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Is More Better? Divide Between Retailer's and Manufacturers' Preferences for Reviews and Review Monetization

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Abstract

Research on online product reviews has examined a variety of issues ranging from reviewers' motivation to write reviews to impact of reviews on product sales. Implicit in this research stream is the notion that more reviews is better for sellers and consumers. However, it is unclear whether both a retailer, who controls the review platform, and a manufacturer, whose product is reviewed, prefer more reviews to less. Using a game theoretical model of a context in which a dominant retailer sells competing products from two manufacturers to consumers that are uncertain about product quality and fit, we show that the retailer's and the manufacturers' preferences regarding the number of reviews are not always aligned. The nature of misalignment depends on whether the quality or the fit is more dominant in a consumer's valuation of the products. If reviews are costless, additional reviews always benefit the retailer but they hurt the manufacturers if the number of reviews exceeds a threshold in the quality-dominates-fit case. On the other hand, if the retailer incurs a sufficiently high cost to generate reviews, he may prefer to have fewer reviews than the manufacturers. We show that the retailer can exploit the divide between the retailer's and the manufacturers' preferences for reviews and monetize reviews by charging a fee to the manufacturers in return for a guarantee on the number of reviews that he would generate. We show that the product type and review platform design play a significant role in the attractiveness of review monetization for the retailer. Even if reviews are monetized, the retailer's revenue from "selling" reviews to manufacturers does not exceed the cost of generating reviews, implying the benefit from reviews is driven by reviews' positive impacts on the retailer's core business of selling products to consumers. On the other hand, in the fit-dominates-quality case, the retailer does not prefer reviews whereas manufacturers do. However, the retailer is unable to exploit the misalignment between the retailer's and manufacturers' preferences for reviews through review monetization in this case.

Keywords: Online product reviews, platform economy, retailer and manufacturers, competion, e-commerce, review monetization