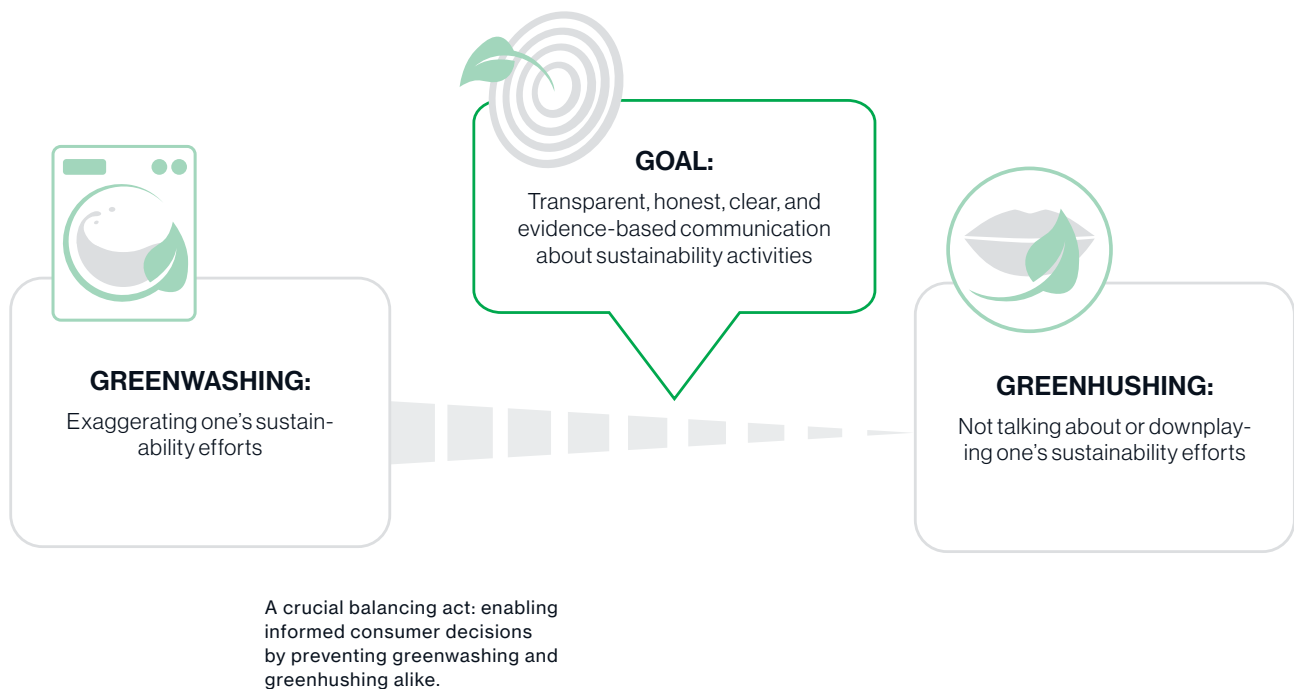
Brand image misalignment: In cases where sustainability does not align with a company's brand identity or competitive advantage, businesses might avoid highlighting these efforts.

Negative consumer perceptions: In certain product categories, products labeled "sustainable" are perceived to be of lesser quality.

Easing customer guilt: Companies may opt not to highlight sustainability out of concern that it could trigger guilt feelings among their customers.

Viewing sustainability as standard practice: Some companies may believe that sustainability measures are already standard in their industry and see no need for extra communication or praise.

Compilation based on Ettinger et al. (2021), Luchs et al. (2010), and Reketat (2023), with additions by the authors



However, there can also be other motives for greenhushing, such as the assumption among some consumers that environmentally friendly products might be of lower quality or have a weaker product performance. Additionally, some companies may believe that their customers do not care about sustainability issues and that taking an environmental stance wouldn't fit their brand image. Moreover, research suggests that some businesses decide not to talk about sustainability at all to reduce the potential guilt customers might feel regarding the environmental effects of their consumption, e.g., when it comes to hedonistic pleasures like traveling. Finally, a more optimistic perspective might be that some companies forgo environmental communication because they see it as something everyone should be bringing to the table by now; thus, it is not newsworthy or a reason to brag.

Clear standards and courage for genuine communication on sustainability

Is it possible nowadays to communicate your green activities without getting blacklisted? How do you avoid the toxicity of greenhushing for the benefit of companies and consumers?

The discussed motives may be justified for certain product categories when the goal is avoiding greenwashing accusations or optimizing sales in the short term. But if one is thinking long-term and striving to have customers make conscious choices and improve their long-term sustainability awareness or literacy, greenhushing is certainly not the solution. One could argue that marketers should be more courageous in their communication. It might even mean admitting one hasn't fixed everything yet. But in the end, it is an authentic

KEY INSIGHTS

- **Understanding greenhushing:** Unlike greenwashing, where companies exaggerate their environmental efforts, "greenhushing" refers to companies undertaking positive environmental actions but not communicating them. Holding back relevant information about sustainability is likely to hinder the efficient interplay of supply and demand as it limits consumers' ability to make informed, sustainable choices, and companies might not be able to justify price premiums.
- **Reasons for under-communicating sustainability efforts:** Companies may avoid talking about their green initiatives due to fears of greenwashing accusations, concerns over consumer perceptions, or the belief that their target groups do not prioritize sustainability. Some might also view their green efforts as not newsworthy because everyone should be sustainable by now.
- **Fighting greenhushing and greenwashing alike:** Marketers should prioritize clear, transparent, and evidence-based communication to empower consumers to make sustainable purchasing decisions and build genuine trust. Legal requirements and clear standards like those planned in the upcoming EU Green Claims Directive can help companies navigate the risks of greenwashing and greenhushing.

SOME RECOMMENDATIONS TO HELP YOU AVOID GREENHUSHING AND GREENWASHING

1.

Make sure not to under-communicate = greenhush:

Ensure comprehensive communication:
Provide consumers with comprehensive information about your company's sustainability initiatives and product attributes.

Make sure you don't miss anything relevant. Look at the whole value chain of your products. Working closely with the sustainability reporting team can help you to cover all crucial aspects.

2.

Make sure not to over-communicate = greenwash:

The proposed EU Green Claims Directive can provide some good guidance. The proposal foresees an extensive list of requirements for voluntary environmental claims. Among other things, such a claim must be as follows:

- Clear and specific about what it refers to (e.g., part of the product, product as a whole, company as a whole)
- Taking all significant environmental aspects into account in a life cycle perspective
 - Based on data and scientific evidence
(See page 16 for more details)

3.

Maintain ongoing, consistent communication:

Stay updated on regulatory developments, and establish a seamless process for reviewing and updating communication measures and claims.

Ensure that your communication is uniform across all channels.

4.

Engage and align your stakeholders:

Everyone should speak the same language and be on the same page regarding your company's sustainability claims, from your employees to your suppliers and distributors.

Choose your partners carefully. A good marketing agency, for example, should know how to communicate your sustainability message effectively and in a legally watertight manner.

REFERENCES AND FURTHER READING

Ettinger, A., Grabner-Kräuter, S., Okazaki, S., & Terlutter, R. (2021). The desirability of CSR communication versus greenhushing in the hospitality industry: The customer's perspective. *Journal of Travel Research*, 60(3), 618–638.

Luchs, M. G., Naylor, R. W., Irwin, J. R., & Raghunathan, R. (2010). The sustainability liability: Potential negative effects of ethicality on product preference. *Journal of Marketing*, 74(5), 18–31.

Nürnberg Institut für Marktentscheidungen (2023). Greenwashing vs. Greenacting: Wünsche, Erwartungen und Perspektiven von Konsumenten und Marketingmanagern in acht Ländern. NIMpulse 2023–4.

Reketat, A. (2023, April 14). Green Hushing: Das neue Greenwashing? Utopia.

and transparent position that people can identify with. However, courage alone is certainly not enough. There are indeed examples of companies that—probably to the best of their knowledge—acted sustainably and talked about it but were nevertheless penalized because they broke new ground in terms of messaging, and the legislator ultimately classified the communication as misleading.

Finally, clear standards are needed. Legislation can help, for example, by setting standards for the disclosure of sustainable activities, such as levels of CO₂ emissions. Such regulations could encourage more open discussions and force communication in certain areas. The same can be said for regulations on sustainability marketing, in particular, such as the proposed EU Green Claims Directive. The directive aims to tackle misleading sustainability labels and claims by requiring companies to make clear, accurate, and science-based claims about the environmental performance of their products and, consequently, to stop greenwashing. In the face of such stricter regulations, marketers may initially become even more cautious and perhaps even more reluctant to communicate about sustainable practices at all, which might foster greenhushing. This could be exacerbated by the fact that complying with all regulations and the audit process is associated with costs. In the long run, however, clearly defined guidelines will provide clarity on permissible communication and could help find the sweet spot between greenwashing and greenhushing—transparent, honest, and evidence-based communication about sustainability activities. Ultimately, this might also motivate previously silent companies to talk about their green activities, encouraging communication about real and honest sustainability efforts. ←



NIM MARKET DECISIONS DAY 2023 THE BIG DECISION: “GREENACTING INSTEAD OF GREENWASHING”



A Day Full of Sustainability

July 5, 2023, OFENWERK, Nuremberg

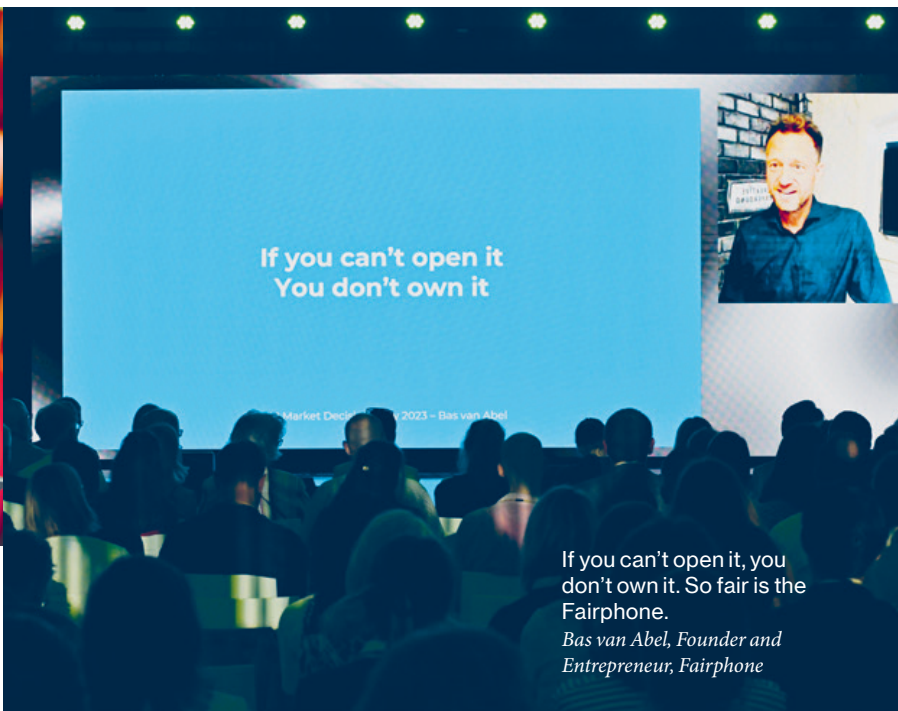
Our annual NIM Market Decisions Day was all about sustainability. Together with 200 guests and renowned speakers from practice and academia, we discussed whether companies understand sustainability as a holistic approach that encompasses the environment, society, and the economy. In presentations and a panel discussion, we talked about the nuances distinguishing greenwashing from genuine environmentally conscious actions and strategies for exposing

greenwashing. The agenda also covered pathways to sustainable transformation, potential hurdles, and effective measures for sustainability marketing. In two break-out sessions, the researchers of NIM gave an insight into their research projects: One session focused on how marketing can help customers make more sustainable decisions and the other on what companies need to do to ensure that greenacting reaches consumers. The conference ended on a cosmic note in the afternoon, when guests joined a former ESA astronaut for an unforgettable view of our planet from space.





Stop washing green – act!
Darya Sotoodeh, Speaker and activist, Fridays for Future Germany



If you can't open it, you don't own it. So fair is the Fairphone.
Bas van Abel, Founder and Entrepreneur, Fairphone



Florian Schroeder, TV presenter and Cabaret artist, moderated the NIM Market Decisions Day 2023.



The future requires decisions: dm on its way to becoming an environmentally neutral company.
Kerstin Erbe, Managing Director, dm-drogerie markt



Greenwashing prevention: Top tips from a whistleblower
Desiree Fixle, Whistleblower, former DWS Manager, Attain

PHOTOS: SCHMITT PHOTO DESIGN

Conference Speakers

NIM Market
Decisions Day
2023 – a short
review with the
highlights
on YouTube:



Does green color make
everything green?
Recognizing and
avoiding greenwashing
*Prof. Dr. Matthias Fifka,
Head of the Institute of
Economics and Business,
Sustainability Officer, FAU
Erlangen-Nuernberg*



To what extent is
greenwashing pre-
sent in companies?
Discussion with Antje
von Dewitz and
Prof. Dr. Matthias
Fifka
*Antje von Dewitz,
Managing Director,
VAUDE*



Greenacting vs.
Greenwashing:
Expectations and
perspectives from
consumers and
marketing managers
*Dr. Andreas Neus, Managing
Director and Vice President,
NIM*

Looking at our
planet – fascinating
images and insights on
sustainability
*Dr. Thomas Reiter, former
ESA-Astronaut, European
Space Agency*





PHOTO: WESTEND61 VIA GETTY IMAGES

GENERATION GREEN: THE RADICAL PULSE OF TOMORROW'S LEADERS

A new generation of leaders is fostering sustainable practices and greater transparency. Their environmental commitment is everything but “business as usual.”

Author: Dr. Fabian Buder

When it comes to climate action, tomorrow's leaders are not dutifully following in the footsteps of their predecessors. The latest Voices of the Leaders of Tomorrow (VOLOT) study by the Nuremberg Institute for Market Decisions (NIM) found that the next generation of leaders has a deep—and sometimes radical—commitment to fostering more sustainability. What about today's leaders? NIM interviewed individuals from both ends of the generational spectrum.

"I believe that there is no direct correlation between growth and happiness," says Gael, 23, a social entrepreneur from the Ivory Coast. Most of the aspiring leaders of his generation would agree, seeing climate protection as a top priority. The VOLOT study surveyed 762 aspiring leaders up to the age of 35, and 300 senior executives who are 50 years or older and work in the world's 3,000 top revenue companies.

Interestingly, 62% percent of young leaders prioritize a better climate over growth and prosperity, and almost half of them find that breaking rules or laws is acceptable if it helps the environment.

47% of the Leaders of Tomorrow agreed that given the global challenges posed by the climate crisis, it is also okay for individuals to defy existing rules and laws in order to accelerate the sustainable transformation of society and the economy.

VOLOT 2023 study by NIM and the St. Gallen Symposium

57% believe that climate protection is only achievable through radical changes—creating a new, different economic and political system.

"To tackle indecisiveness among leaders of today, more radical means could include implementing strict personal accountability measures, such as holding executives legally responsible for environmental damages caused by their companies," states Petter, 28, a climate tech entrepreneur from Norway. His fellow countryman Halvor, 27, a management consultant and serial entrepreneur, believes that today's leaders show little commitment to solving the problems

arising from the climate crisis. While they see themselves as having a deep commitment to climate protection, the leaders of tomorrow consider the climate protection measures of today's business leaders to be too timid: Of the 762 high potentials under the age of 35 surveyed, more than half believe that the older generation is delaying real change and not considering the perspective of younger generations when making decisions.

While Mara, 27, a social entrepreneur from Luxembourg, notes that today's leaders "still may not fully comprehend the gravity of the climate crisis and the



LEADERS OF TOMORROW



LEADERS OF TODAY

Many Leaders of Tomorrow demand a new and different economic and political system.

57%



57% of the Leaders of Tomorrow say that the necessary steps for a sustainable transformation of the economy can only be implemented in a new, different economic and political system. The Leaders of Today, who still tend to believe in the existing system, seem to be more likely to call for thoughtful action—therefore, only 20% of them agree with such a statement.

20%



The necessary speed of action for sustainable transformation is a major source of disagreement between the generations of leaders.

62%



62% of the Leaders of Tomorrow state that the sustainable transformation of the economy must happen quickly, even if it costs growth and prosperity, at least initially. Of the Leaders of Today, 30% see it that way.

30%



In stark contrast to the Leaders of Today, many Leaders of Tomorrow prioritize sustainable transformation even if it means cutting down on property rights or freedom of contract.

58%



58% of the young talents think that, in case of doubt, measures for the sustainable transformation of society and economy are more important than individual rights, such as property rights and rights of freedom of contract. Only 2% of the Leaders of Today agree with such a restriction.

2%



Majorities of both generations of Leaders call for more rules and market regulations in the interest of sustainability.

69%



Majorities of both the Leaders of Tomorrow (69%) and the Leaders of Today (90%) believe that rules and market regulations are more likely to drive sustainable change in the economy, as opposed to relying on the free market and voluntary changes in behavior.

90%



n = 762 Leaders of Tomorrow / n = 300 Leaders of Today | Numbers are percentages of valid cases

PHOTO: JASMIN MERDAN VIA GETTY IMAGES



urgency of taking action immediately,” today’s business leaders themselves feel in tune with the views of younger generations. The survey of today’s managers found that 77% of current leaders think that they take climate protection as seriously as the younger generation does. 85% felt that they were addressing climate change with the utmost urgency.

The common ground: Strong climate protection policies are needed

Despite the differences and conflicts between the generations, there is also

consensus. One notable finding of the VOLOT study 2023 is the shared belief that rules, laws, and market regulation are more likely to drive the transition to greater sustainability than voluntary behavior change and the free market. 69% of young leaders and as many as 90% of older business leaders share this view.

This common ground provides an important basis for intergenerational dialogue and cooperation. It shows that, despite the existing conflicts, there is a shared understanding of the need for structural changes and regulatory mea-

sures. This mutual perspective can serve as a starting point for developing joint strategies and actions to address climate change and promote sustainable transformation.

The challenge now is to translate this agreement into concrete measures and strategies. Companies must nurture a cross-generational dialogue to see different perspectives and concerns while finding shared solutions. They must also be open to change and willing to rethink and adapt existing systems and processes. Only then can a positive and lasting impact be made. ←

ABOUT VOICES OF THE LEADERS OF TOMORROW

The VOLOT 2023 study by the NIM surveyed 762 aspiring leaders up to 35 years of age from the St. Gallen Symposium’s Leaders of Tomorrow network, which includes top talent and young entrepreneurs from 79 countries. It also sought the parallel opinions of 300 senior executives aged 50 or older and work in the world’s 3,000 top revenue global companies. The VOLOT study

from NIM aims to make tomorrow’s leaders heard. The goal is to create a better understanding between the generations so that new, joint solutions can emerge. The report is published annually in cooperation with the St. Gallen Symposium on a changing focus topic.

Learn more and download the entire VOLOT study at to.nim.org/volot2023.





PHOTO: QIYANG VIA GETTY IMAGES

DON'T LET GOOD DEEDS GO UNNOTICED: A BUSINESS CASE FOR A PERCEIVED BRAND PURPOSE

Measuring consumers' perceptions of a brand's purpose is crucial for brand management in an increasingly environmentally conscious world. How can the right brand perception power your marketing plans?

Authors: Dr. Michael Zürn and Nina Hesel

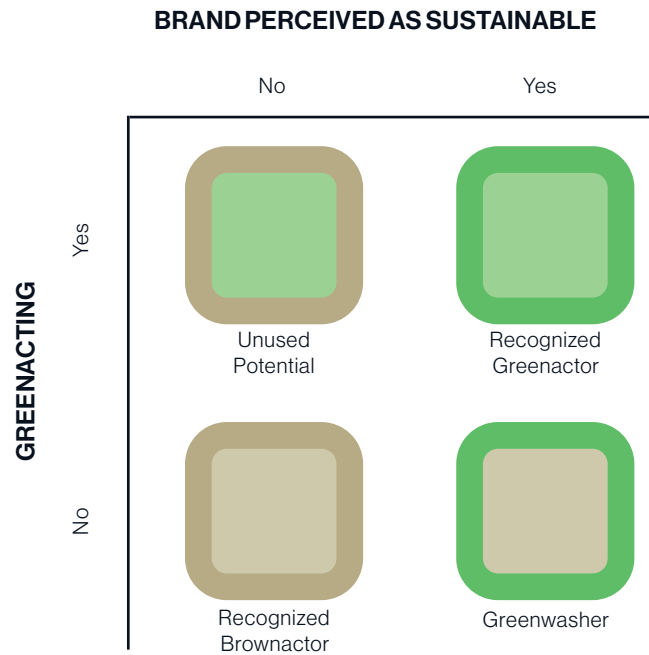
Even though many organizations implement sustainable business practices, it often remains unclear whether their environmental commitment reaches consumers. If sustainability efforts are communicated too excessively, they can easily be perceived as a mere publicity stunt. At the other end of the spectrum, a genuine commitment to sustainability can even

be a central part of a brand's *raison d'être*, its brand purpose. However, even a truly "green" brand purpose can only be translated into a competitive advantage if it reaches consumers and resonates with their values and attitudes. If it does not, managers may even be tempted to consider abandoning costly sustainability initiatives if their good deeds go unnoticed—and unpaid for—by customers.

The interplay between a brand's initiatives and consumers' perceptions of the brand is illustrated in the matrix on the next page. Recognized green actors walk a fine line between wasting their hidden potential and greenwashing. This balancing act requires scrutiny and management of the perceived brand purpose. Yet, it's challenging to manage what cannot be measured.

How to measure the three dimensions of brand purpose?

The term "brand purpose" is often used synonymously with a brand's focus on sustainability. However, this definition doesn't capture the entire essence of brand purpose. For a better understand-



ing, a brand's purpose can be defined by three distinct purpose dimensions. The first purpose dimension is financial success, which represents the conventional aim of achieving profitability. The second purpose dimension, labeled customer benefits, pertains to the unique value a brand offers, reflecting its dedication to providing the best product or service in areas like quality, experience, or pricing. Finally, the third purpose dimension reflects a brand's intention to create positive (or avoid negative) third-party effects of its business activities, essentially highlighting its commitment to social and ecological challenges or, in simpler terms, its sustainability. This dimension can be viewed as a brand's aspiration to adopt eco-friendly practices.

Building on this conceptual understanding of brand purpose, NIM researchers transparently validated a questionnaire to assess perceived brand purpose along these three purpose dimensions (Zürn & Unfried, 2023). This instrument doesn't merely evaluate a brand's actions but also delves into how these actions are perceived by consumers. In this exploration, we gain

insights into the factors influencing consumers' interactions with a brand and the subsequent impact on brand performance.

Brand purpose and brand performance

Potential is wasted when a brand's purpose is not adequately recognized by consumers. To evaluate the extent of this potential, we tested the relationship

examined. While infrequent users primarily based their recommendations (which are the core of NPS) on a brand's perceived sustainability efforts and other third-party effects, regular users were more inclined to recommend brands that prioritize customer benefits.

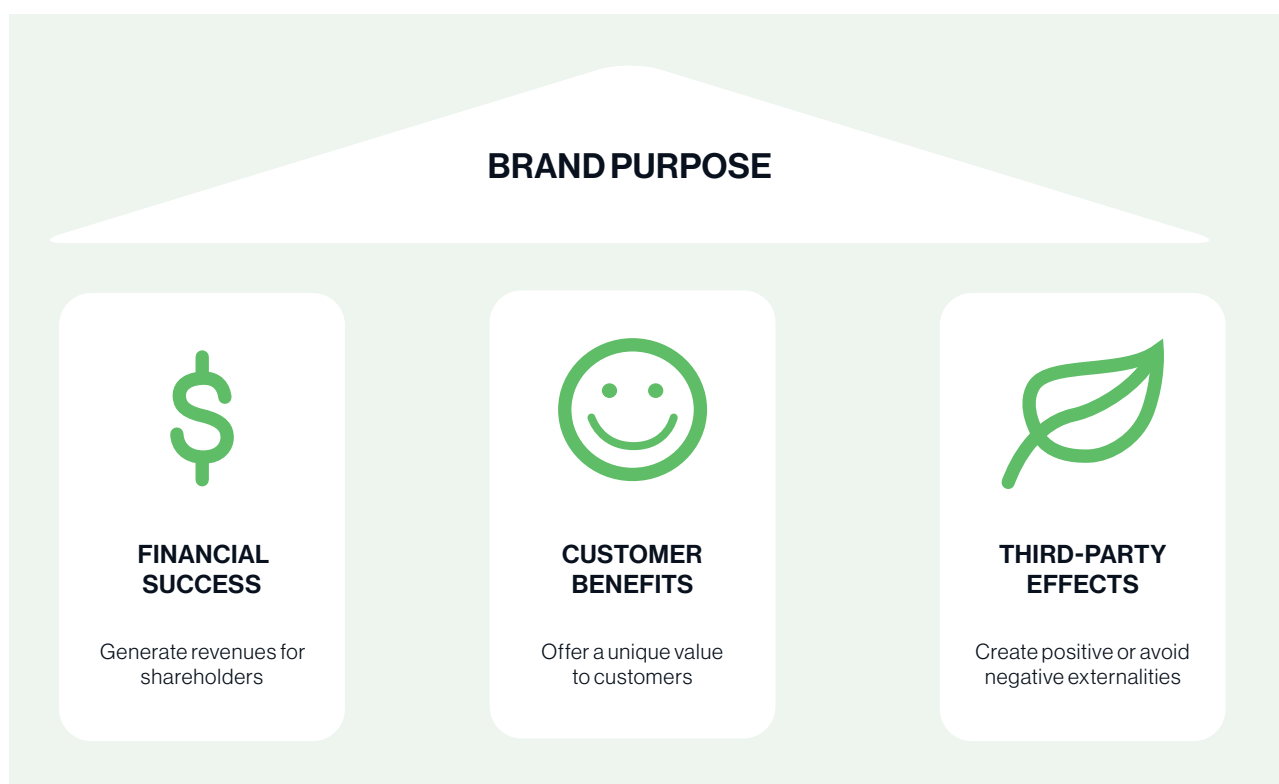
Outlook for further research

We aim to relate customers' brand perceptions to the actual items in their

“Greenacting” must be recognized by consumers to be sustainable.

between perceived brand purpose and brand performance. In a sample involving over 100 brands, we found a significantly positive link between a brand's Net Promoter Score (NPS) and its perceived focus on customer benefits and third-party effects. However, the strength of these correlations varied depending on the consumer segment we

shopping carts. By doing so, we hope to uncover insights regarding the specific purpose dimensions that influence brand performance and determine the significance of purpose perception in directing real-life purchase decisions. Ultimately, our objective is to equip brand managers with knowledge to enhance their market presence and



KEY INSIGHTS

UNDERSTAND: While brands have the power to control what they communicate, it's the customers' perception of a brand's purpose that truly matters.

MEASURE: Brands should take a holistic view of their purpose by assessing three dimensions: perceived emphasis on financial success, customer benefits, and third-party effects (i.e., sustainability). This can be easily achieved by surveying (potential) consumers using our validated measure.

OPTIMIZE: Brands can refine their strategies based on these new KPIs. Being perceived as a sustainable brand is economically advantageous, but being perceived as a brand that genuinely serves its customers is of equal importance.

optimally align their brands with our defined purpose dimensions.

Understanding the audience is crucial

Our findings carry two significant implications for decision-makers concerned about their brand's purpose. Firstly, despite the apparent inclination to focus brand purposes on sustainability and address socio-ecological challenges, brands should remember the old saying, "Stick to what you do best." That doesn't imply brands should neglect the third-party effects of their activities; instead, it advocates for a more balanced brand purpose that authentically caters to all stakeholders, ensuring sustainability in both economic and socio-ecological terms. Secondly, understanding the audience is key when brands are communicating their purpose. Adopting an authentic and provable environmental stance can boost brand performance, particularly when engaging with unfamiliar audiences or prospective customers. However, once these customers are convinced, it becomes crucial to demonstrate that the brand's purpose extends to the satisfaction of their customers' needs.

To sum it up, "greenacting" must be recognized by consumers to be sustainable. Our three perceived brand purpose categories provide a conceptual framework to successfully implement the most suitable brand purpose and profit from its potential. A balanced and authentic brand purpose will incorporate generating value for shareholders, customers, and third parties. In future projects, we aspire to further our understanding of how brands can enhance their perceived sustainability and how such perceptions can influence individual purchasing decisions. ←

FURTHER READING

Zürn, M. K., & Unfried, M. (2024). Three Dimensions of Brand Purpose: Creating Value for Shareholders, Customers and Third Parties. NIM Working Paper Series, 9.

WRONG PURCHASES: WHEN CONSUMERS, SOCIETY, AND THE CLIMATE ALL LOSE

There is nothing like the frustration of buying something that does not meet your expectations. From the perspective of society, these are wasted resources. And then there are the environmental consequences – but what are the right steps to take to avoid the wrong purchase?

Authors: Tobias Biró and Dr. Andreas Neus

Nine out of ten people in Germany make wrong purchase decisions from time to time. In individual cases, the scratchy sweater or the underperforming tablet may be merely annoying, even in times of high inflation and declining purchasing power. However, at the level of society as a whole, bad buys cause immense damage. A recent study by the Nuremberg Institute for Market Decisions (NIM) puts the figure at just under EUR 9 billion over the past 12 months. This is not only an economic problem. It also has a negative impact on the environment and the climate.

Fortunately, wrong purchases go down the older one becomes. While 95% of adults between the ages of 18 and 29 years say they have made at least one wrong purchase in the past 12 months, the percentage drops to 82% for people between the ages of 60 and 74 years. Even more telling is the decline in

spending levels. Best agers, for example, say they have spent €45 on wrong purchases in the past 12 months. According to their figures, 18- to 29-year-olds spent €368 in the same period, around eight times as much on items they subsequently rated as wrong purchases.

Over half of wrong purchases remain unused or end up in the trash

Most wrong purchases are made online, with little difference between cross-range online platforms and specialty online retailers. On the contrary, purchases made in stationary stores are much less likely to fail. The difference is mainly due to people between the ages of 60 and 74 years, who are much less likely to make mistakes in a brick-and-mortar store than when shopping online. The consequences of online bad buys are diverse. Most online stores process returns free of charge for consumers,

thus protecting them to some extent from financial damage. Returning the product to the retailer is the most common response to a wrong purchase. However, returns put a strain not only on customers' tight time budgets but also on the environment because they must be transported back to the retailer after delivery. The additional transportation results in additional emissions. And there is another adverse effect that can be observed: 7% of the respondents throw their wrong purchases in the trash, and what is not returned or gotten rid of often ends up collecting dust somewhere at home. The negative side of this is that the production and distribution of these superfluous products ultimately cause superfluous emissions.

Wrong purchase avoidance strategies are widespread

The data clearly shows that wrong purchase decisions are the norm rather than the exception in Germany. However, there is also a high awareness of the problem, and more people are trying to make better buying decisions. The most common strategy is not to be pressured into making a purchase. Preparing for the purchase and doing research are also common strategies. Many prepare by reading product reviews from professionals before purchasing or by gathering information through online customer reviews or the opinions of those in one's social environment.

KEY INSIGHTS

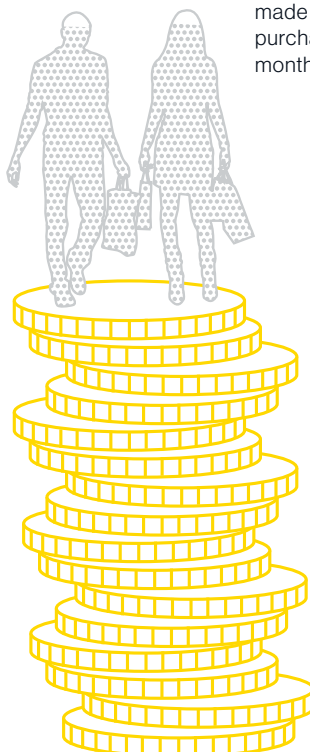
- Nine out of ten people in Germany make wrong purchase decisions from time to time. The financial volume in the last 12 months amounted to almost EUR 9 billion.
- Younger people make mistakes more often than older ones. Their spending on wrong purchases is about eight times higher than that of 60- to 74-year-olds.
- Most wrong purchases are made online, and the most common response is to return the product to the retailer. This protects the customer from financial loss but has a negative impact on the environment and the climate.
- Strategies for avoiding wrong purchases are widespread but ineffective. Young consumers, for example, often make mistakes because of tempting offers. Research into whether a special offer is a good deal is rare.
- Promotions and advertising are cited as the number one reason for wrong purchase decisions. Older people hold consumers responsible, whereas younger people blame manufacturers and retailers.

In particular, young consumers are taking the wrong steps to avoid wrong purchases

There is no shortage of avoidance strategies. So what is causing all the wrong purchases? According to NIM data, one reason lies in the fact that the avoidance strategy often doesn't match the cause of the wrong purchase decision. Take consumers under 30 years old, for example: By their admission, this group disproportionately makes bad purchase decisions because of tempting offers and poor information. Shopping under time pressure is rarely the cause. Nevertheless, taking time to make a purchase decision is the most common avoidance strategy.

95 %

of people between the ages of 18 and 29 years made at least one wrong purchase in the past 12 months.

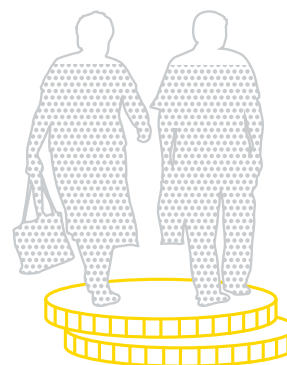


€ 368.-

is what people between the ages of 18 and 29 spent on wrong purchases in the last 12 month.

82 %

of people between the ages of 60 and 74 years made at least one wrong purchase in the past 12 months.



€ 45.-

is what people between the ages of 60 and 74 spent on wrong purchases in the last 12 months.

Older people see the responsibility for a wrong purchase primarily with the consumer, while younger people consider the manufacturer and the retailer responsible

Regardless of age group, the most frequently mentioned reasons for wrong purchases were tempting offers and advertising. However, respondents aged between 60 and 74 years blame the wrong purchase primarily on consumers. Best agers seem to accept that advertising sometimes creates false expectations. The situation is quite different for those under 30 years old. Here, the majority sees manufacturers and retailers as responsible for their wrong purchases. The younger generation is also more likely than average to want legislators to require manufacturers and retailers to present purchase-related information in an objective and easily compara-


ble way. The question remains whether young people are particularly critical of advertising or whether their criticism diminishes with age and experience. It is probably not possible to completely avoid the problem. Our advice: People who frequently make wrong purchases should analyze the reasons for this and take appropriate action, like comparing offers carefully and not letting their emotions take the lead. ←

FURTHER READING

Nürnberg Institut für Marktentscheidungen (2023). Fehlkäufe in Deutschland: Das 9-Milliarden-Problem. NIMpulse 2023-3.

(Only available in German.)





CAN MARKETING HELP CONSUMERS MAKE DECISIONS MORE IN LINE WITH THEIR VALUES ?

Just because consumers are more informed and concerned than ever before, this does not automatically translate into more sustainable purchasing behaviors.

How can marketing support and encourage environmentally conscious choices among consumers?

Authors: Dr. Matthias Unfried and Dr. Fabian Buder

Perhaps due to growing concerns over depleting resources, climate change, and social inequality, there is a notable rise in consumer awareness of sustainable products. Most consumers at least say they have a strong preference for products that are resource-efficient, climate-friendly, and sustainably produced. However, their purchasing behavior often does not align with these sentiments. On the flip side, companies pledging to the United Nations Sustainable Development Goals (SDGs) face the challenge of reshaping internal processes and guiding consumers toward sustainable purchases. The question is, how can marketing help bridge this so-called attitude-behavior gap?

Strategies to facilitate purchasing decisions that are aligned with consumers' sustainability values

In this article, we will present two strategies for marketing professionals to help consumers make choices more aligned with their sustainability beliefs and attitudes:

1. Harnessing the power of nudges: Nudges are subtle shifts in choice architecture that can encourage sustainable behavior without removing or changing options available to the consumer.
2. Presenting information transparently: Clear and understandable product labels can be an effective way to provide the right information that consumers need for their decisions.

Strategy 1: The power and potential of nudges

Small changes in the way choices are presented can make a big difference for a decision—without taking the decision away or limiting the options. Nudges can help consumers make choices that are more in line with their values and attitudes. But, what makes a successful nudge?

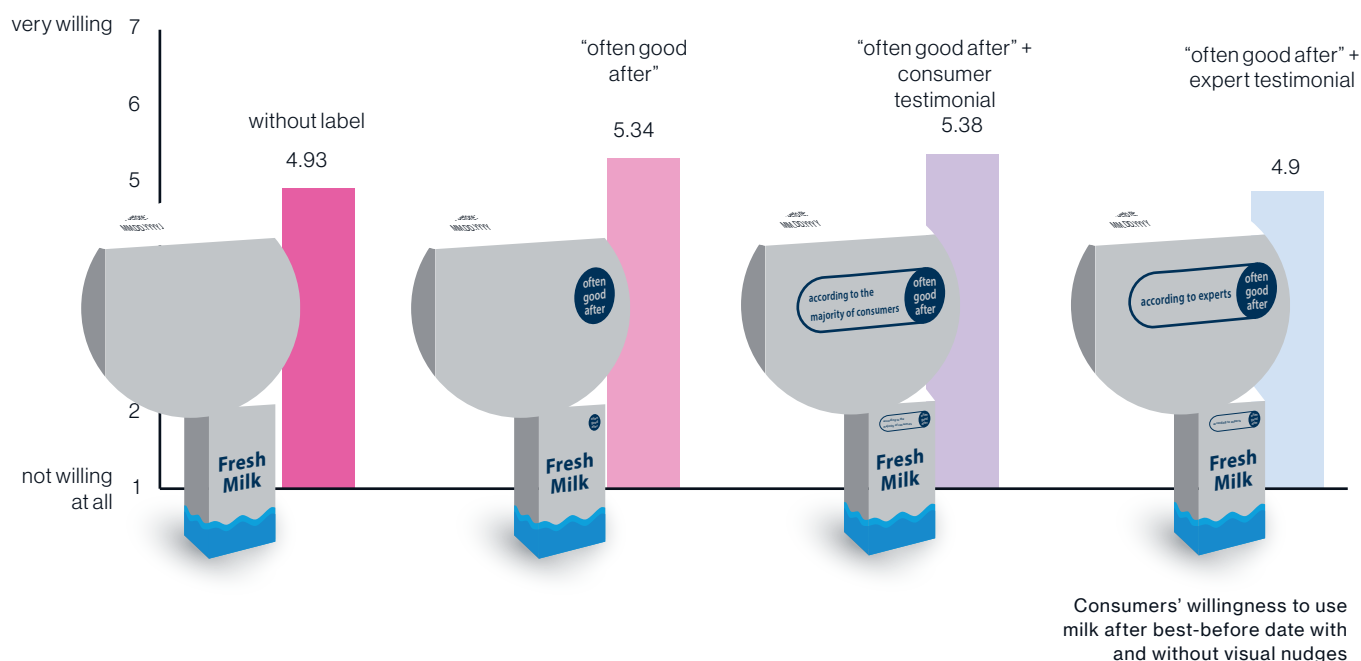
An effective and easy way to support individuals in making



more sustainable consumption choices is the so-called nudge. Although the idea of nudges has been around for quite some time, it became well known through Richard Thaler and Cass Sunstein's book *Nudge: Improving Decisions About Health, Wealth, and Happiness* (2009). This book defines a nudge as “any aspect of the choice architecture that alters people's behavior in a predictable way without forbidding any options or significantly changing their economic incentives.”

It is important to note that in this definition, individuals are free to choose whatever they want, and no option is forbidden or excluded. The authors state, “To count as a mere nudge, the intervention must be easy and cheap to avoid. Nudges are not mandates. Putting fruit at eye level counts as a nudge. Banning junk food does not.” A classic example of a nudge is the promotion of healthy food or healthy eating. In a grocery store, changing the food arrangement or placing healthy food in more prominent areas than unhealthy food is considered a change in the so-called choice architecture because all options are still available.

Companies can also use nudges to promote sustainable behavior. The “Too Good To Go” initiative to reduce food waste is a prime example. The EU generates 88 million tons of food waste every year. Of that, approximately nine million tons would still have been edible, meaning about 17 kg of wasted food per capita every year. One reason for this waste might be the best-be-



fore date, which states that food is fresh and can safely be consumed until the mentioned date. However, the best-before date is often mistaken for the expiry date. As a result, many consumers throw away food after the best-before date although it might still be safe to eat. To combat this waste, the “Too Good To Go” initiative uses nudging to remind consumers that products are often still good after their best-before dates. An “often good after—look, smell, taste” label encourages consumers to thoroughly check whether a product might still be edible after its best-before date.

This simple nudge also proved effective in an experimental study by NIM using milk as an example. In our experiment, participants were significantly more willing to use the milk after the best-before date, provided the label “often good after” was on the package. A simple nudge is often so effective that even further information, like what others do or think, has no additional effect on the willingness to consume. On the contrary, an additional label stating an expert’s advice even tended to reduce consumers’ desire to use the milk after the best-before date. The “often good after” label is straightforward and easy to understand, which is important because simplicity is an essential component to

ensure the effectiveness of a nudge. Complicated nudges or ones that require the individual to process a lot of information can prove counterproductive.

What else is important in creating effective and impactful nudges?

Simplicity is an essential component to ensure the effectiveness of a nudge.

- Presence in the decision-making environment: A nudge should be placed where decisions are made in the moment.
- Direct link to behavior: The best nudges are those that are intrinsically tied to the behavior they are trying to influence. They should trigger a nearly automatic response without the individuals having to make complex connections between the nudge and the desired action.

For example, the “save paper—save the planet” nudge encourages people to use fewer paper towels via the green outline of the South American continent that disappears as more towels are taken out of the dispenser. When it comes to encouraging sustainable behaviors, nudges can be effective. But how do you design a nudge that genuinely influences decision-making?



PHOTO: ART DIRECTORS / COPYWRITERS: CLIFF KAGAWA HOLM, SILAS JANSSON

A nudge to use fewer paper towels—right at the point of decision-making

The following checklist provides the essential steps to create nudges that resonate, inspire, and generate positive change. Use these steps to ensure your nudges hit their mark:

- Understand your target group: What motivates customers, and what barriers prevent them from acting more sustainably?
- Identify the desired behavior: Clearly define what behavior you want to encourage. Is it to waste less, recycle more, buy local, or something else?
- Develop the nudge: A good nudge should be simple and encourage the desired behavior. Use understandable language and engaging visuals to get your message across. Present relevant information so consumers can make informed decisions.
- Test and optimize: Test the nudge and optimize it, ideally with A/B testing and experimentation.

For marketers looking to harness the power of nudges to help consumers make decisions in line with their values and preferences, the key lies in understanding the consumer, designing nudges that are simple yet directly tied to the desired behavior, and continuously testing and refining these strategies to maximize impact.

Strategy 2: Transparency with informative labeling

Labels are the first point of information and contact for any consumer. They can also lead to positive changes in consumer

behavior regarding animal welfare, human rights, and the environment. What needs to be analyzed when placing a label on your product?

For those attributes of a product that are not observable, the so-called credence attributes, consumers have to rely on information provided by manufacturers, retailers, or other third parties. Therefore, labels are indispensable sources of information for consumers, providing details and facts varying from production to contents and ethical stances. The organic logo of the European Union is an example of a well-known product label, which indicates that the product met strict conditions when it was produced, processed, transported, or stored.

Labels can help consumers make choices consistent with their values. However, if there is uncertainty or doubt about the quality of the information or the information itself, consumers may be less willing to pay higher prices or purchase the product even if they have substantial preferences for sustainability. An example of such a label that did not reach its full potential was the voluntary German animal husbandry label, introduced in 2019. To help consumers make more informed purchase decisions on processed meat and meat products, its goal was to clearly indicate the husbandry conditions of animals. Although most people state that humane husbandry conditions align with their ethical beliefs regarding buying meat, the data still show a large gap between consumers' stated attitudes and their actual purchasing behaviors. Could the label bridge this gap? Although it seemed straightforward at first glance, it did not provide consumers sufficient transparency regarding husbandry categories. Our research on the consumer perception of the label's meaning provided

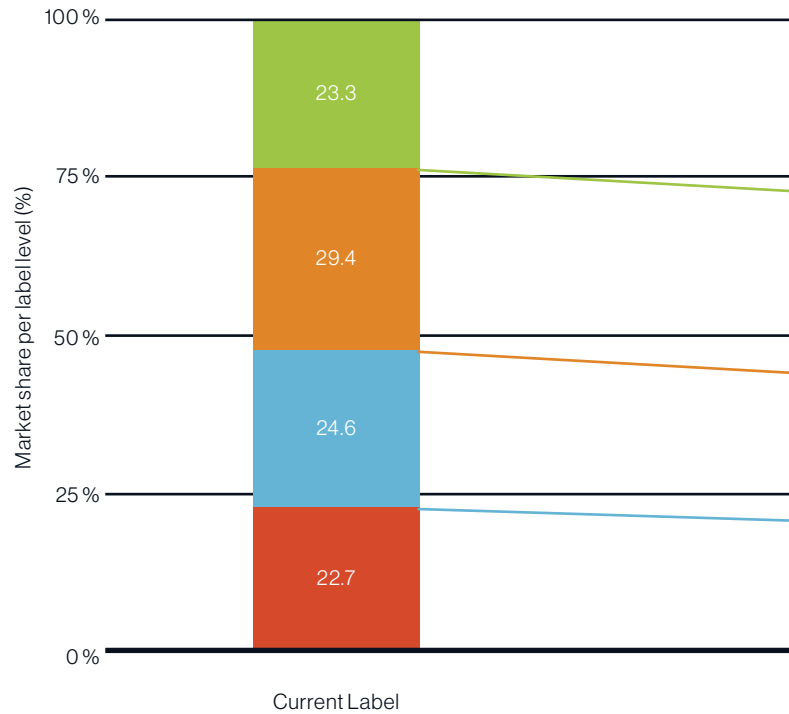


PHOTO: GILAXIA VIA GETTY IMAGES

The voluntary German animal husbandry label introduced in 2019



Market shares from conjoint analysis with the different animal husbandry labels



evidence that it was rather leading to misconceptions about animal husbandry levels of different products, thus leading to nonoptimal choices and preventing the utilization of consumers' existing willingness to pay for more sustainable products.

What can we do to make labels more understandable and impactful?

The solution is to make the most relevant information easier to understand for consumers. In the example at hand, space is an important dimension of the husbandry conditions. Therefore, we redesigned the label with simple visual representations of the space animals have in the different label categories.

KEY INSIGHTS

Understanding the audience: Gain a deep understanding of the consumers' motivations and barriers to identify the underlying drivers of choices.

The power of nudges: Simple and small changes in the choice architecture, so-called nudges, can help consumers to align their behavior with their values and attitudes.

Transparent labeling: Create clear and transparent labels that help consumers make informed choices in line with their sustainability values.

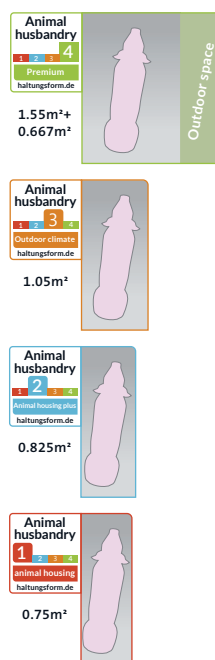
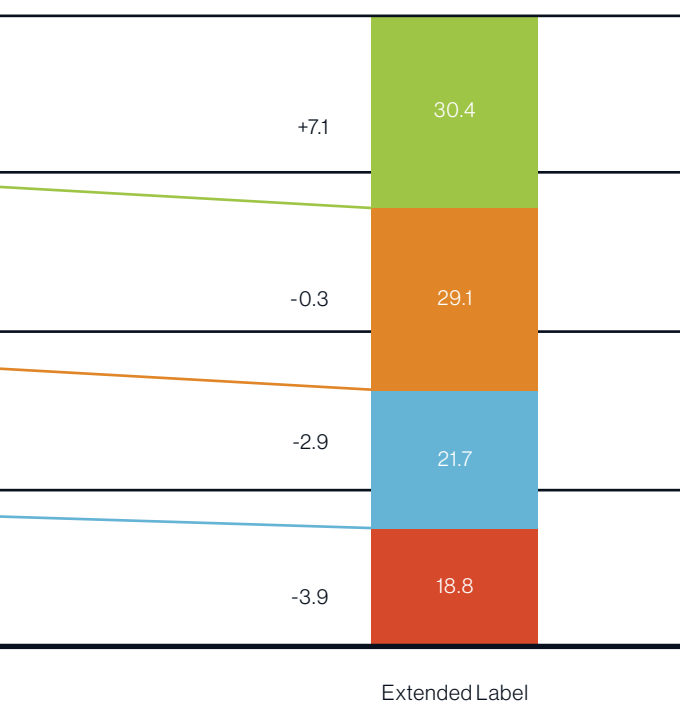
Right information – right choice

In a large, representative experimental study, we saw whether consumers decided differently when provided with the appropriate information. The results showed that the additional information on the animal husbandry label changed how consumers saw the product and altered their buying behavior. Additional animal husbandry information also significantly lowered the demand for products with less favorable housing conditions and drove demand for products with better housing standards—even among the more price-conscious participants. As a result, market shares significantly shifted toward more animal-friendly products.

Labels that speak your target group's language

Transparent and easily understandable information is critical in a market saturated with product choices. Effective visuals and data empower consumers to make more informed choices and align their purchases with their values. In short, labels and product information can make or break the decision-making process. The challenge for marketing is to create labels that resonate, educate, and incite action without being misleading. To help you achieve this, we have provided a checklist to guide you in crafting labels that effectively communicate purchase-critical information and foster a more transparent buying environment:

- Understand the target group's buying behavior: Pinpoint what drives their purchase decisions. Determine what differ-



The voluntary German livestock housing label extended to show the specific housing conditions

entiate one product from another in their eyes and identify the elements for which they are willing to pay a premium.

- Clear and fast information always wins: Ensure that the information you provide is intuitive and immediately understandable at the point of sale (POS).
- Get the right look: Contemplate how essential information can best be displayed. What role can graphic design play in boosting clarity and promoting a better understanding of a product's attributes?
- Test and test again: Once you have designed your labels, it is crucial to put them to the test. Employ methods such as A/B testing and experiments to refine the presentation, thus ensuring maximum effectiveness and resonance.

Effective labeling must make information accessible and understandable to facilitate informed choices. Marketers can achieve this goal by crafting clear, visually impactful labels and rigorously testing them to ensure they inspire and guide consumer behavior in a market dense with options.

Bridging the sustainability gap through enlightened marketing

In today's era of conscious consumption, the pursuit of sustainability is no longer just a buzzword but a genuine desire among many consumers to make environmentally friendly choices. However, the complexity of modern markets and the

abundance of choice can sometimes slow down this momentum. Marketers can help drive change by providing a roadmap that clearly and conveniently helps consumers during the buying process. The effectiveness of nudges combined with transparent, accessible information can help bridge the gap between consumer attitude and behavior. Moreover, when companies adapt and respond to these evolving consumer needs, they strengthen their brand's reputation and contribute to a societal shift toward sustainable living for the benefit of all. ←

FURTHER READING

Stoltenberg, B., Unfried, M., & Manewitsch, V. (2022). Better product labels for better consumer choices. NIM Marketing Intelligence Review, 14(1), 49–53.

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IMAGINE A SMARTPHONE THAT NOT ONLY CONNECTS YOU TO THE WORLD BUT ALSO RESPECTS IT

Meet Fairphone, the smartphone company that's redefining the very materials and ethics behind your favorite electronic device. In an interview with founder Bas van Abel, we uncover the roots of this revolutionary venture, exploring its humble beginnings as an awareness campaign to its ambitious mission to transform the global marketplace. Join us as we discover how this pioneering company faces complexities and hurdles in its pursuit of a more equitable and environmentally respectful tech industry.

Interview with Fairphone founder and former CEO Bas van Abel

To kick things off, could you give us some insight into the origins of Fairphone? What sparked the creation of the company, and what was the initial vision behind it?

BAS VAN ABEL: The idea for Fairphone began with a desire to raise awareness about conflict minerals in electronics. Most people are unaware that certain minerals in our daily electronic devices could be sourced from conflict zones. At first, we just wanted to create an awareness campaign about the topic. However, as we delved deeper into the supply chain, we real-

ized that the best way to instigate real change would be to produce a phone that addressed these issues head-on. The goal was to show that it is possible to do things differently and to inspire the industry to follow our lead.

Where did you start? I read that a phone has 1,200 components made by hundreds of factories. It has 60+ minerals mined from all over the world.

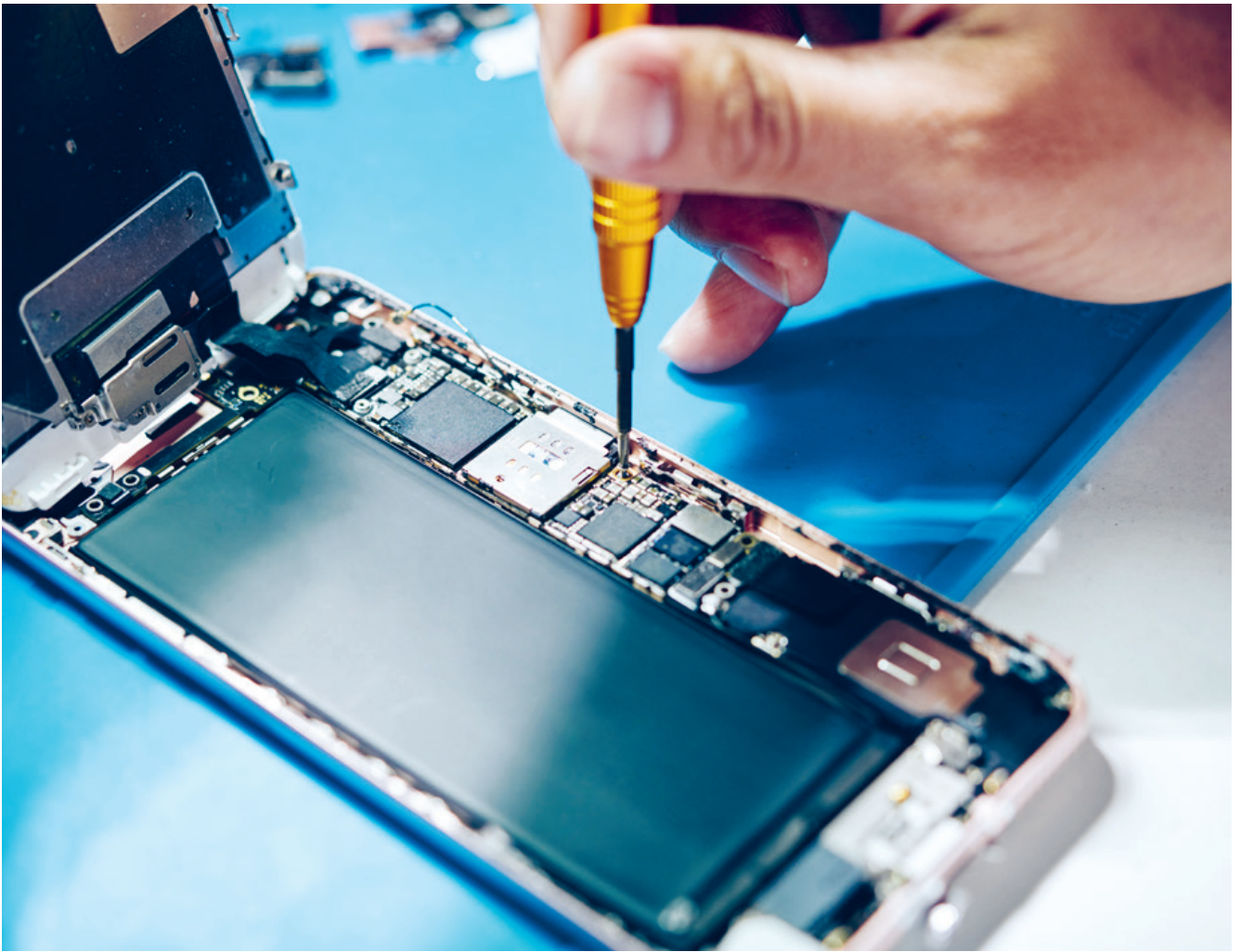
As a designer, I have always been fascinated by how everything around us comes from or grows on the ground. Even something as complex as a smartphone starts out from a mine. And that's the crux of the problem. We've lost our connection with things—what they're made of, who made them, and where they finally end up. We simply don't know anymore. Finding out was the genesis of Fairphone.

How has your perspective on sustainability evolved, and how has it shaped Fairphone's business model?

Along the journey, we soon realized that it wasn't just about conflict minerals. We began to see the broader picture—from the conditions in which miners work to the environmental

BAS VAN ABEL

Dutch entrepreneur turned designer Bas van Abel is founder of the sustainable smartphone manufacturer Fairphone (fairphone.com) and co-founder of circular food startup De Clique (declique.com). Bas believes that companies play an essential role in the transition needed to achieve a more sustainable economic system. His work has been internationally awarded and featured in various media, including CNN, The New York Times and Der Spiegel.



impact of smartphone production and the e-waste generated when they're discarded. We recognized that true sustainability is multifaceted. It encompasses human rights, e-waste reduction, and design longevity, among other things. Everything is connected to everything else. We can, for example, focus on child-labor-free mining, but we all know mining is bad for the environment, so we need to work on recycled materials too. We can focus on recycling electronic waste, but if we keep pushing more phones than needed into the market, it is like trying to empty the ocean with a thimble.

You take a more holistic approach to making a positive and lasting impact.

Yes. For instance, we are the first electronics company that uses Fairtrade gold and silver credits. We use 100% recycled plastics, foster projects for child labor-free mining, and set up the Fair Cobalt Alliance, which both Google and Tesla recently joined. We are the first in the industry to pay a living wage instead of the minimum wage wherever we work, and we have a bonus program for factories when they achieve certain sustainability goals. We also take back more phones than we put into the world through our takeback program and our partners in

countries like Ghana, where phones end up and can't be recycled properly. Instead, they are sent to European facilities where they are effectively processed.

Another important goal of the project was to create a positive shift in consumer behavior, is that right?

Exactly, we also want people to use their products longer. It's a very simple calculation: If you use your phone twice as long, then manufacturers only need to produce half the number of phones, with 50% less waste. The most sustainable phone is the one that you already own. That's why we build modular phones that are easily repaired, with components that are easily replaced. They come with a five-year warranty and are capable of eight years of software upgrades.

This modular design is an important part of your strategy, right?

Yes, it's like an open invitation! We're basically saying, "Hey, come on in! See what's inside your phone. Understand it. Fix it. Keep it longer." It's a different approach. It's our way of showing transparency right down to the device level. We believe in the motto "if you can't open it, you don't own it," and with owner-

ship, we believe, comes responsibility. We want to de-alienate people from technology by making them active users. I think this thinking comes from my background as an open-source software and hardware engineer.

How important is transparency for Fairphone?

We often have no idea about the history or creation of the products we buy. We wanted to change that by showing people the “ingredients” of their phones, from the metals used to the hands that assembled them. We’re not just selling a product—we’re telling a story. That’s why transparency became so crucial for us.

How do you implement and maintain transparency?

We’re open about our supply chain and communicate where our materials come from and who our suppliers are—the good stuff and the challenging parts. It’s essential for people to see the real journey, not just a polished marketing version. Sustainability is not black and white. It is full of dilemmas, and sometimes it’s messy.

Let’s talk about making money. How do you reconcile the philosophy of “use your phone as long as possible” with the business need for sales? How has this impacted your customer loyalty?

Of course, this is a kind of dilemma: We are a business producing and selling phones, but we also want people to use their phones for as long as possible. But here’s the thing. We’re not just selling a product; we’re also selling an idea, a philosophy. So, in our marketing, we emphasize the lasting value of Fairphone. It’s like telling our customers, “Hey, you’re not just getting a phone—you’re joining a movement.” To address your point about sales: By promoting this philosophy, we’ve built a very loyal customer base. People come to us because they believe in what we’re doing. And while they might not replace their phones often, they become ambassadors for our brand, and that’s invaluable.

Is such a business model also economically sustainable? Is there enough profit left over for investments?

Absolutely. At the core of Fairphone’s ethos is the belief that sustainability isn’t just environmental or social but also economic. For us, the challenge has always been about striking the

right balance. Our mission is to create a positive impact, but we also recognize that for the longevity of our initiative, we must be financially viable. Of course, there are challenges. Ensuring ethical sourcing, for instance, can sometimes be more expensive than conventional sourcing. But by being transparent about our costs and where the money goes, we’ve built trust with our community. Plus, reducing waste and promoting repairability can lead to cost savings in the long run. We are happy to be an economically sustainable and profitable company, and we reinvest those profits into furthering our initiatives and creating social value.

Looking back at Fairphone’s journey, what advice and insight can you give businesses and entrepreneurs looking to prioritize long-term sustainability and value creation?

Central to our approach is understanding that today’s consumers are seeking more than just products; they are seeking meaning. As the line between consumption and values blurs,

businesses have a prime opportunity to connect with their audience on a deeper level. Authenticity is paramount. In our age of information, consumers are savvy. They appreciate transparency and will often rally behind brands that genuinely share both their successes and their struggles. Merely branding something as “green” is not enough; your commitment must resonate in your actions.

Furthermore, fostering a sense of community is invaluable. Engage with your stakeholders—be it other entrepreneurs, customers,

or critics. Listen, learn, and act based on their feedback. Lastly, education is key. It’s essential to shift the narrative from mere acquisition to holistic value. Offer tangible, sustainable alternatives and highlight the broader benefits to individuals and the planet. People inherently want to make impactful choices—businesses just need to empower them and guide them in that direction. Staying true to your mission is challenging but also immensely rewarding, and it ultimately paves the way for a brighter, more conscious future.

Thank you so much for the interview.

This Interview was conducted by Dr. Fabian Buder

“Sustainability is not black and white. It is full of dilemmas, and sometimes it's messy.”

PUBLISHING DETAILS

PUBLISHER

Nürnberg Institut für Marktentscheidungen e. V.
Founder of GfK
Steinstr. 21, 90419 Nuremberg, Germany

T +49 911 95 151 997
F +49 911 37 677 872
www.nim.org/en
hello@nim.org

EDITORIAL & TEXT

Dr. Fabian Buder, Nina Hesel, Sandra Lades

LAYOUT & DESIGN

GCO Medienagentur
Martin Reznicek, Art Director
Wibke Richter, Design and infographics
gco-agentur.de

NUREMBERG INSTITUTE FOR MARKET DECISIONS

The Nuremberg Institute for Market Decisions (NIM) is a non-profit research institute at the interface of academia and practice. NIM examines how consumer decisions change due to new technology, societal trends or the application of behavioral science, and what the resulting micro- and macroeconomic impacts are for the market and for society as a whole. A better understanding of consumer decisions and their impacts helps society, businesses, politics, and consumers make better decisions with regard to “prosperity for all” in the sense of the social-ecological market system.

The Nuremberg Institute for Market Decisions is the founder of GfK.

