BUAD 307 – Fall 2020

Discussion Session on Services: Online Reviews

In class, we discussed online reviews and the role that they play. Specifically, we discussed that ratings help consumers distinguishing between good and bad service providers or products, and thus they affect the consumer decision-making process. This, in turn, affects firms' economic outcomes such as sales and revenue.

However, reviews platforms are useful for consumers as long as they allow them to differentiate between bad and good participants; for this, it is important that platforms provide ratings that are truthful and reflect the true quality of the product or service being evaluated. Despite this, in class, we have seen that sometimes firms or platforms (or both) have incentives to display only certain types of ratings. Among other things, these incentives can lead to either firms or platforms to perform actions that could potentially bias review ratings.

During this exercise, we will explore real ratings from three popular platforms to get a better understanding of what a typical distribution of ratings looks like on these platforms, how are they different, and discuss potential causes driving such differences. If you didn't read it yet, this article might be helpful: https://hbr.org/2019/11/designing-better-online-review-systems.

Questions

I provided you with four random samples of reviews from four different platforms: Airbnb, Yelp, and TripAdvisor (both restaurants and hotels). Given this data, you need to

1. Use Excel (or any software you are familiar with) to plot the distribution of ratings for the three platforms and compute basic statistics such as mean, median, and standard deviation.
2. Discuss the difference in ratings distribution across the three platforms.
3. Identify the possible causes generating the differences discussed above.