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Date: 18 December 2019

Letter of Acceptance

Dear Authors: Agustina Fitrianingrum, Selly Celsya.

We are pleased to inform you that your abstract (ABS-103, Oral Presentation), entitled:

"Greenwashing, does it Work Well for Indonesian Millennials Buyers?"

has been reviewed and accepted to be presented at ICMAE 2020 conference to be held on 13-14 February 2020 in Jakarta, Indonesia.

Please submit your full paper and make the payment for registration fee before the deadlines, visit our website for more information.

Thank You.

Best regards,

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Dr. Sekar Mayangsari, Ak, CA

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Best regards,

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Greenwashing, does it Work Well for Indonesian Millennials Buyers?

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Abstract

Greenwashing has been evidently used by certain international companies as the strategy to improve the branding of products or services since years ago. Greenwashing defined as a promoting activity of green products or services that lead customers to have a perception and expectation beyond what products or services is actually delivered to them. This research is intended to reveal the empirical study regarding the power of greenwashing to influence purchase intention amongst millennials buyer of low involvement product in Indonesia, specifically in Batam. Respondents are chosen using purposive sampling among millennials (age 22-35). This group is considered as a group of customers who are willing to pay premium price for green products/services compare to X (age 36-54) and Baby Boomers (age 55-64) generations. Data is gathered by online survey involving 195 millennials who are willing to choose mineral water that promoted as ecofriendly products. To analyze further structured equation modelling is applied to reveal the relationship among factors. The positive relationship of brand credibility to brand equity is shown its affect to millennials purchase intention. In contrast, Greenwashing has a negative effect in the relationship. This indicates that Indonesian millennials are aware of greenwashing practices. The research reveals the applicability of DNA model as the extended of Resource Advantage Theory to sustain the business by integrating the dynamic capability, core idea and societal engagement to improve companies social and financial performance.

Keywords: Greenwashing, Brand Credibility, Brand Equity, Indonesian Millennials, Purchase Intention.

INTRODUCTION

Innovation becomes the source to attract customers purchase behavior for sustaining the business in disruptive era. The statement sounds less positive if it is translated that innovation of products or services is purposed to drive the customers to consume in excessive ways, because the company's activities in terms of production, distribution and consumer's consumption have a significant impact on the environment. Therefore, innovation should not be limited to product or services but in the entirely organization business operation. The sustainability of organization can be built from the three criteria of environmental integrity, social equity, and economic prosperity [1].

People are now more aware about environmental damage which mostly is caused by industry, it pollutes water, air and soil pollution. Based on the report there are 275 million metric tons (MT) of plastic waste was generated in 192 coastal countries in 2010, with 4.8 to 12.7 million MT entering the ocean [2]. It shows that global waste generated from the industrial sector is dominated by packaging waste, especially plastic waste at 36%, followed by building and construction waste at 16%. Indonesia is reported as the second highest level of country in producing waste, which is produced more than 3 million metric tons of mismanaged plastic waste annually [3]. While another report [4] stated that plastic bottle waste is 1.578.834 MT and its cap 822.227 MT. This fact generates awareness of customers to contributing to save the environment. Moreover, Environmentalists encourage people to be more proactive and open in their consumption of environmentally friendly products. The good news consumers are positively responding to reduce the natural issues problem by choosing environmentally friendly products or services. This condition is opening opportunities for company to fulfill the high demand of ecofriendly products or services. Companies have been starting aggressively to create Go Green movement either by adopting environmentally friendly management systems, or using Green Branding in marketing, starting from the use of biodegradable packaging and materials that are environmentally friendly, cruelty free or do not use materials from animals, to the production process that is not harmful to the environment [5]. However, companies consider this practice to incur higher costs, and will also create difficulties for companies such as resources that are difficult to find. This assumption causes company doing Greenwashing practices as their strategic marketing either intentional or not. The new jargon of this activities is introduced as "The Green is the New Black" [6].

Greenwashing is a real phenomenon but identifying its practices is also not easy for consumers. It will be very difficult to distinguish which companies are truly engaged in caring for the environment itself. Greenwashing practices generating negative feedback for consumers who concern about green practices and certainly put companies that are really doing the green movement in difficult position. Doing Greenwashing would certainly have an effect on consumers' doubts in consuming their products [7].

In Indonesia, there are three labels that considered as the sign of ecolabel product which is published by Ecolabel Index [8]. They are Ekolabel (is found on retail goods in Indonesia), Lembaga Indonesia Ekolabel or The Indonesian Ecolabelling Institute (non-profit organization that develops forest certification systems that promote sustainable forest resource management in Indonesia), and M-BRIO Organic and Food Labeling (Organic food labelling). The main driver of purchasing environmentally friendly products is the presence of environmental orientation and the ecolabel listed on the products [9]. The ecofriendly products are applying the green label. Label of product is related with brand credibility that will influence the brand equity of product or services. Furthermore, it is found the significant relationship of Brand Equity as the predictor of purchase intention [9].

The study is intended to reveal the empirical research of the greenwashing to purchase intention and its relation with Brand Credibility and Brand Equity. Since a very limited empirical research of greenwashing in Indonesia, this research is intended to reveal the empirical study regarding the power of greenwashing to influence purchase intention amongst millennials buyer in Indonesia, specifically in Batam who prefer to choose a plastic ecofriendly drinking water. Drinking water is consider as low involvement product. However, bottle plastic is considered as the most rubbish in ocean. Therefore, drinking water company have been trying to produce a more ecofriendly product. The Millennials is a group of young generation age 22-35 who are willing to pay premium price for green products/services compare to X (age 36-54) and Baby Boomers (age 55-64) generations. In 2017, WWF-Indonesia and Nielson published a report that 61% people have concerned about the global warming effect and 63% respondents are also willing to buy ecolabel products even though price is higher[10]. Moreover, Indonesia is an emerging market with a top big five population in the world. It means that the behavior of Indonesian millennials will contribute to significant marketing strategy that will be implemented by international brands. The perspective of the DNA model as the extended of Resource Advantage Theory to sustain the business is the merit of this study. The next, paper is presenting a review of literature, the conceptual framework and hypothesis development, research methodology and design, and then results is analyzed. The conclusion and limitation of research are described.

LITERATURE REVIEW

DNA Model: The extended of Resource Advantage Theory

In 1995, Hunt and Morgan introduced a theory, namely Resource-Advantage Theory, said that a firm can achieve competitive advantage and superior long-run performance by a market-oriented firm, which makes a firm to have an intangible resource. To create a clear relevance of this theory [11] extended the theory by developing a DNA Model which constructed of three multidimensional: DNA, stakeholder involvement, and performance management. DNA Model is developed as a guideline of academicians and practitioners to explore the underlying market-oriented generally intangible constructs that precipitate sustainability efforts [11]. DNA Model as first and independent construct consists of DNA (Core Ideology, Dynamic Capabilities, Societal Engagement). The second construct is Stakeholder Involvement as moderating variable and the last construct is Performance Management (Social and Financial Performance).

DNA is the characteristics of individual person which is applicable for a firm. It means that the DNA of a firm will be the characteristic of a firm itself. It will distinguish a firm to another. This can be basic values and believes that reflected to firms cultural and norm to shape sustainability activities. Core ideology is indicative of the underlying culture of a market orientation, while dynamic capabilities and societal engagement refer to the climate of a market orientation. A company's core ideology thus consists of the mission and shared values as well as norms that help navigate the company in any endeavor. It emphasized that Brands is considered as one of the most important intangible assets owned by companies and it's the essence of a firm [11]. The internal and external parties of a firm can feel what the value of the brand is when it is well communicated with all stakeholders. This framework highlighted the importance of integrating marketing strategy (market orientation) and sustainability to ensure the long-term welfare of all stakeholders. This is where performance management is not heavily relying on financial but also non-financial measurement.

Greenwashing

Greenwashing is defined as the intersection of two firm behaviors: poor environmental performance and positive communication about environmental performance [12]. Greenwashing is the act of misleading consumers regarding the environmental practices of a company (firm-level greenwashing) or the environmental benefits of a product or service (product-level greenwashing). It is reported in US and Canada, The TerraChoice Group categorized product-level greenwashing into "seven sins" as follows: 1) Sin of the hidden trade-off: intentionally suggesting a product is "green" based on a narrow subset of attributes (e.g., paper produced from a sustainably harvested forest may still yield significant energy and pollution costs); 2) Sin of no proof: claimed that the product is ecofriendly but difficult to verified (e.g., paper recycled content without showing any evidence). 3) Sin of vagueness: broad claim that easily misunderstood by consumer (e.g., "all-natural"); 4) Sin of irrelevance: truthful committed by making an environmental claim but unimportant for consumers (e.g., "CFC-free" is unimportant because chlorofluorocarbons are restricted by law); 5) Sin of lesser of two evils: claim is true but risk consumers from the greater health or bad impacts (e.g., organic cigarettes); 6) Sin of fibbing: committed by making

environmental claims that are simply false (e.g., products falsely claiming to be Energy Star certified);7) Sin of false labels: intentionally using fake label to exploit consumers with ecofriendly jargon (e.g. “eco-preferred”) [13].

Greenwashing is confusing consumers and build skepticism of the real ecofriendly product. Therefore, previous researches find that greenwashing give negative effect to green WOM, green perceived quality and green satisfaction [14]. Greenwashing gives negative effect to green brand equity, brand credibility, green brand associations and purchase intention [9]. It is also reported that greenwashing practice carried out by companies to get an image that they are more environmentally friendly and contributing higher CSR values [6].

Brand Credibility

Brand is the most valuable asset for a firm and the brand has been widely recognized as an important and main reason for consumers to choose. Brand credibility a level of trustworthiness, in which firms deliver their promise. The credibility of a brand is not easy to build, must be consistent, transparent and avoid ambiguous perception of a firm. Brand Credibility is the level of trust in the information contained in a brand [9]. The brand is a tool for consumers to assess the uniqueness and quality of a product that increase consumer’s confidence when they make decisions. Hence, it can be the distinctive character of firm [15]. If a brand has an ability that can be trusted by consumers, the credibility of the brand will be better [9]. Building a close relation and collaborate with agencies, institutions, and groups that have environmental orientation will help firm to build the green brand credibility [16]. Previous research found that greenwashing to be negatively affects brand credibility [14,6,14,17]. Moreover, it stated that greenwashing forms consumer confusion, increases risk perception and negatively affects green trust [9]. It will be very difficult for companies to build brand credibility when cynicism and uncertainty felt by consumers. Furthermore, he stated that a higher credibility will strengthen brand equity. In other words, brand credibility is the main pillar that can be built by companies to increase brand equity of a brand.

Green Brand Equity

In this study, brand equity is conceptualized as a multi-dimensional concept that consists of brand awareness, brand loyalty, perceived quality, brand associations and other proprietary assets [18]. It is chosen because brand equity is the result of subconscious and conscious mind of consumers. To reach the brand equity, the surface level is the awareness of customer to a brand, loyal to a brand and then associate a brand to certain perception. Therefore, brand equity is a real form of firm’s competitive advantage.

The green brand equity is conceptualized as a set of brand assets and liabilities about green commitments and environmental concerns linked to a brand, its name and symbol that add to or subtract from the value provided by a product or service [19]. These should be well communicated to customers as [20] stated that a firms’ position and performance related to environment can be the key factors for green brand equity. Previous studies show supportive results that brand equity has a positive influence on purchase intention have done by [9].

Green Purchase Intention

According to [9] green purchase intentions are a subjective probability that consumers will make purchases or purchases of environmentally friendly products (green products). Green purchase intentions are a complex concept that is influenced by many factors such as, characteristics of environmentally friendly consumers, factors about marketing and brand-related factors, including price, promotion, quality, trust and attention to the environment. [21] also concluded that consumer purchase intention is also driven by a behavior towards a brand, where when the behavior is positive, the purchase intention will be higher, but if the behavior is negative, then the purchase intention for a product will also decrease.

[18] also researched about greenwash and green purchase behavior in Taiwan. This study explored the mediating role of green brand image and customer loyalty. The results of this study indicate that the greenwash activity has a negative influence on consumer buying behavior. Moreover, this study reveals that greenwash has a negative relationship to brand image and brand loyalty where both variables have a positive influence on green purchase behavior.

Research framework

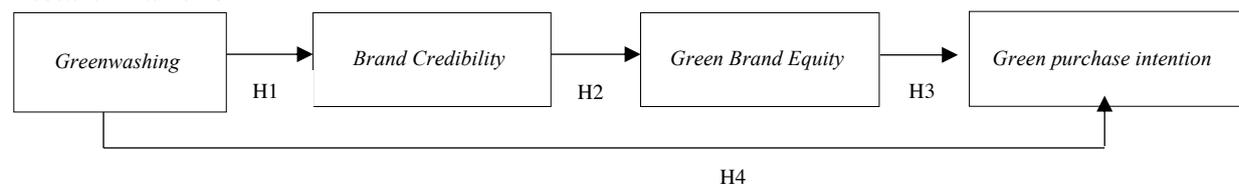


Figure 1. Research Framework

Hypothesis of this study are as following:

- H1: Greenwashing has a significant negative effect on brand credibility a low involvement product
- H2: Brand credibility has a significant positive effect on green brand equity a low involvement product
- H3: Green brand equity has a significant positive effect on green purchase intention a low involvement product
- H4: Green washing has a significant negative effect on green purchase intention of a low involvement product

METHODS

Measurement and data collection

The object of the study is bottle drinking waters which recognized as green product. The product of a bottle drinking water is considered as low involvement product because consumers do not really put high consideration when purchase. The sampling applied is purposive sampling of millennials in Batam who considers themselves has environmentally friendly product orientation. The measurement is adopted, using 1-5 likert scale [18]. The number of respondents is determined by a 1:5 parameter comparison (each question of the questionnaire is represented by 5 respondents) adopted from [22]. In this study, 25 questions, then the minimum number of respondents in this study is 125 respondents. The questionnaire distributed online.

Data Analysis Methods

Data is analyzed descriptively using SPSS, then further analysis SEM (Structural Equation Modeling) is applied. PLS-SEM is considered more appropriate in this study because PLS-SEM is based on iterative that are able to maximize the value of the endogenous construct variance explained [22]. The CMV (Common Method Variance) test is using This Harman's technique to assess whether errors or differences in data caused by a single factor or not. The initial eigenvalue is used as the indicator of CMV that cannot be exceeded than 50%. Model Evaluation

- 1) Outer Loading Test is performed to assess the accuracy of each indicator in representing its variables. This test is the first concern of an evaluation of the model's reflective measurements. The value that appears is the value of the charge on each indicator of the variable which has to be minimum 0.5, then the question of that variable can be declared valid [22].

- 2) Evaluation of Outer model

Average Variance Extracted (AVE) is a measurement of convergent validity. AVE is a test that is commonly used to establish convergent validity at the construct level, this criterion is defined as the mean value of the square load on indicators related to or related to the construct. Therefore, AVE is equivalent to the communality of a construct. Valid statement on a construct has AVE value > 0.5 [22]. Composite Reliability is a performing test to measure the level of consistency of a questionnaire answer in presenting variables precisely and accurately through a questionnaire. This research will use a reliability test because with this method it is considered not to assume each indicator is balanced in each population, compared to the assessment with Cronbach's alpha which is an assessment of internal consistency that assumes all indicators are equal or equal, which is considered more sensitive and assumes all indicators have a reliable level same [22]. A construct is reliable when the value of Composite Reliability is above 0.708. In exploratory research, a value of 0.60 to 0.70 is accepted.

- 3) Evaluation of the Inner Model

In this study, evaluation of the inner model is needed to review and evaluate the relationship of the hypotheses that are in the inner model. This evaluation can be done in two ways, namely the path coefficient analysis and R Square. The Path Coefficient Analysis test represents the relationship of the hypothesized variable is real and true as a construct in the study. The standard path coefficient value is between -1 to +1, the closer it is to +1, the results show a good or strong positive relationship on the construct [22]. If the T-statistic value exceeds 1.96 and or the level of significance at 5%, it can be stated that a hypothesis or relationship between variables can be significant [23].

- 4) Coefficient of Determination

The next inner model evaluation applied the coefficient of determination test or R Square test. It is to predict accuracy of a model. If the R square value indicates a value of 0.75 (strong), 0.5 (moderate) and 0.25 (weak) predictive accuracy [22].

Quality Index Test

This study will use the goodness-of-fit method, which has been developed as a whole measurement of the model on PLS-SEM, with the aim of validating the research model [23]. If the GoF value is greater than 0.1, it can be interpreted as a small, GoF greater than 0.21 is moderate, GoF value is greater than 0.36 is Large [24].

RESULTS AND DISCUSSION

Descriptive analysis is based on 200 sets of questionnaires successfully obtained but only 195 valid and feasible to be analyze. The respondent is 66.7% female, majority of 18-24 years is 90.7% with the basic income of \$ 380/month is 48.2%. 46% respondents do not aware of the practice of greenwashing or anything about greenwashing practices. It shows that Greenwashing the understanding about greenwashing practices is still limited. Based on the results of the Harman's test of CMV is 49.5%, it meets standard that there is no common method biases in this study [22].

Result of Outer Model Evaluation

The convergent validity at the construct level which is shown by AVE score of all variables are met the standard of minimum 0.5. Brand credibility construct is minimum at 0.608, Green Brand Equity construct is minimum at 0.638, Green purchase intention construct is minimum at 0.713 and Greenwashing construct is minimum at 0.657.

| Constructs | Low Involvement | |
|---------------------------------|-----------------|----------|
| | AVE | Remark |
| <i>Brand Credibility</i> | 0,608 | Accepted |
| <i>Green Brand Equity</i> | 0,638 | Accepted |
| <i>Green Purchase Intention</i> | 0,713 | Accepted |
| <i>Greenwashing</i> | 0,657 | Accepted |

Table 1. Validity Test Result

Source: Authors (2019)

The reliability test based on composite reliability shows that all variables has CR value greater than 0.7. Brand credibility has CR value is 0.915, Green brand equity CR Value is 0.874, Green purchase intention CR value is 0.908, Greenwashing CR is 0.904.

| Constructs | Low Involvement | |
|---------------------------------|-----------------------|--------|
| | Composite reliability | Remark |
| <i>Brand Credibility</i> | 0,915 | Valid |
| <i>Green Brand Equity</i> | 0,874 | Valid |
| <i>Green Purchase Intention</i> | 0,908 | Valid |
| <i>Greenwashing</i> | 0,904 | Valid |

Table 2. Reliability Test Result

Source: Authors (2019)

The Evaluation of Outer model shows that data is clear for further analysis of inner model evaluation to see the relationship between constructs.

Result of Inner Model Evaluation

Greenwashing's negative effect on brand credibility in low involvement product

The inner test result shows that Greenwashing has a significant negative effect on brand credibility of the low involvement product of with t-statistics 14.451 with a strong negative influence where the mean sample value is -0,729. Hypothesis 1 is accepted. It means greenwashing practices undertaken by the company will affect the brand credibility of a company negatively. This result is consistent with previous research [14, 17, 9].

Consumers is one of crucial stakeholder in business chain. Internet makes their access to information is unlimited. They can observe the DNA or corporate culture of a firm. Since brand is the most important intangible resources, firms is encourage to embedded sustainability as the corporate culture than envision their long term vision and mission. The shared vision and mission to all stakeholders will help firms gain the performance in the long run.

Brand Credibility's positive effect on Green Brand Equity

Brand credibility has a significant positive effect on green brand equity in products on low involvement product. This is evidenced by the value of the t-statistics of 6.437. It means the significance of the relationship is at the level of 5%. From these results, it can be concluded that there is a significant positive effect between brand credibility on green brand equity so that it can prove that hypothesis 2 is accepted. The result of this study is consistent with previous studies namely [9, 15].

It can be explained that the role of brand credibility in low involvement product has an influence on the brand equity. The brand credibility of consumers includes feeling good when using product. It increases consumer confidence when using the product. Since Brand equity is complex subset of consumer' perception, when consumers feel these feelings, then indirectly the brand equity of the product appears in the minds of consumers. This phenomenon explains that the essence of brand credibility is firm's ability to keep the trustworthiness of customers. The main pillar of equity is credibility.

Green brand equity's positive effect on green purchase intention

In this study, there is a significant positive effect between green brand equity on green purchase intention, the t-statistics value of 3.605. Its value exceeding 1.96 which means it has a significance value at the 5% level. The hypothesis 3 is accepted. These test results are consistent with the results of previous studies namely [9, 15].

These results explain that consumer purchase interest is influenced by the brand equity of a firm or product. If a firm is able to create brand equity that can inspire and create a feeling, perception and attention of the public, then in the end it can influence the buying desires of consumers.

Greenwashing's negative effect on green purchase intention

The test results show that the value of t-statistics is 5.465. The mean sample results from the direct effect test also shows negative effect -0,471. Hypothesis 4 is accepted and consistent with previous research [9, 14, 15]. The results of this study explain that greenwashing practices such as manipulation of claims and making it up by companies will affect the purchase interest of consumers of a product. When a firm does not meet the claims that have been made, it will reduce the consumer's interest in buying products because they are considered to have done public manipulation.

The DNA model can explain this clearly that dynamic capability of firm is the action to make the brand of firms is distinctive from others.

| Path Analysis X →Y/ Direct | Low Involvement | | Remark |
|---|------------------|----------------|--------------------------|
| | T- Statistics | Sample Mean | |
| Greenwashing→ Brand Credibility | 14,451 | -0,729 | H1: Negative Significant |
| Brand Credibility→ Green Brand Equity | 6,437 | 0,434 | H2: Positive Significant |
| Green Brand Equity → Green Purchase Intention | 3,605 | 0,318 | H3: Positive Significant |
| Greenwashing→ Green Purchase Intention | 5,465 | -0,471 | H4: Negative Significant |

Note: $p \geq 0,05$, t-statistic $> 1,96$

Table 3. Evaluation of Inner Model
Source: Authors (2019)

Coefficient Determination Measurement Result

R square test is carried out to find out the model compatibility. In table 4, the R Square value of the brand credibility, Green Brand Equity and Green Purchase Intention averagely is 57.4%.

| Constructs | Low Involvement | |
|--------------------------|-----------------|-------|
| | R Square | % |
| Brand Credibility | 0,535 | 53,5% |
| Green Brand Equity | 0,616 | 61,6% |
| Green Purchase Intention | 0,546 | 54,6% |

Table 4. Coefficient Determination Measurement
Source: Authors (2019)

Quality Index Test Results

The GoF value of the relationship of variables in products with low involvement and products is equal to 0.375. Based on this analysis, it can be concluded that the GoF results in this study were able to reach the large category. Therefore, the GoF value in this study is 0.375, which can indicate that the model used in this study is very good and suitable for explaining the relationship.

| | Communality | R Square | GoF | Remark |
|-----------------|-------------|----------|-------|--------|
| Low Involvement | 0,654 | 0,574 | 0,375 | Large |

Table 5. Goodness of Fit Measurement
Source: Authors (2019)

CONCLUSION

This study analyzes the effect of greenwashing on brand credibility, brand equity and green purchase intention. Greenwashing has been long issues in Western and developed countries. Unfortunately, this issue is yet discussed widely in developing and emerging market academicians. This research finds that even though consumers in Batam, Indonesia is considered less educated about greenwashing practices, but greenwashing practices give negative impact to brand credibility, brand equity and purchase intentions even for a low involvement product.

Brand credibility is about consumers' trust and reliability of a brand. If the brand credibility is questionable from the frame of customers, it will directly affect to brand equity and purchase intention. Millennials is a group of people that keen to update information about product from social media. If they feel negative about a brand and they post it online, it will spread out faster. This condition will lead difficulties for a firm to hide activities and pretend to be environmentally friendly. Once the customers find that the product does not meet the claim, the reputation as "a brown company" will build skepticism and negative feedback.

The object of the study is limited to bottled drinking water which is considered as low involvement product. The behavior of millennials to high involvement product can be conducted with broader data sample. This study does not look up the effect of formal education that may give respondents better understanding about greenwashing practices.

Firms need to develop marketing strategy that accommodate the need of stakeholders as describing by DNA Model. Concerning and prioritizing the stakeholder needs is a form of a market-oriented firm. The need of stakeholders to have a long-term welfare force firm to put Sustainability as the DNA and make it as characteristics that reflected into action. It is an urgent call that firms should stop any greenwashing practices.

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