Online reviews and endorsements

Report on the CMA's call for information

19 June 2015
CMA41
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1. Summary

Why we did a call for information

1.1 Online reviews and endorsements can play an important role in helping consumers to make shopping decisions. They can be particularly helpful when consumers buy goods or services whose quality they may find hard to assess before it has been experienced. The information that reviews and endorsements provide can help consumers to make faster and more confident decisions. It has the potential to boost competition between businesses on their products’ reliability or on the quality of service that they offer. It can also make it easier for small businesses and new entrants to enter a market or to expand.

1.2 While recognising the potential benefits of these tools, the Competition and Markets Authority (CMA) had also become aware of a number of concerns about the potential for reviews and endorsements to mislead consumers and distort their decisions. We were concerned that, if true, this could lead to detriment for both consumers and businesses. We therefore launched a call for information on online reviews and endorsements in February 2015, to understand these important sectors better.

The findings from the call for information

Reviews

1.3 Consumers that use online reviews find them valuable. We estimate that more than half of UK adults use them. Across the six broad sectors that we looked

By ‘review’, we mean a consumer’s opinion on and/or experience of a product, service or business. Such reviews can be found online on specialist review sites and on the websites of many retailers, retail platforms, booking agents, and trusted trader schemes.

By ‘endorsement’, we mean a positive comment about a product, service or business, which appears to the reader/viewer to be the writer/speaker’s own opinion and/or experience. Aside from positive reviews on review sites, such endorsements can sometimes be found online in articles, blogs, vlogs and social media.

The term ‘review site’ is used broadly in this report. If a website contains customer reviews then, regardless of whether hosting customer reviews is its primary purpose, we refer to it as a ‘review site’.

The term ‘blog’ is used broadly in this report to mean an online article, web log, video log (vlog), or microblog on social media.
at, we estimate that £23 billion a year of UK consumer spending is potentially influenced by online reviews.¹ Consumers that use online reviews appear to trust them and they appear to be an important source of information for consumers’ buying decisions. Further, most consumers said that the product or service purchased after reading reviews matched up to their expectations.

1.4 In the course of our work we have seen some developments in the reviews sector which could have the potential to improve outcomes for consumers. Some sites have developed systems to: detect and verify fake reviews; identify and give greater prominence to reviews that are likely to be more helpful; and enable users to flag suspicious-looking reviews themselves. Another interesting development is the entry into the sector of a number of providers that offer to manage the collection, verification and publication of reviews on behalf of retailers, service providers and other businesses.

1.5 However, we have also heard about a number of practices that concern us. These are:

- **Businesses writing or commissioning fake positive reviews about themselves** to boost their ratings on review sites relative to rivals. These reviews may mislead consumers about the merits of a product or service, and may lead to rival suppliers losing custom that they otherwise may have won.

- **Businesses or individuals writing or commissioning fake negative reviews**. This may be carried out by businesses trying to undermine their rivals or by individuals acting maliciously or for personal gain. The practice may affect consumers’ choices. We have also heard, particularly from businesses in the hospitality industry, that small businesses can be badly affected by fake negative reviews.

- **Review sites ‘cherry-picking’ positive reviews, or suppressing negative reviews that they collect and/or display, without making it clear to readers that they are presenting a selection of reviews only**. Omitting other consumers’ negative views may present a false overall impression of consumers’ experiences of using a product or service. This has the potential to mislead users of a review site and affect their choices. Businesses that do not engage in such practices may also lose custom as a result.

¹ Analysis based on the CMA’s consumer survey, explained at Section 3 below.
• **Review sites’ moderation processes potentially causing some genuine negative reviews not to be published.** It appears that some sites may not be publishing some genuine negative reviews and instead encourage businesses to take action to resolve the customer’s complaint. This might lead to a good outcome for the individual customer who left the review; however, we are concerned that other consumers looking at these review sites are getting a less complete picture of what reviewers have said about a business. This could mean that they do not make the best choice for them, particularly if they are not aware that this practice is taking place.

1.6 These sorts of practices may breach the Consumer Protection from Unfair Trading Regulations 2008 (CPRs) and the UK Advertising Codes. They may also prevent consumers from choosing the product or service that best suits their needs because the information provided does not show the whole picture – with some businesses losing custom as a result.

**Endorsements**

1.7 Consumers do not always read endorsements found in blogs, vlogs or other online publications to research a planned purchase, often they do so for entertainment and to follow their particular interests.

1.8 However, consumers that use blogs and vlogs before making a purchase find them valuable. We estimate that around 6% of UK consumers have made purchases after reading about items in a blog or vlog. As with reviews, consumers who have bought an item after seeing it in a blog or vlog tend to trust the opinions of the blogger or vlogger. Blogs and vlogs appear to be an important source of information for these consumers. Further, most consumers found that purchases influenced by blogs and vlogs matched up with their expectations.

1.9 We have seen a number of examples of bloggers and online publications clearly declaring when they have been paid by businesses to include advertising or other promotional material. These declarations include both the clear and prominent labelling of posts/articles and the publication of disclosure policies on their sites.

1.10 **We are, however, concerned that some businesses may be paying for advertising or sponsored content in blogs and other online articles**

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2 For the purposes of this report we have focused on the Consumer Protection from Unfair Trading Regulations 2008. Other consumer protection legislation may also apply to the activities of businesses in this sector. The UK Advertising Codes lay down rules for advertisers, agencies and media owners to follow.
without ensuring that this is obviously identifiable to consumers. In some circumstances, we found that paid endorsements are not being disclosed adequately and, in others, we found that they are not being disclosed at all. The information we gathered suggests that many businesses may be engaging in these practices.

1.11 These practices are likely to breach the CPRs and the UK Advertising Codes. Our qualitative research suggests that consumers are likely to place less reliance on promotional material than they would on an endorsement that they might consider to be the genuine opinion of a blogger or vlogger. This activity therefore has the potential to lead to consumers choosing a product or service that does not meet their needs as well as an alternative product or service would, and for some businesses to lose custom as a result.

What businesses should do

1.12 We have identified a number of practices that give rise to concern, particularly to the extent that they may not comply with the law. Our report and accompanying materials give a clear steer on what businesses in these sectors should do to address our concerns. We consider that businesses should use this information and consider, in consultation with legal advisers as appropriate, whether they need to make any changes in order to help them comply with the law.

1.13 We set out below a summary of what we consider businesses should do to help ensure that they comply with the CPRs.\(^3\)\(^4\)

1.14 Those businesses (and anyone acting on their behalf) which might have their products or services reviewed by consumers, or may wish to promote their items online should:

- not pretend to be a consumer and write fake reviews about their own or other businesses’ goods and services; and
- ensure that advertising and paid promotions are clearly identifiable to readers/viewers as paid-for content (whether the payment is financial or otherwise).

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\(^3\) We have set out our views on the CPRs to help businesses to comply with their legal obligations. Ultimately, however, only the courts can decide whether or not a commercial practice is unfair within the meaning of the CPRs. This report should not be regarded as a substitute for, or definitive interpretation of, the CPRs and should be read in conjunction with them. We do not cover every situation or practice in which a breach of the CPRs may occur.

\(^4\) For a fuller description of the things we consider businesses should do in order to comply with the CPRs, see paragraphs 4.40–4.42 for reviews and paragraphs 6.21–6.24 for endorsements.
1.15 Review sites should:

- be clear about how reviews are collected and checked;
- publish all reviews, even negative ones, provided they are genuine and lawful, and explain the circumstances in which reviews might not be published or might be edited (e.g., swearing, abusive language or defamatory remarks);
- make sure that there is not an unreasonable delay before reviews are published;
- disclose any commercial relationships with businesses that appear on their site, and explain how this might affect businesses’ ratings and/or rankings;
- clearly identify all advertising and paid promotions, including when reviews have been paid for; and
- have in place appropriate procedures to detect and remove fake reviews, and act promptly in response to reports of suspected fake reviews.

1.16 Bloggers and online publications should ensure that any content published on their sites, for which payment has been received (whether financial or otherwise), is clearly identifiable to readers/viewers as paid-for content.

Our next steps

1.17 Overall, it appears consumers that use online reviews and endorsements find them useful. However, we have heard about a number of practices in these sectors that potentially breach the law. We are concerned that these practices may lead to good businesses that play by the rules losing out because other businesses do not. They also may prevent consumers from choosing the product or service that best suits their needs because the information they access does not show the whole picture.

1.18 The CMA is committed to maintaining consumers’ trust in online reviews and endorsements. We therefore plan to continue to work with our consumer enforcement partners including the Advertising Standards Authority (ASA) and Trading Standards Services (TSS) in the UK; and international counterparts through the International Consumer Protection and Enforcement Network (ICPEN)\(^5\) to help these sectors evolve in ways that benefit consumers and

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\(^5\) ICPEN is an organisation composed of consumer protection authorities from over 50 countries, whose aim is to: protect consumers' economic interests around the world, share information about cross-border commercial
businesses. We will also engage in any future work undertaken by the CPC network.¹

1.19 The CMA has therefore:

- set out, both in this report and in two short '60-second summaries', what we consider businesses should do to help them to comply with their legal obligations;

- opened an investigation (using our consumer enforcement powers) into the practices of a number of parties in connection with the potential non-disclosure of paid endorsements;

- proposed a project on online reviews and endorsements as part of its plans for assuming the Presidency of ICPEN on 1 July 2015.

1.20 We also plan to follow up on other concerns raised with us during the course of our work in order to assess whether further action is necessary. If we find evidence of consumer law breaches, this may lead to further enforcement work by the CMA or our partners.

¹ The CPC network is a pan-European network of consumer protection enforcement bodies, created by EC regulation. It enables national authorities to exchange information and cooperate with counterparts in other member states.
2. Introduction

Background to the call for information

2.1 The CMA has a particular interest in looking at issues relating to the digital economy, in encouraging effective competition where markets and business models are evolving, and in empowering consumers to exercise informed choice.\(^7\)

2.2 Online reviews and endorsements play an important role in helping consumers to make shopping decisions. While recognising the potential benefits of these tools, the CMA had also become aware of a number of concerns about the potential for reviews and endorsements to mislead consumers and distort their decisions. We were concerned that, if true, this could lead to detriment for both consumers and businesses. We were also aware of a number of enforcement and other actions that had been carried out in the UK and other countries in the past six years, which suggested that our compliance partners and counterparts had encountered similar concerns. See Appendix C for more details.

2.3 We therefore launched a call for information on online reviews and endorsements on 26 February 2015, to understand these sectors better.

2.4 The remainder of this section sets out:

- relevant background to our call for information;
- the scope of our work; and
- the powers that it was conducted under.

The CMA’s call for information

2.5 The objective of our call for information was to understand how well the reviews and endorsements sectors are working, and to consider whether further action, including potential consumer enforcement action, might be needed.

2.6 We asked for views from businesses and consumers and carried out our own research. We received responses to our call for information from 128

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consumers, 72 businesses and trade bodies, and 11 other organisations. We also:

- commissioned a suite of questions in an Omnibus survey\(^8\) of consumers to help us to understand the role that these tools play in buying decisions, including the level of usage, the types of goods and services they are used to research, the level of reliance that consumers are prepared to place on this information, and how satisfied they are with their buying decisions;

- commissioned qualitative consumer research\(^9\) to gain an in-depth understanding of how consumers use online reviews and endorsements and the way that they influence their buying decisions;

- opened discussion threads on three online forums – one invited businesses to share their experiences of online reviews and two asked for consumers’ views and experiences of using online reviews and endorsements;

- carried out a conversation on Twitter with vloggers, asking for their views on how their vlogs contribute to consumers’ shopping decisions and their opinions on how important it is that their viewers know when an endorsement is paid for;

- analysed the websites of 28 bloggers, 21 review sites and 10 online reputation management companies, to understand what information they present to consumers, and identify which services they offer to businesses and consumers;

- carried out a review of published work on consumers’ and businesses’ use of reviews and endorsements, which provided us with insights about, among other things, the effect of positive and negative reviews on businesses, the importance of reviews and endorsements to consumers, and the prevalence of fake reviews; and

- analysed other intelligence and complaints obtained outside of the call for information.

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\(^8\) Commissioned from GfK. The research focused on six sectors where reviews and/or endorsements are prevalent: hotels and travel; home improvements; beauty/male grooming; books, electronics; and music – CDs and DVDs. See Appendix D for more detail.

\(^9\) Commissioned from Ipsos Mori. The research focused on three sectors where reviews and/or endorsements are prevalent: hotels and travel; home improvements and beauty/male grooming.
The scope of our call for information

2.7 The call for information concerned online reviews and endorsements that are used by UK consumers. This involved looking at reviews found on both:

- review sites that specialise in presenting customer reviews/comments; and
- other sites that include such reviews/comments as an additional feature (for example, many retailers’ websites, retail platforms, trusted trader schemes, and booking agents).

2.8 It involved looking at endorsements, and reviews or comments on goods/services, found on both:

- blogging sites (by which we include sites that host web blogs, video blogs, and microblogs on social media); and
- online newspapers, magazines and other websites.

2.9 We also looked at the practices, standards and activities of the businesses or other persons involved in making this information available to consumers, including businesses that may seek to influence the content of reviews and endorsements.10,11

CMA’s mission and powers

2.10 The CMA works to promote competition for the benefit of consumers, both within and outside the UK. The CMA’s mission is to make markets work well for consumers, businesses and the economy.

2.11 In undertaking this call for information the CMA used the powers afforded to it under section 5 of the Enterprise Act 2002 (EA02), which sets out the CMA’s general function of obtaining, compiling, and keeping under review information about matters relating to the carrying out of its functions.

2.12 The CMA has powers to enforce a range of consumer protection legislation, including the CPRs, either directly or under Part 8 of the EA02.

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10 Examples of the latter include suppliers of goods and services, and intermediaries acting on behalf of suppliers that promote or defend product brands (such as PR agencies, media marketing agencies, online reputation managers and search engine optimisers).

11 The following were outside the scope of the call for information and were not examined: expert review sites that use independent verifiable product testing methods, and 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); and television, radio and print advertising.
2.13 The CMA shares its consumer protection powers with a number of partner organisations. In using these powers, we prioritise projects where: there are systemic market problems; where consumers are unable to exercise choice; or where we can expect to achieve wider impact, for example by developing the law or by having a deterrent effect. This role complements and reinforces the effects of our other work to improve markets and to support economic growth, by addressing problems where competition enforcement alone does not, or cannot, make a market work well for consumers.

2.14 Further information about the CMA’s approach to the use of its consumer powers can be found on the CMA website.\textsuperscript{12}

\textbf{Structure of the report}

2.15 The remaining four sections set out the following:

- \textbf{Section 3} provides an overview of the review sector.
- \textbf{Section 4} sets out our concerns about the review sector.
- \textbf{Section 5} provides an overview of the endorsements sector.
- \textbf{Section 6} sets out our concerns about the endorsements sector.

2.16 We are also publishing appendices that provide further information that supports the analysis contained in the sections above, as follows:

- \textbf{Appendix A} provides a glossary of key terms used in this report.
- \textbf{Appendix B} describes the CPRs and the relevant regulatory framework.
- \textbf{Appendix C} summarises the relevant work performed by partners, international counterparts and other international organisations.
- \textbf{Appendix D} summarises the results of our consumer survey.

\textsuperscript{12} CMA (March 2014), Consumer protection - guidance on the CMA’s approach to use of its consumer powers: CMA7.
3. **The review sector**

3.1 Online reviews have the potential to improve competition in the sectors where they are widely used. The information that they provide can help consumers to make faster and more confident decisions; boost competitive rivalry between businesses on aspects of sale previously less visible to consumers; and make it easier for small businesses and new entrants to enter a market or expand.

3.2 This section sets out our findings on:

- the different businesses that publish reviews and the business models they use (paragraphs 3.3 to 3.8);
- the potential benefits of reviews for consumers and businesses (paragraphs 3.9 to 3.12); and
- how consumers use reviews and the extent to which they trust and rely on them (paragraphs 3.13 to 3.19), and how businesses have responded to the potential opportunities and challenges presented by review sites (paragraphs 3.20 and 3.21).

**Review sites**

*Types of review site*

3.3 We have identified a number of different types of businesses that publish online customer reviews (all of which we refer to in this report as ‘review sites’). The sites where reviews appear to play the most important role are (the examples are for illustrative purposes only):\(^\text{13}\)

- specialist review sites (eg TripAdvisor), whose core business is to publish customer reviews for the public;\(^\text{14}\)
- trusted trader schemes (eg Checkatrade), which enable consumers to find tradespeople.\(^\text{15}\) The publication of reviews is integral to their business

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\(^{13}\) Other types include: price comparison websites which include reviews; online forums that include consumer comments on goods, services or businesses; and ‘sentiment sites’ which capture consumer sentiment, for example on Twitter, and distil it into a rating system.

\(^{14}\) Some of these sites contain reviews on many different goods and services; others only include reviews on a specific market or range of goods and services (eg landlords and letting agents, care homes, holidays and travel).

\(^{15}\) For example, matching a consumer who needs a leaking tap fixed with a plumber who is available to fix it.
models since they help consumers to make their choice of tradesperson and potentially incentivise scheme members to maintain high standards;

- booking agents (eg Expedia), whose websites are primarily designed to enable consumers to book or order services online, but who provide reviews as a supplementary feature; and

- retailers (eg Amazon), service providers (eg Aviva), and manufacturers (eg Sony.co.uk), whose websites are principally marketing and sales platforms, but which allow customers to share their experiences of the product they have bought and/or the service they received.

3.4 We also note that a large number of retailers and service providers use review site providers such as Feefo and Reevoo. They provide a service collecting, managing and publishing reviews on behalf of business clients.¹⁶

**Review site models**

3.5 We have identified two main models of review site: ‘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 is able to submit a review.¹⁷ However, we have also seen ‘hybrid systems’ that incorporate features from both systems. For example, we have seen open systems that offer an enhanced service whereby they will solicit reviews from known customers on behalf of paying businesses. We have also seen closed systems that request feedback from known customers, but also provide facilities that allow users who have not made a purchase, but have experienced the service or used the product (for example, having received an item as a gift), to submit reviews online.

3.6 The way that review sites protect the integrity of the information they collect and publish is crucial to their usefulness. We have seen different approaches to this. Some review sites – whether open, closed or hybrid – have invested in more checks and controls,¹⁸ including screening processes and sophisticated software to detect suspicious review activity. Others may have only a basic

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¹⁶ The examples we have seen range from big high street names to small/niche online suppliers. In some cases, the review site provider’s name and logo appears on the webpages. However, in the case of some providers, it will not be evident to the user that the reviews are administered by a third party and not by the retailer. Some review site providers also publish the reviews on their own dedicated review sites.

¹⁷ For example, the ‘closed’ review site receives a data feed on all sales transactions from the business client’s order processing system and sends out emails to all customers inviting them to submit feedback.

¹⁸ These checks and controls, which may be manual and/or automated include: pre-publication screening of reviews to ensure compliance with terms and conditions (eg no swearing); processes to detect possible fake reviews; investigation of reports of suspicious reviews, and, in the case of some trusted trader schemes, vetting of traders before allowing them to join the scheme. Review site providers may also audit clients to ensure adherence to contractual terms, for example to ensure that published reviews are labelled correctly.
capability to investigate issues that are brought to their attention. See also paragraphs 4.18 to 4.20 (on how review sites deal with fake reviews).

**How review sites generate revenue**

3.7 Review sites are usually free for consumers to use; they therefore have to find other ways to generate revenue. Different review sites do this in different ways. We have identified the following approaches:

- Selling space on their websites for advertisements.
- Getting paid-for click-throughs to the sites of retailers and other businesses.
- Receiving payments from businesses that are members of their scheme. These may come in the form of subscription fees, commissions and/or charges to quote for specific jobs – this approach is fairly common among trusted trader schemes.
- Selling ‘reputation management’ services to businesses. These include soliciting reviews on behalf of those businesses, allowing a right to reply to reviews, and/or providing enhanced listings (so these businesses feature more prominently on the website).

3.8 As a result, there is potential for this to lead to some conflicting incentives. For example, a review site may want to maximise its own commercial revenues from subscriptions, and may jeopardise this if it upsets business clients by publishing negative reviews. On the other hand, reviews sites have a strong interest in being seen to host impartial and genuine reviews that will help consumers to make good buying decisions. Their own brands would be damaged if consumers thought the reviews were untrustworthy and they need to attract high numbers of consumers to their sites in order to persuade businesses to pay for services.

**The potential benefits of online reviews**

3.9 Online reviews have the potential to boost competition in the markets where they play a role by:

- enabling consumers to take better and faster buying decisions;
- ensuring that businesses compete on aspects of quality and service that consumers value; and
enabling businesses that offer goods or services that a consumer might value to enter the market and/or to expand more quickly.

3.10 We have found that review sites can help consumers to take better and faster decisions by:

- bringing to their attention a wider range of options than they might otherwise have been aware of;

- providing better quality information on the product choices that are available. This can happen in two important ways. First, review sites can provide access to a much wider pool of consumer opinion. Second, they can provide important information on the quality of a product or service that a consumer might not otherwise be able to assess before they buy; and

- allowing consumers to narrow their search and take decisions more quickly. Some review sites allow consumers to identify reviews with particular relevance to them. For example, a consumer might wish to read reviews of a campsite written by families who have children of a similar age to their own.

3.11 Review sites also have the potential to increase competition on aspects of quality and service that consumers value because consumers access better quality information on these issues. This may lead businesses to strive to improve aspects of their service that might not otherwise have been visible to consumers when they made their buying decisions. Further, reviews can contain high quality feedback from customers which can be very useful to businesses that wish to maintain a high level of service or to improve. It could potentially help them to understand what their customers like and what their own strengths and shortcomings are.

3.12 Review sites also have the potential to enable businesses that offer a product or service that consumers might value to enter a market and/or to expand more quickly. In many cases, reviews are a form of free marketing. They can greatly increase the visibility of new entrants and small businesses to consumers in a way that might not otherwise have been possible without considerable advertising expenditure. We note that in a recent survey of the British Hospitality Association’s members, 75% of respondents said they
found user reviews to be ‘very useful’ or ‘quite useful’ to market and promote their business.\textsuperscript{19}

How consumers use, trust and rely on online reviews

3.13 Online reviews have become very popular among consumers. Results from the consumer survey we commissioned suggest that 54\% of UK adults read online reviews.\textsuperscript{20} Online reviews appear to be read for one-off purchases, ‘experience’ goods (goods that the consumer cannot easily assess for quality before they buy) and/or more expensive goods or services – hotels and travel, for example. Across the six broad sectors that we looked at, we estimate that £23 billion a year of UK consumer spending is potentially influenced by online reviews.\textsuperscript{21,22}

3.14 It appears that many consumers trust online reviews. Between 76\% and 80\% of consumers (across the six sectors) who had used reviews before making a purchase thought that it was either ‘very likely’ or ‘fairly likely’ that the reviews they read were written by genuine consumers.\textsuperscript{23,24}

\textsuperscript{19} British Hospitality Association (BHA) response to our call for information. The BHA is a representative body for hotels, restaurants, caterers and attractions.
\textsuperscript{20} Use of online reviews is more widespread for those aged under 55 years of age, with 61\% of UK adults aged under 55 reading them, compared to 42\% of adults aged 55 or over. See Appendix D for more detail on our consumer survey.
\textsuperscript{21} Using information from our consumer survey, we produced approximate estimates of how much UK consumers spend per year after reading online reviews in each of six broad sectors: £14.38 billion on travel and hotels; £3.93 billion on home improvements; £1.01 billion on beauty and male grooming; £0.36 billion on books; £0.5 billion on CDs, DVDs and music; and £3.13 billion on electronic items. This leads to a total of £23.31 billion across the six sectors.
\textsuperscript{22} This estimate was produced by combining evidence from different sources with simplifying assumptions. Our consumer survey asked respondents about recent purchases made after consulting online reviews in six broad sectors. We used the results to estimate what proportion of all purchases each year in each sector are made after consulting reviews. Separately, for each sector, we estimated the total size of UK markets with reasonable correspondence to how the sector was described to respondents. Estimates of total annual spend in each sector after consulting online reviews were then derived by multiplying the estimated proportions of purchases made after consulting reviews by the estimated total sector size in each case. Some parties believe that consumers may spend more under some influence by reviews in the six broad sectors, depending on which markets are taken as being covered, or due to effects that our research did not explore. For example, we heard that with home improvements, reviews could be used more to select tradespeople for large contracts than to inform smaller purchases such as for simple equipment, and that influenced spend in the broad sector could be higher as a result.
\textsuperscript{23} This question was asked for six different categories, where between 76\% and 80\% of consumers depending on the category felt that it was either ‘very likely’ or ‘fairly likely’ that the reviews were written by genuine customers. But there is also academic evidence to demonstrate that consumers may over-estimate their ability to spot fake reviews, see for instance: Cornell Chronicle, Some online reviews are too good to be true; Cornell computers spot ‘opinion spam’.
\textsuperscript{24} Furthermore, our qualitative research indicates that some types of review site are trusted more than others. In particular, some participants felt that third party sites would publish negative reviews while the site for the product or brand may not. The picture was mixed for retailer or merchant sites. In terms of individual reviews, our consumer survey indicates that consumers tend to trust the reviews that they read – although there is also some evidence from the qualitative research that they are aware of the potential for fakes. This would appear to demonstrate that consumers think the prevalence of fake reviews is low, or at least the reviews they choose to rely on are genuine.
3.15 Reviews seem to form an important part of consumers’ decision-making processes, although the extent of their reliance on the information provided may vary according to the product sector. In travel and hotels, 68% of respondents said that the online review was ‘much more important’ or ‘a little more important’ than other sources of information, while the equivalent figure for Music/CDs/DVDs was 44%. However, our qualitative research also suggests that consumers sometimes look at other sources of information as well in order to give them more assurance.

3.16 Reviews appear to be used at a number of different points in consumers’ decision-making processes. Our qualitative research suggests that some consumers use reviews to narrow down options, for instance by disregarding products with poor reviews or ratings, allowing them to focus on ones with better reviews and higher scores.

3.17 Our consumer research also suggests that, in some sectors, consumers may use review sites to widen their search after exhausting other options such as recommendations from family and friends.

3.18 Some academic and industry research suggests that reviews are playing an important role in consumers’ decision-making. For example, one study found that an increase of one star in a hotel’s average rating on a major review site allows the hotel to charge 11% more without losing custom or market share.

3.19 Our consumer survey also suggests that goods and services often match up to consumers’ expectations after they use review sites to inform purchases. Our consumer survey found (depending on the product/service) that:

- 18 to 26% of consumers found that the product or service was ‘much better’ or ‘a little better’ than the impression the online reviews had given;
- 61 to 70% of consumers found that the product or service was ‘about the same’ as the impression the online reviews had given; and

25 A number of economics papers have explored the effects that online reviews can have on the performance and reputations of businesses, often using US datasets taken from major sites. For example:

26 Cornell University (2012), *The impact of social media on lodging performance*. 
• only 4 to 8% of respondents felt that their experience was ‘a little worse’ or ‘much worse’ than the impression the online reviews had given.\textsuperscript{27,28}

**How businesses deal with online reviews**

3.20 It appears that businesses manage the risks around online reviews in different ways. Some businesses choose to engage with online reviews from the outset by joining trusted trader schemes or employing review site providers to manage their customer reviews. However, other businesses may engage with reviews reactively, in order to ensure that review sites’ information about their business (e.g., opening times, facilities, contact details) is accurate and up to date, and/or to monitor and respond to reviews about them. We have heard that these demands on businesses are not always welcome because it adds an ongoing business cost. However, businesses appear to feel that is necessary.

3.21 Businesses may respond to reviews by taking on board the feedback and making changes to their products and services (if needed); by contacting and trying to resolve an issue with the customer directly; or by contacting the review site and requesting a right to reply so that their side of the story is heard. They may also ask for negative reviews that they believe to be false or unfair to be taken down. Some businesses have employed ‘online reputation management’ companies to help them deal with negative reviews.\textsuperscript{29}

**Conclusion**

3.22 We have found that consumers who use online reviews find them useful. They tend to trust them and they seem to be an important source of information when making buying decisions. Importantly, most consumers said that the product or service purchased after reading reviews matched their expectations.

\textsuperscript{27} Although, depending on the category, between 2% and 17% of respondents ‘didn’t know’ if their experience differed to that in the review.

\textsuperscript{28} Despite this result, and findings from our qualitative research which suggest that consumers are aware of the potential problems with online reviews and endorsements, we are also aware of papers in the psychology and marketing literatures that explore how far consumers may be biased to trust online reviews or their own judgment of them when they should not, or when consumers may misremember or fail to report problems encountered after taking fake reviews at face value. Researchers at Cornell University, among others, have begun investigating these issues.

\textsuperscript{29} The types of business that can carry out online reputation management include marketing firms, lawyers, search engine optimisers, and online reputation specialists. They can offer a range of services, including: building a businesses’ online reputation, perhaps through arranging for free samples to be reviewed by customers; defending against defamatory, misleading or incorrect information posted about a company on review sites or social media; and/or repairing or improving the company’s online profile where it has been damaged by reviews.
However, we have also heard about a number of practices that concern us. The instances we have heard about may breach consumer law; prevent consumers from choosing the product or service that best suits their needs; and lead to some businesses losing custom as a result. These practices, which have the potential to diminish some of the potential benefits of reviews, are considered in the next section of the report.
4. Concerns about the review sector

4.1 In order for review sites to deliver the potential benefits that we have set out in Section 3, they must set out information that is trustworthy and complete. The law requires them to act in a way that avoids distorting consumers’ decision-making.

4.2 In this section of the report, we set out a number of concerns about the review sector:

- We start by setting out relevant consumer law provisions (paragraphs 4.3 to 4.7).

- We also set out the practices that we have seen which may breach consumer law or raise other concerns (paragraphs 4.8 to 4.34) and their potential impact (paragraphs 4.35 to 4.39).

- We then set out the action we expect businesses to take to ensure compliance with the law (paragraphs 4.40 to 4.42).

Relevant provisions of the CPRs

4.3 The CPRs protect consumers from unfair commercial practices.\(^{30}\) They also indirectly protect businesses from the actions of other businesses that do not play by the rules.\(^{31}\)

4.4 Under the CPRs, businesses should not:

- create the false impression that content has been written by a consumer. The posting of fake customer reviews by businesses, or by third parties acting on their behalf, is therefore a breach of the CPRs;\(^ {32}\) or

- mislead consumers about the identity of the reviewer or the characteristics of the good, service or business being reviewed, where this is likely to cause the average consumer to take a different decision.\(^ {33}\)

\(^{30}\) The CPRs apply to a wide range of activities which might affect consumers including matters such as advertising, marketing, sales, supplies and after-sales services.

\(^{31}\) Businesses should also be mindful of the Business Protection from Misleading Marketing Regulations 2008, which prohibit businesses from advertising goods/services in a way that misleads other businesses and set out conditions under which comparative advertising, to consumers and businesses, is permitted. See the Office of Fair Trading’s (OFT’s) quick guide to the BPRs, *Business to business promotions and comparative advertisements* (OFT 1056), for more information.

\(^{32}\) Schedule 1, paragraph 11 of the CPRs.

\(^{33}\) Regulations 5 and 6 of the CPRs.
4.5 In addition, review site operators may breach the CPRs if they fail to give consumers, in a clear and timely fashion, the information they need to make informed decisions. In particular, they may breach the CPRs if they give misleading information, or fail to provide information that the consumer needs in order to make informed decisions, about:

- how reviews are collected or displayed;
- reviews that have been submitted but not published;
- the way that ratings and rankings work; and/or
- commercial relationships that a review site has with businesses that feature on its site.

4.6 Failing to take steps to prevent, detect and remove fake reviews, and policies or procedures which prevent genuine reviews from appearing on a site may also breach the CPRs.

4.7 Appendix B contains more detail on the CPRs and the relevant regulatory framework.

**Practices of concern**

**Fake reviews**

4.8 During the course of our call for information, a number of suppliers, consumers and review sites expressed concerns about fake reviews. We have identified two types of fake review:

- fake negative reviews, which make false, negative claims about an experience with a product, service or business; and

- fake positive reviews, which make false, positive claims about an experience with a product, service or business.

4.9 Estimates of the proportion of suspected fake reviews that are published on review sites vary widely. Several sites that publish reviews told us that they estimated the figure was around 1 to 2%. However, other sources suggest the proportion of fake reviews is much higher. The CMA has not attempted to

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34 We were also aware of enforcement actions taken against fake reviews overseas – see Appendix C.
35 Economic papers have recently begun exploring businesses' incentives to fake reviews of themselves and each other – often using large US datasets from major sites. They found that businesses are more likely to fake positive reviews of themselves or negative ones of competitors when they are smaller, face more competition, have weaker reputations, etc. References include:
estimate the scale of the problem. Given the clandestine nature of fake reviews, it would be almost impossible to arrive at a credible figure.

4.10 The posting of fake customer reviews by businesses, or third parties acting on their behalf, is prohibited under the CPRs.

Fake negative reviews

4.11 Fake negative reviews are written with the intention of undermining a business in the eyes of consumers. They may be written by individuals or businesses (or staff acting on their own initiative). Individuals may be acting maliciously or for personal gain – for example, they may be disgruntled ex-employees or customers following through on blackmail threats. Businesses are likely to do it because they want to undermine their rivals.

4.12 We have heard from the hotel and hospitality sector, in particular, that small businesses can be badly affected by these fake negative reviews. Evidence provided by the British Hospitality Association suggests that this issue affects many of its members. Bigger businesses are likely to be able to withstand the impact of fake negative reviews rather better because they tend to be reviewed more frequently, with the result that the fake reviews are likely to be outnumbered and quickly lose visibility. They may also have bigger advertising budgets to counter any bad publicity that they do suffer.

4.13 We have also heard claims from the hotel and hospitality sector that review sites do not always respond to complaints about fake negative reviews or enforce their own rules on acceptable content.

4.14 From the information we gathered, it seems that fake negative reviews may be more of a risk for ‘open’ review systems than ‘closed’ ones. With ‘closed’ systems, the product or service must be purchased before a review can be submitted, and this likely makes it more difficult to leave fake negative reviews in significant numbers.

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36 A BHA survey of its members (March 2015) found that all 804 respondents had suffered a blackmail, malicious or patently false review in the past two years - BHA response to our call for information.

37 In a BHA survey of its members (March 2015), 62% of respondents who had contacted a review site for assistance in dealing with a harmful review found it to be ‘not helpful at all’ – BHA response to our call for information.
Fake positive reviews

4.15 Fake positive reviews that are submitted to review sites tend to be written or commissioned by businesses (or their staff acting on their own initiative). The business, or someone acting for them, submits a review claiming to be a satisfied customer, helping to boost the business’s ratings on review sites relative to rivals.

4.16 Respondents to our call for information told us that fake positive reviews are more common than fake negative ones. They explained that it is easier to affect overall ratings by posting a batch of positive reviews about one’s own business than by posting a series of negative reviews about many business rivals.

4.17 Enforcement cases carried out in other countries have uncovered examples of a number of companies operating outside the UK that are willing to write fake positive reviews. See Appendix C for more detail.

What review sites do to prevent fake reviews

4.18 Reputable review sites have an incentive to keep fake reviews off their sites: if consumers suspect that they may be reading fake reviews, they are less likely to continue to use the site. From the information we have gathered, we have identified a number of approaches used by sites that may help to mitigate the impact of fake reviews:

- Some review sites give their users the means to self-police reviews. For example they allow users to mark a review as suspicious or as helpful, thus putting other consumers on notice that it is either potentially untrustworthy or worth looking at. They may also let users see how frequently a reviewer has submitted reviews and what range of ratings he/she has given (so users can form their own judgement on the reviewer’s reliability and value).

- Some conduct investigations in response to complaints from businesses or notifications of suspicious reviews from users.

- Some actively seek to detect and remove fake reviews. This can be done with manual checks (that is, reading a sample of reviews and looking for suspicious content) and/or with software designed to spot anomalies that may be indicative of a fake reviewer. Not all review sites have the resources to carry out these proactive checks.

- Where the review site concludes that a review is probably a fake, it may – depending on its policy and approach – stop it from being posted or take it
down if it has already been posted, or leave it posted but flag it as a suspected fake review. Where trusted trader schemes find their members have submitted fake reviews, they can terminate their membership. Similarly, review site providers can terminate contracts with clients found to have generated fake reviews.

4.19 Whether complaints and notifications are as effective with fake positive reviews as with fake negatives ones is perhaps doubtful, as there is less likely to be an immediately aggrieved party to notice the content.

4.20 To help review sites ensure that they comply with their obligations under the CPRs, we consider that they should take appropriate steps to detect and remove fake reviews, including acting promptly in response to reports of suspicious reviews from businesses and users, and they should honestly and accurately disclose to their users their methodology.

Suppressing genuine negative reviews

4.21 Some review sites may be carrying out practices that (whether intentionally or not) distort the picture presented to consumers, by failing to publish genuine negative reviews, without making it clear to users that they will only be looking at a selection of reviews. Without clear labelling, users are likely to assume that the reviews that they can see represent all of those posted by reviewers.

4.22 We have identified a number of ways that this suppression of reviews may be happening:

- Some review sites may only collect reviews from customers that are known to be satisfied with the product or service, or at least from those not known to be dissatisfied, as a result of which the overall picture presented to consumers is likely to be distorted.

- Some review sites may be collecting all reviews (good and bad), then omitting to publish genuine negative reviews. The picture presented to consumers by reviews and ratings is therefore also likely to be skewed.

- Some review sites might edit reviews to remove negative comments before publication. Again, such practices could give a false impression of reviewers’ opinions and experiences, which may mislead and affect consumer choices.

38 What is appropriate may depend on the nature of the review site and its precise model. The level of checking will not be the same for all review sites.
4.23 As well as the practices described above, we have also heard allegations that genuine negative reviews may not be published during moderation processes used by some sites. We are aware that some review sites put all reviews with low ratings through pre-publication moderation, meaning there is a delay before they are either published or rejected for publication. There may be good reasons for putting all negative reviews through moderation, including preventing fake negative reviews that could cause businesses serious damage.

4.24 The moderation stage may also be used by some sites to allow businesses the opportunity to take action to resolve the customer’s complaint. This may lead to a good outcome for that individual customer. There is, however, a risk that other users of the review site may be getting an incomplete picture of what reviewers have said about a business, especially if genuine negative reviews are never published or there is an unreasonable delay before they are published. We also note that if all negative reviews are put through moderation, but few positive reviews are, then there is likely to be a bias in the picture presented by the published reviews.

4.25 In our view, review sites which do not publish all reviews, even negative ones, provided they are genuine and lawful, and that do not clearly explain the circumstances in which reviews might not be published or might be edited, may breach the CPRs.

Other issues

4.26 We have received information that suggests a number of review sites may facilitate incentivised reviews on behalf of businesses. The review sites help to identify users who are interested in writing these reviews. The businesses hand out free samples of products to those users in return for them posting reviews. To comply with the CPRs, review sites may need to clearly identify and distinguish such reviews, where this is material information which consumers need to make informed decisions.

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39 Many review sites have rules about what content is or is not allowed. Typically, these rules prohibit swearing, abuse, defamatory remarks or private information. Sometimes, they are designed to improve functionality for users, for example to remove unintelligible or irrelevant content. During moderation, reviews are screened by specialist staff and/or automated tools and a decision is made, based on the rules, whether to accept or reject each review. Some sites moderate before publication, others afterwards. Some moderate all submitted reviews, others look at a sample of them.

40 In addition, we note that, from our call for information, we received anecdotal information suggesting that consumers welcome reviews that show businesses fixing problems: it seems to give them more confidence in the businesses. For example: ‘How a trader responds to bad reviews can sometimes speak volumes’ (CFI consumer response).
4.27 **Incentives for positive feedback** – We have received information about businesses allegedly offering to reward customers who posted five star reviews on specialist review sites. This could skew the overall picture presented to consumers who read reviews about a particular product or service on such a site. Businesses which manipulate the content of reviews, for example offering incentives to consumers to write positive reviews, may breach the CPRs.

4.28 One respondent made an **allegation that some review sites selectively order reviews** to bring positive reviews to the front. In our view, review sites that hide negative reviews by pushing them to the bottom of listings may breach the CPRs.

4.29 **Disclosure of commercial relationships** – Review sites are usually free at point of use to consumers, so they need to find other ways to generate revenues. In doing so, they need to consider whether their commercial relationships need to be disclosed to consumers. In our view, failing to disclose commercial links that influence ratings or rankings of businesses on the site may breach the CPRs.\(^{41}\) This is true not just for their presentation of reviews, but also of all other information (eg prices) that they may present on their websites which might influence consumers’ decisions.

4.30 **The impact of soliciting reviews** – We have seen examples of review sites that collect reviews about businesses in two different ways. For businesses that pay for the service, reviews are solicited from known customers in addition to unsolicited ones, whereas businesses that do not pay for the service receive unsolicited reviews only. Further, this difference in approach may not be made clear to users. We have some limited information that suggests that the way that one site carries out this practice has the potential to make it difficult for consumers to compare businesses that receive the service with those that do not. This information suggests that soliciting reviews can have a quick and significant effect on the number of reviews, the average rating and, consequently, a business’s position in the rankings.\(^{42}\) We consider it is helpful if review sites who do this explain to their users how their different review collection methods may affect ratings and rankings.

4.31 **Old content** – Some respondents were concerned about older reviews that were no longer relevant to consumers’ decision-making, but which remained

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\(^{41}\) Review sites may also need to disclose other commercial relationships, such as ownership links, to ensure that they comply with the CPRs. Similarly, they should also clearly identify advertising and paid promotions.

\(^{42}\) There appear to be two reasons for this: (a) the views of the otherwise silent majority of satisfied customers get to be heard; and (b) because – all other things being equal – a business with more reviews ranks higher than one with fewer.
on review sites, and therefore potentially could still influence consumers’ decisions. We have seen that some review sites have taken steps to address the issue by, for example: removing reviews that businesses can show are obsolete, allowing users to see a business’s average rating over different timeframes, or discounting the impact that older reviews have on ratings (so a newer review counts for more than an older one). We consider it would be helpful for review sites to have appropriate policies to address this issue (though solutions may vary depending on the goods and services being reviewed).

4.32 Some respondents were concerned that the review picture was distorted when review sites denied businesses a right of reply or placed obstacles in the way of them giving their side of the story, for example by imposing a charge. We consider it may be helpful for review sites to give businesses a right to reply, so that consumers are not denied a piece of the picture that could affect their assessment of the reviews.

4.33 Customer ‘blackmail’ – We have received a number of allegations that indicate a number of consumers are misusing reviews to gain some personal benefit. These consumers may be using the threat of a poor review to ‘blackmail’ businesses into providing some concession, such as a price discount. We consider it is helpful for review sites to address this by allowing businesses to report ‘blackmail’ threats.

4.34 Business scams – We heard some allegations that review sites have been set up abroad with the deliberate intention of posting fake negative reviews about particular businesses and then approaching those businesses with an offer to remove the reviews in return for a fee. In this report we have focused primarily on business-to-consumer practices; however, these scams raise a number of concerns which we might pursue further with other agencies.

Potential impact of unfair practices

4.35 We are concerned that the practices set out above have the potential to negate some of the potential pro-competitive benefits that reviews can have. These types of practices may distort the information available to consumers on the relative merits of businesses, thereby preventing reviews from driving higher standards on aspects of sale such as reliability, customer care or the quality of a hotel’s amenities or a tradesperson’s work. It is difficult to estimate the impact of these potential practices because they are clandestine and there is limited evidence available on their prevalence.

4.36 In terms of their impact on consumers, fake positive reviews and non-publication of genuine negative reviews may create unduly high consumer
expectations about a product or service which are not fulfilled when it is bought and used. However, our research has found that most consumers who use reviews have their expectations met – so this may only be happening for a small minority of purchases, unless under-reporting of problems by consumers is common.\textsuperscript{43}

4.37 However, all of these practices also have the potential to distort the information that is being presented to consumers in a way that might prevent them choosing – or even becoming aware of – products and services that best suit their needs. The level of detriment experienced will depend on how far the supplier that the consumer selects is a poorer choice for them, given their needs and preferences, than the supplier they would have chosen absent these practices.

4.38 These practices also have the potential to lead to detriment for businesses.\textsuperscript{44, 45} Fake negative reviews, depending on the nature of the allegation, could inflict serious damage on a business (for example where a fake reviewer says that a hotel has bedbugs or that they suffered food poisoning after dining at a restaurant). Even a single review can cause harm.\textsuperscript{46} In addition, all these practices may lead to some good businesses that play by the rules losing custom because of the behaviour of non-compliant businesses.

4.39 We are also concerned that the sector may be slow to address these concerns, for three key reasons:

(a) First, because some of the practices described are clandestine and it is hard for consumers and even reviews sites to detect. We might therefore expect consumers to have to learn from their experiences of the products and services that they buy.

\textsuperscript{43} Only 4 to 8\% of our consumer survey respondents said that their purchase failed to meet expectations after reading reviews and differences in experience could be down to a number of things, for example faulty products, rather than inaccurate reviews. See Appendix D for more detail on our consumer survey. TripAdvisor has found similar results with consumer satisfaction. In a survey conducted for them by PhoCusWright in December 2013, 94\% of respondents found TripAdvisor hotel reviews to be moderately, highly or extremely accurate of their actual experience. However, we note that the 12,225 survey respondents were a self-selecting group.

\textsuperscript{44} In addition, the ‘noise’ created by fake negative reviews may add to the time that consumers take to search and select the product or service to buy.

\textsuperscript{45} According to one recent report (Igniyte (2015), \textit{The reputation report}), which interviewed 500 business owners and higher decision makers, businesses were suffering an average loss of £46,815 because of damaging content online (although no distinction was made between damage caused by fair or unfair comment).

\textsuperscript{46} In a BHA survey of its members (March 2015), 55\% of hospitality sector respondents said they believed a single review had caused their business harm – BHA response to our call for information.
(b) A second related point is that consumers often use these tools to make one-off decisions.\textsuperscript{47} It is therefore likely that it will take longer for consumers to learn lessons and adapt their behaviour.

(c) A third reason it that information provided may still be of some limited use to consumers even where it presents a distorted picture. Our qualitative research suggests that review sites are sometimes used as a ‘last resort’, when consumers have exhausted other options. Reading a selection of reviews about a number of relevant goods or services may help a consumer to choose one that meets their needs, even if the distorted set of information presented makes it very difficult to select the best option for them. If consumers are reasonably satisfied with their experience, there is likely to be less impetus for the market to adjust.

The CMA’s expectations

4.40 The CMA is concerned about the potential for these practices to breach consumer law, in addition to causing detriment for both consumers and businesses as described above. In order to address these concerns, and to help businesses and review sites to ensure that they are in compliance with the CPRs, we have set out below what we consider they should do.

- Businesses (and anyone acting on their behalf) should:
  - not offer inducements to customers in return for writing positive reviews about their businesses on review sites;
  - not pretend to be a consumer and write fake reviews about their own or other businesses’ goods and services; and
  - ensure that advertising and paid promotions are clearly identifiable to readers/viewers as paid-for content (whether the payment is financial or otherwise).

- Review sites should:
  - be clear about how reviews are obtained and checked;
  - publish all reviews, even negative ones, provided they are genuine and lawful, and explain the circumstances in which reviews might not

\textsuperscript{47} Three of the sectors where we have seen review sites used most are travel, electronics and home repairs.
be published or might be edited (e.g., swearing, abusive language, or defamatory remarks);

- make sure that there is not an unreasonable delay before reviews are published;

- disclose commercial relationships with the businesses that appear on their site, and explain how this may affect the businesses’ ratings and/or their ranking;

- clearly identify all advertising and paid promotions, including when reviews have been paid for; and

- have appropriate procedures in place to detect and remove fake reviews and act promptly in response to reports of suspected fake reviews.

4.41 We consider that businesses should therefore review their business models, processes and practices and consider, in consultation with legal advisers as appropriate, whether they need to make any changes in order to help them comply with the law.

4.42 In addition, relevant trade associations and professional bodies should also review their codes of practice, training materials and guidance/advice to members.

Conclusion

4.43 While consumers that use online reviews find them valuable, we have also heard about a number of practices that have the potential to breach consumer law. The instances that we have heard about may prevent consumers from choosing the product or service that best suits their needs because the information they use does not show the whole picture – with some businesses losing custom as a result.

4.44 The CMA will continue to investigate the areas of concern it has identified in this report and, where appropriate, will consider enforcement action to ensure businesses compete fairly in compliance with the law.
5. The endorsements sector

5.1 Endorsements by bloggers or other online publications can be useful to consumers when they make buying decisions. In this section of the report, we consider:

- the different places where endorsements are published (paragraphs 5.2 and 5.3);
- why businesses want to promote goods and services using endorsements and how they do so (paragraphs 5.4 to 5.12);
- the potential benefits of endorsements for consumers and businesses (paragraphs 5.13 to 5.17); and
- how consumers use endorsements and the extent to which they trust and rely on them (paragraphs 5.18 to 5.22).

Endorsements and online publications

*Where endorsements are found*

5.2 Endorsements are found wherever opinions are shared, for example in:

- conversations among family and friends;
- customer reviews;
- television and radio programmes;
- newspaper and magazine articles;
- testimonials in advertisements and other marketing materials; and
- blogs and vlogs, and social media such as Facebook, Twitter and Instagram.

5.3 The specific focus in the CMA’s call for information is endorsements that are published online. Leaving aside positive reviews posted on review sites, online endorsements are most likely to be published by bloggers, vloggers, microbloggers (who comment on social media, including celebrity tweeters),
and online newspapers and magazines (hereafter, we call all of these ‘bloggers and online publications’).48

**How bloggers and online publications generate revenue from endorsements**

5.4 Most bloggers and online publications provide their content free to users and therefore have to find other ways to generate revenue from their work. If they have a large readership or audience, or a strong following among a particular demographic of consumers, then businesses with goods and services to promote and media/marketing agencies that those businesses employ to act for them (hereafter, referred to together as ‘suppliers’) may be keen to promote their goods and services through them.

5.5 We have found that bloggers and online publications generate revenue from suppliers in a number of ways. These include selling space on their websites for banner advertisements and/or providing hyperlinks to the suppliers’ websites on a pay-per-click or pay-per-sale basis. They also include two methods where online endorsements are used:

- publishing ‘advertorials’, where advertisements are presented in the style of the editorial content, for example as a post in a blog or as a newspaper article; and

- publishing ‘paid promotions’, where the supplier pays the blogger or online publication to feature a brand name, product or service, for example to talk about it in a blog or in a tweet.

5.6 We have seen examples of media companies giving businesses that they represent the choice of how they would like their content delivered, with either the client or media company drafting the content or leaving the content to be drafted by the blogger/online publication. There may be differing levels of editorial control between advertorials and paid promotions. In both cases the effect is the same (the content promotes a product as a result of the business’s payment) and it must be made clear that the content has been paid for, although the level of editorial control may be relevant to how this is done (see, for example, the difference in the requirements of the UK Advertising Codes between advertorials and other types of marketing communication).

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48 The CPRs apply to those acting for purposes relating to their business, trade or profession. This is a question of fact and it is not always clear where the line should be drawn. Professional bloggers, vloggers and other online publications, who derive an income from their activities or are regularly paid to endorse goods/services may need to comply with the CPRs.
5.7 Businesses spend a lot of money on advertising through bloggers and online publications. According to the Internet Advertising Bureau UK (IAB-UK) and PwC, £2.3 billion was spent on digital display advertising in the UK in 2014, including £0.5 billion on advertorials, paid-for sponsorships, and 'in-feed' and native distribution tools.\(^{49}\)

5.8 The value chain involved in arranging endorsements can take a number of different forms. Some suppliers appear to deal directly with bloggers and online publications; some deal indirectly through one or more media/marketing agencies; and others do either depending on the task. However, we have also seen other intermediaries active in the sector who help to bring suppliers and bloggers/online publications together, for example social media agencies and blogging networks.\(^{50}\)

5.9 Our research also suggests that consumers understand that bloggers may sometimes be paid to endorse goods/services.\(^{51}\) Research by IAB-UK and 2CV suggests that consumers do not mind if editorial content is paid for. If the content says something that is relevant, informative and useful, then it still has value for them. However, consumers do want to know when they are looking at advertising content and can feel tricked if they are not told upfront.\(^{52}\)

5.10 The level and type of remuneration that bloggers and online publications receive for providing endorsements can vary. We have seen examples of suppliers paying bloggers sums of between £100 and £500 in return for a blog post about a product or service, and up to £50 for a pair of tweets.\(^{53}\) We have also heard of payment in the form of gifts, vouchers, tickets to events and/or hospitality.

5.11 Where payment is received this needs to be made clear (see paragraphs 6.3 to 6.8 below). We have seen good examples of bloggers and online publications declaring when content has been paid for. Some label posts clearly and prominently,\(^{54}\) and some also include a page on their site to

\(^{49}\) IAB-UK press notice (9 April 2015): IAB / PwC study: Digital adspend up 14% to record £7.2 billion.

\(^{50}\) For these social media agencies and blogging networks, ‘blogger outreach’ is a core business activity. We have also seen some review sites and online forums doing this as a secondary activity to their main activities.

\(^{51}\) CMA’s qualitative research. For example, one participant stated that: ‘I have noticed that certain bloggers are using product placement and being sponsored by certain brands’.

\(^{52}\) IAB-UK and 2CV, Content and native consumer research, April 2015.

\(^{53}\) We have also been told that larger sums may be paid to large online publications, very well-known vloggers, and celebrity ambassadors who tweet positive messages about brands.

\(^{54}\) Labels we have seen include ‘advertisement feature’, ‘sponsored by…’, ‘sponsored content’, ‘created in partnership with…’, ‘#ad’ (in a tweet), and ‘brought to you by…’.
explain their disclosure policy. However, we have also seen labelling that is less clear or non-existent (see paragraphs 6.9 to 6.11 below).

5.12 We have also heard that businesses may send free samples to bloggers, in the hope that they will test and review them. If the blogger is under no obligation to write about the sample, then we take the view that this will not constitute a paid endorsement. However, bloggers may still need to disclose commercial links with the businesses whose products they write about where this information is likely to affect consumers’ decisions.

The potential benefits of online endorsements

5.13 Online endorsements have the potential to boost competition and generate efficiencies in a market by:

- providing information that is useful to consumers when making buying decisions; and
- potentially enabling businesses to target consumers more effectively and efficiently, which in turn might lower barriers to entry and expansion.

5.14 Endorsements can help consumers when making buying decisions by:

- bringing to their attention goods or services that they might not otherwise be aware of;
- providing in-depth information on particular goods and services – for instance, endorsements written by bloggers or journalists may provide a more detailed insight into a product or service than reviews written by consumers;
- providing consumers with greater confidence when they make a buying decision – consumers may learn to trust the opinions of particular commentators on goods and services, for example the views of a particular commentator on fashion or a music critic; and
- giving them confidence that they can get the best value out of a purchase, for instance where the endorsement provides a ‘tutorial’ on how to use a beauty product.

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55 For example, such policies may appear in ‘About us’, ‘Advertising/PR/press’, ‘Disclosure’ or ‘Disclaimer’ pages. But see also the footnote at paragraph 6.4 about the limitations of such pages.
5.15 Paid endorsements may have other potential benefits for consumers as well. As explained above, revenue generated from paid endorsements, and other potential business opportunities that might follow,\(^{56}\) may allow bloggers and online publications to be able to fund their activities and provide their content free to users.\(^{57}\)

5.16 Suppliers are attracted to the use of paid online endorsements because they allow them to provide a more tailored message:

- They provide an efficient new medium for advertising that helps suppliers to reach their target consumer groups – which may in turn help to boost sales.

- Digital technology also allows suppliers to target messages at consumers in a more tailored way. Consequently, consumers are more likely to encounter advertising for goods or services that actually interest them and less likely to ‘turn off’ and navigate away from the site.\(^{58}\)

5.17 These efficiencies can help a business to enter a market and/or to expand more quickly. For instance, some online media businesses specialise in introducing start-up businesses to bloggers who can review their products.

**How consumers use, trust and rely on online endorsements**

5.18 Blogs and online publications are widely read. An estimated 64% of UK adult internet users look at social media sites or apps at least weekly,\(^{59}\) and 71% of British adults read online newspapers and/or magazines.\(^{60}\) The top vloggers/bloggers attract millions of viewers/readers.\(^{61}\) Our consumer survey estimates that 6% of UK consumers bought something after reading about it in a blog or seeing it in a vlog.

5.19 Based on the research that we conducted:

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\(^{56}\) This work may also open up other business opportunities for bloggers, for example to become a brand ambassador or a consultant.

\(^{57}\) Many travel bloggers, for example, would not be able to fund their journeys and accommodation without these expenses being paid by businesses such as tour operators, airlines or hotels.

\(^{58}\) Research by IAB-UK and 2CV suggests that consumers want content that is relevant to them as individuals; favour content that is entertaining, informative and useful; and have a low tolerance for interruptive advertising. Advertorials and paid promotions (when done well and placed well) would therefore seem to be an effective form of advertising.

\(^{59}\) Ofcom (May 2015), *Adults’ media use and attitudes report 2015*, (p91). The figure rises to 87% for the 16–24 age group.

\(^{60}\) National Readership Survey, April 2014 to March 2015.

\(^{61}\) VidstatsX. Not all of the readers/viewers will be UK-based consumers.
• It seems that consumers who had bought a product or service after reading about it in a blog or vlog were content to trust and rely on the information. 72% of those who made a purchase based on information in a blog thought it ‘very likely’ or ‘fairly likely’ that the blogger was giving their honest opinion on the product/service.

• Our qualitative research suggests that people were generally aware that blogs and vlogs may have some financial incentive but most were unaware of the specifics. 62

5.20 Nevertheless, blogs are often used in a different way to reviews. For example, our qualitative research suggests that blogs and vlogs in the beauty and male grooming sector are used as a source of entertainment and to follow particular interests, rather than to always inform a purchase. 63 Blogs and vlogs also sometimes help consumers to identify ideas for possible future purchases.

5.21 For those consumers who had bought a product or service after seeing it in a blog or vlog, this information appears to play an important role in the decision. 53% found the opinion of the blogger or vlogger ‘much more important’ or a ‘little more important’ than other sources of information. However, consumers still tend to look at other sources of information as well; 36% said that the opinion of the blogger was ‘about the same’ as other sources of information in their purchasing decision. 64

5.22 Our research also suggests that goods and services often match up well to consumers’ expectations after they use blogs and vlogs to inform purchases. Our consumer survey found that:

• 16% of consumers found that the product or service was ‘much better’ or ‘a little better’ than the impression the blogger had given;

• 69% of consumers found that the product or service was ‘about the same’ as the impression the blog had given; and

• only 6% of respondents felt that their experience was ‘a little worse’ or ‘much worse’ than the impression the online review had given. 65 66

62 CMA qualitative research. The research shows varying levels of consumer scepticism about whether bloggers’ and vloggers’ potential financial involvement with brands influences their views on the goods and services they review. Moreover, consumers are more influenced by blogs/articles that they view as being from ordinary people. Once a blogger ‘turns professional’, consumers begin to doubt whether his/her views are independent.
63 CMA consumer survey. See Appendix D for more detail on our survey.
64 CMA consumer survey.
65 Figures may not sum due to rounding.
66 9% of respondents said that they ‘don’t know’ how similar or different their experience was to that shown by the blogger or vlogger.
Conclusion

5.23 We have found that endorsements can be useful for consumers when making buying decisions. Most consumers find that purchases influenced by blogs match up with their expectations. They can also provide an effective and efficient way of marketing for businesses.

5.24 However, it is important that where businesses have paid for endorsements from bloggers or other online publications this is made clear to readers. Section 6 sets out our concerns about the use of unlabelled paid endorsements.
6. Concerns about the endorsements sector

6.1 In order for endorsements to deliver the potential benefits that we have set out in Section 5, those endorsements which have been paid for by a supplier must be clearly disclosed to consumers.

6.2 In this section of the report we set out our concerns about non-disclosure or inadequate disclosure of paid endorsements. We explain:

- relevant consumer protection law that applies (paragraphs 6.3 to 6.8);
- the business practices that concern us (paragraphs 6.9 to 6.14) and their potential impact on both consumers and competition (paragraphs 6.15 to 6.20); and
- the action we expect suppliers and bloggers and other online publications to take to ensure compliance with the law (paragraphs 6.21 to 6.24).

Relevant provisions of the CPRs

6.3 The CPRs apply to:

- commercial practices directly connected with the promotion, sale and supply of goods and services to consumers. This means that although a blogger or online publication itself may not be selling to consumers, they may still have to comply with the CPRs; and
- those acting for purposes relating to their business, trade or profession. This is a question of fact and it is not always clear where the line should be drawn. Professional bloggers, vloggers and other online publications, who derive an income from their activities or are regularly paid to endorse goods and services may need to comply with the CPRs.

6.4 The CPRs specifically prohibit:

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67 Commercial practices include marketing and advertising across different types of media, including social media, blogs and online articles.
68 Businesses should also be mindful of the Business Protection from Misleading Marketing Regulations 2008 (BPRs), which prohibit businesses from advertising products in a way that misleads other businesses and set out conditions under which comparative advertising, to consumers and businesses, is permitted. See the OFT’s quick guide to the BPRs, *Business to business promotions and comparative advertisements* (OFT 1056), for more information.
69 Factors the courts have considered relevant when deciding on this question include what the person’s day job is, the degree of professional skill the person actually has, whether they actively hold themselves out as acting for business purposes, and whether the person derives a significant regular income from their activities.
the use of editorial content in the media to promote goods and services without making clear in the content or through images or sounds that the promotion has been paid for by a business;\textsuperscript{70} and

creating the false impression that content has been written by a consumer.\textsuperscript{71}

6.5 Failing to clearly disclose the commercial nature of a paid endorsement or the relationship between the advertiser and blogger/online publication, where this is likely to affect consumers’ decisions, may also breach the more general requirements of the CPRs.\textsuperscript{72}

6.6 Advertisers and bloggers/online publications should also ensure that they comply with the requirements of the UK Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing (‘CAP Code’), which forms part of the advertising industry’s system of self-regulation. The CAP Code is narrower in scope than the CPRs, although it is based on the same principles of transparency.

6.7 Of particular relevance is Section 2 of the CAP Code, which requires advertisers and bloggers/online publications to clearly identify marketing communications, although it should be noted that the CPRs may require businesses to disclose commercial relationships beyond those required by the CAP Code.

6.8 Appendix B contains more detail on the CPRs, the CAP Code and the relevant regulatory framework.

Practices of concern

6.9 The CMA has found that some businesses may be paying for advertorials and sponsored content in blogs and other online articles, but not ensuring that this is clearly identifiable to consumers. In some cases, it seems that paid endorsements have not been disclosed at all. In others, paid endorsements may not have been disclosed adequately (for example because the label is not prominent enough for a consumer to identify it or because the wording is not sufficiently clear).

\textsuperscript{70} Schedule 1, paragraph 11 of the CPRs. Providing this information on a separate page or failing to specify which content contains a paid promotion is unlikely to comply with the requirements of the CPRs.

\textsuperscript{71} Schedule 1, paragraph 22 of the CPRs.

\textsuperscript{72} Regulations 5 and 6 of the CPRs.
6.10 The information we have gathered suggests that a variety of market participants may be involved in these practices. It appears that:

- a number of large companies and media agencies may be requesting unlabelled paid endorsements; and
- it seems that these are being published in blogs and other online publications.

6.11 The CMA is not the first regulator to identify such practices. In the past five years, the Office of Fair Trading has taken enforcement action against this type of practice and the Advertising Standards Authority (ASA) has made several relevant adjudications. We also note that the ASA has produced advice for market participants on the subject and the Internet Advertising Bureau UK (and others) has published industry guidance. See Appendix C for examples of enforcement and other action.

6.12 We have considered why these practices appear to be taking place. We would expect established businesses to have a reasonable understanding of the CPRs and the CAP code. However, it is possible that bloggers, particularly those that run their blogs on a smaller scale, may not yet be familiar with them. We received some information during the call for information suggesting that this might be the case.

6.13 In particular, it has been suggested to us that some bloggers may be unclear as to what constitutes a ‘payment’, for example when they post content in return for gifts or hospitality.

6.14 The CMA takes the view that, in relation to the prohibition on unlabelled paid endorsements under the CPRs, ‘payment’ will include money and other incentives, for example a holiday, a product or a voucher. However, it would be wrong to focus solely on what may or may not constitute a payment. Failing clearly to disclose the commercial nature of a paid endorsement or the relationship between the advertiser and blogger/online publication may also breach other provisions of the CPRs. In general, the CMA considers that consumers need to know whether a blogger/online publication has an incentive (financial or otherwise) to write about a product or service, and if so what that incentive is.

**Potential impact of unfair practices**

6.15 Non-disclosure of paid endorsements could have the potential to impact on consumers’ buying decisions. Without clear labelling explaining the supplier’s involvement, consumers are likely to assume that what is said in a blog (for
example) represents the blogger’s independent and impartial opinion rather than a paid-for promotion. Our qualitative research suggests consumers are less likely to rely on this information when they know they are experiencing advertising than when they believe they are receiving unbiased, impartial advice.

6.16 Our consumer survey also suggests that consumers who have used blogs to take buying decisions are prepared to place greater reliance on them than on other sources of information when taking decisions. From our qualitative research, though, it seems that the other sources of information that consumers look at before taking a buying decision, could, to an extent, mitigate the impact that the practice might have.

6.17 A significant number of buying decisions might be affected. We estimate that around 6% of consumers have bought something after reading about it in a blog or seeing it in a vlog (see paragraph 5.18). Further, we have seen many examples of the practice – although it is difficult to estimate the prevalence of the practice because it is not always visible to consumers.

6.18 The practice could lead to detriment for consumers in two ways:

- It might lead to unduly high consumer expectations about a product or service which are not fulfilled when it is bought and used. However, we note that our research indicates that most consumers who use blogs say they are satisfied with their purchases – so this may only be happening for a small minority of purchases, unless under-reporting of problems is widespread.73

- However, all of these practices also have the potential to distort the information that is being presented to consumers in a way that might lead them to choose products or services that are not best suited to their needs. The level of detriment experienced will depend on how far the supplier that the consumer selects is a poorer choice for them, given their needs and preferences, than the supplier they would have chosen absent these practices.

6.19 The practice may also harm businesses, since they may lose business that they would otherwise have won based on the price they offer and the level of service that they provide.

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73 In the CMA’s consumer survey, only 6% of survey respondents said that their purchase fell below the standard they had expected after reading a blog or viewing a vlog about it.
6.20 We are also concerned that the sector may be slow to address these concerns, for three key reasons. First, because this practice is hard for consumers to detect. We might therefore expect consumers to have to learn from their experiences of the products and services that they buy after relying on undisclosed paid endorsements. Second, consumers may use these tools to make one-off decisions, making the learning process potentially slower. Third, the information provided may still be of some limited use to consumers even if it distorts their decision making. Reading an undisclosed paid endorsement about a product or service may help a consumer to choose a product that meets their needs, even if it makes it less likely that they will select the best option for them. If consumers are reasonably satisfied with their experience, there is likely to be less impetus for the sector to adjust.

**The CMA’s expectations**

6.21 The CMA has concerns both about potential economic detriment and potential non-compliance with the law. In order to address these concerns, and to help market participants to ensure that they are in compliance with the CPRs, we set out below what we consider market participants should do.

- Businesses that pay for advertorials and paid promotions should ensure that they are clearly identifiable to readers/viewers, for example by:
  - clearly labelling them or disclosing the nature of the commercial relationship;
  - providing clear instructions to media agencies, other intermediaries, bloggers and other online publications on how disclosure should be made; and
  - checking that their staff training materials, internal policies, corporate brochures, contracts and related material accurately reflect the requirements of the law on these points.

- Media companies and other intermediaries should ensure that the advertorials and paid promotions they are involved in arranging are clearly identifiable to the bloggers’ or online publication’s readers/viewers, for example by:
  - instructing bloggers and other online publications to label paid content;
  - checking that their staff training materials, internal policies, corporate brochures, contracts and related material accurately reflect the requirements of the law on these points; and
turning down requests from businesses to arrange advertorials and paid promotions that would not include proper disclosure.

- Bloggers and online publications should ensure that any content published on their sites, for which payment has been received (whether financial or otherwise), is clearly identifiable to readers/viewers as paid-for content.

6.22 The ASA has provided guidance on labelling, including in social media. The Committee of Advertising Practice (CAP), the ASA’s sister body, also has a Copy Advice Team that advertisers and publishers can use if they want free, expert guidance on the CAP Code rules. See Appendix B for more on the roles and responsibilities of these two bodies.

6.23 We consider that businesses should therefore review their business models, processes and practices; and consider, in consultation with legal advisers as appropriate, whether they need to make any changes in order to help them to comply with the law.

6.24 In addition, relevant trade associations and professional bodies should also review their codes of practice, training materials and guidance/advice to members.

Conclusion

6.25 While consumers that use online endorsements find them useful, we have concerns that some businesses may be paying for advertising or sponsored content in blogs and other online publications without ensuring that this is obviously identifiable to consumers. This type of practice may breach consumer law. It may also prevent consumers from choosing the product or service that best suits their needs because the information they use does not show the whole picture – with some businesses losing custom as a result.

6.26 In June 2015 we launched an investigation under Part 8 of the Enterprise Act 2002 into the practices of a number of parties in connection with the non-disclosure of paid endorsements.

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74 Advertising Standards Authority (June 2014), ASA Hot Topic: Spotting online ads.
Appendix A: Glossary

Advertorial
An advertisement that is presented in the form of editorial content, for example as a post in a blog or as a newspaper article.

Sometimes called an ‘advertisement feature’, ‘advertisement promotion’ or similar.

Blog
An online article, web log, video log (vlog), or microblog on social media.

Digital display advertising
A form of advertising typically found on websites. It can include adverts which are formed around the page’s content, such ‘banner advertising’ which appears at the top of a page and ‘skyscraper advertising’ which appears at the side as well as advertising within the content itself, such as advertorials.

Endorsement
Positive content about a market, good, service or business, which appears to the reader/viewer to be the writer’s/speaker’s own opinion and/or experience. Aside from positive reviews on review sites, such endorsements can sometimes be found online in articles, blogs, vlogs and social media.

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

In-feed distribution
An advert with a link that is embedded in a blogger’s/online publication’s normal content, written by or in partnership with the blogger/online publication.

Marketing communications
Any communications intended to promote brands and/or goods/services to consumers. It includes advertisements, direct mail, sponsored reviews, paid promotions, paid tweets etc.

Microblog
A short blog, for example posted on Twitter.

Online
Transmitted via non-broadcast electronic media, including internet web pages, internet videos, emails,
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Online reputation management</td>
<td>A range of services to monitor and manage a business’s (or individual’s) profile online, including content posted by them and content about them posted by others. May include the publication of positive content (e.g. keeping up a brand’s profile in social media and creating a buzz around particular promotions) and also responses to negative content (e.g. replying to comments on social media and review sites).</td>
</tr>
<tr>
<td>Paid promotion</td>
<td>Content in a blog, vlog, microblog or online article that has been paid for in some way (whether financial or otherwise). The content may be words, sounds, images, videos or hyperlinks. Sometimes called a ‘featured promotion’, ‘sponsored post’, ‘sponsored content’, ‘sponsored article’, ‘sponsored feature’, or similar.</td>
</tr>
<tr>
<td>Review</td>
<td>A consumer’s opinion on and/or experience of a product, service or business. Such reviews can be found online on specialist review sites and on the websites of many retailers, retail platforms, booking agents, and trusted trader schemes.</td>
</tr>
<tr>
<td>Review site</td>
<td>A website that contains customer reviews. Regardless of whether the site’s primary purpose is hosting customer reviews, we refer to it in this report as a ‘review site’.</td>
</tr>
<tr>
<td>Search engine optimisation</td>
<td>The ‘process of maximising the number of visitors to a particular website by ensuring that the site appears high on the list of results returned by a search engine’ (New Oxford Dictionary).</td>
</tr>
<tr>
<td>Trusted trader scheme</td>
<td>A scheme that helps consumers to select a trader and encourages participating traders to work to a high standard. In commercial schemes, customer reviews and ratings are integral to the way they operate.</td>
</tr>
<tr>
<td>Vlog</td>
<td>Video blog, for example on YouTube.</td>
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Appendix B: Regulatory framework

The Consumer Protection from Unfair Trading Regulations 2008

1. The Consumer Protection from Unfair Trading Regulations 2008 (CPRs) came into force on 26 May 2008, and implemented the Unfair Commercial Practices Directive (UCPD) into UK law. Some of the definitions in the CPRs were amended by the Consumer Protection (Amendment) Regulations 2014, which also introduced private rights of redress for consumers in respect of certain commercial practices.

2. Broadly speaking the CPRs prevent businesses (described as ‘traders’ in the CPRs) from treating consumers unfairly. Businesses can include companies and individuals. Businesses are also responsible for the commercial practices of anyone who acts on their behalf or in their name. Both the business and those acting on their behalf may be held liable for breaches of the CPRs.

3. The CPRs apply to a wide range of commercial practices which might affect consumers. Commercial practices may include matters such as advertising, marketing, sales, supplies and after-sales services. A commercial practice is governed by the CPRs if it is directly connected with the promotion, sale or supply of goods or services (both described as ‘products’ in the CPRs) to consumers. This means that although a business may not be selling to consumers themselves, they may still have to comply with the CPRs.

4. There are 31 practices listed in Schedule 1 to the CPRs, which because of their inherently unfair nature, are prohibited in all circumstances.

5. Regulations 3, and 5 to 7, also prohibit unfair practices; however, to be in breach of those regulations the business must exhibit the conduct specified in the prohibition and the practice must have, or be likely to have, an effect on the behaviour of the average consumer.

6. The average consumer is generally assumed to be reasonably well informed and reasonably observant and circumspect. Average does not mean a statistically average consumer. Where a commercial practice is targeted at a particular group or it is reasonably foreseeable that a group of consumers will be particularly vulnerable to that practice, then the average consumer refers to the average member of that group.

7. Regulations 3 and 5 to 7 prohibit unfair practices which affect a wide range of decisions taken by consumers in relation to goods and services before, during or after a commercial transaction (if any). This is not simply confined to a consumer's decision whether or not to purchase a particular product or
service but could also include, for example, a consumer's decision to view a product, contact a business or visit a shop, as well as a decision not to purchase a particular product/service.

**Generally unfair commercial practices (Regulation 3)**

8. Regulation 3 of the CPRs contains a general prohibition on unfair commercial practices. This prohibits practices that contravene the requirements of professional diligence (meaning honest market practice and good faith) and materially distort or are likely to materially distort the economic behaviour of the average consumer. Material distortion means that a practice impairs the average consumer’s ability to make an informed decision.

9. Professional diligence is an objective standard which will vary according to the context. It is intended to reflect what a reasonable person would expect from a business in their field of activity. However, poor current practice that is widespread in an industry/sector cannot amount to an acceptable objective standard.

10. Industry standards or codes of practice, for example the UK Advertising Codes, may be treated as a minimum standard of professional diligence that a business is expected to meet.

**Misleading actions (Regulation 5)**

11. A misleading action occurs when a business gives consumers false information (about a wide-range of things listed in the CPRs), or is deceptive in the presentation of that information even if it is factually correct, and causes or is likely to cause the average consumer to take a different decision. The deception can occur in any way, including the overall presentation of the commercial practice.

12. The list of information in the CPRs includes the main factors consumers are likely to take into account in making decisions in relation to goods and services. It includes information about the characteristics of the product or service, the motives for a commercial practice and a business’s affiliations or connections.

13. A commercial practice may also be misleading if a business indicates that it is bound by a code of practice but fails to comply with its requirements, and the average consumer takes, or is likely to take, a different decision as a result.
**Misleading omissions (Regulation 6)**

14. Practices may also mislead by failing to give consumers the information they need to make an informed choice in relation to a product or service. This occurs when practices omit or hide ‘material information’, or provide it in an unclear, unintelligible, ambiguous or untimely manner, and the average consumer takes, or is likely to take, a different decision as a result.

15. Material information is information the average consumer needs to have, in the context, in order to make informed decisions. What information is required will depend on the circumstances.

16. When deciding whether a practice misleads by omission, the courts will take account of the context, including any limitations of the communication medium used (of space and time) that make it impractical to give the necessary information.

17. The CPRs make special provision for certain kinds of commercial practice known as ‘invitations to purchase’, and specify information that is automatically regarded as material unless it is apparent from the context. This includes information about the main characteristics of the product or service, the identity of the business and the price. The CPRs define an invitation to purchase as ‘a commercial communication which indicates characteristics of the product or service and the price in a way appropriate to the means of that commercial communication and thereby enables the consumer to make a purchase’.

18. A misleading omission can also occur where a business fails to identify the commercial intent of a practice, if it is not already apparent from the context. The presence of a statement making it clear that the practice is commercial (for example: ‘this is an advertisement’) is one way in which commercial intent could be made clear.

**Banned practices (Schedule 1)**

19. Schedule 1 to the CPRs lists 31 commercial practices (also known as banned practices) which are considered unfair in all circumstances and which are prohibited. There is no need to consider the likely effect on consumers. Breaches of these provisions may also breach the other prohibitions in the CPRs. Of particular relevance to online reviews and endorsements are the outright prohibitions on:

- ‘Using editorial content in the media to promote a product where a trader has paid for the promotion without making clear in the content or by
images or sounds clearly identifiable by the consumer (advertorial)’ (schedule 1, paragraph 11);

- ‘Falsely claiming or creating the impression that the trader is not acting for purposes relating to his trade, business, craft or profession, or falsely representing oneself as a consumer’ (schedule 1, paragraph 22).

**Enforcement**

20. Enforcers may take civil enforcement action in respect of breaches of the CPRs as Community infringements (breaches of EU-derived legislation) under Part 8 of the Enterprise Act 2002 (EA02). Under the Part 8 procedure, enforcers may apply to a court for an enforcement order to prevent Community or domestic infringements (breaches of a range of specified domestic law) where the requirements of EA02 are met, which include demonstrating that the interests of consumers collectively are adversely affected. Breach of an enforcement order could be contempt of court which could lead to imprisonment and/or an unlimited fine.

21. Some breaches of the CPRs also carry criminal sanctions, including a fine and/or imprisonment. The CPRs offences include:

- contravention of the general prohibition on unfair commercial practices;
- misleading actions (except 5(3)(b) – code commitments);
- misleading omissions (including the omission of specified information in invitations to purchase); and
- banned practices in Schedule 1 (apart from numbers 11 and 28).

22. Further guidance on the CPRs can be found on the CMA website.\(^\text{75}\)

**The UK Advertising Codes**

23. The UK advertising industry has a well-established system of self-imposed controls it has developed for advertising.

24. The Committee of Advertising Practice (CAP) is the self-regulatory body that creates, revises and enforces the UK Advertising Codes.

\(^{75}\) Consumer Protection from Unfair Trading Regulations - traders: OFT1008.
25. The UK Advertising Codes lay down rules for advertisers, agencies and media owners to follow. They include general rules that state advertising must be responsible, must not mislead, or offend and specific rules that cover advertising to children and ads for specific sectors like alcohol, gambling, motoring, health and financial products.


27. The Code reflects various requirements in law, in particular the CPRs. However, it should be noted that, although they are both based on the same principles of transparency, the CAP Code has a narrower scope than the CPRs. The CPRs cover a wider range of practices and may include requirements which go further than the CAP Code.

28. Of particular relevance is Section 2 of the CAP Code, which requires advertisers and bloggers/online publications to clearly identify marketing communications, although it should be noted that the CPRs may require businesses to disclose commercial relationships beyond those required by the CAP Code.

29. The Advertising Standards Authority (ASA) is the independent body that endorses and administers the Code, ensuring that the self-regulatory system works in the public interest. The ASA's activities include investigating and adjudicating on complaints and conducting research.

30. If the ASA judges an advertisement to be in breach of the Code, then it must be withdrawn or amended, and the ASA has a range of sanctions at its disposal to act against businesses who do not comply. Ultimately if businesses persistently break the Codes the ASA can refer them to TSS or the CMA for further action under the CPRs.

31. Further information about the Code can be found on the CAP website. Further information about the ASA can be found on its website.

The consumer protection landscape

32. The CMA shares its consumer protection powers with a number of partner organisations. The CMA prioritises projects where there are systemic market problems, where consumers are unable to exercise choice, or where we can expect to achieve wider impact, for example, by developing the law or by having a deterrent effect. This role complements and reinforces the effects of
our other work to improve markets and to support economic growth, by addressing problems where competition enforcement alone does not, or cannot, make a market work well for consumers.

33. Both the CMA and local authority Trading Standards Services (TSS) have enforcement powers under the CPRs. The majority of local, regional and national enforcement action is carried out by TSS, whilst the CMA focuses on systemic problems in markets.

34. The CMA and TSS work together to ensure that the work of both complements each other in the protection of UK consumers via enforcement activity.

35. Under the CPRs enforcers are required to have regard to the desirability of encouraging control of unfair commercial practices by such ‘established means’ as it considers appropriate having regard to all the circumstances of the particular case.

36. The ASA is considered an ‘established means’ for ensuring compliance with the CPRs in non-broadcast advertising. Where appropriate, cases falling within its area of expertise may be referred to it for action.
Appendix C: Examples of enforcement and other action taken in the UK and overseas

1. In the past six years, consumer enforcement authorities and other bodies around the world have carried out a range of work related to online reviews and endorsements. This has included enforcement action, the provision of guidance and the setting of standards.

2. The rest of this appendix provides examples of the action taken by regulators in the UK and overseas. It is not an exhaustive list.

Online reviews

UK action

3. In 2012, the Advertising Standards Authority (ASA) made an adjudication against a company for misleading claims that consumers could be assured that all the review content on its site was genuine.

4. A local authority Trading Standards Service is currently taking action against a business for the alleged fabrication of positive reviews about itself on a number of review sites.

5. The British Standards Institution (BSI) is currently undertaking work with the Department for Business, Innovation and Skills (BIS) and the Consumer Protection Partnership (CPP) on approval schemes – which include sites that hold customer reviews – that promote consumer trust, such as ‘marks’ or codes of practice. Research suggests these schemes are influential in consumers’ purchasing decisions but the variety of schemes can cause confusion for consumer and traders. This work will help identify common challenges faced by the providers of approval schemes, traders and consumers, and explore whether these could be addressed by a new BSI standard.

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76 The ASA is the UK’s independent regulator of advertising across all media.
77 The BSI is the UK’s National Standards Body, incorporated by Royal Charter and responsible independently for preparing British Standards and related publications. BSI presents the UK view on standards in Europe (via the European Standards Organisations CEN and CENELEC) and internationally (via the International Organisation for Standardisation (ISO) and the International Electrotechnical Commission (IEC)). Standards are documents defining best practice, established by consensus among representatives from a range of bodies, including government, business, consumers, academic institutions, social interests, and trade unions.
Action taken in other parts of the world

Australia

6. In 2011, the Australian Competition and Consumer Commission (ACCC) received undertakings from a removals business after it published false customer testimonials on its website.

7. In 2013, the ACCC issued a guide for businesses and review platforms on online reviews.

8. In 2013, New South Wales Fair Trading (NSWFT) took action against four businesses that were alleged to have fabricated testimonials on their websites.

9. In 2013/14, NSWFT led a national inquiry into the use of fake testimonials on trader websites. As a result, more than 40 traders were requested to substantiate their testimonials, three warning letters were issued and two traders were referred for investigation.

10. In 2014, the ACCC took action against a carpet cleaning business for alleged involvement in the posting of fake online testimonials on a number of websites.

11. Also in 2014, following ACCC action, the Federal Court ruled against two solar panel businesses for publishing fake testimonials online (and for making false representations about the country of origin of the products).

Canada

12. In 2014, the Canadian Competition Bureau issued a press notice encouraging consumers to be wary of fake online reviews that appear to be written by consumers, but may in fact have been written by or on behalf of businesses.

Denmark

13. In 2015, the Consumer Ombudsman issued guidance on the publication of online user reviews.

France

14. In 2013, the French Association for Standardisation (AFNOR), which is the French representative of the International Organisation for Standardisation (ISO), published voluntary standards for the management of online consumer reviews.
15. In 2010, the Directorate General for Competition, Consumer Affairs and Repression of Fraud (DGCCRF) initiated an investigation into fake reviews and has renewed the investigation each year since then. It has issued a number of administrative orders and reports to the prosecutor across a range of markets.

16. In 2014, following a DGCCRF investigation, the Court of First Instance of Paris fined a customer review website for publishing fake customer reviews, written in part by a company based in Madagascar.

**Germany**

17. In 2012, the Federation of German Consumer Organisations issued recommendations for review sites to help them combat misleading and/or fake reviews. It also developed a set of checklists for consumers to help them deal with online reviews properly and recognise misleading and/or fake reviews.\(^{78}\)

**Italy**

18. In 2014, the Italian Competition and Market Guarantor Authority fined a travel review website for publishing misleading information about the sources of its reviews.

**USA**

19. In 2010, the Federal Trade Commission (FTC) took action against a public relations business which was posting reviews about its client’s games on a website, posing as ordinary consumers and not disclosing its relationship with the client.

20. In 2013, the New York State Attorney General’s Office took enforcement action against 19 SEO companies for: creating fake online profiles on customer review websites; paying freelance writers in the Philippines, Bangladesh and Eastern Europe to submit fake reviews; and posting large numbers of fake reviews on the internet.

21. In 2015, a business agreed a settlement with the FTC that it would halt its practice of touting online customer reviews while failing to disclose that the reviewers were compensated with cash discounts and incentives.

22. In 2014, a study on online consumer reviews in the hotel sector, produced for the European Commission by RPA Ltd (and others), found concerns relating to dated reviews that were never removed, the transparency over how ratings systems work, the transparency and clarity of commercial relationships with hotel operators, the verification of reviews and reviewers, and the complaints procedures for hotels that wished to complain about misleading and/or fake reviews.

23. In the context of its work on comparison tools, the European Commission is currently developing a series of principles that comparison tools should respect. This will include a set of principles on the presentation of user reviews.

24. A 2015 study on comparison tools, produced by ECME Consortium (in partnership with Deloitte) for the European Commission, recommended in relation to user reviews that:

- sites should take measures to ensure the authenticity of user reviews and ratings, and disclose the methodology used;

- sellers should have the possibility to react to reviews and authors should be asked their consent before any review which does not violate the law or the site’s terms of use is removed; and

- any form of advertising should be explicitly marked as such and separated visually from the results. This includes sponsored user reviews and paid-for ranking.

International Organisation for Standardisation (ISO)

25. The ISO is currently developing a set of principles and requirements for collection, moderation and delivery processes for online consumer reviews.

Organisation for Economic Cooperation and Development (OECD)

26. The OECD is currently revising its 1999 Guidelines for protecting consumers in the context of electronic commerce.
Online endorsements

UK action

27. The Office of Fair Trading (OFT), one of the CMA’s predecessor bodies, carried out two interventions using its consumer law enforcement powers:

- In 2010, the 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.

- 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 when promotions had been paid for or otherwise remunerated.

28. The ASA has carried out the following relevant work:

- In 2012 it made an adjudication against a company for not clearly identifying tweets as advertising.

- In 2013 it issued guidance for bloggers about when and how advertising rules apply to them, and followed this up by engaging in web chats and hosting online tutorials for bloggers and vloggers.

- In 2014 it made an adjudication against a company for not clearly disclosing in paid promotions that there was a commercial relationship between the advertiser and video bloggers.

- In 2015 it made an adjudication against a company for not making the commercial intent in a vlog clear prior to consumer engagement.

29. The Internet Advertising Bureau UK (IAB-UK), in partnership with other advertising bodies, has also provided industry guidelines: in 2011 and 2012, on Paid promotions in social media and, in 2015, on Content and native disclosure. The IAB-UK will be publishing further guidelines on online advertorials and sponsored content later in 2015.

Action taken in other parts of the world

Finland

30. In 2013, the Competition and Consumer Authority issued guidance on the recognisability of advertising in blogs.
Norway

31. In 2011, the Norwegian Consumer Ombudsman issued guidelines for ethical blogging.

USA

32. In 2009, the FTC issued a guide concerning the use of endorsements and testimonials in advertising (including blogging) and in 2013 a guide on how to make effective disclosures in digital advertising, including on social media.

33. In 2011, the FTC took action against a business that recruited affiliates to promote its online learning courses in articles, blogs and other online material, representing these endorsements as the views of ordinary consumers or independent reviewers, and without clearly disclosing that the affiliates were paid for every sale they generated.

34. In 2014, the FTC took action against a home security company, requiring it to clearly and prominently disclose any material connections in advertising for its products or services. Spokespeople for the company demonstrated a product in blogs without disclosing that they were paid by the business to promote the product.
Appendix D: Summary of consumer survey

1. The CMA commissioned a number of questions in a consumer Omnibus survey to help us to understand how consumers use online reviews and endorsements in the UK across six sectors. These questions helped us to gather data on the following:

- how many consumers read online reviews;
- how often consumers went on to buy a product or service after reading an online review or endorsement;
- how important the reviews or endorsements were, in comparison to other sources of information considered by consumers when purchasing a product;
- the extent to which consumers trusted the reviews and endorsements they read; and
- whether the product they bought matched up to the expectations they had after reading reviews or endorsements.

2. The consumer research was carried out by GfK, a major market research company, as part of its face to face Omnibus survey. This survey is based on a large representative sample of adults aged 16 and above. A sample of 3,729 was obtained when the survey was in field, between the 12th March and 7th April 2015.

Online reviews

3. Our research found that 54% of UK adults read online reviews in relation to six sectors, although there were differences in the level of use between age groups (Figure 1). Respondents aged 55+ were the least likely to read online reviews (42%), whilst 61% of both those aged 16–34 and those aged 35–64 had read online reviews.

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79 These were: travel and hotels; electronic items; books; music – CDs and DVDs; home improvement; and beauty products.
80 GfK is the fourth largest market research agency in the world. It maintains a large team of fully trained face-to-face interviewers who conduct the interviews using hand-held computers (computer assisted personal interviewing).
Q. In which categories do you ever look at online reviews for information about products or services?
Base: Adults aged 16+

4. We wanted to understand how often consumers read reviews and then went on to buy a product or service in these six sectors. Figure 2 shows the proportion of respondents that looked at a review and then went on to buy the product reviewed in each sector (for example, 24% of the total sample read a review relating to travel and hotels and had gone on to make a purchase). We found large variation across the six product sectors that we looked at. Travel and hotels had the highest proportion of those who had gone on to buy a product or service after reading a review. The category with the second highest proportion of those going on to make a purchase after having read a review was electronic items. On the other hand, only 6% of respondents who read online beauty reviews went on to buy the product or service.
Figure 2: Whether consumers bought a service or product in one of six key sectors the last time that they read an online review as a percentage of all respondents

Q. Now thinking about the last time you looked at online reviews for [Q1 category], did you go on to buy or arrange to buy the product or service?
Base: Adults aged 16+, n=3,729.

5. We wanted to understand the extent to which online reviews were important to consumers’ decision-making. In all categories, more respondents told us that online reviews were ‘much more important’ or a ‘little more important’ than other sources of information than respondents who said they were ‘a little less important’ or ‘much less important’ (Figure 3).
Figure 3: The importance of reviews compared to other forms of information in each sector for those that went on to buy a product or service

Q. How important were the reviews to your decision to buy it, compared to other sources of information or recommendations; such as friends and family; the opinions of experts; price comparison websites etc?

Base: All who had purchased an item from that category after reading reviews in that category.

6. Respondents who made a purchase using reviews exhibited a high level of trust in online reviews (Figure 4). A large proportion of respondents felt that it was either ‘very likely’ or ‘fairly likely’ that the reviews they read were written by genuine customers. Only a very small proportion felt that it was ‘not very likely’ or ‘not at all likely’ that the reviews were written by genuine customers.
Figure 4: Consumers’ trust in reviews among consumers that went on to make a purchase in each of these key six sectors

Q. How likely do you think it is that the reviews you read were written by genuine customers? Base: All who had purchased an item from that category after reading reviews in that category.

7. We wanted to understand the extent to which products and services bought by consumers after reading online reviews matched up to the expectations raised by the reviews (Figure 5). The results were broadly similar across categories in that the majority of respondents said that their experience was about the same as the online reviews had suggested it would be. Only between 4% and 8% of respondents said that the experience was either ‘a little worse’ or ‘much worse’ than the impression the online reviews had given. We also note that the consumers’ disappointment may not have been the result of reading misleading reviews; it could have been due to a faulty product, for example.
Q. How similar or different was your experience to what the online review said about the products or services? Base: All who had purchased an item from that category after reading reviews in that category.

8. We asked consumers about their experiences of writing negative reviews (Figure 6). Of those who had written a negative review in the past year and had checked whether the negative review had been put on the website, three out of ten said that the review had not been put on the website. There could be a variety of reasons for this. Websites that host reviews will not publish reviews that are defamatory or offensive, or which include personal details.
Figure 6: Was negative review shown on website (as a proportion of those who have written negative reviews and checked whether it appeared)

Q. Thinking about the last time you wrote a negative review, was it shown on the website?
Base: All those who had written a negative review in the past year and checked it was there, n=276.

9. We wanted to find out whether those consumers who had written a negative review were happy with the way that it was shown on the website (Figure 7). This would give us an indication as to whether negative reviews were being edited before being uploaded. The research found that of those respondents who had written a negative review and who had checked it was on the website, the vast majority were ‘very happy’ or ‘fairly happy’ with how the review was shown. Only 2\%\(^{81}\) who had written an online review and checked it was on the website, were ‘not at all happy’ or ‘not very happy’ with how it was shown on the website.\(^{2}\)

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\(^{81}\) Total may be greater than the parts due to rounding.
Figure 7: The extent to which consumers who had left a negative review were happy with the way it was shown on the website

Q. Were you happy with the way in which the review was shown on the website?
Base: All those whose negative review was shown on website, n=188.

Blogs and vlogs

10. Our research found that the majority of respondents had not bought a product or service after reading about it in a blog or seeing it in a vlog (Figure 8). Only 6% of respondents had bought a product or service after reading about it in a blog or vlog, although this number rose to 13% among the 16–24 age group. This suggests they are more popular with younger people and so blogs and vlogs could form a larger part of buying decisions over time.
Q. Have you ever bought a product or service - whether online or not - after having read about it in a blog, or seen it in a vlog?
Base: Adults aged 16+, n=3,729.

11. As with online reviews, we wanted to find out how important blogs and vlogs were in the purchasing decisions taken by consumers (Figure 9). Of those that had ever bought a product or service after having read about it in a blog or vlog, over half said that the opinion of the blogger/vlogger was ‘much more important’ or ‘a little more important’ than other sources of information. Just over a third said that the opinion of the blogger/vlogger was about as important. This suggests that although only a relatively small proportion of the sample had purchased products after reading about them in blogs and vlogs, the opinions given in those blogs and vlogs appear to be a useful source of information in the decision making process for these people.
Figure 9: Importance of blogs and vlogs in buying decisions relative to other sources

Q. How important was the opinion of the blogger/vlogger in your decision to buy it, compared to other sources of information or recommendations?
Base: All those who have ever bought a product or service - whether online or not - after having read about it in a blog, or seen it in a vlog, n=201.

12. We wanted to find out the extent to which consumers trusted the opinions of bloggers and vloggers when they purchased products that had been mentioned in blogs and vlogs (Figure 10). Almost three out of four respondents who had ever bought a product or service after having seen it in a blog or vlog felt that it was either ‘very likely’ or ‘fairly likely’ that the blogger had given their honest opinion about the product. It should be noted that these figures only include respondents who had bought a product or service after seeing it in a blog or vlog, and it may therefore be unsurprising that those respondents trusted that bloggers and vloggers gave their honest opinions.
Q. How likely do you think it is that the blogger/vlogger gave their honest opinions about the products you bought?
Base: All those who have ever bought a product or service - whether online or not - after having read about it in a blog, or seen it in a vlog, n=201.

13. Of those who had ever bought a product or service after having seen it in a blog or vlog, the majority (69%) said that the experience was ‘about the same’ as the impression they had gained from the blog/vlog. (Figure 11). Only about 6% found the experience to be worse than the impression they had gained from the blog or vlog.\(^82\) It should be noted that the consumer’s experience may have differed from that of the blogger for a number of reasons, such as a faulty product.

\(^82\) Figures may not sum due to rounding.
Figure 11: Consumers’ experience compared to that given by blogger/vlogger

Q18 How similar or different was your experience to what the blogger said about the product or service?
Base: All those who have ever bought a product or service - whether online or not - after having read about it in a blog, or seen it in a vlog, n=201.