

NO MORE FAKING IT: THE FTC'S ESCALATING BATTLE AGAINST FAKE PRODUCT REVIEWS

The Game Is Changing – Here's How Brands Can Help Shoppers Get Informed While Staying Compliant

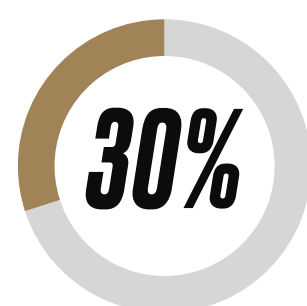
Deceptive product reviews have wide-reaching consequences, impairing consumers' access to reliable product information and undermining brand trust. The Federal Trade Commission (FTC) is intensifying its efforts to combat fake reviews and misleading advertising, necessitating vigilance among businesses in the product retail sector.

This white paper delves into the FTC's recent actions and the implications for brands and retailers. But first, let's turn to the facts to understand the magnitude of what some have called the "fake review epidemic."

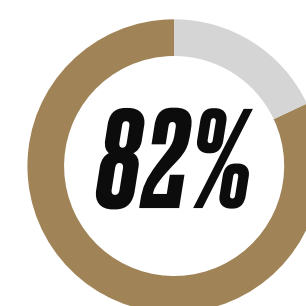
The Scale of The Fake Review Epidemic

When looking at the cold, hard numbers it is clear how rampant this problem has become.

Prevalence of Fake Reviews

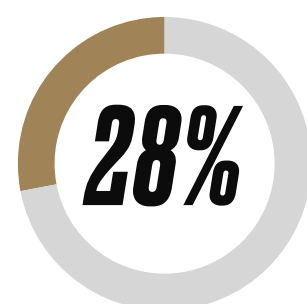


of online customer reviews are deemed fake.

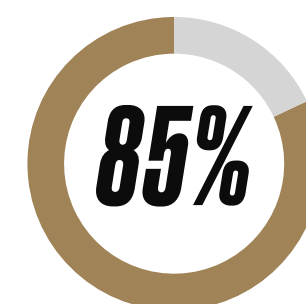


of consumers have read a fake review in the last year.

Consumer Trust Is Eroding

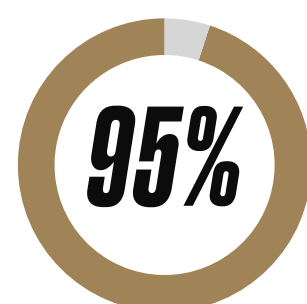


A bogus review would prompt 28% of respondents to distrust other reviews and 26% to distrust the brand.

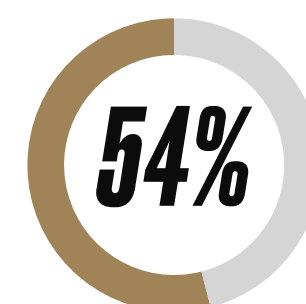


of consumers believed the reviews they read were "sometimes or often fake."

Impact on Purchase Decisions



of consumers indicated they read reviews before making a purchase decision.

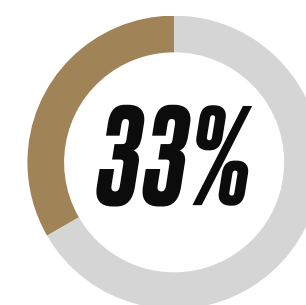


of consumers would not buy a product if they suspected it to have fake reviews.

Global Impact

\$152B

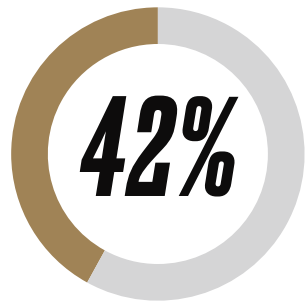
Cost of fake online reviews each year



of consumers returned items or did not purchase them at all due to a fake review.

200M+

suspected spam reviews were taken down before they were ever seen by a customer



of Amazon reviews may be fake, independent monitor says



of Google reviews are flagged as fake

7M

fake business profiles removed by Google In 2021

A History of Combating Fake Reviews Well Before the Digital Age

While the scale of the problem is a modern day phenomenon, the problem itself is not new. The FTC has taken various measures over the years to ensure that consumers have accurate and reliable information when making purchasing decisions. Their efforts are ongoing, and they adapt to changes in the marketplace, evolving marketing tactics, and emerging technologies. Here is a timeline of the key events that span over the past 14 years:

2009

The FTC publishes guidelines stating that endorsements and testimonials in advertising must reflect the honest opinions, findings, or experiences of the endorser. It signals the beginning of their focus on online reviews.



\$250K 
LEGACY
LEARNING SYSTEMS

2011

A seller of a popular series of guitar-lesson DVDs, **Legacy Learning Systems Inc.**, will pay \$250,000 to settle FTC charges that it deceptively advertised through affiliate marketers who posed independent reviewers.

2015

The FTC issues updated guidelines, emphasizing the importance of disclosing any material connections between advertisers and endorsers, which includes incentives for reviews.



\$25M 

Roca Labs

2016

The FTC fines Florida-based company, **Roca Labs** \$25M for threatening customers with legal action if they post negative reviews online. This action highlights the FTC's commitment to protecting consumers from retaliatory measures by companies.

**2019**

The FTC brings their first case challenging fake paid reviews on a retail website, **Cure Encapsulations, Inc.** The case alleges the company paid for fake reviews on **Amazon** to boost its product's ratings. This case draws attention to the issue of fake online reviews.

The Verge

Fake Amazon reviews draw fraud charges in groundbreaking FTC case

/ A supplement company paid a third-party website to write misleading reviews about a weight-loss drug

\$12.8M 



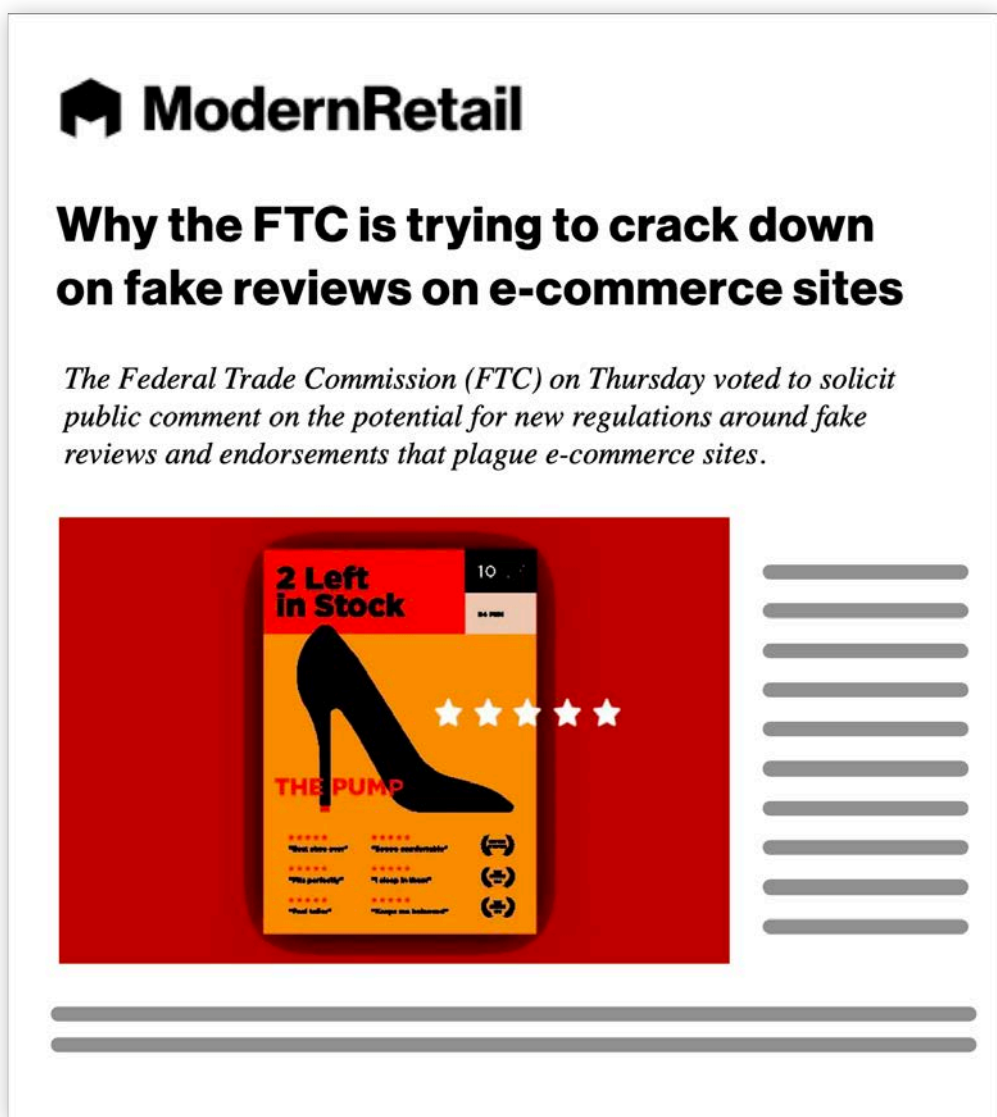
2020

The FTC announces a settlement in the case prohibiting **Cure Encapsulations, Inc** from continuing business unless they have reliable scientific evidence supporting their claims. It includes a \$12.8M judgment to be paid to the FTC. This highlights the importance of e-commerce platforms in combating fake reviews.

2021

The FTC issues a warning letter to more than 700 companies including **Apple, Amazon, Facebook, Walmart, Tesla, Target**, and more. The agency is placing them on notice that they could incur significant civil penalties – up to \$43,792 per violation.

\$43.8K PER VIOLATION



2022

The FTC continues to crack down on fake reviews, enforcing regulations and guidelines, while partnering with online platforms and consumer advocacy groups to combat deceptive marketing practices. The FTC's vigilance in this area remains a priority.

2023

This June, the FTC proposed a “Rule on the Use of Consumer Reviews and Testimonials” seeking to update their authority “to attack deceptive advertising in the digital age.” If the proposed rule takes effect, violations will carry a fine of up to \$50,120 per violation for businesses and individuals.

\$50.1K PER VIOLATION

The Washington Post

Those 10,000 5-star reviews are fake. Now they'll also be illegal.





Our proposed rule on fake reviews shows that we're using all available means to attack deceptive advertising in the digital age. The rule would trigger civil penalties for violators and should help level the playing field for honest companies.

—Samuel Levine, Director of the FTC's Bureau of Consumer Protection



So What Exactly is Prohibited?



Selling or Obtaining Fake Consumer Reviews and Testimonials

Writing or selling reviews by someone who does not exist, did not have experience with the product or service, and/or misrepresented their experiences.



Review Hijacking

Using or repurposing a consumer review written for one product so that it appears to have been written for a substantially different product.



Buying Positive or Negative Reviews

Providing compensation or other incentives conditioned on the writing of consumer reviews expressing a particular sentiment, either positive or negative.



Insider Reviews and Consumer Testimonials

A company writing reviews of its products or services, without clearly disclosing their relationships.



Company Controlled Review Websites

Creating or controlling a website that claims to provide independent opinions about a category of products or services that includes its own products or services.



Illegal Review Suppression

Using unjustified legal threats, other intimidation, or false accusations to prevent or remove a negative consumer review or misrepresenting that the reviews on its website represent all reviews submitted when negative reviews have been suppressed.



Selling Fake Social Media Indicators

Selling false indicators of social media influence (like fake followers or views) or buying such indicators to misrepresent their importance for a commercial purpose.

AI's Impact on This Issue

New types of artificial intelligence tools, which can write human-sounding, but bogus, product reviews or summarize thousands of reviews into a single sentiment – threaten to compound the problem.



The Dark Side: AI-powered bots can generate fake product reviews en masse. These bots, powered by increasingly advanced AI models, can create convincing but entirely fictitious reviews that are designed to artificially inflate a product's ratings or harm competitors. Additionally, this past summer **Amazon** and other large retailers announced they are introducing AI-powered summaries of customer reviews. Without having fixed the issues of fake and misleading reviews, this stands to magnify the problem by combining fake and legitimate testimonials.

The Bright Side: On the other hand, AI can automate the process of collecting genuine customer feedback and reviews, making it easier for brands to engage with their customers and improve their products or services.

Top 10 Actions You and Your Brand Can Take

Remember, compliance is not just about avoiding legal repercussions; it's about building and maintaining trust with your customers. In an era where authenticity is paramount, your commitment to honest marketing practices can be a key differentiator that sets your brand apart.

- 1 Encourage Genuine Reviews:**
Encourage real customers to leave honest reviews. Emphasize the importance of their feedback in improving your products and services.
- 2 Monitor Your Reviews:**
Regularly monitor reviews on e-commerce platforms and review websites. Identify and report fake reviews to the platform and the FTC.
- 3 Seek 3rd-Party Validated, Honest Reviews:**
Work with a trusted expert review provider like **The Desire Company** to provide authentic, informative product reviews on your site.
- 4 Avoid Deceptive Practices:**
Do not engage in tactics that manipulate or deceive consumers, such as posting fake reviews or testimonials, or retaliating against customers who leave negative feedback.
- 5 Educate Your Team:**
Train your employees and partners on the importance of compliance with FTC guidelines. Make sure they understand the consequences of non-compliance.
- 6 Collaborate with Review Platforms:**
Work closely with e-commerce platforms and review websites to report and remove fake reviews. Cooperate with their efforts to maintain review authenticity.
- 7 Update Your Marketing Policies:**
Review and update your marketing policies and guidelines to align with the FTC's regulations. Make sure your employees and partners are aware of these policies.
- 8 Embrace Transparency:**
Ensure that any relationship between your brand and endorsers or reviewers is disclosed transparently. This includes compensation, free products, or other incentives. Be transparent about your products' strengths and weaknesses.
- 9 Be Prepared for FTC Investigations:**
In the event of an FTC investigation, cooperate fully and provide any necessary information. Complying with FTC requests is essential.
- 10 Stay Informed:**
Keep abreast of the latest FTC guidelines and regulations related to endorsements and reviews. Adapt your practices accordingly.



Conclusion: Why It Matters

In today's fast-paced and always changing environment, consumer trust is the most precious currency for brands and retailers.

Fake reviews are a direct attack on this trust. They undermine the credibility of your brand and the platforms you sell on. Consumers crave authenticity, and as the FTC tightens its grip on deceptive practices, staying ahead of the curve is essential.

The FTC's proposed rule banning fake reviews and testimonials is a watershed moment. This shift towards greater transparency and authenticity presents both challenges and opportunities.

THE CHALLENGE

The days of relying on fake reviews to boost sales are numbered. Brands will need to refocus on delivering quality products, outstanding customer service, trusted product information and genuine customer feedback.

As the FTC puts the heat on fake product reviews, the mandate is clear: authenticity wins, every time. Embrace it, champion it, and your brand will thrive in this new era of marketing integrity. Are you ready?

Sources: [Fakespot, 2021](#). [BrightLocal, 2023](#). [Bazaarvoice, 2020](#). [Global Newswire, 2022](#). [CHEQ, 2021](#). [Federal Trade Commission, 2011](#). [Federal Trade Commission, 2023](#). [The New York Times, 2011](#). [Sift, 2019](#). [Marketingland, 2018](#). [Amazon, 2021](#).

THE OPPORTUNITY

Embrace authenticity as your guiding principle. Employ experts to provide trusted, informative reviews and engage with your shoppers to invite real, honest feedback. The reputation you build today will be your most valuable asset in the future.



WE PUT THE "PRO"

IN PRODUCT REVIEWS.

REAL EXPERTS. REAL REVIEWS. REAL RESULTS.



BRAD M. - CHEF / TV PERSONALITY



NOLA A. - RECORDING ARTIST



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