

Fake reviews & drip pricing – what next?

Economics
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The Government’s Smarter Regulation consultation¹ sought views on what action may need to be taken to tackle drip pricing and online fake reviews. With the Government’s response expected in early 2024, we can help you understand current compliance with UK consumer law, and build in leading practice to future customer journeys.

There is increasing concern from regulators that businesses may design websites and apps in such a way that could mislead consumers and undermine consumer trust.

The Competition and Markets Authority has already taken action to address the illegal trade in fake reviews and secured commitments from Facebook and eBay to tackle this.² The Government is now taking further steps to address concerns around fake reviews and drip pricing, and has expressed its commitment to using the Digital Markets, Competition and Consumers Bill,³ which is currently passing through the Houses of Parliament Bill, to address fake reviews.

Businesses need to consider how they can adapt to futureproof their business. This is especially relevant to online businesses who use drip pricing, and those hosting customer reviews. Online businesses need to understand their current compliance with UK consumer law, and build in leading practice to future customer journeys.

Drip pricing – why is Government concerned?

Drip pricing is when a consumer is shown an initial price for a product, and then additional fees are added as the consumer proceeds through the checkout process.

Drip pricing can undermine price transparency and therefore limit competition. Drip pricing influences consumer decisions by enticing consumers with low base prices, making price comparison more cognitively challenging and exploiting behavioural biases. It also enables businesses to compete on initial prices, rather than the final price a consumer ends up paying.

Given concern about these practices, the Department for Business and Trade commissioned research⁴ to better understand the prevalence of online drip pricing and the impact on consumer decision making. The research, published in 2023, identified a number of factors that contribute to how harmful a dripped fee might be. A dripped fee is considered more harmful if it is mandatory, more than 25% of the product price, pre-selected and revealed more than halfway through the checkout process.

The research found:

- Almost half (46%) of the 525 online and in-app providers sampled included at least one dripped fee (excluding delivery fees).
- Out of the 4 sectors sampled, dripped fees were most prevalent in the transport & communication sector with 72% of providers including at least one dripped fee.

¹ [Consultation on improving price transparency and product information for consumers \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/consultations/improving-price-transparency-and-product-information-for-consumers)

² [Fake and misleading online reviews trading - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/fake-and-misleading-online-reviews-trading)

³ [Digital Markets, Competition and Consumers Bill - Parliamentary Bills - UK Parliament](https://www.parliament.uk/business/bills-and-legislation/digital-markets-competition-and-consumers-bill)

⁴ [Estimating the prevalence and impact of online drip pricing \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/research-and-statistics/estimating-the-prevalence-and-impact-of-online-drip-pricing)

- Dripped service fees (i.e. charges to purchase a service, like booking fees) tend to meet the most criteria of harm.
- Dripped fees resulted in UK consumers spending an estimated additional £595 million to £3.5 billion online each year.
- Whether traders should be required to make clear upfront when variable compulsory fees will be charged, and how they are calculated.
- When in the checkout process traders should present optional fees.

Fake reviews – why is Government concerned?

Fake reviews can mislead consumers when buying goods and services and can unfairly benefit businesses using fake reviews, versus those that do not.

The Department for Business and Trade also commissioned research⁵ to look at the prevalence of online fake reviews and the harm caused to consumers. The research found:

- An estimated 11% to 15% of reviews are fake on popular e-commerce platforms for the 3 product types sampled (consumer electronics, home and kitchen, sports and outdoors).
- Consumers are 3.1% more likely to purchase products with well-written fake reviews; with the size of the impact varying depending on the product type and price.
- Fake reviews on products result in an estimated £50 million to £312 million of harm to consumers each year.

What might the Government do next to address drip pricing and fake reviews?

The Government's consultation sought views on whether it needs to take action to tackle drip pricing and if so, what. In particular, the Government sought views on:

- Whether requiring traders to include fixed compulsory fees in the upfront price would reduce consumer detriment.

These indicate some of the potential areas that Government may take action in and where changes to current practices may be required.

The Government's proposals⁶ on fake reviews aim to reduce their prevalence, increase consumer confidence in reviews, and avoid competition being undermined. To achieve this, Government propose making it automatically unfair to:

- Submit, commission or incentivise a fake review.
- Offer or advertise to submit or commission a fake review.
- Misrepresent reviews or publish reviews without taking appropriate steps to prevent consumers encountering fake reviews, or other information influenced by reviews which may be misleading.

This final proposal would potentially place a considerable onus on business and is likely to require planning to put in place appropriate processes to comply with it.

Next steps

The consultation closed in October 2023 and we can expect a Government response by early 2024 setting out what action will be taken to address these potentially harmful practices.

In the meantime, businesses may benefit from reviewing the extent to which drip pricing they use is harmful and how exposed they may be to risks around fake reviews. Assessing this now, and proactively considering what action may be needed, could help you to be best placed to adapt and determine how best to futureproof your business.

⁵ [Fake online reviews research \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/123456/fake-online-reviews-research.pdf)

⁶ [Consultation on improving price transparency and product information for consumers \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/123457/consultation-on-improving-price-transparency-and-product-information-for-consumers.pdf)

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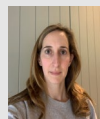
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