

## Case 3-B

### **YELP!!! Consumer empowerment or small business extortion?**

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In the middle of the last decade, San Franciscan Jeremy Stoppelman had an idea to empower consumers on-line by harnessing something that was happening on social media. If you like a local business, or if you feel abused by one, let your friends know. YELP promised to bring that information to the world.

For about five years, from 2005 to 2010, YELP dominated a class of websites that allowed consumers to post their unfiltered opinions about local businesses, including restaurants, shops, and other sorts of local services. The site and its content were both successful and powerful. Local businesses particularly thrived with positive mentions; they were punished by negative reviews. YELP's imitators now include Angie's List, a subscription service. In some ways, YELP is an online version of something travelers are familiar with: Zagat ratings, which come in book or magazine form featuring many cities globally. YELP's initial business model did not allow anyone other than individual consumers to post their opinions on the site.

But, when YELP turned the power of rating local firms over to individual consumers, it ran into a buzzsaw of criticism and ultimately legal action. Small businesses filed lawsuits against YELP, complaining that consumer reviews posted on the site were manipulated depending on which companies advertise on the site. In one 2010 suit, a Long Beach, CA., veterinary clinic alleged that the site had published a false and defamatory review and then refused to help mitigate the damage, instead demanding about \$300 per month in the form of advertising to hide or remove the review in question.

YELP's vice president of communication, provided this statement in response to the lawsuits. "YELP provides a valuable service to millions of consumers and businesses based on our trusted content. The allegations are demonstrably false, since many businesses that advertise on Yelp have both negative and positive reviews. These businesses realize that both kinds of feedback provide authenticity and value."

But, as YELP matured, it also decided that it had to find a way to allow local businesses to respond to the comments on the site. Beginning in April 2009, it allowed small business owners to respond publicly to reviews, in large part because local business had been demanding more of a voice on the site. YELP's chief operating officer Geoff Donaker noted of the responses, "as long as it's done in a respectable way, it's good for the consumer and good for the business owner."

In general, local business owners welcomed the opportunity. Peter Picataggia, the owner of Tart, a Los Angeles restaurant and a YELP advertiser, was quoted in the New York Times as saying that while his staff responded privately to almost every YELP review, he welcomed the opportunity to respond publicly.

These business model tweaks apparently worked in another way. In March 2012, YELP offered sales of stock in the business—which in financial terms is called an initial public offering (IPO)—to investors. The stock offering was successful and the price of YELP stock, three months later, was about \$6 per share above its initial price of \$15.

### **Micro Issues**

1. What is the ethical responsibility of members of the public who have a bad experience with a local business to tell the truth or accurately report what happened?
2. What is the ethical responsibility of someone who reads such a post?
3. In an ethical sense, should businesses be allowed to respond either privately or publicly to such criticism?
4. In an ethical sense, is it the responsibility of the business owner to monitor what is said about that business in the “online” environment? Does the same responsibility apply to the consumer?
5. Does the same thinking apply to sites such as Ratemyprof.com? How about a site such as Ratemychurch.com?

### **Mid-range Issues**

1. What is the ethical responsibility of those who develop such sites to make certain that criticism and praise are both truthful and civil?
2. Should such sites offer advertising to local businesses? Distinguish in an ethical sense between the policy of YELP and similar sites and those of Angie’s List.
3. Businesses reviewed in Zagat seldom asked for correction or a chance to respond. Why would YELP and other such sites be different?
4. How should such sites ensure that negative reviews were not “planted” by competitors?

### **Macro Issues**

1. Evaluate the statement that such a site needs both positive and negative reviews to promote authenticity.
2. Develop a public relations/strategic communication plan for a local business that specifically addresses how the local business should respond to both critical and positive web reviews.
3. Are individual consumers bound by the same sort of ethically-based expectations when they write such reviews as journalists or strategic communication professionals? If they are not, what are the ethical expectations for consumer comment and why are they distinct from those of professionals “in the business?”