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# Playing the Trust Game Successfully in the Reputation Economy

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## KEYWORDS

**Digital Marketing, Reputation, Trust, Ratings, Sharing Economy**

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**The age of reputation** ✕ Reputation has always been important for organizations. With the rise of digital business models and sharing platforms, however, having no reputation has become almost worse than having a bad reputation. Hunting for “stars”, the icons of the reputation economy, is a prerequisite for survival in e-commerce in general and on sharing platforms in particular. As such, understanding how reputations are formed, how they are used, and why they are so important has become a paramount concern in marketing departments and C-suites around the globe. In contrast to the dystopian sci-fi world in Charlie Brooker’s Black Mirror story, “Nosedive” (see Box 1), there is still a life without ratings, but hardly anyone or any organization can avoid the need to build their reputation solidly by means of ratings and rankings.

**Why reputation has become the new key asset** ✕ The key to understanding the rise of reputation is trust. When people interact with others they do not know, and in particular, when they engage in economic exchange, whether it is with an organization or a peer, if and how to trust the other party becomes a paramount concern. A guest may not have ever met the Airbnb host whose home they will sleep in, but their confidence in the Airbnb platform, via reputation management practices, allows them to sleep comfortably. The ability for a platform to provide this trust has become crucial in the past decade, as more economic activity takes place digitally, and peer-to-peer exchange has come to the fore with the rise of the sharing economy.

Trust can be thought of as a confident relationship with the unknown (Figure 1). However, building a sense of confidence in the unknown is not as easy as it might seem. For organizations, managing online reputations is a full-time job, as this is the space where trust will be accrued – with partners, consumers, communities, and stakeholders. Having a digital reputation is the key to success in today’s marketplace. It has become a valuable intangible asset to organizations, similar to how significant brands are. In his article in this issue, Gandini (pp. 18) discusses the role of reputation more deeply and points out that reputation work is becoming more professionalized. That is, social media managers are now key players in marketing departments, whereas they didn’t exist ten years ago, and one of their most important jobs is the careful curation of digital reputation.

### Key issues and challenges of reputation management ✕

Marketers need to engage in diverse forms of reputation management and master several challenges in designing the right systems and utilizing reputation information in optimal ways (see Figure 2).

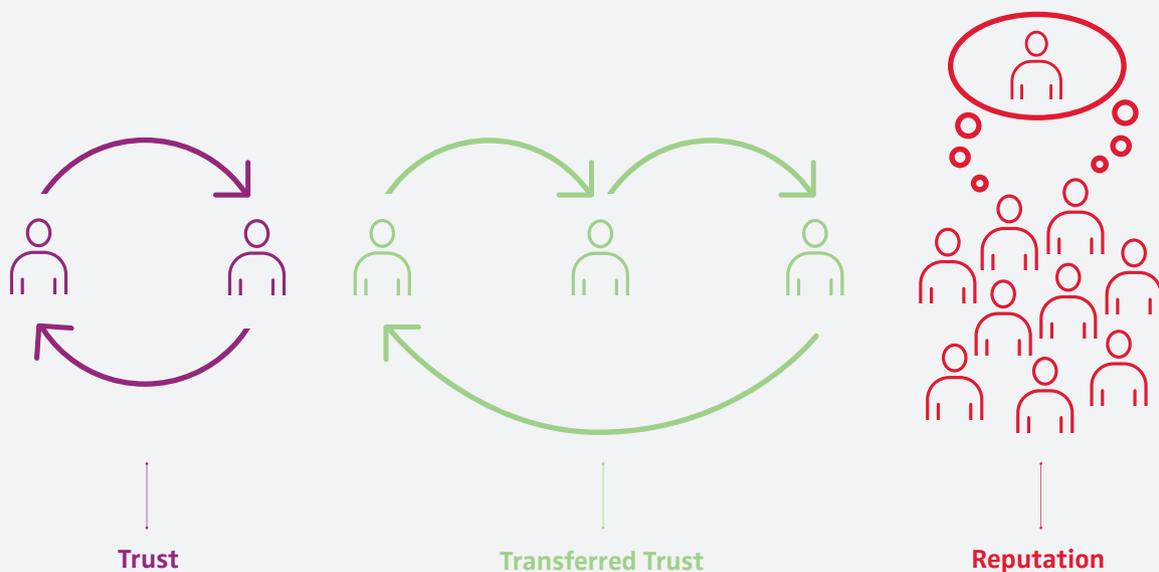
#### > The interdependence of platform and user reputation ✕

On digital platforms, one of the key issues in the reputation economy is managing the reputation of the platform versus the reputation of the user or consumer within the system. This is a complex issue. If one trusts a platform like Uber, will one trust the individual driver in whose car they are riding? While there are typically ratings of individual drivers to address this, these tend to have large positive bias, so the star ratings are not a straightforward indicator of the trustworthiness of the driver; there must be trust in the platform as well. In the digital space, how people interpret trust indicators depends on several factors (see Figure 3). The individuals who are providing the service via the platforms, like the Uber driver or Airbnb host, contribute directly to how much the platform, overall, is trusted. Yet, because they are not employees, it is much more difficult for organizations to ensure consistent and on-brand practices.

> **Unverified and fake reviews** ✕ All trust-building efforts are endangered if reviews are faked. In fact, one out of seven reviews on Tripadvisor and as much as 60% of Amazon reviews are estimated to be fake; almost all articles in this issue discuss possible strategies to take against fake reviews. Reputation platforms, such as Tripadvisor, have begun to review comments before they are posted publicly, since there has been a strong backlash against the plethora of fake reviews that appear on the site. Also, blockchain is a technology that many hope can revolutionize reputation management, as it can eliminate fake reviews and ratings, including those from click farms and bots. Yet, although blockchain has been in use for a few years now, we have not yet seen these issues disappear.

> **Positivity bias and reputation inflation** ✕ Another reason why using ratings as proxies for digital reputation is problematic is that overly positive reviews have a tendency to get even more positive over time, which is the phenomenon of reputation inflation. Averages of star ratings tend to be around 4.5, and with this positive skew, the signal sent by the rating becomes harder to interpret. Strategies to address these challenges lie not only with the

FIGURE 1 > Reputation allows for trust among anonymous others



## BOX 1

## Nosedive: Being reduced to a rating



In one of its episodes, “Nosedive”, the dystopian Netflix series Black Mirror depicts an uncomfortable and extreme vision of the reputation economy: People constantly evaluate each other, and a person’s rating determines their socio-economic status. Everyone is trying to be nice and friendly in order to please others and get their good rating.

Lacie, the protagonist, tries to improve her score of 4.2 to 4.5 out of a maximum of 5 points in the scale. She needs this improvement to get a 20% discount on the rent of a fancy apartment in a trendy neighborhood, as she wants to avoid living with her brother, who “is only a 3-point-something”. Lacie tries to get good ratings from highly rated people, as they have a larger impact on her score. She thinks her big chance is coming when her highly rated and well-connected former school friend, Naomi, asks her to be Maid of Honor at her upcoming wedding. But on her way to the wedding, everything goes wrong, and with each misstep, her score drops further. Standing at only 1.3, she has become an embarrassment to the bride-to-be, who uninvites her to the wedding to ensure there are no negative rub-off effects on the wedding party’s ratings. Nevertheless, Lacie sneaks into the wedding on a well-secured property that only admits people with a 3.8 or better. Drunk and desperate, she starts giving her prepared speech until she is removed from the area by security and arrested, which reduces her to a 0.6. In jail, she meets another prisoner and they both, freed from social constraints and almost relieved, start to insult each other for fun.

platforms themselves, but also with regulators as well as users and consumers on the platform, as Moehlmann and Tuebner explain in their article on pp. 22, different participants in the ratings eco-system need to cooperate to increase the overall efficacy of rating systems.

- > **Reviewer bias and reviewer skills** ✗ Even without fake and overly positive reviews, the picture delivered by reviews and ratings does not represent a complete picture of all experiences. In their article, Maffael and Gottschalk (pp. 40) remind us that digital consumer reviews are written by a small percentage of consumers. Reviewers often post strategically, and what they write can be influenced by past reviews. In addition, not all types of experiences are shared equally. Dieckmann and Unfried (pp. 56) point out that more emotionally arousing experiences – positive as well as negative – are more likely to be shared with others than more neutral ones. Further, van Laer (pp. 46) demonstrates that reviews are not equally persuasive. The most persuasive reviews are the ones that relate an engaging narrative.

- > **Discrimination** ✗ A highly topical issue is the tendency toward discrimination on platforms. Even supposedly neutral algorithms, applied by Google and other platforms, have been shown to produce discriminating effects with regard to gender, age, ethnicity, and race. Luca and Svirsky (pp. 28). Conducted studies with Airbnb that demonstrated a bias on the part of hosts to accepting African Americans as guests. The design of rating systems has important implications for issues such as racial and ethnic bias. Based on the results of their studies, Airbnb engaged in design changes, such as allowing a person to book instantly rather than allowing the host to look at their picture or see their name before approving them, and was able to reduce discrimination. The key takeaway here is for organizations to measure discrimination within their reputation systems and the algorithms that run them, and withhold sensitive data, such as photos, until after the opportunity to act on biases has past. Testing and running analytics on design features are key to addressing systemic bias within platforms. With a global focus on how to reduce systemic racial bias, this is an important insight that can become part of a

FIGURE 2 > Key issues and challenges of reputation management



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manager's toolkit for addressing discrimination within an organization. The hopeful news is, as platforms become aware of this, they are open to modifying their design.

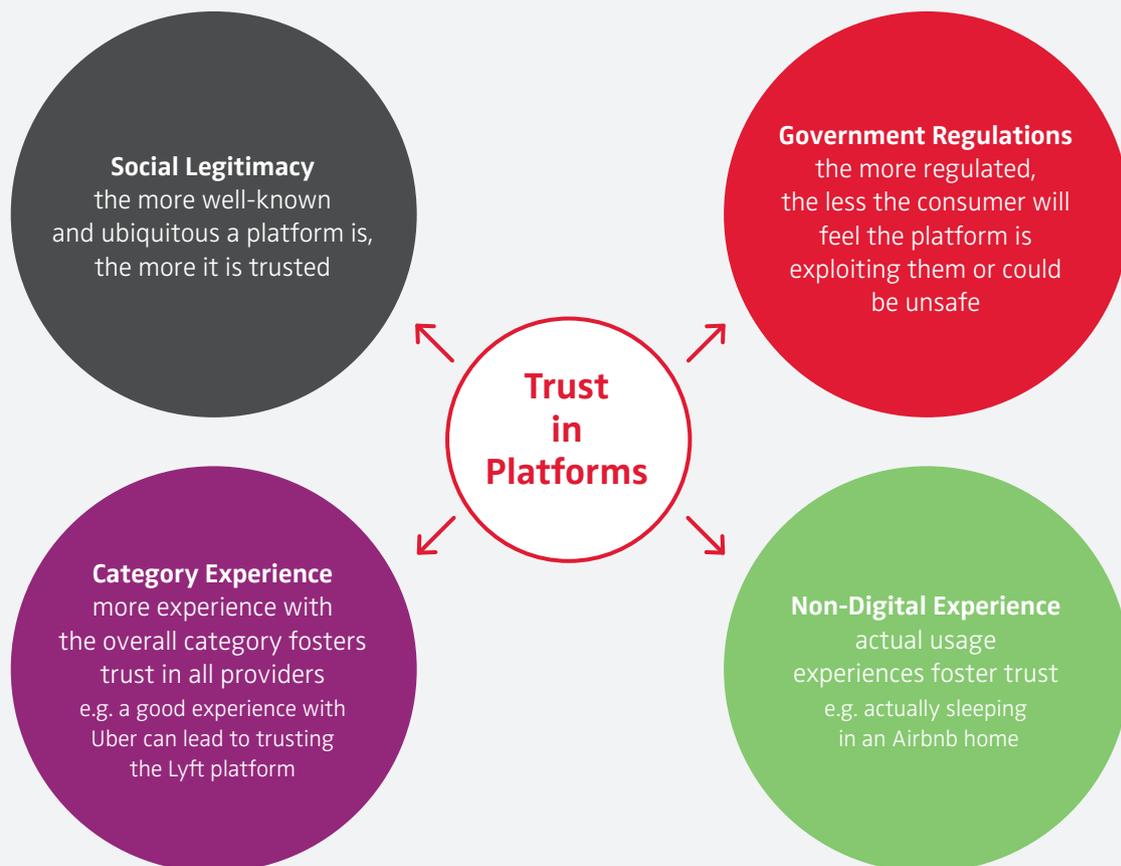
- > **Platform design** ✕ Platform design is crucial not only for ensuring non-discriminatory behavior or for limiting fake reviews. A smart design can also encourage more consumers to write reviews, contributing to a broader representation of experience. It can also facilitate narrative expression, facilitating more persuasive reviews. Platform design is a critical factor for two-sided reputation systems in which each party reviews the other (e.g., Uber drivers are rated by passengers and vice versa). Holtz and Fradkin (pp. 34)

investigate how simultaneous reviews and incentives for reviews can help deliver less biased ratings. Simultaneous reviews are when one person's review cannot be read until the counterpart has posted their own review. The authors also recommend greater reliance on private feedback, which cannot be seen by the public, but can only be seen between the two parties themselves.

**The future of the reputation economy** ✕ How will the reputation economy evolve? This is one of the questions I discussed with Jacob Wedderburn-Day from the luggage storage start-up Stasher in our interview (pp. 52). There are three areas where trade-offs will be particularly tricky to balance.

- > **Personalization without opening doors for discrimination** ✕ On one hand, it seems clear that tools like profile pictures and self-descriptions of users on platforms that allow for personalization lead to increased trust. Yet these personalization tools can result in conscious or unconscious bias – see the Twitter hashtag #airbnbwhileblack for visceral descriptions of racial bias against hosts and guests. Airbnb has recently partnered with the racial justice group Color of Change to analyze their data and see which elements of personalization result in bookings being cancelled and lower star ratings: a first name that “sounds” black, a picture that suggests someone is black. This trade-off needs to be investigated across a variety of platforms, and all providers will be challenged to develop platform designs that leverage positive outcomes like higher trust while preventing discrimination.
- > **Control versus freedom** ✕ Next, reputation platforms, such as Tripadvisor, have recognized the need for more control of their reviews. It is becoming clear that control rather than freedom of expression is needed for a reputation system to function effectively in the age of bots and click factories that can instantly provide millions of fake ratings. More control, on the other hand, limits freedom of expression and can open the doors to censorship and manipulation. Balancing positive effects with preventing attempts to manipulate will be a major challenge. Beside the technical approaches, the human factor plays a role as well. Most social media managers are quite young, as younger people tend to be savvier with different platforms, such as TikTok. Yet, with the importance of digital reputation curation and the responsibility involved, professionalization might require the leadership of someone at a more senior management level.

FIGURE 3 > Indicators of trust in platforms



## BOX 2

## China's social credit system

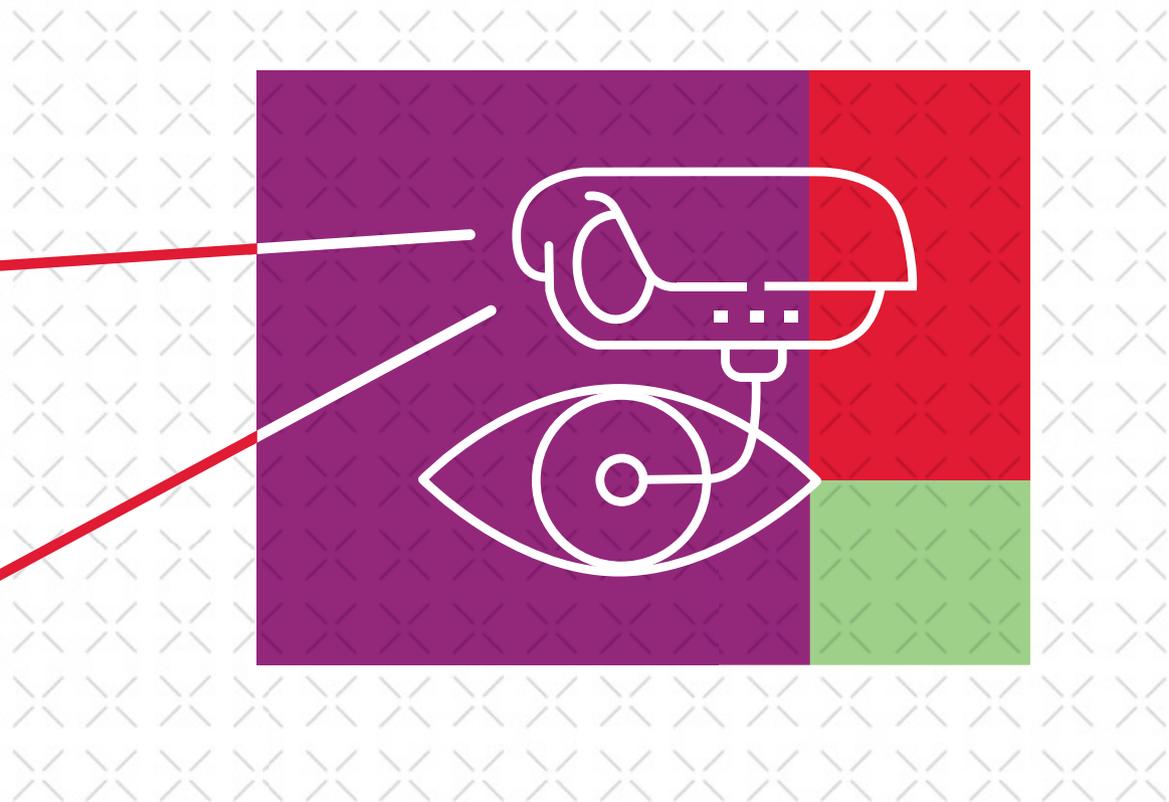
Will organizations as well as individuals ultimately have one barometer of reputation, one “score” that demonstrates their worth to governments, creditors, consumers, and partners? In China, this is already happening. China's social credit system applies one score (a numerical rating) to a person based on digital as well as non-digital behavior. Activities such as paying bills on time and getting high ratings when riding in a Didi car bring your score up. So does recycling properly and having children. In contrast, behavior including playing video games for too long, buying alcohol too often, being connected on social media to others with low scores, and jaywalking (as recorded by facial recognition) will lower your score.

As of now, the system is opt-in, but it will be mandatory nationwide as soon as late 2020. To date, there have been a variety of local system tests, by both public and private organizations. In these test versions, those with high scores are able to skip the security line in the Beijing airport and get approved for buying a house, for example. Meanwhile, those with low scores are not able to buy plane or train tickets at all during peak times, such as Chinese New Year. The Chinese government says implementing this program is all about trust, and to a large extent, the Chinese people agree that the system helps to build public trust. This is due to a fear of fraud – people are willing to give up privacy for security and certainty – as well as seeing the social credit system as a mechanism that fits into an overall karmic belief system – that one is always earning points via good deeds and squandering them via bad ones.

> **A holistic picture versus privacy** ✕ Transferability of reputation across platforms is another tricky point. For example, should Airbnb hosts be able to link to their ratings as sellers on eBay to confirm their trustworthiness? This all-encompassing and connected use of reputation systems seems promising on the surface, but when it is realized in practice, such as the social credit score system adopted in China (see Box 2), it violates what many consider to be sacrosanct rights to privacy, to not be surveilled without permission, and bias. There is a widespread belief that, while social credit systems may not look the same in other countries, some version of a universal reputation score, based on, say, one's ratings as an eBay seller, an Uber user, a general credit score, and an Airbnb host, will eventually emerge – and not only for individuals, but for organizations as well. An organizational reputation score could include how much of one's

profit goes toward charity, levels of CO2 emissions, the variance between CEO and average worker salaries, as well as more conventional indicators, such as stock price and sales numbers. The question is not if this will happen, but when, what will it look like, and what consequences will it have?

In sum, the importance of the reputation economy will only grow. The cutting-edge insights in this issue draw a roadmap of where we might be heading and what to look out for on the way. Trust and design are the two key pillars to focus on. Engendering trust is more complex than star ratings or reviews on owned or third-party platforms. How platforms are designed – in terms of how people can make bookings or orders and how users rate each other – is the key issue. It needs to be managed in a sophisticated way, especially in an era where issues such as racial and ethnic justice are key soci-



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etal concerns. Yet, researchers and marketers also need to ask themselves, how far are we willing to go to signal trustworthiness in the marketplace, on the part of the organization or the consumer? As the dystopian story of Lacie in Box 1 and the explication of China's social credit score in Box 2 highlight, systems in which people or organizations have one aggregate score can have unintended consequences. While combining information across a wide variety of data sources can perhaps give a holistic picture of an organization's or person's profile, whether or not this is desirable from an ethical and societal point of view is questionable. In many ways, digital reputations, as evidenced by star ratings and reviews, are a paradox. They provide a measure of trust, but a sometimes flawed and not-well-understood one. Keeping in mind societal issues that are inevitably intertwined with measures of digital reputation, there is still tremendous need and potential for innovation in this arena. ✕



#### FURTHER READING

**Belk, Russell; Eckhardt, Giana M.; & Bardhi Fleura (2019):** Handbook of the Sharing Economy, Cheltenham: Edward Elgar.

**Botsman, Rachel (2017):** Who Can you Trust? How Technology Brought us Together, and How it could drive us apart, London: Penguin Press.

**Zervas, G., Proserpio, D.; & Byers, J. W. (2017):** "The rise of the sharing economy: Estimating the impact of Airbnb on the hotel industry", Journal of marketing research, Vol. 54(5), 687-705.