



# BEHAVIOURAL STUDY ON THE TRANSPARENCY OF ONLINE PLATFORMS

## Executive summary

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Prepared by: Francisco Lupiáñez-Villanueva,  
George Gaskell, Pietro Tornese, Alexandra Theben,  
José Vila, Yolanda Gómez, Anthony Allen, Giuseppe  
Veltri and Cristiano Codagnone*

## **Behavioural Study on the Transparency of Online Platforms**

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Unit 03 Economic analysis and evaluation

Contact: Maniopoulos Dimitrios , Unit 03

E-mail: JUST-03@ec.europa.eu

European Commission

B-1049 Brussels

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# **Behavioural Study on the transparency of online platforms**

## Executive summary

Online platforms, such as Google, Airbnb, and Amazon, have become a normal part of everyday life for millions of European consumers. In addition to making it easier for consumers to access goods and services, these platforms provide opportunities for innovation and growth in the Digital Single Market. However, the data collection systems and network effects which make online platforms so valuable, also pose significant risks to consumer protection and market competition. The present study sought to understand how online platforms could be regulated to foster trust, transparency and fairness using insights from behavioural research. The study contributes to the evidence reviewed by the EC in the context of the Regulatory Fitness Check of EU Consumer and Marketing Law, informing targeted legislative initiatives, non-legislative policy initiatives (e.g. enforcement, awareness-raising) and/or self-regulatory efforts by online platforms.

The study was designed to investigate how enhanced transparency in online platforms affects consumer trust and behaviour in three areas.

- Area 1: The criteria for ranking and presentational features of search results
- Area 2: The identity of contractual parties
- Area 3: Quality controls on consumer reviews, ratings, and endorsement systems

The study comprised (i) a literature review, (ii) a qualitative 'online think aloud' study combining observed online task completion and in-depth interviews with 10 participants from each of four European countries (Germany, Poland, Spain and UK), and (iii) three online discrete choice experiments testing the effects of transparency in online search information, contractual identity and user reviews and ratings. The experiments involved 4802 respondents in the four countries cited above. Pre and post experimental questionnaires were administered eliciting respondent's profiles, online experiences and opinions about trust and confidence.

The evidence from the systematic review of the literature and the online 'think aloud study' finds the typical internet user as not particularly concerned about platform transparency in the three areas described above. The platforms are trusted, and with trust there are little or no anxiety and lower transaction costs. They are trusted in large part because there are so many other users – "millions of people can't be wrong". The quality of services is judged on the basis of speed and convenience. Advertisements are acceptable because people acknowledge that the platform operators need to make profits. On the whole people assume that the platforms operate in the best interests of

the users. While the evidence suggests that ratings and reviews are considered as important information about products and services, there are concerns about the credibility of reviews. Negative reviews are considered more credible than positive reviews, and a large number of reviews are thought to dilute the impact of fakes.

Many users appear to engage with platforms on the basis of blind trust. They are generally ignorant of common platform practices in the online world or of the ways in which platforms generate revenue. They are unlikely to appreciate the risks of exposure to unfair practices, misleading information and other ways in which they might be exploited. Were people aware of such issues and made an informed judgement that they are of no consequence there would be little cause for concern. But when people are unaware and unconcerned, the asymmetry between platforms and consumers calls for regulatory attention.

In three discrete choice experiments the effects of increased transparency about (i) the criteria for ranking and presentational features of search results; (ii) the identity of contractual parties, and (iii) quality controls on consumer reviews, ratings, and endorsement systems, are investigated.

The discrete choice experiments involved respondents making purchase decisions in a mock-up e-commerce website. To maximise realism, the information providing greater transparency was shown in website screenshots. In each experiment respondents made ten choices selecting which of the two products on offer they preferred. The products offered combined different levels of transparency and the prominence in which that information was displayed. The respondents' choices provide a behavioural measure of the impact of transparency on the probability of the selection of a product. The key findings for the three areas are as follows:

**Information on search results.** Compared to having no information on the criteria for ranking search results, when informed that the ranking of is based on popularity, the probability of selecting the product is 115% higher, irrespective of its ranking position and visual prominence on the screen. Separately, when a product is ranked first on the screen the probability of selecting it is increased by 47%, irrespective of transparency about the basis of the ranking or visual prominence. It is plausible to argue that most consumers will read popularity as a signal that since many others have chosen the product it must be of good quality and from a trustworthy source. It is also likely that first place in the search results carries similar connotations. Setting aside the possibility of the manipulation and/or distortion of 'popularity', the findings are evidence that information on the ranking criterion and the order in which search results are presented have a significant effect on product selection.

**Information on contractual identity.** Compared to having no information about the identity of contractual parties, being informed merely that the product is sold by a third-party trader reduces the probability of product selection. However, providing the additional information that the third-party trader's status ensures consumer rights should there be any post purchase problems, increases the probability of product selection over no information by almost 50%. Partial transparency, introducing the (possibly surprising) fact that a third party is involved in the sale may lead to confusion and concerns; "can this third party be trusted?" But full transparency, the additional information that the third party's trader status provides consumer protection rights, increases the probability of a purchase. Here, full transparency is seen to increase trust and confidence in the online transaction.

**Information on user reviews and ratings.** Compared to having no user reviews or ratings, a review in a prominent position on the website leads to a 200% increase in the probability of choosing the product. The same is found when the product receives the highest user rating. Information that the reviewers have been used the product increases the probability of choosing it by 40%. While each of the three transparency attributes has a positive effect on product choice, it is possible that in combination the separate effects would be additive.

Having completed one of the three experiments, respondents were asked about their reactions to the information provided. Did they recall the information? Did it make them more confident and trusting in the platform? and was it important in their decisions?

At least two out of three respondents said they recalled the information and of these about one in two chose the correct information out of a list of options (experiments 1, 2 and 3 offered 6, 4 and 5 options respectively). Of those who recalled the information correctly seventy percent or more agreed that the information was important in their decision and that it made them more trusting and confident in the transaction.

If these opinions are taken at face value and combined with the findings of the three experiments it strongly suggests that greater online transparency has three effects. It is important in decision taking; it increases trust and confidence in the online environment and, all things being equal, increases the probability of product selection. As such, online transparency is clearly in the interests of consumers. By the same token, it is in the interests of platforms who could expect to see a growth in online activity as a result of increased consumer confidence and trust.

The results of this study highlight the importance of design-based regulation to build regulatory standards into the design of systems. In order to achieve greater online

transparency leveraging behavioural insights, it is recommended that action be taken to:

- Make the criteria used to order search results apparent to consumers and make it possible to re-order search results using a range of criteria.
- Raise consumers' awareness of the identity of contractual parties and their understanding of the legal implications.
- Encourage platforms to implement quality controls for improved authenticity and greater numbers of reviews.

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