

# MISQ Archivist

## Revealing or Non-Revealing: The Impact of Review Disclosure Policy on Firm Profitability

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### Abstract

Collecting and displaying product reviews written by consumers is a common practice for many retail websites. These websites, however, differ in their choice to reveal aggregate review statistics on the product list displayed while consumers browse or search to make initial product selections. This study proposes an analytical model to examine the conditions in which revealing average star ratings on the product list is more profitable than not revealing this information. Noting that consumers differ in their valuations of products sold on a firm's website, this study finds that if a firm sets prices to maximize total profits, it suffers less profitability from disclosing average star ratings if two products do not differ significantly in their average value and consumers' valuation of the low-value product is more heterogeneous. If products sold on the website instead are priced by third-party sellers that seek to maximize each product's own profit, it is less profitable for the firm to reveal average rating information when the two products do not differ significantly in average value and consumers' valuation of the high-value product is more heterogeneous. These results suggest guidelines that retail websites can use to evaluate their information revelation policies, based on three important factors: the difference in the average value of different products, relative heterogeneity in consumers' valuation of different products, and the firm's ability to coordinate prices across products.

**Keywords:** Online product reviews, analytical model, information revelation policy