

Incentive to Leave Costly Reviews

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Abstract

This paper investigates the conditions under which rational and selfish individuals voluntarily leave costly reviews. Although prior studies have focused on how reviews influence economic behavior, taking review-leaving behavior as given, little attention has been paid to the incentives that lead individuals to write reviews in the first place. We develop a game-theoretic model in which review leaving is endogenous and show that positive externalities from good products sustain voluntary review behavior in equilibrium, even when leaving a review is costly. Bad reviews steer others away from bad products and facilitate search, while good reviews encourage the adoption of good products, allowing reviewers to benefit from externalities.

Keywords: Online reviews, Social learning, Consumer search, Externality

JEL classification: D82, D83, M52, L15

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