False negative review on Taobao

Online review is crucial for Taobao (<https://www.taobao.com/>), the leading shopping website owned by Alibaba Group in China, both from the perspectives of buyers and sellers. Objective reviews from other consumers can alleviate asymmetric information, which was previously the major barrier for consumers to shop online. For sellers, online reviews are non-trivial for any layer of the marketing funnel. Positive review is one determinant for Taobao to rank sellers on its organic search pages for keywords. In addition, low rating and negative review will hamper conversion rate as well as the process to generate online reviews subsequently.

The market environments within emerging markets may be quite different from developed countries, especially under the circumstances of online reviews where lack of regulations and weak enforcements of laws can lead to distortions in markets outcomes. Even though the past decade has witnessed the rapid development of Internet shopping, fake online reviews have become an increasingly severe problem in China. China Central Television (CCTV), the predominant state television broadcaster, reported on March 15th 2016 (Day for Consumer Protection) that more than one million people are participating in creating fake online review for profits. Spending for 1000 RMB (160 USD), one seller can have more than 200 sales record with full-mark ratings and close to perfect reviews. The market outcomes were severely distorted even to the extent that honest sellers were very difficult to compete with cheaters. Gradually, an increasing number of online sellers chose to pay for “professional population-making services”.

Obviously, widespread fake reviews are intolerable for Taobao as an ecosystem for online transactions. More than 300 algorithms have been developed so as to detect fraudulent transactions and delete fake reviews. In addition, Taobao increased the cost for sellers to generate fake reviews. As supervisors evolved, the cheaters developed their anti-detection abilities and deployed more tricks to create fake reviews. For example, given that Taobao decided to check the logistic history to determine authentic reviews, some sellers sent empty packages in order to escape punishment.

One possible reason for fake reviews on Taobao is its market design. After submitting their reviews, customers have another fifteen days to communicate with sellers and revise their reviews. A common strategy for sellers to get higher ratings is to promise customers with monetary rewards to change their ratings. While Amazon strictly prohibits the behavior of promising a refund in exchange of posting positive reviews, such behavior is quite common on Taobao platform. As a consequence, on the five-point Likert scale, most online shops have very high ratings close to perfection. Simultaneously, the authenticity of large-scale positive reviews should be taken into consideration when analyzing the economic value of online reviews in China.

Contributions:

1. The effects of fake reviews on ranking
2. The effects of fake reviews on consumer choices
   1. Consumers have a probability to identify fake reviews
   2. Consumers assumes that a proportion of negative reviews are fake
3. The effects of fake reviews on dynamic reviews
4. Include consumers’ response to false positive reviews