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Algorithmic Nudges as Trust-Building Mechanisms on Digital Platforms

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Motivation:

In high-uncertainty digital environments such as online booking platforms, consumers face pronounced information asymmetry, as they are required to commit to services (e.g., hotel stays) prior to experiencing them. Although reputation systems, such as ratings and reviews, are designed to reduce this risk, the phenomenon of reputation inflation limits their effectiveness. As star ratings increasingly converge toward the upper end of the scale, they lose their ability to meaningfully differentiate between high- and low-quality offerings. Consequently, platforms have begun to rely more heavily on algorithmic nudges, such as platform-endorsed badges (e.g., "Top Choice"), which serve as highly salient signals to guide user decision-making and may influence both consumer choice and trust in the platform.

Goal:

The primary goal of this thesis is to develop a conceptual synthesis of algorithmic nudges as mechanisms for trust formation in digital platforms. By linking contemporary platform-based nudges to established Information Systems (IS) trust models, the thesis aims to identify the theoretical mechanisms through which these visual cues shape consumer perceptions and behavior. Specifically, the thesis may address the following research questions: (1) What are the dominant trust theories in IS research, and how do they explain consumer behavior in digital environments? (2) How can platform-endorsed badges be conceptualized within the broader framework of (digital) nudging? (3) Under what conditions might algorithmic nudges undermine consumer trust by being perceived as manipulative rather than supportive?

References and Related Literature:

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