

Online consumer reviews The case of misleading or fake reviews

SUMMARY

Online consumer review sites and platforms are tools that are widely used by consumers and are becoming embedded in both consumer behaviour and business models. A 2013 European Consumer Centres' Network web survey showed that 82% of respondents read consumer reviews before shopping. Tools for increasing consumer awareness and raising their trust in the market should not, however, mislead consumers with fake reviews, which, according to different estimates, represent between 1% and 16% of all 'consumer' reviews.

Directive 2005/29/EC, the Unfair Commercial Practices Directive, concerning unfair business-to-consumer commercial practices in the internal market defines misleading or aggressive commercial practices and prohibits, in particular, the practice of falsely representing oneself as a consumer. Misleading or fake reviews undermine consumers' confidence in the integrity of online reviews and lead to consumer detriment. A fake review can be defined as a positive, neutral or negative review that is not an actual consumer's honest and impartial opinion or that does not reflect a consumer's genuine experience of a product, service or business. Some European consumer organisations say review sites would benefit from being regulated, or to some extent standardised.

The problem of fake online reviews not only concerns individual consumers; it can lead to an erosion of consumer confidence in the online market, which can reduce competition. To deal with this issue, some guidelines have already been adopted by consumer enforcement bodies, regulators and other stakeholders, in the EU and internationally. Enforcement actions have also been taken. Fake online reviews should be taken seriously, as more and more consumers buy online, and the practice is becoming increasingly sophisticated.



In this briefing:

- Background
- Consumer reviews
- Fake consumer reviews
- Guidelines and examples of enforcement action
- Possible solutions
- Further reading

Glossary

Consumer review: A consumer's opinion and/or experience of a product, service or business. Reviews can be found on specialist websites and on the websites of many retailers, retail platforms, booking agents, and trusted trader schemes (schemes helping consumers to select a trader).

E-reputation companies: Companies that assist businesses with managing their online reputation. This may also involve actions to raise the visibility of positive reviews or move negative online comments and reviews down in search engine rankings.

Fake review: Any (positive, neutral or negative) review that is not an actual consumer's honest and impartial opinion or that does not reflect a consumer's genuine experience of a product, service or business.

Review site, or online platform where consumer reviews are published: A website, section of a website or a software tool (e.g. application) containing consumer reviews (even if hosting consumer reviews is not the site's primary purpose). Reviews published on such sites concern a range of goods, services or business and their predominant audience are consumers seeking to inform themselves about a prospective purchase.

Sources: [Online reviews and endorsements](#), Competition and Markets Authority report, 2015; [Online reviews – a guide for business and review platforms](#), Australian Competition & Consumer Commission, 2013; [Study on Online Consumer Reviews in the Hotel Sector](#), European Commission, 2014.

Background

Not only has the internet changed how consumers shop; it has also significantly influenced how businesses advertise and sell their goods and services online. The internet offers innovative ways of organising, accessing, sharing and evaluating information on the pricing, technical characteristics and quality of products or services. Consumer review sites and online platforms, together with search engines, price and product comparison websites, are tools that are now widely used by consumers and are becoming embedded in [consumer behaviour](#) as well as in business models. A 2013 [web survey](#) by the European Consumer Centres' Network found that 82% of respondents read consumer reviews before shopping. Another [consumer review survey](#) from 2014 revealed that American and Canadian consumers tend to trust what they read: 88% of them said they trust online reviews as much as personal recommendations. Tools that aim to raise consumer awareness and increase their trust in the market should, however, not mislead consumers with fake consumer reviews.

According to different estimates, fake reviews represent between 1% and 16% of all consumer reviews, but keeping precise track of them is problematic due to their [clandestine nature](#) and to the absence of a common standard for qualifying them as fake. [Some](#) suggest that their share is small, around 1-2%. However a 2015 [study of fraud](#) committed on the Yelp review site identified up to 16% of all its reviews as suspicious, i.e. potentially fake. According to [estimates](#) of the French Directorate-General for Competition, Consumer Affairs and Repression of Fraud, false online reviews across all sectors in 2013 may have represented up to 45% of all online reviews. With 150 million reviews and opinions covering more than 3.7 million accommodation-providers, restaurants, and attractions found in 2013 on [TripAdvisor](#) alone, the sheer numbers make it difficult to check and identify fake consumer online reviews.

In the EU, [Directive 2005/29/EC](#) bans fake online consumer reviews. It defines misleading or aggressive commercial practices that are prohibited in the EU. According

to Article 6, two conditions must be met for a commercial practice to be misleading. First, it must either contain false information and therefore be untruthful, or it must deceive or be likely to deceive the average consumer in some way (including overall presentation), even if the information is factually correct. Second, the misleading practice must cause, or be likely to cause, the average consumer to take a transactional decision that he or she would not have taken otherwise. Annex I of the Directive also enumerates 31 commercial practices which in all circumstances are considered unfair. One that particularly applies to fake consumer reviews is the practice of falsely representing oneself as a consumer, or falsely claiming or creating the impression that traders are not acting for purposes relating to their trade, business, craft or profession.

Consumer reviews

Typology of review sites

Generally, [two main categories](#) of consumer reviews sites exist: sites with open systems, where consumers can go onto the website and post a review; and closed systems, where only a confirmed buyer of the product or service can submit a review.

More specifically, according to a [document](#) by UK watchdog Consumer Focus, sites can be classified¹ as: **1)** sites with a primary purpose of selling, but which also include a review feature, making online feedback part of their core offering (for instance Amazon); **2)** sites that provide links to or embed third-party review platforms (such as Expedia); **3)** sites whose core purpose is to provide consumer feedback on products or services rather than sell them (for example TripAdvisor); **4)** platforms with the prime purpose of providing advice and information on consumer issues, but including feedback and discussion forums (for instance Money Saving Expert); **5)** bilateral sites where people buy and sell to one another, based on people-to-people reviews where the vendor and the buyer comment on one another (such as eBay); **6)** second-generation third-party services sites where only buyers can post a review (for example Reevoo); **7)** social technologies and platforms (such as Facebook) and blogs, which do not provide review or feedback for consumers in general, but can give rise to consumer campaigns.²

Advantages and disadvantages of consumer reviews

Consumers have increasingly been enjoying access to online tools that allow them to share information directly with their peers. Many products and more and more services can now be reviewed, rated, ranked and evaluated online; these include books, music, films and electronic devices, as well as lawyers, teachers, health services³ and holidays. The fact that consumers can also purchase a wide range of goods and services online (banking, telecommunications, insurance and travel services) makes this type of consumer background search for information in the form of reviews particularly convenient and timely. A 2012 survey among internet users in the UK found that 88% of consumers consult reviews when making a purchase; 60% of them stated that they were more likely to purchase from a site that had customer reviews.⁴ A [report](#) by the European Association for the Coordination of Consumer Representation in Standardisation (ANEC) on the subject of consumer complaints and experiences in cross-border travel or tourism showed that almost one fifth (19.8%) of respondents who experienced a problem had posted a review of the incident online, compared to 37.6% who said that they had shared it with their family and friends.

Online reviews should help consumers in situations when they feel less assertive and less knowledgeable, by offering them a reliable, independent source of peer feedback,

and information that enables them to identify untrustworthy sellers and avoid paying for defective and unreliable products or questionable services. Consumer reviews have thus been qualified as a '[power shift](#)' tool, enabling consumers to pull information, rather than having businesses (retailers, service providers) push information to them. Research suggests that consumers give greater weight to user reviews than to what businesses or independent experts tell them.⁵ Consumers feel empowered, since this way of sharing information gives them an opportunity to fight the information asymmetry between service providers (or sellers) and buyers. The internet and online consumer reviews provide a forum to learn from the experiences of others conveniently, anytime they wish and with no direct sales pressure.

Other possible benefits of online consumer reviews are:

- enabling consumers to **make faster and better buying decisions**;
- **ensuring (or boosting) competition** among businesses regarding **products and services that consumers value** and therefore indirectly – with the feedback provided by consumers online – help bring up their quality;
- **allowing consumers to narrow their search** and identify reviews of particular relevance to them (for instance reviews filtered by age, social status or other criteria.);
- **bringing consumers' attention to a wider range of products and services** that they might otherwise not have been aware of (and thus also allowing new business entrants and small businesses to benefit from online visibility).

However, the credibility of information available online raises concerns about how people obtain, interpret, and evaluate this information. Some [argue](#) that digital media are complicating notions of credibility today, and that societal and technological changes in the past few decades have not only spawned new concerns, but also amplified existing ones. The online environment can be confusing when contradictory reviews are provided, but also counterproductive, because of the potential **information overload**. Much online information is not subject to filtering through professional 'gatekeepers' (regulators of information flows) and may consequently be poorly organised, out of date, incomplete, or inaccurate.

One of the disadvantages mentioned by studies on user-generated content, that may also apply to consumer reviews, is the so-called 'bandwagon effect',⁶ used to describe situations where information provided by others becomes influential as a means of removing ambiguity and establishing subjective validity. Information aggregated across users may produce enhanced collective intelligence through the 'wisdom of crowds'; however, it can be [argued](#) that crowds are not always wise, especially when bandwagons can develop easily, when popularity can override quality, when talent is assumed to be equally distributed among all contributors, and when the specific expertise of certain contributors is undervalued.

People's [choices online](#) can be swayed by others' opinions via so-called 'recommender systems' (software tools and techniques using people's opinions to help others decide what to buy, listen to, read, and so forth). In addition, it has been [found](#) that people tend to find **information contributed by similar people** to be **more credible**. Taking user-created content into account has been shown to be particularly susceptible to the social influences of friends, which suggests that referent informational influence has a great impact on internet users' attitudes and behaviours. [Studies](#) have shown the effects of social influence online: people viewing movie ratings online tend to rate

movies consistent with the ratings they have been shown. The increase in sources also reinforces concerns about the lack of gatekeepers, disintermediation, and **source ambiguity**. When assessing the credibility of user-generated content online, people may have difficulties in interpreting users' experiential-based information correctly without knowledge of basic statistical principles like sampling. [Research](#) on user-generated commercial ratings shows that internet users pay attention to the average 'star' ratings for a product but not to the aggregate number of such ratings provided.

There are also [divergent views](#) on whether consumer reviews assist in overcoming information asymmetry, with some citing fake reviews as one of the main concerns.

Fake consumer reviews

Misleading or fake reviews⁷ undermine consumer confidence in the integrity of online reviews, leading to consumer detriment.⁸ According to the UK Competition and Markets Authority, there are [two types](#) of fake reviews: those that make false, negative claims about an experience with a product, service or business; and those that make false, positive claims.

In its study on reviews in the hotel sector, the European Commission [distinguishes](#) between: 1) reviews which are factually incorrect; 2) reviews that are not genuine but are written by consumers or other parties with the intention to deceive; and 3) misleading advertising and unfair marketing practices by review operators or others. It further explains that, in principle, fake reviews can be traced to **four sources**:

- consumers (intentionally, for self-gain or in misconception because they have unrealistic expectations about products and services they are reviewing);
- service operators (e.g. hotels or shops that seek to counteract negative reviews), directly (through misleading advertising) or indirectly (through e-reputation agencies or by coupling reviews to incentives like discounts, vouchers, gifts, etc.);
- review website operators (by systematic deletion of negative reviews or by other biased manipulation of reviews); and
- e-reputation services that assist companies with managing their online reputation.

Risks related to fake online reviews

According to a [Commission report](#), fake consumer reviews are recognised as one of the most market-distorting factors in the e-commerce sector. They are also particularly important for comparison tools which use reviews (as well as popularity ratings) as a major ranking criterion and hence influence consumer choice of products and services.

Fake online reviews should be taken seriously, as more and more consumers buy online and the practice is becoming increasingly [sophisticated](#). Consumer organisations such as the European Consumer Organisation (BEUC) have highlighted the vulnerability of comparison-tools sites to deliberate efforts to skew rankings by means of consumer reviews. According to [BEUC](#), reviews, being often trusted by consumers, can cause considerable problems of credibility: with the validation process not guaranteed, anybody posing as a legitimate consumer can leave a review while negative comments can be filtered out. Fake online reviews therefore not only affect individual consumers, but also erode consumer confidence in the online market. The lowering of the general quality of reviews and the loss of consumer confidence in their veracity can lead to reduced competition within the market if consumers only trust sellers with a significant presence and established reputation.⁹ Another risk is the development of a 'lemons market': when buyers are unable to distinguish between quality products or services

and possibly defective or inferior ones (i.e. 'lemons'), competition can suffer. It is argued that this information asymmetry between buyers and sellers can drive down prices and quality in general, leading to a 'lemons marketplace', adverse selection¹⁰ and therefore suboptimal market conditions.¹¹

Guidelines and examples of enforcement action

To deal with the problem of fake online reviews, some **guidelines**¹² have already been adopted by consumer enforcement bodies, regulators and other stakeholders,¹³ in the EU and internationally. In 2012, the [Federation of German Consumer Organisations](#) published recommendations for review sites and developed a checklist for consumers to help them in recognising fake and misleading reviews. In 2013, the French Association for Standardisation (AFNOR) published an [opt-in standard](#) for the management of online consumer reviews. Under the French Consumer Code, misuse of the AFNOR standard is a fraudulent commercial practice punishable by a fine of up to €37 500 for natural persons and up to €187 500 for legal entities. In 2015, the Danish Consumer Ombudsman also issued [guidelines](#) on the publication of online user reviews. Similarly, in 2013, the Australian Competition and Consumer Commission issued a [guide](#) for businesses and review platforms on online reviews. In its [Guides concerning use of endorsements and testimonials in advertising](#), the US federal government specified that advertisers, among other things, should only use genuine consumers for the endorsements or testimonials they publish.

Internationally, the International Organization for Standardization (ISO) started work in 2014 on [principles and requirements](#) for collection, moderation and delivery processes for online consumer reviews. The Organisation for Economic Co-operation and Development (OECD) is currently [revising its 1999 Guidelines](#) for protecting consumers in the context of e-commerce.

[Enforcement actions](#) in the fight against fake online reviews have also been taken. In 2012, the UK Advertising Standards Authority [required](#) that a company withdraw a misleading claim saying consumers could be assured that all its review content was genuine. In 2014, the Italian Competition Authority [fined a travel review site](#) for publishing misleading information regarding the sources of its online reviews. In 2014, the Court of First Instance in Paris [fined a customer review website](#) for publishing fake consumer reviews partially written by a company based in Madagascar. In the USA, the Federal Trade Commission in 2010 [took action](#) against a public relations business which was posting reviews for its clients, using employees posing as ordinary consumers. In 2013, the New York State Attorney-General's Office took [enforcement action](#) against 19 companies for creating fake online profiles on customer review sites. In 2014, the Federal Court of Australia ruled against two solar panel businesses for [publishing fake testimonials online](#). However, enforcing laws (and industry standards) to reduce the incidence of fake online reviews is a challenging task, because such reviews are hard to detect and it is difficult to prove that a reviewer has been paid to provide a false review. The fact that fake or misleading consumer reviews may come from so many different sources, including consumers themselves, makes the process of identifying them as such (together with enforcement) even more complicated. Moreover, in some cases the breaching party may be outside the regulator's jurisdiction.

Possible solutions

According to a 2012 UK [report](#) on consumer attitudes to user-generated online feedback, consumers want more detail about controls, and more stringent verification processes in order to have greater reassurance of the legitimacy (i.e. credibility) of online postings. Consumers are also calling for guidance on what can and cannot be said in posts, to protect them from legal action.¹⁴ Moreover, they express the need for reassurance about data protection issues, including the right to anonymity and privacy. According to a [report](#) commissioned by ANEC, review sites, given their increasing importance, would benefit from regulation or standardisation of some kind. The key issues the report identifies are: **clear/transparent information** about ownership and impartiality of a site, as well as the basis for reviews; the **structure of reviews** (i.e. a structure in the feedback template so that consumers are asked relevant/useful questions); **verification of reviews** (processes in place to ensure that reviews are genuine); and **dealing with complaints/abuse**. As a solution, the report recommends European regulation, or standardisation, of consumer review sites. It also suggests involving ANEC in the development of the recently proposed international ISO standard on review sites. [BEUC](#) also believes that it is essential to establish and monitor rules concerning consumer information, the posting of misleading messages and unfair marketing practices related to review websites.

The UK Competition and Markets Authority [report on online reviews](#) suggests steps that should be taken both by businesses and review sites. **Businesses** should not offer inducements to a customer in return for a positive review; pretend to be a customer; or write fake reviews about their own or other businesses' goods or services. On the other hand, they should ensure that advertising and paid promotions are clearly identifiable to readers as paid-for content. **Review sites** should clearly state how reviews are obtained and checked; publish all reviews (including the negative ones) provided they are genuine and lawful; and explain the circumstances in which reviews might be edited or not published at all (for instance if they include abusive language or defamatory remarks). They should also ensure that there is no unreasonable delay before publishing reviews; disclose commercial relationships with businesses that appear on their site (and how that affects their ranking); clearly identify advertising and paid promotions; and have appropriate procedures in place to detect and remove fake reviews.

Some observers [argue](#) that efforts to counter fake reviews should focus mainly on firms that promote fake reviews or that take no meaningful action to curb the practice on their sites, rather than deal with individuals who engage in the practice at the incitement of businesses that benefit. However, solely relying on a command-and-control approach (with legislatures banning specific behaviour, regulators policing compliance, and courts imposing sanctions) could be inadequate. Regulating firms alone would mean pinning guilt for breaches that sometimes involve many people upon particular entities, without consideration for the fact that such behaviour might be driven by the culture that prevails in the sector concerned or by forces of competition. **Smart regulation** involving educative, deterrence-based, responsive and targeted approaches could complement measures such as industry codes of conduct, feedback mechanisms and monitoring, administrative sanctions, corrective advertising and generalised standard-setting requirements.

Enforcement action can serve as a deterrent. **Self-regulation** (for instance online platform providers investing in identifying and dealing with fake reviews; possibly also

bringing defamation actions against offenders as a way to gain greater credibility) can also be useful. Promoting official and reliable comparison sites, consumer complaints ombudsman schemes, and standards to ensure better quality and control of reviews could also constitute part of the solution. The [AFNOR opt-in standard](#), for example, includes the following **core principles and requirements for online reviews**: buying consumer reviews is forbidden, and, if need be, it should be possible to establish the identity of consumers posting reviews. Provision of evidence that a product or service has actually been bought and used is an optional requirement. Once posted online, reviews cannot be edited but their authors retain the right to take them offline. The most recent opinions need to be displayed first. The standard also requires transparency regarding the methods used to calculate aggregate ratings and the delay before new ratings are integrated into the aggregate rating shown on-screen. It also mentions the right to a reply, which is free of charge and published within seven days.

Improving the digital skills and digital literacy¹⁵ of consumers could help them avoid deception, manipulation, and persuasion via online misinformation. Educating¹⁶ them about fake online reviews would not only help them identify potential fake reviews but also contribute to reducing related consumer detriment.

European Parliament

Parliament has called for greater consumer awareness and protection in several resolutions related to unfair commercial practices, misleading advertising and online behaviour. More specifically, in 2013 the European Commission responded to a [parliamentary question](#) regarding fake consumer reviews.

In 2009, Parliament issued a [resolution](#) calling on the Commission and the Member States to organise information campaigns aimed at **heightening consumers' awareness of their rights**, in order to boost their protection against unfair commercial practices and misleading comparative advertising. It also asked the Commission to work with Member States on adapting their national legislation so that 'black lists' of unfair commercial practices are visible to consumers and made useful to the greatest extent possible.

In its [2012 resolution](#) on protecting children in the digital world, it invited Member States to develop and harmonise systems relating to the right of reply in the digital media, whilst also improving their effectiveness. It also mentioned the importance for minors to better understand the potential dangers they face online; families, schools and civil society should share responsibility in educating children and ensuring their proper protection when using the internet and other new media.

In its [2013 resolution](#) on misleading advertising practices, Parliament supported the Commission's intention to investigate the possibility of introducing, on the basis of validated criteria, an EU-wide blacklist of misleading marketing practices, and, if practicable, of companies that have been repeatedly convicted for such practices. It called on Europol to play a more active role in tackling these forms of fraud, by collecting information regarding misleading cross-border marketing practices; analysing the structures behind perpetrator companies; and providing for quick exchange of up-to-date information on these practices and structures among national enforcement authorities. It also stressed that the investigation and prosecution of misleading marketing practices needed to be improved. Parliament called on the Commission to draw up guidelines for national enforcement bodies on priorities for investigation and prosecution. It further called on Member States to boost the capacity and expertise of

the relevant investigative and judicial authorities, stressing the need for effective, proportionate and dissuasive penalties, and recalling that sanctions can have a preventive effect. It also asked the Commission to **step up its involvement in the International Mass Marketing Working Group**, which consists of law enforcement, regulatory, and consumer agencies in the USA, Australia, Belgium, Canada, the Netherlands, Nigeria, and the UK, as well as Europol.

In its [2013 resolution](#) on a new agenda for European Consumer Policy, Parliament stressed that the increasingly rapid development of e-commerce is of major importance for consumers. It further emphasised that consumer confidence is essential for both domestic and cross-border e-commerce, pointing out the need to ensure quality, safety, traceability and authenticity of products and **avoid criminal or unfair practices**.

Further reading

[First report on the application of Directive 2005/29/EC](#), European Commission, 2013.

[Communication on the application of the Unfair Commercial Practices Directive](#), European Commission, 2013.

[Consumer behaviour in the digital environment](#), European Parliament, 2011.

Endnotes

¹ Examples of websites and platforms are provided for illustrative purposes only.

² Campaigns like [Vodafail](#).

³ See for instance: [NHS Choices](#) (User comments on services) or [Consumer reports](#).

⁴ See [In my honest opinion - Consumers and the power of online feedback](#), Consumer Focus, 2012, p. 7.

⁵ See, for example, [Deloitte consumer review – The growing power of consumers](#), 2014, p. 5 (Figure 2, 'Most trusted sources of information on products and services').

⁶ [That is](#), when individuals do something primarily because other individuals are doing it regardless of their own beliefs, which they will ignore or override.

⁷ Adding to the complexity, consumers can be the victims and sometimes also the [source](#) of fake online reviews. However, [various terms](#) exist to describe misleading online activity involving reviews. Some of them are: opinion or review spamming; buzz marketing (encouraging consumers to voluntarily promote products in return for coupons or discounts); stealth campaigns (promotion of products by 'consumers' whose identities are masked and may be faked); astroturfing (hiding or masking the sponsors of a particular message to give the appearance that it is supported by, and originates from ordinary online users).

⁸ [Consumer detriment](#) involves consumers suffering harm or damage. It can relate to personal (negative outcomes for individual consumers, relative to reasonable expectations) and structural detriment (loss of consumer welfare – measured by consumer surplus – due to market failure or regulatory failure).

⁹ See J. Malbon, [Taking Fake Online Consumer Reviews Seriously](#), 2013, p. 149.

¹⁰ [Adverse selection](#) here refers to a process in which undesired results occur when buyers and sellers have access to different information. The uneven knowledge causes the price and quantity of goods or services in a market to shift, which results in 'bad' products or services being selected.

¹¹ See J. Malbon, [Taking Fake Online Consumer Reviews Seriously](#), 2013, pp. 148-149.

¹² See [Online reviews and endorsements](#), UK Competition and Markets Authority Report, 2015, pp. 52-57.

¹³ e.g. [Guidelines](#) on consumer reviews by HOTREC, the European association of hotels, restaurants, cafés and similar establishments in Europe.

¹⁴ One of the fears is also related to the risk of being [fined](#) for writing a negative online review.

¹⁵ [Digital literacy](#) can be defined as the capacity to evaluate information on the internet, assess its credibility, and navigate web pages.

¹⁶ Some [consumer tips](#) to avoid fake reviews: look for information about the reviewers (age, where they live, whether they are a service user, provider or competitor); consult enough reviews to make comparisons and render aggregate scores meaningful and helpful; consult up-to-date comments and responses; seek clarity about who moderates the site and their independence from providers; and check whether comments are extreme and how natural the language is.

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