

Call for information

Online reviews and endorsements

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1. Introduction

- 1.1 Online reviews and endorsements are playing a growing role in helping consumers to make shopping decisions, including finding hotels, selecting tradespeople and choosing the right cosmetics. Their use has the potential to cut search costs, enabling consumers to identify the best product for them more efficiently. Reviews and endorsements are also important to those businesses whose products and services are described. Research suggests that large numbers of consumers are using such online resources. A 2014 survey¹ estimated that 81% of UK consumers read customer reviews/ratings and 47% read blogs.
- 1.2 It is important for both consumers and businesses that consumers can trust this information. It should represent the genuine views of a reviewer or blogger on a product or service, and the information should be presented on a site in a way that does not mislead consumers or distort their decision-making.
- 1.3 The Competition and Markets Authority (CMA) is committed to looking at evolving online markets. It is aware of a number of potential concerns about the trustworthiness or impartiality of some of the information in reviews and endorsements. Given the apparent importance of online reviews and endorsements, the CMA is keen to gather information to assess the validity of these concerns.
- 1.4 The CMA has launched a call for information on online reviews and endorsements, and is inviting consumers, businesses and other interested parties to come forward with their views. This is a fact-finding exercise to increase our knowledge and understanding. It will look at a range of online reviews and endorsements that are accessed by UK consumers, including those on web blogs, video blogs, social media, specialist review sites, trusted trader sites, retail platforms, and retailers' own websites. It will also look at the roles that media companies, online reputation managers and search engine optimisers play in helping businesses to promote their products/services and manage their reputations in relation to these sites.

¹ Deloitte, [The Deloitte consumer review – The growing power of consumers](#), 2014.

2. Background

- 2.1 Consumers use various online information sources to help inform their shopping decisions. Some of these sources, such as price comparison websites, provide 'hard' factual information on price and product features. However, 'softer' information such as consumer reviews and endorsements found online is also important to consumer decision making.
- 2.2 Consumers like to know, and are influenced by, what other consumers think about the providers of goods and services and what their experiences of using them have been. As discussed at paragraph 1.1, large numbers of consumers appear to be using such online resources. Furthermore, there is also research to suggest that they put more weight on this information than on what businesses or even independent experts tell them.²
- 2.3 While the growth in the use of online reviews and endorsements has the potential to empower consumers to make more informed purchasing decisions, businesses can benefit too. Recommendations from reviews or bloggers can pull in new customers, feedback from consumers can help suppliers to improve customer services, and blogs and social media provide new opportunities to advertise and promote products and services. Conversely, false or misleading reviews or endorsements have the potential to mislead consumers and harm businesses.

² For example, Ofcom, [Adults' media use and attitudes report 2014](#), April 2014: user reviews are rated as more important than reviews by critics or journalists in the wider media; Deloitte, [The Deloitte consumer review – The growing power of consumers](#), 2014: 60% of consumers trust customer reviews (the same percentage as trust family and friends), 43% trust independent product/service experts, and only 16% trust the retailer's own website.

3. Previous work in this area

- 3.1 As part of our fact-finding, we note that the following action has been taken in this area before.
- 3.2 In 2010, the Office of Fair Trading (OFT) obtained undertakings from a [social media company](#), requiring it to clearly identify when promotional comments on web blogs or social media were paid for or otherwise remunerated. The OFT had formed the view that the company was operating in breach of the Consumer Protection from Unfair Trading Regulations 2008.
- 3.3 In 2012 the [OFT obtained undertakings from an affiliate marketing business](#), requiring it to take steps to ensure that marketers within its network made clear that promotions had been paid for or otherwise remunerated and were not presented as consumer reviews.
- 3.4 The Advertising Standards Authority has also carried out the following relevant work:
- In 2012 it took action against [a company for misleading claims](#) that consumers could be assured that all reviews on its site were genuine.
 - In 2012 it took action against [a company for not clearly identifying tweets](#) as advertising.
 - In 2014 it took action against [a company for not clearly disclosing](#) in paid promotions that there was a commercial relationship between the advertiser and video bloggers.
- 3.5 Internationally, the Australian, French, Italian and US authorities have taken enforcement action against fake reviews, misleading review site practices or hidden advertisements over the past five years. In 2014, a study on online consumer reviews in the hotel sector,³ produced for the European Commission, found concerns around: dated reviews that were never removed, the transparency over how ratings systems work, the clarity on commercial relationships with hotel operators, the verification of reviews and reviewers, and the complaints procedures for hotels who wished to complain about unfair reviews.

³ Risk & Policy Analysts (RPA) Ltd, CSES and EPRD (for the European Commission), *Study on Online Consumer Reviews in the Hotel Sector*, June 2014.

4. The scope of our call for information

4.1 The call for information concerns online reviews and endorsements that are used by UK consumers, including:

- review sites that specialise in presenting customer reviews/comments;
- sites that include such reviews/comments as an additional feature (for example, many retailers' websites, retail platforms, trusted trader schemes, and booking agents include this type of information); and
- blogging sites (by which we include sites that host web blogs, video blogs, and microblogs on social media) that include endorsements, reviews or comments on products/services).

4.2 The call for information is concerned with the practices, standards and activities of the businesses or other persons that make this information available to consumers. It is also concerned with businesses that may seek to influence the content of reviews and endorsements. Examples of the latter include suppliers of goods and services; and intermediaries acting on behalf of suppliers in promoting or defending brands (such as PR agencies, media marketing agencies, online reputation managers and search engine optimisers).

4.3 The following are outside the scope of the call for information and will not be examined:

- Expert review sites that use independent verifiable product testing methods, or price comparison websites, as these rely on 'hard' data rather than on opinion (although if these businesses' webpages contain customer reviews, these would be in scope).
- Television, radio and print advertising.

5. Key issues we want to explore

5.1 The CMA is particularly interested in:

- (a) how consumers select and use review sites and blogs, and the extent to which they rely on them. We will then consider whether the way this information is used by consumers makes them vulnerable to being misled when they make buying decisions;
- (b) how suppliers, and intermediaries acting for them, promote their brands and manage their reputations online (in so far as these activities affect what consumers see on review sites and blogs), and whether they are carrying out practices that have the potential to mislead shoppers;
- (c) what action online review sites, blogs and other sites that host this material take to ensure that consumers are not misled by their content; and whether the way that these sites choose to display the information on different goods and services might have the potential to distort consumers' decision making; and
- (d) whether (a), (b) or (c) are, on their own or in combination, leading to significant detriment to consumers and/or businesses.

5.2 As the scope of this call for information is wide-ranging, we have selected three sectors where we will take a particularly close look: 1) home repairs, maintenance and improvement; 2) hotels and holidays; 3) beauty and grooming products.

5.3 We have chosen these three sectors because together they allow us to look at:

- products and services with a range of different prices;
- sectors where reviews and endorsements may play an important role in buyers' decisions; and
- sectors where consumers cannot always make purchasing decisions based on previous experiences or knowledge.

5.4 However, the call for information is not limited to these three areas and we are interested in receiving information about other products, services and traders too.

6. What are the potential outcomes of a call for information?

6.1 The information gathered during a call for information helps the CMA to determine whether further action in a sector is warranted, either by the CMA or others. There are a range of options, including:

- taking no further action;
- launching a market study covering a whole 'sector', or a part of it;
- initiating consumer enforcement action;
- advocating legislative change to government;
- providing guidance to industry or consumers, or both; and /or
- seeking voluntary action from industry.

7. Responding to the call for information

7.1 The CMA is interested in receiving submissions from a wide range of interested parties, including consumers and representatives of consumers, individual businesses, trade bodies, research and academic organisations and others. We particularly welcome submissions that contain evidence to support the views or assertions made.

7.2 Please respond to this call for information in the following way:

- (a) If you are a consumer, please complete and submit our [online response form](#).
- (b) If you are a business or a blogger (who may or may not be a business), you will need to choose the correct form to fill in, depending on whether you are a blogger, a review site, a supplier of goods or services, or an intermediary acting for a supplier (for example a media marketing agency, online reputation manager, or search engine optimiser). These forms can be found on the [call for information page](#).

Please return completed consultation forms either by:

- **Email** to: ProjectORE@cma.gsi.gov.uk
- **Post** to:

Online reviews and endorsements (call for information)
Competition and Markets Authority
Victoria House
37 Southampton Row
London WC1B 4AD

7.3 Please note that the CMA is unable to provide consumers with advice in relation to individual concerns.

7.4 The disclosure of information which relates to the affairs of an individual or any business of an undertaking and which comes to the CMA in the course of a Call For Information, is governed by the statutory gateways in Part 9 of the Enterprise Act 2002 and such information can only be released in particular circumstances set out in that Act.

8. Timing

- 8.1 The call for information is open for four weeks from Thursday 26 February 2015, closing at **5pm on Wednesday 25 March 2015**.
- 8.2 We will analyse the evidence we have collected and publish a report on our findings in summer 2015.