

**DIRECTORATE FOR SCIENCE, TECHNOLOGY AND INNOVATION  
COMMITTEE ON CONSUMER POLICY**

**Roundtable on Online Consumer Reviews**

**Summary of Discussion**

**Committee on Consumer Policy, 27 November 2018, Paris**

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## *Roundtable on Online Consumer Reviews: Summary of the Discussion*

The Committee on Consumer Policy's empirical and policy work on peer platform markets prompted the CCP to look into the topic of online reviews more generally. With businesses and consumers using consumer reviews widely, the CCP decided to explore several issues relating to the architecture and implementation of online review mechanisms. These included: How do reviews benefit businesses and impact consumer behaviour? What challenges do consumers face in producing and using online reviews? To what extent do business practices in relation to online consumer reviews comply with existing principles, standards and requirements for consumer protection? To what extent are new policy approaches needed to address the challenges and issues facing consumers? What policy incentives would help decrease consumer exposure to fake and/or misleading reviews and more generally improve the accuracy and usefulness of reviews for consumers? To explore these questions, the CCP held a roundtable on 27 November 2018 with panellists from the private sector, academia and civil society. The Secretariat prepared a background paper to support the discussion.

The roundtable included an academic overview and two sessions. The overview provided an introduction into the topic and presented some of the issues in relation to reviews while also offering potential ways for improving reviews. In the first session, four business speakers explained how their companies generate and manage online consumer reviews. They also described the opportunities and challenges faced by industry in relation to online reviews. The second session focussed on the challenges for consumers in dealing with online reviews and on the potential policy and practical approaches by governments, businesses and other stakeholders.

This roundtable summary highlights some of the key themes and issues raised during the roundtable. The final agenda is attached as an annex.

### **Main points**

#### ***Online consumer reviews play a key role in e-commerce today***

The success of online retailers depends to a large degree on their ability to build positive online reputations which elicit consumer trust. Online consumer reviews can have a significant influence on sellers' reputations, which is why sellers invest in obtaining sufficient numbers of favourable reviews. Online consumer reviews are equally important to consumers as studies show that consumers heavily rely on reviews when making purchases. As described in section 3.1 of the background paper, and as mentioned by some of the panellists, consumers trust online reviews more than any other source of information. A substantial amount of consumer spending is influenced by reviews. The centrality of reviews to e-commerce makes it important that reviews are authentic, trustworthy, accurate and based on authentic consumer experiences for consumers and businesses alike.

***Fake and misleading reviews exist and their (potential) harm to consumers and businesses is real***

Most businesses consider it in their best interests to maintain the integrity of online consumer reviews. However, despite efforts from industry, civil society and governments, fake and misleading reviews persist. Fake review practices include the large scale and profitable creation of fictitious reviews and sometimes the manipulation of reviews during the moderation process. Misleading practices include failures to disclose the editing, filtering or incentivising of reviews and other practices that distort the overall reviews and ratings like the suppression of negative reviews or inflation of ratings. Consumers may not be able to detect many of these practices. However, practices like this may distort available information, leading to consumers buying substandard or dangerous products, or products that otherwise do not meet their needs. This may create consumer detriment and harm consumer trust in online markets.

***Continued efforts are required to minimise consumer detriment and maximise consumer trust.***

To reduce consumer detriment and maximise consumer trust, stakeholders should make sustained efforts to improve consumer reviews. For example, businesses could improve their methods of collection, moderation and publication of reviews by following best practices such as those contained in the International Consumer Protection and Enforcement Network's industry guidance on Online Reviews and Endorsements for review administrators, traders and markets, and digital influencers and ISO standard 20488. Platforms could increase the relevance of reviews by using additional information, such as consumer complaints, return rates etc., to provide consumers with more information on the quality of products and sellers. They could also improve their methods of calculating ratings, thus reducing grade inflation. Consumers could be better educated on how to identify fake and misleading reviews and also on how to use other sources of information when making purchasing decisions.

Governments could ensure that consumer protection enforcement agencies have the legal authority to address fake and misleading reviews (e.g. via legislation on deception, transparency which also applies to the suppression of negative reviews) and are equipped with sufficient resources to enforce such laws. Consumer agencies could also conduct business outreach and education to ensure that not only large platforms but also smaller businesses are aware of the current legislation and best practices. Finally, businesses could share intelligence on misleading practices occurring on platforms or affecting their industry with enforcement agencies. The enforcement community could benefit from industry providing information on the monetary value of fake reviews to facilitate the prioritisation process for enforcement action. The roundtable showed a clear interest from industry to co-operate with law enforcement on online reviews.

## Overview

The roundtable opened with a brief introduction and welcome from the Chair of the Committee on Consumer Policy (CCP), Mr Hugh Stevenson. He introduced the opening address by **Professor Steve Tadelis** from the University of California, Berkeley, which was delivered by means of a pre-recorded video. Prof. Tadelis started by explaining the double function of reputational systems in online markets. They serve as sources of

information for consumers to make well-informed purchasing decisions and discipline sellers that do not deliver quality products while promoting sellers that do.

Since many platforms use seller ratings that consist of the number of positive reviews as a percentage of the total amount of reviews, seller ratings are generally high and show little distribution. Ratings tend to be inflated across online markets. Prof. Tadelis questioned whether consumers are able to make useful distinctions between good and less good sellers, based on these inflated ratings. To make ratings more effective, he proposed adding the number of transactions that were not reviewed by buyers (so-called ‘silent reviews’) to the equation that determines the seller’s rating. During the experiment these alternative ratings (Effective Percent Positive or EPP) were better able to predict whether a buyer returned to buy from the same seller again. Prof. Tadelis also suggested that platforms analyse and add other quality information on sellers, such as information from customer messages and emails. Machine learning software is able to separate the relevant information from customer messages and emails, making it a minimal effort.

Secondly, Prof. Tadelis explained that standard economic literature would argue that consumers have no interest in leaving reviews. However, he noted that consumers have pro-social preferences and do leave reviews (public goods). He posed the question if they do so in sufficiently high numbers to provide accurate quality signals.

Prof. Tadelis also discussed findings from an experiment suggesting that one way for companies to produce more reputational feedback would be to incentivise customers to provide reviews. He argued that incentivising reviews that focus on relevant product information, rather than positive or negative sentiments, would produce more reviews without bias. In this context, companies that sell a good product should be willing to pay for reputation with the expectation that good reviews will bring a return on investment. Consumers would know that they could trust sellers that incentivise reviews, because sellers would only invest in getting reviews if they offer relevant product information.

Research by Prof. Tadelis and co-authors showed that machine learning could be used to extract relevant product information from reviews, thus increasing the value of reviews. It also showed that these kinds of ratings led to more sales, suggesting that there is a business model - based on ideas from the economics of information - for using relevant product information to create ratings. Noting one possible downside, Prof. Tadelis observed that established positive reputations could function as a market entry barrier for new business that do not yet have an online reputation, but that markets for reviews can help alleviate some of these barriers. In conclusion, Prof. Tadelis pointed out that certification systems and audits could be used in order to improve reviews, but that they are usually expensive. He encouraged platforms to use “economic engineering” to improve the promotion of high-quality sellers and to make sure that sellers’ interests are aligned with those of consumers. Lastly, he advised platforms to be careful with sharing their rating algorithms in order to prevent consumers or companies from gaming their rating systems.

Following the opening presentation, Prof. Tadelis participated in a discussion via videoconference with the Committee delegates. In response to questions, he indicated that, in terms of additional research, he would like to know if there are differences between how consumers rate products and how they rate sellers. Based on consumers’ pro-social tendencies, he suggested that it could be assumed that consumers would rate sellers on average higher than products.

When asked whether consumers would be better off with reviews or finding and comparing products and services without reviews, the professor mentioned that information on past

consumer satisfaction of products or sellers is important information for consumers to narrow their search. At the same time he encouraged sellers and platforms to find and use other indicators in their data that could improve ratings and help consumers to separate high quality from low quality products and sellers. He mentioned that this could be done at relatively low cost, and that showing consumers the right products or sellers aligns the platform's long-term commercial interests with the interests of consumer.

Regarding the usefulness of third-party certification Prof. Tadelis noted that certification systems can be costly and can create barriers to entry. Instead, he suggested that platforms leverage their data to determine the quality of sellers, which could be fed into sellers' ratings and used to rank sellers in search-results pages. Finally, he observed that incentivising reviews based on relevant quality information leads to a win-win situation for consumers and sellers. That undesirable sellers and products suffer as a result is an economically desirable outcome.

### Session 1: Business approaches to online reviews

Session 1 began with **Ms. Karen Ressimeyer**, Associate General Counsel at Amazon, who pointed out that customer reviews are one of several tools available to help consumers make informed purchasing decisions. She outlined that Amazon is working to improve the consumer experience through greater transparency, community guidelines and other efforts to address the abuse of consumer reviews. In terms of transparency Amazon discloses which reviews are related to verified purchases and limits reviews on unverified purchases to mitigate risks of abuse. Amazon's community guidelines require consumers to have spent at least USD 50 over the preceding year to be able to write a review. In terms of content, the guidelines provide that a review should be relevant, respectful and legal. Incentivised reviews are limited to some exceptional situations.

In relation to the abuse of reviews, Ms. Ressimeyer explained that Amazon invests in automated and manual detection of fake reviews (including through machine learning), as well as making it easy for consumers to report suspected fake reviews for investigation. It suppresses inauthentic reviews and may take legal action against those who post fake reviews on its websites. Ms. Ressimeyer closed by expressing Amazon's willingness to cooperate more closely with law enforcement agencies around the world to improve the authenticity of reviews and consumer trust.

**Ms. Juliette Langlais**, Head of Public Policy France at Airbnb, pointed out that trust is at the heart of the Airbnb business model, both the trust of the host as well as of the guest. In terms of reviews, Ms. Langlais highlighted that 69% of the home stays and 60% of "experience" services are reviewed. The review process allows consumers to rate different aspects of their stay as well as to leave written feedback. It also allows for the host to review the guest. The reviews become available only after both reviews have been provided. After that, there is a possibility for either party to reply to the other's review. Reviews cannot be deleted, except in cases of violations of Airbnb content policy. Ms. Langlais concluded by stressing that Airbnb's review system is built on authenticity, reciprocity and quality of the review. During the discussion, Ms. Langlais explained that the 31% of consumers that do not leave reviews are often first-time users that are still getting used to the concept.

The third speaker on the Panel, **Mr. Kostas Rossoglou**, Head of EU Public Policy for Yelp, explained that Yelp's aim is to connect consumers with local businesses. He pointed out that Yelp operates an open feedback system since the reviews on Yelp are not based on transactions between Yelp and consumers. Because of this, the company takes its

responsibilities in terms of quality control seriously, making sure reviews match the offline user experience. Yelp operates user guidelines and makes it easy for both consumers and businesses to report suspected abuse of reviews which are then investigated. Yelp's automated software filters out suspicious reviews as well as offering consumers the most relevant reviews as recommended reviews. This means that in practice only 75% of all reviews appear to consumers. In cases of fake or incentivised reviews, Yelp issues consumer alerts, sometimes blocking access to reviews for that business. Mr. Rossoglou also explained that Yelp gives consumers significant control over what reviews they will see by being able to select the criteria on which reviews should be selected. He concluded by noting that Yelp does not allow for sponsored reviews in Europe and that it discloses sponsorship elsewhere.

The last speaker in session 1, **Mr. Kasper Heine**, General Council and Head of the Trust and Transparency Unit at Trustpilot, introduced Trustpilot as an open review platform that assists businesses in collecting good feedback and assists consumers with providing them with good information on services. It does not allow for incentivised reviews. Reviews are not pre-moderated but posted immediately. Mr. Heine pointed out that the stakes for businesses are high as reviews can make or break a business. To meet its responsibilities, Trustpilot created internal processes and guidelines that set a framework for dealing with reviews. It spends about 15%-20% of its budget into the area of trust and transparency, deploying AI as well as human resources to minimise the amount of fake reviews on its website. Mr. Heine highlighted that, although most companies that use the platform are honest, some companies try to manipulate reviews and ratings and that the risks of doing so are minimal for these companies. Trustpilot works with enforcement agencies on this issue, but Mr. Heine noted that these agencies often lack the resources to investigate the information provided by Trustpilot.

The discussion at the conclusion of Session 1 highlighted delegates' concerns about whether businesses have done enough to police their platforms for fake and misleading reviews. Some delegations were of the opinion that platforms could do more to shield their systems from fake reviews and that they could do more to disclose editing and filtering practices. Some pointed to the need for additional evidence, for example, as to how frequently consumers actually visit community guidelines sites, or how to assess the monetary value of a fake review (e.g. how much additional sales do fake reviews generate). The latter would help enforcement agencies to assess the size of the harm of certain cases, which in turn could facilitate the prioritisation of enforcement action. Some of the business participants expressed a willingness to seek out this information. The platforms also highlighted the need for law enforcement assistance to address persistent abuse cases that could not be addressed by the platforms alone.

## Session 2: Consumer experiences and policy approaches

Session 2 started with a presentation from **Ms. Julie Hunter**, a U.K.-based independent consumer journalist and advocate, who highlighted that consumers make extensive use of online reviews. Consumers value reviews higher than any other source of information, such as advice from family and friends, expert reviews and information from businesses. She also pointed out that closed review systems lead to greater consumer confidence than open ones, and that the amount of reviews correlate with the amount of consumer trust. Since consumer reviews influence large amounts of consumer spending, Ms. Hunter stressed that it is important that reviews are accurate, trustworthy, reflect a genuine consumption experience and are managed fairly.

Ms. Hunter identified two main challenges in relation to online consumer reviews: fake reviews and misleading practices. She explained that fake reviews can consist of fictitious positive reviews created by companies for profit, fake negative reviews that are created by competitors or consumers with a grudge or consumers that try to blackmail businesses. She also suggested that, in her view, positive reviews based on real consumption experiences that are incentivised could be lack accuracy. A recent study by Which?<sup>1</sup> illustrated how consumers are recruited through social media groups to write undisclosed incentivised reviews for products sold on large platforms. Ms. Hunter noted that the Which? study showed that although about 90% of consumers have heard of fake reviews, only 61% of consumers are worried about them, signalling that consumers may not understand the extent of the problem with fake reviews.

The second challenge identified by Ms. Hunter is the issue of misleading practice by administrators. Such practises include for example only asking consumers that had a positive experience to submit a review or not publishing negative reviews or treating them as complaints, channelling them down a different route. Another problem is a lack of transparency regarding how reviews are edited, incentivised or filtered.

Ms. Hunter further highlighted that fake reviews carry a high potential risk for consumer detriment, resulting in consumers buying the wrong products, overly expensive products or dangerous products. She proposed four steps to minimise fake reviews and misleading practices: clear legislation on misleading practices, regulatory oversight with adequate resources, guidance for businesses including best practices and raising consumer awareness. Ms. Hunter concluded by encouraging review administrators to implement the recently published ISO standard 20488 on Online Consumer Reviews.

The last speaker of the panel was **Mr. Howard Deane**, a member of the Board of Directors of the Consumers Council of Canada and convenor of the ISO standard 20488 on Online Consumer Reviews. He advocated for using international standards, which are unfettered by national boundaries, fast to the market, and voluntary, in this area. Describing the context leading to the development of ISO 20488, he noted the increase in false positive reviews, in false negative reviews and efforts by firms to suppress negative reviews and boost positive feedback. Also relevant was increasing criticism from consumers, a lack of trust in the moderation of reviews, and some cases where business sought to contractually bind consumers not to produce negative reviews.

Mr. Deane pointed out that trust and relevance are essential for useful reviews. He explained how the ISO standard lays down both requirements and best practices for the four stages of the review process which cover: general understanding, collection, moderation and publication of reviews. In discussing the different stages, he highlighted some specific issues such as: the difficulty of creating effective disclosures, the importance of treating solicited and unsolicited reviews differently, the issue of incentivised reviews and the need for suppliers to be able to respond to consumer reviews.

A number of delegates made comments during the discussion that concluded the second session. One comment was that consumers should be taught to evaluate the accuracy and authenticity of reviews critically and should not be told to rely solely on reviews for trust and quality assurances. It was also noted by some delegates that there are few international variations in regulatory approaches to reviews and that the cross-border nature of e-

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<sup>1</sup> Which? (2018), [www.which.co.uk](http://www.which.co.uk), <https://www.which.co.uk/news/2018/10/the-facts-about-fake-reviews/>.

commerce highlights the value of international best practices like the ICPEN Guidelines and the ISO standard. Greater awareness of such measures on the part of businesses would be beneficial. Regarding the efforts by platforms to make reviews more accurate and to reduce grade inflation, one commenter drew attention to the Feedback Alliance's research into consumer attitudes towards reviews<sup>2</sup>. Greater sharing of the results of that research was encouraged as was the use of expert reviews.

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<sup>2</sup> The Feedback Alliance is a cooperation between platforms that tries to enhance the understanding of consumer behaviour on platforms through research.

## Annex A.

### Agenda for the Roundtable on Online Consumer Reviews

Consumers have always benefitted from sharing opinions and experiences about the quality and usability of products and services. With the rise of the internet, e-commerce and online platforms, new possibilities to do so have opened up. Today's consumers are actively creating online reviews of products and services they use and consulting the reviews created by others to inform their purchasing decisions.

Online consumer reviews are beneficial to consumers as well as businesses and can help instil trust in markets more generally. For consumers, they provide a way to ascertain the quality aspects of products and services before making a purchase, sometimes offering insights that would be otherwise difficult to assess. In addition, they can alert consumers to other products and services of interest and help consumers to streamline their search processes. Better-informed and more efficient purchasing decisions are good for consumers and the benefits of online reviews can extend into consumer shopping off-line.

#### Consumer Attitudes on Ratings and Reviews in Peer Platform Markets (PPMs)

- A majority of PPM consumers believe ratings and reviews are important, and many leave ratings and reviews after a transaction. To a large extent, consumers appear to trust ratings and reviews.
- Some forms of feedback are more valuable than others, with consumers paying more attention to recent feedback, and a majority feeling that written reviews are more valuable than ratings alone (though not all platforms offer the option of providing written reviews). Many consumers also look for sellers/providers who have a critical mass of ratings/reviews. Further, consumers view bilateral feedback positively.
- Around half of surveyed PPM consumers have seen ratings or reviews that they considered to be dishonest. Similarly, some consumers find it difficult to differentiate between sellers/providers because so many have high ratings. However, this does not appear to undermine consumers' confidence in ratings and reviews.

Source: OECD (2017), "Trust in peer platform markets: Consumer survey findings", <http://dx.doi.org/10.1787/1a893b58-en>

For businesses, online consumer reviews offer feedback on their products and services, which enables them to improve quality and develop new products. Furthermore, reviews offer businesses additional marketing channels and allow them to engage with consumers more actively. Through reviews, a business is able to respond to consumers' questions and

problems directly and, if it chooses to, visibly, helping to build a positive and trustworthy brand.

Online reviews also benefit the functioning of markets in general. They can boost competition by facilitating the effective comparison of products and services and reducing search costs. They can also help bridge information asymmetries. Well-functioning consumer review mechanisms can contribute to consumer trust in online markets.

At the same time, online consumer reviews also raise some concerns in relation to consumer protection and economic consumer welfare. Issue have been raised regarding fake and/or misleading reviews; the quality of reviews; consumer biases in using reviews; and the use consumer reviews as a marketing tool.

As a follow-up to its work on peer platform markets and as a continuation of its work on consumer protection in e-commerce this roundtable will offer the Committee an opportunity to explore reviews in greater depth. Following a general introduction to the subject, CCP Delegates will be invited to join a number of expert panellists in discussing current developments and consumer experiences in using online reviews. The discussion will consider the policy issues raised, approaches to addressing the challenges for consumers, and areas where further work might be beneficial.

A background paper has been prepared to provide additional information about the issues to be discussed in the roundtable [[DSTI/CP\(2018\)21](#)].

### **Discussion Questions**

1. How does the architecture and implementation of online review mechanisms benefit businesses and impact consumer behaviour? What challenges do consumers face in producing and using online reviews?
2. To what extent do business practices in relation to online consumer reviews comply with existing principles, standards and requirements for consumer protection? How effective are disclosures as a remedy?
3. To what extent are new policy approaches needed to address the challenges and issues facing consumers? What policy incentives would help decrease consumer exposure to fake and/or misleading reviews and more generally improve the accuracy and usefulness of reviews for consumers?

## Roundtable Agenda

### Overview (16:00 – 16:20)

**Professor Steven Tadelis**, University of California, Berkeley, will set the scene by providing an introduction to the structure and functioning of online reviews in the marketplace. He will highlight some of the challenges facing consumers in making effective use of reviews and the ways in which different business approaches to reviews impact consumer experience.

### Session 1: Business approaches to online reviews (16:20 – 17:20)

This session will offer different perspectives on the ways that online consumer reviews are generated and managed by businesses (including platforms) and what challenges businesses face in this process.

#### Remarks by Panellists

- **Ms. Karen Ressemeyer**, Amazon, will provide a business perspective on the opportunities and challenges of using reviews for an e-commerce retailer and platform.
- **Ms. Juliette Langlais**, Airbnb will provide a business perspective on the opportunities and challenges of using reviews for an accommodation and travel platform.
- **Mr. Kostas Rossoglou**, Yelp, will provide a business perspective on the opportunities and challenges for a review platform and search site.
- **Mr. Kasper Heine**, Trustpilot, will provide a perspective on the functioning of the business-to-business market for consumer review-services, describing the policies that apply to the generation and administration of online consumer reviews.

#### Roundtable discussion with delegates and all panellists

### Session 2: Consumer experiences and policy approaches (17:20 – 18:00)

This session aims to provide insights on how consumers experience online reviews, both as a provider and user of reviews, with a particular focus on the challenges they face. It will also consider some of the policy and practical approaches that can be implemented to address these challenges, and where further work may be needed.

#### Remarks by Panellists

- **Ms. Julie Hunter**, independent consultant, will discuss the ways in which consumers experience online reviews and the challenges they face in using reviews effectively.
- **Mr. Howard Deane**, Consumer Council of Canada, will speak about the new ISO standard on online consumer reviews, explaining the rationale behind the standard as well as some of the key steps to be taken by businesses that want to be compliant with the standard.

#### Roundtable discussion with delegates and all panellists