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Timely or considered? Brand trust repair strategies and mechanism after greenwashing in China—from a legitimacy perspective

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ABSTRACT

As customers' green awareness improves, a growing number of Chinese companies are seeking to implement green management. However, in the implementation process, many green brands have engaged in greenwashing. After greenwashing, brand trust between green brands and their stakeholders can suffer a great deal of damage. A valid brand strategy and underlying mechanism should be identified to repair green brand trust after greenwashing. This study focuses on brand strategies and their underlying mechanisms adopted from institutional theory for green brand trust repair after greenwashing. Based on an organizational-level trust repair model, this study finds that companies should adopt a “timely-considered-timely” or “timely-considered-considered” brand strategy with three separate stages of brand trust repair, as opposed to other timely or considered brand strategy combinations, in order to achieve an optimal green brand trust repair effect. Moreover, this study also shows that the “considered-timely-timely” brand strategy achieves the worst green brand trust repair effect and that green brand legitimacy plays a significant mediating role in the brand trust repair process. These findings enrich the theories of brand management, green marketing, and trust repair and offer important managerial implications to help enterprises repair damaged trust.

1. Introduction

As environmental pollution issues gain prominence, an increasing number of companies have realized that environmental protection plays a significant role in their business operations. Moreover, as environmental protection becomes increasingly visible, many consumers are willing to pay higher prices for environmentally friendly or “green” products (Chen, 2008). There are several reasons why companies seek to create green products and green brands, including (1) responding to market needs, (2) exploring new markets, (3) improving product value, and (4) establishing positive brand images and social responsibilities (Chen, 2010) in order to gain social support. According to Mintel reports, there were only 5 green brands in 2002. By 2007, the number of green brands had increased to 328 (Crowley, 2008). Moreover, companies have developed more positive attitudes towards creating green

brands (Crowley, 2008).

However, not all corporations are legitimately creating green brands. For example, The Southern Weekly, which is an official newspaper and has great social influence in China, indicates that in China many corporations' environmental claims regarding green products are ambiguous and deceptive and many green brands in China are greenwashing their product information in order to create a positive “green” image rather than living up to their green promises. Greenwashing occurs when a brand communicates positive information regarding its environmental and/or social performance despite its actual environmental and/or social performance being poor (Delmas & Burbano, 2011; Lyon & Maxwell, 2011). Thus, when companies' environmental protection claims and green products are exposed as “greenwashing”, their consumers and stakeholders may not trust the brand (Self, Self, & Bell-Haynes, 2010); thus, the brand trust between the green brand and

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its stakeholders will be undermined (Chen & Chang, 2013). These consequences result in the loss of brand trust and social support, particularly in China where enterprises are relationship oriented (Ozer, Zheng, & Ren, 2014).

Trust is an important prerequisite for corporate cooperation (Terwiesch, Ren, Ho, & Cohen, 2005). Therefore, stakeholders are going to decide whether it is worthwhile to repair their trust with the company when trust is damaged (Malhotra & Lumineau, 2011). In particular, greenwashing is different from common product harm crises since product harm crises often hurt individuals' benefits. For example, the Samsung Galaxy Note 7 that could catch fire while charging could harm personal health (Cleeren, Dekimpe, & van Heerde, 2017). However, greenwashing often harms public benefits, as in the case of environmental pollution. Therefore, when greenwashing is exposed, companies should initiate strategies to improve or alter the public's cognition and gain social support in order to ultimately achieve a strong brand trust repair effect.

Corporate greenwashing is an appropriate context in which to study the process of organizational trust repair. In particular, trust repair can be of importance to corporations that have had their greenwashing behaviors exposed for several reasons. First, because of the power of “green purchase”, greenwashing has become an important strategic action for corporations to get ahead of their competitors (Parguel, Benoit-Moreau, & Larceneux, 2011), and it is widely practiced. Second, greenwashing could damage the trust between corporations and their stakeholders because greenwashing often results in stakeholder suspicion and skepticism (Self et al., 2010). In addition, the damaged trust can be repaired. Third, in the context of strict international environmental regulations and prevalent environmentalism, green trust is crucial for corporations (Chen & Chang, 2013). When corporations' greenwashing behaviors are exposed, corporations should try their best to repair the trust relationship with stakeholders.

Currently, there are a limited number of studies focusing on brand trust repair after “greenwashing”; however, due to greenwashing's harm to public benefits such as environmental pollution, there would be a great deal of merit in investigating this further. Few extant studies have focused on the green marketing perspective (Chen & Chang, 2013; Delmas & Burbano, 2011); most studies are focused on trust repair that emphasizes specific strategies, such as apologies (Pace, Fedruk, & Botero, 2010), denial (Matteo, van de Joost, & Cartia, 2017), commitment (Schweitzer, Hershey, & Bradlow, 2006), and excuses (Tomlinson & Mayer, 2009). However, previous studies are more concerned with microlevel (individual) trust repair rather than macrolevel (organizational) trust repair (Bachmann, Gillespie, & Priem, 2015). These studies also pay more attention to trustees' and trustors' dynamic interaction activities and ignore the institutional/social systems' role in trust repair, although corporations' strategic actions must conform to institutional environments or social systems in order to gain social support because firms are embedded in institutional environments (Peng, Wang, & Jiang, 2008). Building on the existing studies, this study is based on institutional theory and will shed light on the process by which brand trust is repaired following the exposure of “greenwashing” behaviors.

Gillespie and Dietz (2009) proposed a model trust repair process at the organizational level and further indicated that the strategies at each stage in the trust repair process should be both timely and considered. Specifically, timely strategies emphasize the response speed to the loss of trust due to stakeholders' limited patience. Therefore, measures or strategies must be initiated immediately after greenwashing is exposed, even though these measures or strategies may not be perfect or systematic, and timely measures or strategies emphasize efficiency (Zidane & Olsson, 2017). Thus, enterprises use a minimum amount of resources, time and costs to conduct these strategies. Considered measures or strategies must be accurate and systematic because of asymmetric information. Therefore, when greenwashing is exposed, enterprises should take time to address the relevant information and then implement strategies after comprehensively considering various factors in

order to make systematic and comprehensive decisions (Gillespie & Dietz, 2009). In contrast with timely strategies, considered strategies emphasize effectiveness (Zidane & Olsson, 2017). Therefore, timely and considered are relative concepts. However, trust repair strategies cannot be simultaneously timely and considered (Gillespie, Dietz, & Lockey, 2014). At different stages in the trust repair process, it is vital for enterprises to choose the appropriate strategy (timely vs. considered) to achieve the best green brand trust repair results.

Thus, this study illuminates the trust repair processes that are employed by corporations following exposure of “greenwashing” behaviors. Moreover, based on institutional theory, this study uses the organizational trust repair model to find the optimal green brand trust repair strategy (timely vs. considered) and the underlying mechanisms for the three different stages of the green brand trust repair process in China after greenwashing revelations.

The main contributions of this study are manifold. First, this study enriches the results of organizational trust repair studies. Although a burgeoning field of research on trust repair has emerged, the main focus has been on how individuals evaluate and respond to trust repair efforts (Kim, Cooper, Dirks, & Ferrin, 2013) rather than on such evaluations and responses by organizations, which is the focus of our study. This study uses the four-stage process model of trust repair, which was proposed by Gillespie and Dietz, to investigate the process of organizational trust repair. Second, compared with individuals, in organizations, the trust violation and repair processes frequently involve social elements because organizations are embedded in institutional or social systems, and their strategic actions are greatly influenced by institutional or social environments (Peng et al., 2008; Peng, Sun, Pinkham, & Chen, 2009). Based on institutional theory, this study reveals the underlying mechanism of organizational trust repair—brand legitimacy. Third, as opposed to prior studies that examine the effects of specific trust repair tools, such as punishment and apologies, this study focuses on the types of trust repair strategies—timely strategies and considered strategies. Fourth, this study investigates organizational trust repair in the context of greenwashing. Because of environmental laws, regulations and people's environmentalism, green trust has become increasingly crucial for enterprises (Chen & Chang, 2013). When greenwashing behaviors are exposed, it is vital for enterprises to choose the appropriate strategies to repair the damaged trust. Although prior research has highlighted the relevant issues about trust, few studies discuss organizational trust repair from the perspective of environmental issues. Finally, this study provides multiple managerial implications of enterprises' trust repair.

This study proceeds as follows. Section 2 presents this study's theoretical foundation (institutional theory), introduces an important concept (greenwashing), and introduces the organizational trust repair model and its underlying mechanism (green brand legitimacy); finally, three hypotheses are proposed. Section 3 provides the experimental design and hypotheses test, introduces the process of designing the questionnaire and conducting the data collection, and presents the results of the data analysis. Section 4 outlines this study's findings and discusses theoretical as well as managerial implications and limitations.

2. Literature review

2.1. Institutional theory

Institutional theory holds that enterprises are embedded in a series of social systems. Enterprises' operational activities must conform to current social systems (Peng et al., 2008), and the social systems contain the laws, norms and rules for business activities (Zhu, 2015). A firm's activities are influenced by institutional environments. Therefore, enterprises must consider the various social systems in their daily operations. The social systems ensure that firms' activities are taken for granted and appropriate (Scott, 2001), and conform to the current rules and norms in order to gain social support and avoid marginalization

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