

Review on Service: Does It Really Benefit Customers?

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Abstract

The researches on online review are extant in the recent years, while the review for service receives little attention. Given the fast development of service economy, especially the development of shared economy where services such as driving (Uber and DiDi), medical (Haodaifu.com, Chunyu Doctor) are transacted, it becomes an important question to evaluate whether our understanding of online review on commodities (such as reviews provided on Amazon.com, Taobao.com) can be applied to service products.

We believe that service products have certain unique features compared to commodity products: (1) the outcome of the service depends on not only the service provider, but also the customer who receives the service. For example, whether or not a disease could be cured depends not only on the doctor's effort, but also the complexity of the disease and the patient's own condition. (2) service providers, in many scenarios, are able to decide which customers to serve. Such features make it inappropriate to interpret the review for service the same way as the review for commodity.

This project proposes a theoretical framework to understand how the review for service products is different from that for commodity products. More specifically, we examine whether online review for service products can truly reflect the quality of the service provider. We show that if the service provider is allowed to select customers to ensure a better review outcome, there exist deadweight loss in the social welfare customers who are less likely to produce desirable review outcomes will not be served. A policy that does not allow the service provider to select which customers to serve can effectively reduce the deadweight loss, while cannot completely eliminate it.

Keywords: online service reviews, pricing strategy, collaborative work.