Abstract

This paper examines the process of forming consumer opinions about a company's environmental profile, focusing on the environmental signals that the company communicates as part of its marketing presentation. The research draws on costly signaling theory, which describes the behavior of individuals or companies who communicate their qualities to their surroundings through strong or weak signals. A strong signal is costly and difficult to falsify, while a weak signal does not require much effort on the part of the individual to send. In this thesis, strong signals are equivalent to a company's behavior, and weak signals are equivalent to the claims a company makes to consumers. This theory is tested in the context of greenwashing, which is becoming increasingly prevalent in the market in response to growing environmental awareness. Companies have two options for responding to the growing demand for environmentally friendly products: to make their products or services truly sustainable, or to merely pretend to do so and join those who deceive customers through greenwashing practices. The research employed an online experimental study, in which participants were presented with fictional company profiles featuring different environmental behaviors and claims, inspired by previous studies (De Vries et al., 2015; De Jong et al., 2018; Løhre et al., 2024). The aim of the study was to examine the influence of strong and weak signals on consumers and their subsequent evaluation of four aspects of the company: trustworthiness, environmental friendliness, moral behavior, and intention to purchase its product. The results showed that strong signals have a greater influence on consumer perception than weak signals, which is consistent with costly signaling theory (Bliege Bird & Smith, 2005; Lofgren et al., 2008; Al-Shawaf & Lewis, 2017; McAndrew, 2019; McManus & Sendinç, 2024). On the contrary, a surprising finding was that greenwashing did not reduce the overall perception of a company's environmental friendliness, even though it negatively affected its perceived credibility. The third result of the experiment showed that a weak pro-environmental signal from an environmentally friendly company did not increase its credibility with consumers, thus demonstrating that excessive promotion by a company may not always have a positive effect. The study's results show that while strong signals from companies significantly influence consumer opinion, the detection of greenwashing practices and their potential punishment depend on the specific context of the situation. Overall, the study contributes to the unification of previous findings using costly signaling theory and describes consumers' perceptions of companies' environmental friendliness.