Impact of Greenwashing on Customer Retention of Brand Image - FMCG Sector

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ABSTRACT

Growing environmental awareness has encouraged FMCG companies to adopt sustainability-based marketing strategies; however, this has also led to the rise of greenwashing practices. Greenwashing, which involves misleading or exaggerated environmental claims, poses serious challenges to consumer trust, brand image, and customer retention. This study aims to examine the impact of greenwashing on brand image and customer retention in the FMCG sector. A mixed-method research design was adopted, with primary data collected from FMCG consumers through a structured questionnaire. Statistical tools such as descriptive statistics and ANOVA were used to analyze consumer perceptions, trust, and behavioral responses. The findings reveal that consumers are highly aware of greenwashing practices and perceive them as deceptive, leading to increased skepticism, reduced trust, negative brand image, and lower recommendation intentions. Although brand loyalty may not immediately decline, greenwashing significantly damages long-term brand credibility and reputation. The study emphasizes the need for transparency, genuine sustainability practices, and strict regulatory monitoring of environmental claims. The results provide valuable insights for marketers, brand managers, and policymakers to minimize greenwashing and foster long-term consumer trust and loyalty in the FMCG sector**.**

Keywords: *customer retention, long-term brand credibility, greenwashing*

INTRODUCTION AND DESIGN OF THE STUDY

Growing environmental awareness has encouraged FMCG companies to adopt green marketing strategies to meet consumer expectations for sustainability. However, this has also led to **greenwashing**, where firms make misleading or exaggerated environmental claims. While greenwashing may offer short-term image benefits, it often results in loss of consumer trust once detected. In the FMCG sector, where competition is intense and purchases are frequent, trust plays a vital role in customer retention and brand image. Misleading sustainability claims can damage brand reputation, increase skepticism, and negatively affect long-term loyalty. Hence, understanding the impact of greenwashing on customer retention and brand image is essential for fostering transparency and sustainable brand–consumer relationships.

STATEMENT OF THE PROBLEM

FMCG companies increasingly promote eco-friendly claims due to rising consumer concern for sustainability. However, the widespread practice of greenwashing has created confusion and mistrust among consumers. Although such claims may boost short-term sales, they pose serious long-term risks to brand image and customer retention. Many FMCG firms underestimate these consequences, and there is limited empirical evidence explaining how greenwashing influences consumer loyalty and trust. This study addresses the lack of understanding regarding the negative

impact of greenwashing on brand credibility, customer relationships, and long-term loyalty in the FMCG sector.

NEED FOR THE STUDY

With sustainability becoming a key marketing theme in FMCG, greenwashing has emerged as a major concern. Misleading environmental claims erode consumer trust and weaken brand relationships over time. Since FMCG success depends heavily on repeat purchases and positive brand image, understanding consumer responses to greenwashing is crucial. The study helps identify how such practices influence brand image and customer retention, assisting marketers and policymakers in promoting transparent communication and genuine sustainability practices.

SCOPE OF THE STUDY

The study examines the impact of greenwashing on **customer retention and brand image** in the FMCG sector, focusing on consumer perceptions of sustainability claims. It analyzes how awareness of greenwashing affects trust, loyalty, repurchase intentions, and brand credibility. The research is limited to consumer behavioral responses within a specific region and follows a cross-sectional design using primary data. It does not assess the actual environmental performance of companies, financial outcomes, or regulatory compliance. The study emphasizes the role of transparency and authenticity in sustaining long-term consumer–brand relationships.

OBJECTIVES OF THE STUDY

- To assess the level of consumer awareness regarding their understanding and recognition of greenwashing within FMCG advertising and packaging.
- The study assesses greenwashing regarding its effects on consumer trust and perceptions of brand image.

Research Methodology

The study uses a mixed-methods approach to analyze the impact of greenwashing on customer retention and brand image in the FMCG sector. Primary data is collected through a structured questionnaire using stratified sampling of FMCG consumers. Quantitative data is analyzed using descriptive statistics, correlation, and regression techniques. Qualitative insights are obtained through semi-structured interviews and analyzed using thematic analysis. Secondary data supports the study, and ethical standards are strictly followed.

PRIMARY DATA: The primary data is collected by the questionnaire method through Google Forms.

SECONDARY DATA: For secondary data, the related journals, articles, websites, and past thesis were referred for this project.

TOOLS USED FOR THE STUDY

• ANOVA

• Descriptive statistics

LIMITATIONS OF THE STUDY

• The area of the study is restricted within the Coimbatore city.

• Only 120 respondents have been taken for the study, if the responses increase the result may differ.

REVIEW OF LITERATURE

AlQahtani (2025) reviewed existing studies on greenwashing and its effects on branding and consumer behavior. The author found that greenwashing negatively influences brand image by reducing consumer trust and credibility of environmental claims. When consumers perceive misleading green practices, they develop scepticism toward the brand, which weakens their emotional connection and loyalty. The review also highlights that loss of trust due to greenwashing leads to lower customer retention, especially in competitive sectors like FMCG where consumers easily switch brands. AlQahtani concludes that transparency and genuine sustainability practices are essential to maintain a positive brand image and long-term customer retention.

DATA ANALYSIS AND INTREPRETATIONS

Descriptive Statistics

Table no.1 describes the perception of greenwashing in FMCG Brands.

	N	Minimum	Maximum	Mean	Std. Deviation
I can easily identify when a brand is exaggerating its eco-friendly claims.	121	2	5	4.76	.563
Many FMCG companies claimto be gree but do notback it withactual practices.	121	2	5	4.40	.664
I feel misled when brands use natural imagery without providing environmental proof.	121	1	5	4.39	.870
I beleive that greenwashing is common in the FMCG sector.	121	2	5	4.30	.980
Environmental claims made y FMCG brands often lack transparency.	121	1	5	4.19	1.213
I often check certifications (likeEco-label, FSC,etc.) before	121	1	5	4.22	1.061

trusting green claims.					
I think companies use greenwashing as a marketing strategy rather than a sustainability effort.	121	1	5	4.27	.957
Greenwashing makes me skeptical of all green-labelled products.	121	1	5	4.37	.886
I lose trust in brands that falsely advertise themselves as environmentally friendly.	121	1	5	4.50	.743
I believe regulatory authorities should strictly monitor green claims in advertisements.	121	1	5	4.33	.916
Valid N (listwise)	121				

INTERPRETATION:

The results indicate strong consumer awareness of greenwashing in the FMCG sector, with high agreement that eco-friendly claims are often exaggerated and misleading. Respondents report increased skepticism and loss of trust toward green-labelled brands. Overall, consumers strongly support stricter regulation and greater transparency in environmental claims.

Table no.2 describes the relationship between Income and Impact of greenwashing on brand Image

ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
A brand's credibility is damaged when caught geenwashing.	Between Groups	.714	3	.238	.674	.569
	Within Groups	41.286	117	.353		
	Total	42.000	120			
Greenwashing negatively affects my perception of a brand's ethical standards.	Between Groups	9.698	3	3.233	5.086	.002
	Within Groups	74.368	117	.636		
	Total	84.066	120			

I consider greenwashing a form of consumer deception.	Between Groups	13.284	3	4.428	5.248	.002
	Within Groups	98.716	117	.844		
	Total	112.000	120			
Brands engaging in greenwashing are less likely to be seen as trustworthy.	Between Groups	15.364	3	5.121	5.389	.002
	Within Groups	111.198	117	.950		
	Total	126.562	120			
I stop recommending brands that falsely claim to be environmentally friendly.	Between Groups	10.711	3	3.570	3.915	.011
	Within Groups	106.710	117	.912		
	Total	117.421	120			
I believe greenwashing tarnishes the long-term image of a brand.	Between Groups	14.447	3	4.816	7.292	.000
	Within Groups	77.272	117	.660		
	Total	91.719	120			
Brand loyalty decreases when conumers identify greenwashing.	Between Groups	4.226	3	1.409	2.028	.114
	Within Groups	81.278	117	.695		
	Total	85.504	120			
Companies that genuinely follow sustainable practices gain better brand reputation.	Between Groups	7.499	3	2.500	4.071	.009
	Within Groups	71.839	117	.614		
	Total	79.339	120			
Greenwashing reflects poorly on a company's overall values	Between Groups	10.483	3	3.494	4.657	.004
	Within Groups	87.782	117	.750		
	Total	98.264	120			
I avoid brands that have been previously exposed for misleading green claims.	Between Groups	9.650	3	3.217	4.598	.004
	Within Groups	81.854	117	.700		
	Total	91.504	120			

INTERPRETATION:

Greenwashing significantly influences consumer perceptions of ethical standards, trustworthiness, brand image, and company values in the FMCG sector. Consumers tend to view greenwashing as deceptive and are more likely to avoid and stop recommending brands exposed for misleading environmental claims. However, perceptions regarding damage to brand credibility and reduction in brand loyalty do not show significant differences among groups. Overall, greenwashing weakens brand image and consumer trust, affecting long-term consumer–brand relationships.

FINDINGS OF THE STUDY

- Greenwashing is perceived as a common practice across FMCG brands.

- Misleading environmental imagery significantly reduces consumer trust in brands.

- Consumers show strong skepticism toward green-labelled products due to lack of transparency.

- Many consumers actively check eco-certifications before trusting sustainability claims.

- Greenwashing leads to overall distrust toward brands claiming environmental friendliness.

- There is strong consumer support for strict monitoring of green claims by regulatory authorities.

SUGGESTIONS

Ensure Transparency in Sustainability Claims

FMCG companies should provide clear, verifiable, and evidence-based environmental information in their advertisements and packaging. Avoiding vague terms such as "eco-friendly" or "natural" without proof can help build long-term consumer trust and reduce skepticism.

Promote Genuine Sustainable Practices

Organizations should focus on implementing real sustainability initiatives rather than using greenwashing as a marketing tactic. Genuine efforts such as ethical sourcing, reduced packaging, and eco-friendly production will strengthen brand credibility and improve consumer loyalty.

Strengthen Certification and Labeling Standards

Brands should prominently display recognized eco-certifications and explain their meaning to consumers. This will help consumers make informed decisions and differentiate genuine sustainable brands from misleading ones.

CONCLUSION

This study concludes that greenwashing has a strongly negative impact on consumer trust, brand credibility, ethical perception, and long-term brand loyalty in the FMCG sector. Consumers are highly aware of misleading environmental claims and largely agree that many brands exaggerate or lack transparency in their sustainability communication. While age and gender do not significantly influence perceptions of greenwashing, income levels play a meaningful role in shaping consumer reactions. The findings highlight the urgent need for authentic sustainability practices, transparent communication, and stricter regulatory oversight. Ultimately, brands that engage in genuine environmental responsibility are more likely to gain consumer trust, enhance reputation, and achieve sustainable competitive advantage, while those practicing greenwashing risk long-term damage to their brand image and customer relationships.

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