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## Yelp

In September 2012, Jeremy Stoppelman was in a cab headed to a party for Yelp's Elite reviewers in San Francisco's Mission District, worrying about the state of the online business he co-founded and led. Yelp was a popular online destination for reviews of local establishments, including restaurants, shops, and beauty salons.<sup>1</sup> Volunteer Internet users, who contributed content for free, wrote the reviews. By the end of 2011, Yelp had grown to more than 60 million unique monthly visitors, and three months later, the company went public, raising \$107 million.<sup>2</sup> Despite the site's popularity, Yelp was a long way from profitability, incurring an operating loss of \$16.2 million on \$82.3 million of revenue in 2011.<sup>3</sup> The slowdown in advertising spending that accompanied the financial crisis of 2008 was a major setback, since Yelp booked most of its revenue from advertising and sponsorship.<sup>4</sup> Stoppelman needed to improve the company's financial situation soon or risk the collapse of the business and the vibrant community his company had created.<sup>5</sup>

He narrowed his choices to two options. First, Yelp could maintain its existing monetization model and continue to invest in a massive sales force to enroll many local business owners as advertisers and sponsors. Stoppelman was unsure, however, how large an investment it would take to see results. The second option was to change the monetization model completely and charge readers for access to Yelp reviews. Sites like Angie's List, which provided reviews of local contractors and doctors, had already done so with considerable success, even with far fewer reviews.<sup>6</sup> Though the latter option would quickly add to Yelp's revenues, Stoppelman worried that paid access would alienate some of the contributors Yelp relied on. As he threw open the door to join the party, he asked himself yet again whether there was another way to monetize the Yelp community of reviewers.

## Yelp's Origins

Yelp was founded in mid-2004 by Jeremy Stoppelman and Russel Simmons, both former employees at PayPal, a company that processed payments for online transactions.<sup>7</sup> Stoppelman was 26 at the time and Simmons was a year younger. Two years before, when PayPal was sold to the online auction company eBay, the two had begun brainstorming with PayPal's co-founder Max Levchin at his startup incubator, MRL Ventures.<sup>8</sup> Accounts differ on how the concept of Yelp first arose. According to one version, Stoppelman needed a doctor in San Francisco but did not know how to find a good one on the Internet.<sup>9</sup> In contrast, a company press release claimed that the idea grew out of Stoppelman and Simmons' efforts to find a good slice of pizza. "We were working late one night and seriously wanted the perfect slice, but didn't know whom to ask and didn't just want to

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order out of the Yellow Pages,” Stoppelman recalled. “We both thought that there had to be a better way.”<sup>10</sup> Whatever the initial inspiration, the company’s intention was to tap into many people’s personal experiences with local businesses. “There’s an information shortage when it comes to local businesses,” said Stoppelman. “If you look at the Yellow Pages, what are you seeing? You’re seeing how much money a business spent to buy a big ad.”<sup>11</sup> Stoppelman and Simmons had also concluded that existing services that applied the web-search model to local commerce missed the mark.<sup>12</sup>

On the initial version of the site, launched in late 2004, users could specify the service they were looking for, such as a restaurant or doctor, the location, and the e-mail addresses of friends whose recommendations they wanted to request. These friends would then receive an e-mail message with the request, along with a suggestion to pass it on to anyone else who might be helpful.<sup>13</sup> People in the same vicinity who had responded to similar queries also received the message.<sup>14</sup> Yelp compiled the responses and sent them to the original inquirer. The site also made friends’ recommendations available for browsing, but did not provide user-profile or photo functionality to contributors.<sup>15</sup>

Levchin, who had invested \$1 million, compared Yelp and the offline world:

If you want to find out what your local friends and their friends consider the best Saturday morning coffee in the Mission, or a cheap and thorough cleaning person in SOHO, a quick ping through Yelp is all you need. . . . This is already exactly what happens when you ask friends for help via email; all we’ve done is taken it to an entirely new level. The process is made much more effective by adding friends of friends into the mix, and much more convenient with features that enable faster, more complete responses, caching previous answers, and making the whole process very “single-click.”<sup>16</sup>

But this version of the site proved unsuccessful. The founders then decided to stop asking users who they wanted to e-mail; in the next iteration, all they had to input was their locale and the service they were seeking. Stoppelman explained the shift:

[W]e got a lot of feedback that was like, “Well, I get all these e-mails. I don’t have the answers to questions very often. It’s a lot of e-mail traffic for me.” . . . [But we] buried in the site a way to write your own review. So it’s like, you’re coming in, you’re typing in your friends’ e-mail addresses and the question and so forth, and then, oh, by the way, two pages in, “Oh, you want to write a review without being asked a question? Sure, why not.” . . . [O]ne thing we saw that was particularly interesting is, in the data, some people would come to the site and just write a string of reviews. They’re just in the mood to share . . . what their favorite places are, or who their providers are. . . . We were just a little distance off of the right solution, which was, “How do you get people to share this critical information?”<sup>17</sup>

By early 2005, the site had been overhauled to emphasize review writing. To help seed the new site with reviews, Yelp founders asked friends familiar with local establishments to write reviews.<sup>18</sup> The site design was also changed in response to data on early adopters. Stoppelman explained:

We found a lot of women initially were attracted to the site, and so we tried to make our site more female-friendly. . . . The word “Yelp” is pretty harsh. . . . [I]n the beginning, the word had a connotation of “dog being kicked” or something harsh like that, so it was important to try and soften that. So we did it with visual elements, so the “Yelp” logo has that burst that sort of looks like an ambiguous flower or something like that. . . . And the original color scheme was blue and gray which, you know, is kind of a sleepy tone, and I think it’s a little more male.<sup>19</sup>

The site was also upgraded to feature contributors' profiles. Each profile contained basic demographic information, a chronological list of the contributor's reviews, a list of establishment lists compiled by the reviewer, and a compilation of compliments the reviewer had received for his or her reviews. The profile also listed the contributor's Yelp friends and events the contributor planned to attend.<sup>20</sup> Yelp also rolled out a fully featured message board, dubbed "the Talk Boards," and a messaging system for users to communicate with each other. Stoppelman was gratified by the new site's reception: "We started seeing the first 'Yelpers,' as we call them, that were saying, 'Oh, this is so much fun. I'm addicted!' We had never heard that word about our previous site. We started seeing early evidence that we were building a community."<sup>21</sup>

Yelp's business model revolved around three key constituencies: the contributors who wrote reviews, the consumers who read them, and the local businesses that they described.<sup>22</sup>

## Attracting Contributors

Yelp was very successful at building a community of reviewers. In 2012, most reviewers in the U.S. were college graduates and 20% had postgraduate degrees. Slightly more than 42% of reviewers were between 18 and 34 years old, and 41% were between 25 and 54. Twelve percent were 55 years of age or older.<sup>23</sup> In June 2005, though the company was still largely limited to San Francisco, contributors had written roughly 25,000 reviews.<sup>24</sup> A year later, this number had increased to 100,000. By July 2007, it had exceeded 1 million, and at the end of 2008, there were 4 million reviews on Yelp. It continued to grow and expand to new locations, and by the end of 2011, there were over 25 million reviews.<sup>25</sup> Shopping establishments comprised 23% of all reviews, followed by restaurants at 22%, and beauty and fitness, arts and entertainment, and home and local services at 9%, 7%, and 10%, respectively. Other categories (auto, nightlife, travel and hotel, and other) comprised the rest.<sup>26</sup> By March 2012, Yelpers had written over 27 million local reviews.<sup>27</sup>

## Reviews

Yelp succeeded at attracting reviews in part because anyone could post a review to the site. There was no established format, and the company did not edit reviews for spelling, grammar, or accuracy. Yelp also protected reviewers from the businesses they reviewed: businesses were forbidden to badger reviewers via Yelp's mail system. Nor were they allowed, with rare exceptions, to respond to negative reviews on the site. The latter feature distinguished Yelp from an early competitor, JudysBook, based in Seattle. Like Yelp, JudysBook tried to encourage considerate behavior and high-quality reviews, but unlike Yelp, it allowed business owners to post responses. Finally, to keep the community healthy and prevent conflicts of interest, Yelp forbade business owners from reviewing their own establishments, soliciting reviews from employees and friends, or offering incentives for positive reviews. Similar rules applied to reviews of competing establishments.

With little censorship, Yelp contributors were free to write without constraints. Some reviews were only one sentence long; others went on for paragraphs. Most reviewers recounted their personal experiences in light and often witty prose. Some described the service, the ambiance, and even the attractiveness of the wait staff. Most, however, concentrated on the food, as did this reviewer:

Moist, delicious meatballs in sweet tomato sauce piping hot out of the oven. Deep fried buffalo mozzarella and bread chunks on skewers dipped in batter and deep fried with anchovy and oil sauce. Cauliflower with capers, anchovies and hot pepper flake. Über fresh Mozzarella, formed and stretched to order, silky smooth with a drizzle of olive oil.<sup>28</sup>

Yelp contributors posted reviews for different reasons. Some simply loved sharing their opinions: “For me it was a little release of creativity,” one said. “I’ve been a writer since, like, birth.”<sup>29</sup> Others wrote with the hope that their input would change an establishment for the better or because they believed that their reviews would be useful to others. Others contributed because they wanted to write a better review than their friends did, or because they enjoyed getting compliments on their reviews from others. Yelp seemed to be aware of the motivating effect of getting a compliment, asking some of its employees to comment on users’ reviews, particularly if they had been written by users who just joined.<sup>30</sup>

### *The Elite Squad*

To promote a sense of community among contributors and to recognize and reward its most active and influential contributors, Yelp introduced its “Elite Squad” program in 2005.<sup>31</sup> In the beginning, the company used the program to draw in members who had not yet contributed much, but seemed to know the newest bars and restaurants and were very likely to share this information with their friends as well as with strangers. Contributors could apply to join, but Yelp also extended unsolicited invitations. The company favored members who contributed useful and judicious reviews of a variety of establishments, written with a dose of humor and personal anecdotes. New Elites were chosen each year by a governing body known as The Council. According to the vice president of North American marketing, Andrea Rubin, “We don’t share how it’s done.”<sup>32</sup> Only members who were 21 and over, revealed their real names, and posted photos of themselves on their profiles were admitted to the Elite Squad. Business owners and those affiliated with local businesses were excluded. Yelp refused to reveal the total number of Elites, but the number was estimated to be in the low thousands as of 2011.<sup>33</sup>

The company hosted frequent parties for Elite Squad members.<sup>34</sup> The parties rewarded the most-active reviewers and provided incentives to continue writing reviews. Parties were often sponsored by local businesses attempting to impress the Elite.<sup>35</sup> Stoppelman described the somewhat serendipitous creation of the idea for throwing parties:

[W]e had at the time one marketing person who was like, “Maybe we should meet some of our users that are addicted Yelpers now. . . . They’re in San Francisco; we’re in San Francisco, it can’t be that hard to meet up.” And I thought, “That’s a great idea, let’s look these people in the eye.” . . . We had this first meeting; it was this really social bunch that came out and met up with us for drinks, and we’re like, “Wow, this is really interesting.” [The meetings] sort of spun out of that. We did our major event [at] Armani Café. It was really successful. People had a great time. . . . So it just seemed like, “Hey this really fits and makes a ton of sense, so let’s just keep doing it.” And so we kept doing it, and it got bigger and bigger and now [we’re] a little notorious for it.<sup>36</sup>

Elite Squad parties became an integral part of the company’s culture. In October 2008, for example, there were 10 Elite Squad events, including a wine event in New York, a cocktail party in Los Angeles, costume parties in Boston and San Francisco and an event at the Phoenix Arts Museum.<sup>37</sup> Between 2009 and 2011, Elite Squads were launched in major cities including Paris, Toronto, London, and Vienna, and in smaller markets such as Pittsburgh, Calgary, and Leeds. By 2012, there were over 60 Elite Squads throughout North America and Europe.<sup>38</sup> Each event was described on a Yelp blog page. The parties gave Yelp Elite members a chance to meet each other. “It’s a group of people who find unique, cool places to go, and they share it with each other. . . . It’s really like a bunch of friends,” commented one Elite Yelper. Others, like a 23-year-old female Yelper in Portland, Oregon, attended Elite parties to find dates. Having attended college out of state and then

returning to work for an online business, she found that she knew few people in her hometown. “I’m not about to do online dating,” she said, “but a network for meeting friends sounded good.” At one Elite party, she met a reviewer whose writing she admired. “He came on the scene a few months ago, and he’s hilarious,” she said. “I really want to meet this guy.”<sup>39</sup> Others enjoy personal satisfaction from Elite status. “I like to tell my friends that my opinion is important,” explained a 29-year-old female Yelper. “When I go into a restaurant, the owner says, ‘You’re here to write a review, aren’t you?’ I’ll say, ‘Don’t worry, I’m Elite.’”<sup>40</sup>

Participants reviewed Yelp Elite parties more or less as they would a restaurant or other event.<sup>41</sup> Most parties were also extensively photographed, and the pictures were posted on Flickr (<http://www.flickr.com/photos/yelp>). By May 2012, over 241,483 pictures had been posted. As one member commented, “Flickr is littered with raucous snapshots from Yelp events.”<sup>42</sup>

## Geographic Rollout

In its first couple of years, Yelp focused on establishing a presence in San Francisco where a thriving nightlife and restaurant scene made for a lively community of reviewers. It was not yet clear, however, whether the model would work elsewhere. “Yelp has a very distinctive voice. The danger is, is it just San Francisco that’s like that?” Levchin said in 2006. “The hope is you can export the DNA of Yelp.”<sup>43</sup> Choosing suitable cities presented the next challenge. Stoppelman explained how he and his colleagues resolved it:

The first three [cities] were Boston, Chicago and New York. And then we expanded later that year to a total of five. We added LA and Seattle. We chose it based on “Where is Citysearch working? Where is Craigslist working?” [We tried] to find parallel models and make sure the city is sufficiently wired and look for those factors that we think might have contributed to the success of San Francisco. And so it wasn’t overly scientific, but we tried to take a big stab at it.<sup>44</sup>

To fund its early expansion, Yelp raised \$5 million from Bessmer in 2005 and \$10 million from Benchmark in 2006. By the end of 2006, Yelp had established a presence in 12 U.S. cities. In 2007, it entered 12 more, as well as Toronto and Vancouver in Canada. A year later, Yelp expanded to the U.K. By 2012, Yelp was also operating in Australia, Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Norway, Spain, Sweden, and Switzerland, and the Netherlands. As of March 31, 2012, Yelp was active in 49 markets in the U.S. and 33 markets internationally.<sup>45</sup> (See **Exhibit 1** for review coverage of different cities.)

Initially when entering new cities, Yelp paid \$1 per review, but this strategy did not work well. The reviews were often poorly written and, according to one Yelp executive, “It didn’t do anything to build an initial community. These weren’t passionate users.”<sup>46</sup> Stoppelman was also dubious about the pay-per-review model. “[I]f you paid me a dollar for my review, does that make me want to write? No, it actually sort of trivializes my contribution, and I’m not writing it for compensation,” he said. “I’m here because I want to express my opinion, and I’m happy to have a good time and share it with other like-minded folks.”<sup>47</sup> The company changed its policy, as Stoppelman explained:

[T]he only place where there’s paid reviews is a new market where there’s no content. Certainly if you come to a site that has nothing whatsoever, that’s bad. It’s a bad user experience, nobody knows what to do, nobody knows what the site’s about and so you have to get some base level of content, so we have employees [write reviews] at the very very early stages, the first few weeks of a city.<sup>48</sup>

To jumpstart a local presence, the company hired local Community Managers. Their tasks included writing reviews, encouraging volunteer reviewers by commenting on their reviews, starting message-board discussions, and launching the Elite Squad.<sup>49</sup> In certain cities, Community Managers were also responsible for coordinating social events.<sup>50</sup> “We do become friends, we do meet and hang out because it really does draw together like-minded individuals,” said one Community Manager.<sup>51</sup>

## Surfacing Content to Readers

As Yelp’s geographic reach and review coverage grew, the number of readers who were not contributors grew exponentially. By June 2006, Yelp had 1 million unique visitors per month.<sup>52</sup> That number grew from 4 million by July 2007,<sup>53</sup> to 20 million by the end of 2008. At that point, Yelp became the 40<sup>th</sup> most-visited U.S. site; the average user spent 2–3 minutes on the site per month, viewing 6 pages per visit.<sup>54</sup> By Q1 2012, Yelp averaged approximately 71 million monthly unique visitors.<sup>55</sup>

On visiting Yelp, a reader encountered a city-based homepage with a prominent search bar. Below the search bar, the reader saw three recently posted “Reviews Near You,” followed by upcoming events and event updates. Below the events, Yelp displayed 5 “hot new businesses” and Yelp Talk, which served as the site’s message board. Below Talk was a Best of Yelp feature, listing the top 5 restaurants, shops, nightlife spots and beauty spots in a city; a list of 22 service categories; and a review of the day, voted on by Yelpers. This layout made Yelp content readily accessible, but some readers complained of sensory overload.

Depending on a reader’s search criteria, links led either to a list of establishments or to a particular venue’s page. Each establishment page comprised establishment name, categories it belonged to, its address and telephone number, a Google map, a link to its own website, and information on hours of operation, price range, credit-card acceptance, and Wi-Fi availability, reservations, parking, dress code, and suitability for children. The site also prominently displayed the number of Yelp reviews, the average rating the establishment had received, and the name and photo of the first Yelper who had reviewed it.

Below all this information, Yelp displayed reviews, approximately 40 to a page. Each prominently displayed its author’s name and photo, which readers could click to access the reviewer’s profile. Contributor profiles were often used to learn which reviews a particular reviewer had written and who her or his Yelp friends were. One user praised the profiles as invaluable for deciphering a review: “Member profiles are a cool yet efficient way to determine if a reviewer’s interests match mine, and thus whether I should trust their opinions.”<sup>56</sup> Yelp readers who logged in with a user name and password also saw three buttons next to the contributor’s name: one to post a compliment on the review, a second to send mail directly to the reviewer, and a third to bookmark the reviewer for rapid access to her or his future contributions.

Readers could also give “thumbs-up” ratings to reviews in three categories: useful, funny, and cool. (There were no “thumbs-down” ratings.) These ratings were made visible to future readers of the review. An average review received three or four ratings (though the median was closer to zero); reviews written by users with many Yelp friends typically received around 50 ratings. The sequencing of reviews was determined by an automatic algorithm that reportedly employed newness, frequency of reviews by the contributor, and reader ratings.<sup>57</sup> Readers could re-sort reviews based on ratings of the establishment in question or on how many people had rated the reviews; alternatively, they could view Yelp friends’ reviews first. Each venue’s page also offered links to the

pages of other enterprises viewed by prior visitors and a selection of user-generated lists on which the focal establishment appeared. Each page might also include a sponsored search result or a piece of advertising, both of which are described in detail below.

## Yelp's Impact on Local Businesses

Yelp contributors tended to review independent businesses rather than chains. "Small businesses are often seen struggling against large brands. They don't have the \$1 billion a year that Starbucks spends on marketing," said Stoppelman. "But Yelp takes their positive word-of-mouth and amplifies it online."<sup>58</sup> Yelp reviews often had a profound impact on a business's fortunes. For example, a positive review of an Orange County hairdressing salon by a top Yelp user with over 2,000 reviews to her name led to an influx of new clients. "I've been doing hair for 16 years, and I'm busier than I've ever been," the salon's owner commented. "Saturday I came in at 6:30 a.m., left at 8 p.m., and did 22 people. I woke up Sunday and my hands were all swollen. I had to put them in an ice bucket."<sup>59</sup> . . . I've taken out ten ads in *OC Weekly* this year and have gotten maybe one call. I get anywhere from 5 to 15 calls a day from Yelpers. They come in and then write reviews. Then other people see the reviews, think it must be great, and call."<sup>60</sup>

Businesses whose reviews were less favorable also stood to benefit from Yelp. "Your customers are out there saying things about you, whether it's on Yelp or on some blog. The faster you can fix problems, the better you're going to do," said Stoppelman. "Customer service is the new marketing."<sup>61</sup> One shop owner agreed: "It is my way of really listening to the customers, for better or worse. [My employees know] if I ever see anything bad on there, I'm going to come in and yell at them."<sup>62</sup> A restaurateur recalled his reaction to one review: "I took his response and redlined all the constructive comments. We fixed it in 15 minutes. We threw out our outdated cash-register system, updated with a point-of-sale system and added an expeditor to our pick-up area to check all the orders against their tickets."<sup>63</sup>

As one industry insider observed, "No longer is each customer interaction a one-off interaction. Any customer who has a great or horrible experience now has, as soon as they walk out the door, a megaphone to tell the world they had a great or horrible experience, fairly or unfairly."<sup>64</sup> Despite this potential to throw their weight around, Stoppelman believed reviewers rarely used Yelp to hype or malign individual businesses. Indeed, 80% of businesses rated on Yelp were awarded three stars or more. "Yelp is not a place where people get screwed," Stoppelman explained. "Yelpers don't do drive-by reviews. They're looking for trust, reliability and entertainment. We have something none of the other local search companies has, which is community."<sup>65</sup>

But not everyone was enthusiastic about Yelp's effect on businesses. If any customer could become a reviewer, the potential for a negative review was dramatically increased. "[T]here's nowhere to hide," said one business owner. "Anyone can give you a review that can totally make or break your business. It's made it so you have to be A+ on the ball all the time."<sup>66</sup> A number of businesses tried to have negative reviews removed from the site, but they rarely succeeded due to First Amendment protections. The only exceptions were situations in which reviews violated the terms of service or contained libelous accusations. More legitimately, some business owners were alarmed that Yelp reviews could be used to lash out at a business if, for example, it was closed for a private event. They also worried about negative reviews by competitors or disgruntled ex-employees. Such reviews violated Yelp's terms of service, but many business owners feared there was little they could do to remove such reviews: "We're just one little restaurant in the middle of 500,000 restaurants," said one. "They don't have time to respond."<sup>67</sup> Some establishments went so far as to file libel and defamation suits against Yelp reviewers, most of which were dismissed.<sup>68</sup>

## Monetizing Yelp

Yelp had tried numerous ways of monetizing the community. “We started with pay-per-call [whereby Yelp would get paid if a customer called the business and mentioned Yelp], where we focused on businesses that took a bunch of phone calls. And then we moved to a [pay-per-visit] program that Citysearch has offered for a number of years [but] for some local businesses, the [pay-per-visit] model was a little bit hard to understand,” said Stoppelman.<sup>69</sup> Finally Yelp settled on offering businesses the option of placing sponsored search results or banner ads on competitors’ pages.<sup>70</sup> For example, a reader who landed on the Yelp page of a café in Harvard Square in Cambridge, Massachusetts, might also see a sponsored listing of a café in nearby Central Square prominently displayed at the top of the page. Clicking on that listing took the reader to the rival café’s Yelp page, but not the café’s actual webpage. Only establishments with a significant number of reviews and three-star or higher ratings were allowed to participate in this advertising program. Yelp also sold advertising to companies like Monster and Zipcar, whose ads appeared near the bottom of individual venues’ pages.

In early 2008, Yelp also rolled out a sponsorship program. For a monthly fee, a business could update the information on its Yelp page, post photos and updates, and highlight a single review.<sup>71</sup> By 2012, Yelp had an average of 17,500 active local business accounts.<sup>72</sup> A sponsoring establishment could also track how many readers visited its Yelp page and contact Yelp reviewers directly. One café owner described the benefits of the messaging system: “If they say they got a stale pastry, that’s something we can make a difference on. Is there a problem with the supplier? Did we put out the pastry in the wrong way? We’ll often follow up with them and offer a coupon for a free pastry.”<sup>73</sup>

Establishments that paid sponsorship fees could also contact an account manager at Yelp to resolve problems with the site. But sponsorship did not allow them to remove bad reviews or to move them to the bottom of the page. Indeed, plenty of Yelp sponsors had negative reviews on their pages. Nor were sponsors given privileged treatment when, for example, complaining about reviews they suspected were written by competitors. All such complaints were handled by the user-support team, which had the sole power to suppress a review. According to Yelp, the user-support team was not part of the sales organization and was not compensated on sales performance.<sup>74</sup>

Despite these assurances of editorial independence, the sponsorship program generated substantial controversy in San Francisco newspapers. One restaurateur reported the following telephone conversation: “Hi, this is Mike from Yelp. You’ve had 300 visitors to your site this month. You’ve had a really good response. But you have a few bad ones at the top. I could do something about those. We can move them. Well, for \$299 a month.”

A couple of other business owners were reportedly offered similar arrangements by a sales rep who claimed that “we’re not eliminating your bad reviews; we’re shifting them around. We do that anyway. . . . This is just to your advantage.” One owner ventured a hypothesis: “Almost all the time when they call you, the bad [reviews] will be at the top. . . . I think they’re doing anything to make a sale.” Other business owners contacted by the newspapers reported never having received offers to have their reviews repositioned. (See **Exhibits 2, 3, and 4** for review arrangement information for a sample of establishments.) Some Yelp executives suspected that the offer to highlight a single review at the top of a business’s page may have been misconstrued as an offer to shift all the reviews around. Still, Chief Operating Officer Geoff Donaker conceded that Yelp could do a better job of training its sales team to be “crystal-clear about what you get and don’t get.”<sup>75</sup>



The negative publicity elicited a mixed response from readers and contributors. “[The accusation of shifting of reviews] does bother me,” one reader said, “because up till now I feel like it’s been completely – just all user content.” But a frequent contributor, asked whether he would still use Yelp if he knew that the site suppressed content for commercial reasons, said, “Yeah, I think I would.”<sup>76</sup>

### *Turning a Profit*

Because Yelp was privately held until March 2012, precise revenue and profits were not available until the IPO. Yelp reported \$83 million in revenue in 2011, up from \$47.7 million in 2010.<sup>77</sup> Over 70% of revenue came from ads sold to local businesses.<sup>78</sup> However, the company continued to spend big on sales and marketing, which prevented Yelp from making a profit. In 2011, it incurred losses of \$16.2 million, up from \$9.6 million in 2010.<sup>79</sup> (See **Exhibit 5** for expenses and revenue chart.)

Three explanations were advanced for Yelp’s low revenue. Some observers attributed it to the decision to focus on restaurant reviews. “You can’t monetize restaurants,” one venture capitalist said. “What about plumbers or contractors? That’s where the money is.”<sup>80</sup> Others faulted the revenue model of charging establishments for advertising. As one astute Internet user observed: “Restaurant gets bad review, and it will not advertise on Yelp. Restaurant gets great review, and it will not advertise on Yelp. What’s the incentive?” Finally, others attributed the problem to Yelp’s focus on local advertising, which required huge sales-force investments to be profitable. It was clear that addressing these problems would be critical to profitability.

## **Yelp’s Competitors**

As Yelp groped toward an effective business model, it had to take into account a handful of well-established competitors in local search and local reviews, both offline and online. Competitors ranged from Angie’s List, whose shares went down more than 3% despite a much-hyped IPO, to Google, which bought the popular Zagat site in 2011.

### *Yellow Pages (Print and Online)*

The first yellow-pages directory was created in 1885, seven years after the invention of the telephone.<sup>81</sup> By 2004, the U.S. yellow-pages industry had become ubiquitous but fragmented; both large phone companies and an estimated 250 independent publishers produced and distributed regional directories.<sup>82</sup> Many sold advertising to generate revenue. Verizon, for example, published 1,750 directories in 2004, putting over 120 million copies in circulation and generating almost \$1 billion in income.<sup>83</sup> In 2005, the yellow-pages business was worth \$26 billion worldwide,<sup>84</sup> \$15 billion of which was generated in the U.S.,<sup>85</sup> but had dropped in value to \$23.4 billion by 2011.<sup>86</sup>

As growing numbers of consumers turned to the Internet for local search, some phone companies began taking their directories online. In 2004, for example, telecom companies SBC and BellSouth jointly acquired the website [www.yellowpages.com](http://www.yellowpages.com).<sup>87</sup> Between 2006 and 2007, the percentage of U.S. Internet users who used an online site to find a local business grew from 70% to 86%.<sup>88</sup> Some industry analysts forecasted that, by 2015, 53% of global yellow-pages revenues would be digital, compared to 29% in 2011.<sup>89</sup>

## *Citysearch*

Citysearch launched its site at [www.citysearch.com](http://www.citysearch.com) in 1996, with the North Carolina Triangle as its inaugural area.<sup>90</sup> Geared toward providing thorough information about local communities, including weather, events, government reports, and news, the site also included business listings; it contained editorial content produced by Citysearch in addition to user reviews. By the time Yelp launched in 2004, Citysearch had already accumulated hundreds of thousands of reviews in dozens of cities.<sup>91</sup> With time, Yelp began to catch up and even to exceed the number of reviews available on Citysearch. (See **Exhibits 6** and **7** for comparisons of Citysearch and Yelp reviews.)

In 2003, Citysearch shifted to a performance-based model, whereby a business paid whenever a customer clicked on its advertisement.<sup>92</sup> The company had a sales force of over 100 people in the field and also employed telemarketers to solicit clients.<sup>93</sup> Citysearch was owned by InterActiveCorp (IAC). The revenues of IAC's media and advertising division, which included Citysearch and other web properties like Evite and Ask.com, rose from \$544 million in 2006 to \$758 million in 2007.<sup>94</sup> In the same interval, the division recovered from an operating loss of \$6 million to earn an operating income of \$29 million.<sup>95</sup> By 2010, the media and advertising division revenues reached \$837 million.<sup>96</sup>

Stoppelman believed that Yelp had enough features to differentiate itself:

Citysearch was definitely the big guy on campus, and they continue to be pretty big. But at the same time people didn't really think of it as a user review site. They really have more of a top down model of classic editorial. . . . If you go to a business page on Yelp versus a business page on Citysearch, the business page on Yelp is only reviews, that's the only thing they discover, and we put 20 reviews on that first page, whereas Citysearch, you'll find editorial which takes up most of the page, if there is editorial, and then one review. The other major difference is just the information you have available about that review. On Yelp, the average Yelper has their full profile, they have their links to their favorite website, they have the answer to a lot of questions, you can see all their other reviews, so there's just a lot more in which you can evaluate a specific opinion. . . . Citysearch [is] just semi-anonymous.<sup>97</sup>

By 2012, Yelp had surpassed Citysearch in monthly visitors with 71 million and 14.4 million, respectively.<sup>98</sup>

## *Michelin*

Yelp also competed with guides that concentrated exclusively on restaurants, such as Michelin Guides and Zagat, as well as up-and-coming online restaurant sites like Chowhound. Michelin Guides first appeared in France in the early 1900s, published and distributed for free by the tire manufacturer Michelin to encourage travel. In the 1920s, Michelin released a separate restaurant guide that rated restaurants using a star system.<sup>99</sup> A coveted three-star rating ("exceptional cuisine and worth the journey") had the potential to dramatically increase a restaurant's business.<sup>100</sup> Michelin's anonymous inspectors had annual budgets of over \$150,000 each for travel, food, and lodging costs.<sup>101</sup> Michelin Guides expanded beyond France but did not enter the United States until 2005, when it began rating New York restaurants.<sup>102</sup> San Francisco, Los Angeles, Las Vegas, and other cities followed.<sup>103</sup> Chicago was added in 2011. Worldwide, the company sold more than 1 million guides covering 22 countries in 2011.<sup>104</sup>

### *Zagat*

While Michelin Guides focused on the high end, the Zagat guide covered a broader range of restaurants. The guide was conceived in 1979 by Eugene Zagat and his wife Nina, in their quest to find good restaurants in New York.<sup>105</sup> Zagat polled 150 friends about their favorite places to eat and distributed the resulting list to the contributors, who then gave it to their friends.<sup>106</sup> Zagat repeated the project annually, and soon hundreds of people were contributing to the survey, which rated food, service, and décor on a scale of 1 through 30.<sup>107</sup> Respondents also estimated the price of a meal and wrote comments; Zagat boiled down the collective comments into a paragraph incorporating the wittiest remarks and observations.<sup>108</sup> These collected recommendations were then published as a book.<sup>109</sup> In 1999, the Zagats launched a website, where they initially made all the information in the guides available for free.<sup>110</sup> In 2002, a small monthly fee was imposed to access the site;<sup>111</sup> in subsequent years the site again allowed free access to user reviews<sup>112</sup> but not to the numerical ratings.<sup>113</sup> In 2007, the company published over 100 guidebooks and sold 650,000 copies of its New York guide alone.<sup>114</sup> Google acquired Zagat in September 2011 and planned to integrate Zagat reviews into Google Maps and its basic search results.<sup>115</sup> Zagat had 120 full-time employees and revenue estimated between \$30 million and \$40 million in 2011.<sup>116</sup>

### *Google Local*

In 2004, Google launched local-search features accessible from the company's home page and from a new website at [www.local.google.com](http://www.local.google.com).<sup>117</sup> Google identified local searches by recognizing queries that contained geographic information.<sup>118</sup> At the time, according to some estimates, 25% of all web-search queries were for local listings.<sup>119</sup> Google expanded its local services in 2005 with the launch of Google Maps: local-search results were integrated into Maps, whose interface allowed users to click and drag a map to access different segments.<sup>120</sup> At first, Google Local search results were accompanied by reviews from sites like Citysearch, an online directory of local businesses.<sup>121</sup> Over time, Google began allowing users to write reviews, which could be displayed alongside local search results.<sup>122</sup> Google integrated Local into several Google products, and Google+ Local was released in May 2012. It incorporated newly acquired Zagat scores and summaries into the searches.<sup>123</sup>

### *Chowhound*

Yelp's most direct competitor might have been an online outfit called Chowhound. Founded in 1997 as an online message board for New York food enthusiasts, the site expanded to 18 other areas of the country in 1999, and by 2012 was found in 44 cities and regions throughout the country. San Francisco was one of the most popular; by 2005, there were 130,000 postings on the San Francisco message board.<sup>124</sup> The site was distinguished by its participants' enthusiasm and eagerness to try a wide range of restaurants.<sup>125</sup> The site consisted primarily of regional message boards, on which anyone could post a review or a query.<sup>126</sup> The community of participants was knowledgeable about restaurants in smaller cities and less-visited areas. "If I want to find out where to get beef Stroganoff in Indianapolis, I can ask that," the site's founder explained, "and, you know, I'll get several dozen smart replies within hours."<sup>127</sup> One food critic both praised and faulted the site's diverse constituency: "Sometimes there gets to be a lot of minutiae in the back and forth that goes on. By opening it up to a lot of people and a lot of opinions, you're going to get some people who aren't very trustworthy and some people who obsess about small details, and you're also going to get great finds, so it works both ways."<sup>128</sup>

Chowhound's site attracted 800,000 users in 2005<sup>129</sup> and by 2011 grew to over 1 million unique viewers per month,<sup>130</sup> but its design was generally viewed as frustrating, and navigation was a chore.<sup>131</sup> The site hewed closely to its message-board roots, lacking more elaborate functionality like profile pages. In 2006, the site was sold to CNet Networks for an undisclosed amount, and shortly thereafter design of the site improved.<sup>132</sup>

## Yelp IPO

Yelp went public on March 2, 2012, and intended to use the funds raised by the IPO for general expenses including marketing, capital expenditures, and possible acquisitions.<sup>133</sup> The company sold 7.1 million shares at \$15 per share. The stock price grew 60% the first day, but a week later the stock was down over 20% from its first-day highs.<sup>134</sup> In June 2012, Yelp plummeted to \$15 a share, before nearly doubling four weeks later.<sup>135</sup> (See **Exhibit 8** for Yelp's stock price chart post-IPO.) By August, Yelp's "lockup" agreement expired, which granted early investors the opportunity to sell their stakes in the company. When it became clear that insiders were not selling, Yelp's stock began to recover, reaching almost \$27 in mid-September 2012. Still, many investors were wary of Yelp after several other online companies, which attempted to make money through online advertising (Groupon, Zynga Inc., Pandora, and so on), had gone public over the past year, and all struggled to turn sales into revenue.<sup>136</sup> According to one Morningstar analyst, "Yelp's stock price is a triumph of hope over experience"<sup>137</sup>

## Uncertain Future

In the first quarter since Yelp's IPO, revenue rose 66% to \$27.4 million, but quarterly losses widened to \$9.8 million (\$0.31 per share), up from \$2.8 million (\$0.19 per share) one year earlier. Yelp had spent more on sales and marketing to grow its user base and attract local advertisers as it expanded. It entered 11 new markets, including Sydney and Stockholm, and expanded its sales force to drive revenue.<sup>138</sup> In 2011, Yelp had an operating loss of \$16.2 million on \$82.3 million in revenue.<sup>139</sup> As costs increased, so did the number of users. The number of reviews increased 59% to 27.6 million, and monthly unique visitors grew 53% to 71.4 million. But the company still struggled to earn a profit. In addition to review-site competitors, Yelp also faced more competition from Google. EMarketer Inc. predicted that Google will control 40% of the U.S. online display-advertising market by 2014.<sup>140</sup>

Yelp had clearly built a vibrant community of contributors, whose high-quality reviews attracted millions of avid readers. But its future remained uncertain. The online advertising market had grown as more businesses shifted their ad spending from traditional media to online. The online ad market, dominated by Facebook, Google, and Yahoo, was expected to reach \$50 billion by 2015. Yelp could significantly increase its revenue by capturing a fraction of the market.<sup>141</sup> But as one analyst put it, "If Yelp can't turn a profit while the top line and a key metric are surging, when will Yelp become profitable?"<sup>142</sup> Should Stoppelman keep the existing monetization model and accelerate investments to build a massive sales force? Or should he change the model and charge readers for access? Or was there yet another way for Yelp to become profitable soon?

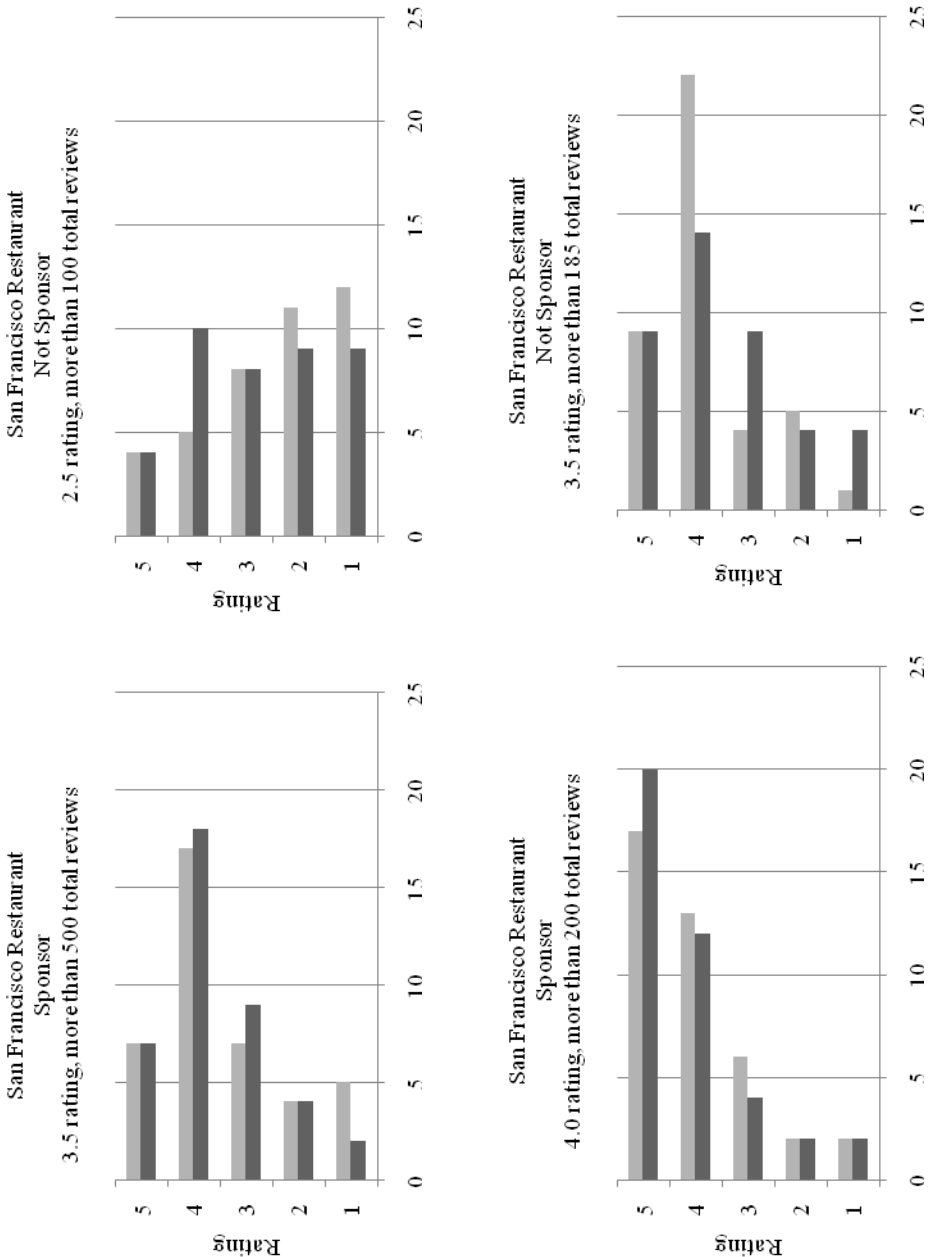
**Exhibit 1** Yelp Reviews by Metropolitan Area and Category, 2012

	New York	Los Angeles	Chicago	Dallas	Houston	Philadelphia	Miami	Boston	San Francisco
Population (thousands)	18,897	12,828	9,461	6,371	5,946	5,965	5,564	5,442	4,335
Population rank	1	2	3	4	5	6	8	10	11
Restaurants	29,374	15,729	8,828	4,879	5,205	3,920	5,332	3,980	4,798
Shopping	39,611	30,266	11,562	6,984	7,112	4,026	9,465	4,637	7,318
Food	20,904	11,978	6,020	3,042	3,949	2,847	3,411	2,988	3,908
Health/medical	36,873	20,180	11,404	6,951	8,290	6,201	8,540	6,995	7,586
Beauty/spas	12,858	9,894	4,674	2,334	2,594	1,504	2,803	2,520	3,704
Home services	25,363	18,317	10,666	6,668	6,552	3,084	7,170	6,515	6,787
Local services	15,439	11,430	5,360	3,173	3,361	2,043	3,260	2,365	3,451
Event planning	6,942	6,296	3,063	1,450	1,574	739	1,999	1,325	3,253
Arts/entertainment	5,519	4,015	2,159	700	774	757	894	966	2,502
Nightlife	4,313	2,182	1,937	701	994	746	732	804	1,295
Active life	4,866	3,930	2,294	915	938	612	1,535	3,341	2,280
Automotive	8,435	10,374	3,954	4,657	3,869	1,570	2,984	1,388	1,540
Hotels/travel	5,481	4,111	2,062	1,163	1,227	546	1,686	1,329	1,806
Professional services	36,796	20,074	18,392	9,015	11,784	8,751	9,944	11,877	9,282
Education	8,412	5,202	3,165	1,743	2,018	1,249	1,614	1,341	1,838
Real estate	7,080	6,678	3,995	2,416	2,231	1,055	2,612	2,017	2,220
Pets	2,063	1,897	974	503	541	251	639	369	760
Public services	770	889	456	138	196	178	195	336	536
Financial services	5,705	4,030	2,780	1,703	1,672	630	1,518	1,349	1,413
Local flavor	227	274	168	43	41	2,043	57	89	360
Mass media	1,883	956	688	361	311	220	358	395	497
Religious organizations	3,283	1,795	998	847	809	606	735	467	439

Source: Compiled from Yelp website and 2010 U.S. Census data.

Note: Most metropolitan areas encompass two or three cities. For instance, Los Angeles includes Los Angeles, Long Beach, and Santa Ana. A single review may be classified in more than one category.

**Exhibit 2**    Distribution of Ratings on the First Page of Four Randomly Chosen San Francisco Restaurants Compared to What Would Be Expected on the Basis of All Reviews of That Establishment



Source: Yelp website.

Notes: Horizontal axes represent numbers of reviews. Light-colored bars represent reviews with a particular rating on the restaurant's first page. Dark bars represent the expected number of such reviews if they were proportional to all reviews of the restaurant. The restaurants were randomly chosen by casewriters.

**Exhibit 3** Order of Reviews on the Yelp Page of a Randomly Selected Establishment That Paid for Sponsorship

Order	Days Since Review Written	Elite Author	Author's Yelp Friends	Author's Past Reviews	Rating Given to Establishment	Number of Review Ratings
1	99	Yes	452	1,346	4	10
2	4	No	0	8	5	0
3	12	No	1	10	5	0
4	23	No	3	155	3	0
5	43	No	25	41	4	4
6	56	No	40	126	4	2
7	67	Yes	40	1,052	3	5
8	46	No	5	36	3	0
9	51	Yes	17	138	4	0
10	23	No	14	180	4	4
11	86	No	28	300	5	0
12	63	No	13	17	5	0
13	67	No	8	117	4	0
14	123	Yes	113	258	4	19
15	137	No	0	80	4	5
16	95	No	13	118	3	0
17	138	No	0	6	5	3
18	166	Yes	71	162	4	4
19	106	No	1	4	3	0
20	76	No	7	39	2	0
21	154	No	46	122	4	0
22	61	No	0	10	5	0
23	249	Yes	745	1,059	4	40
24	152	No	3	52	4	0
25	227	No	15	46	5	2
26	144	No	0	12	4	0
27	263	No	29	119	4	4
28	178	No	27	68	4	0
29	267	No	13	54	5	2
30	250	No	0	9	5	2
31	251	Yes	34	183	3	1
32	306	Yes	33	153	5	7
33	298	Yes	71	252	5	5
34	190	No	10	141	5	0
35	330	Yes	489	928	5	26
36	200	No	5	57	4	0
37	200	No	8	71	4	0
38	298	No	22	49	5	4
39	183	No	3	35	4	0
40	109	No	23	101	3	0
41	250	Yes	41	70	5	0

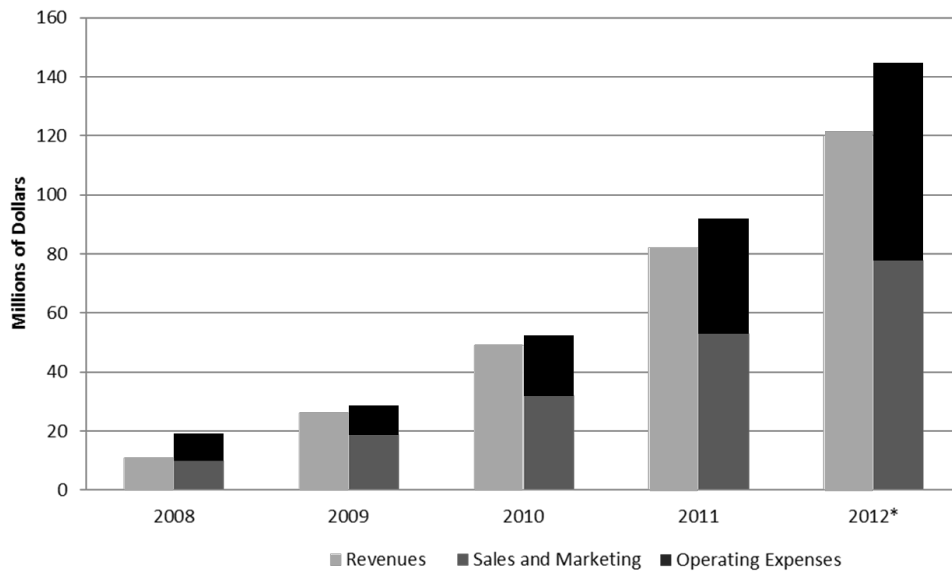
Source: Yelp website.

**Exhibit 4** Order of Reviews on the Yelp Page of a Randomly Selected Establishment That Did Not Pay for Sponsorship

Order	Days Since Review Written	Author Is Elite	Author's Yelp Friends	Author's Past Reviews	Rating Given to Establishment	Number of Review Ratings
1	3	No	1	40	4	3
2	5	No	21	97	3	0
3	24	No	5	9	5	7
4	23	Yes	104	199	4	6
5	26	Yes	193	198	4	7
6	5	No	2	24	4	3
7	30	No	9	103	1	0
8	51	No	27	40	5	3
9	45	No	3	7	4	3
10	17	No	0	7	4	3
11	38	No	2	7	3	0
12	33	No	3	1	5	3
13	73	No	0	1	5	3
14	82	No	0	7	5	3
15	55	No	59	94	3	6
16	38	No	0	2	5	3
17	103	Yes	27	80	3	3
18	116	No	37	564	4	5
19	95	No	23	16	5	3
20	94	No	2	16	4	3
21	81	Yes	27	139	2	0
22	95	No	1	14	5	3
23	153	Yes	54	129	4	6
24	106	No	15	110	3	1
25	173	Yes	2,533	802	4	54
26	91	No	1	7	2	0
27	149	No	94	493	4	3
28	149	No	16	142	4	3
29	48	No	1	4	2	3
30	171	No	18	191	4	1
31	138	No	12	13	2	7
32	44	No	11	30	4	4
33	151	No	60	385	3	3
34	227	No	31	77	4	3
35	234	No	18	28	5	1
36	225	No	1	16	5	6
37	201	No	16	99	4	7
38	139	No	2	4	3	3
39	269	No	13	15	4	9

Source: Yelp website.



**Exhibit 5** Yelp Revenue vs. Expenses, 2008–2012

Source: Compiled from Alex Cocotas, "YELP: It Has No Clear Path To Profitability," *Business Insider*, March 1, 2012, <http://www.businessinsider.com/yelp-it-has-no-clear-path-to-profitability-2012-3>, accessed May 15, 2012; and "Yelp Announces Second Quarter 2012 Financial Results," PR Newswire, August 1, 2012, <http://www.prnewswire.com/news-releases/yelp-announces-second-quarter-2012-financial-results-164636316.html>.

\* 2012 numbers are estimated based on annualizing Yelp's Q1 and Q2 financial reports.

**Exhibit 6** Comparative Numbers of Reviews in Selected Markets and Categories, Yelp and Citysearch, 2009

Category	Showcased by	San Francisco		Boston		Dallas	
		Yelp	Citysearch	Yelp	Citysearch	Yelp	Citysearch
Restaurant	Citysearch	197	21	237	53	1	5
Restaurant	Citysearch	58	51	7	4	11	19
Restaurant	Citysearch	88	39	21	50	2	14
Restaurant	Neither	208	1	168	18	8	4
Restaurant	Neither	245	23	111	134	25	23
Restaurant	Neither	23	0	39	80	18	19
Restaurant	Yelp	1,284	117	69	19	63	20
Restaurant	Yelp	128	0	147	22	34	2
Restaurant	Yelp	519	74	33	8	24	7
Store	Citysearch	22	7	9	1	0	10
Store	Citysearch	1	6	44	9	3	25
Store	Neither	13	0	37	12	2	22
Store	Neither	9	1	39	2	4	5
Store	Yelp	38	1	33	0	5	3
Store	Yelp	26	0	20	0	10	12
Beauty	Citysearch	420	103	12	234	0	10
Beauty	Citysearch	40	40	8	12	1	21
Beauty	Neither	13	8	35	53	1	1
Beauty	Neither	58	5	8	6	7	12
Beauty	Yelp	75	5	17	0	6	0
Beauty	Yelp	26	6	47	2	10	12

Source: Yelp and Citysearch websites.

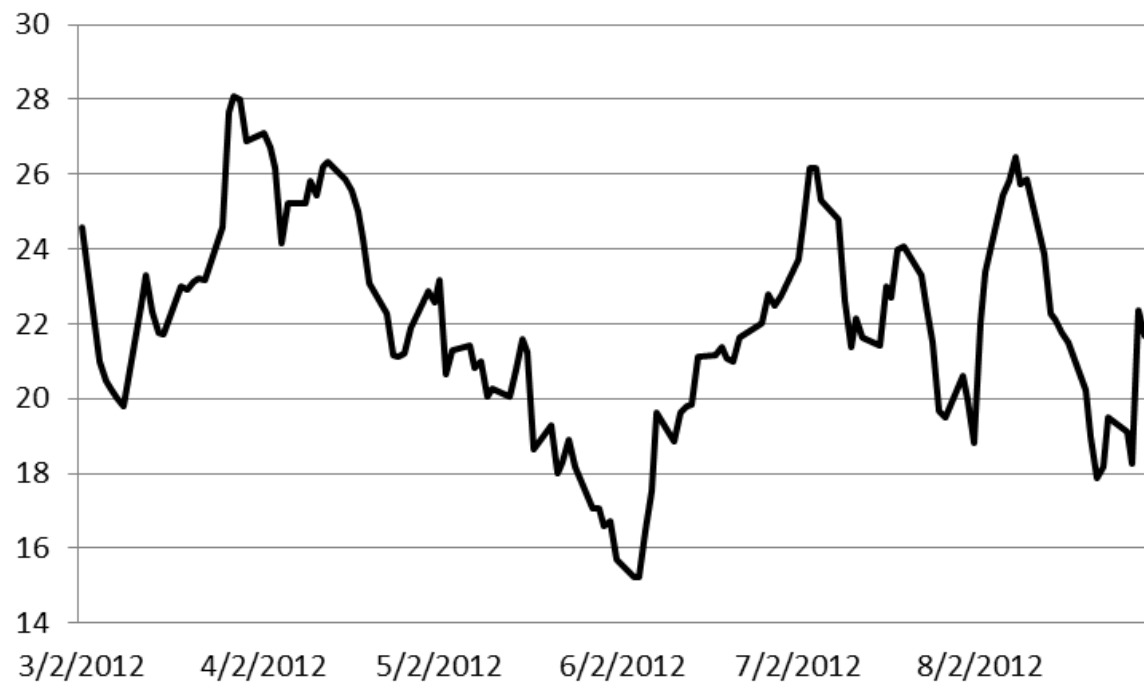
Notes: Numbers represent counts of reviews of the same establishment on Yelp and Citysearch. Shaded areas represent the site for which the number is higher. Establishments showcased by Citysearch were randomly chosen from the "Popular places near you" list or the "People are reviewing" list on its home page. Establishments showcased by Yelp were randomly chosen from the "Best of Yelp" list or the "Hot on Yelp" list on its home page. Establishments listed as showcased by neither were randomly selected by the casewriters from either website.

**Exhibit 7** Comparative Numbers of Reviews in Selected Markets and Categories, Yelp and Citysearch, 2012

Category	Showcased by	San Francisco		Boston		Dallas	
		Yelp	Citysearch	Yelp	Citysearch	Yelp	Citysearch
Restaurant	Citysearch	1776	147	184	83	98	28
Restaurant	Citysearch	507	58	282	94	89	33
Restaurant	Citysearch	1176	42	238	38	36	42
Restaurant	Neither	193	114	387	25	110	45
Restaurant	Neither	1760	173	80	1	75	2
Restaurant	Neither	249	23	98	0	126	49
Restaurant	Yelp	503	11	165	0	75	2
Restaurant	Yelp	1200	7	322	24	81	0
Restaurant	Yelp	52	0	361	3	101	0
Store	Citysearch	18	14	3	8	5	9
Store	Citysearch	225	21	56	17	13	14
Store	Neither	18	14	5	4	2	4
Store	Neither	38	1	10	28	4	5
Store	Yelp	60	0	24	1	38	2
Store	Yelp	36	0	33	0	85	2
Beauty	Citysearch	18	26	66	31	0	1
Beauty	Citysearch	18	6	67	8	22	24
Beauty	Neither	54	28	5	13	26	7
Beauty	Neither	6	9	1	24	22	17
Beauty	Yelp	40	21	85	0	28	0
Beauty	Yelp	35	0	96	0	49	38

Source: Yelp and Citysearch websites.

Notes: Numbers represent counts of reviews of the same establishment on Yelp and Citysearch. Shaded areas represent the site for which the number is higher. Establishments showcased by Citysearch were randomly chosen from the "Popular places near you" list or the "People are reviewing" list on its home page. Establishments showcased by Yelp were randomly chosen from the "Best of Yelp" list or the "Hot on Yelp" list on its home page. Establishments listed as showcased by neither were randomly selected by the casewriters from either website.

**Exhibit 8** Yelp Stock Price Chart Post-IPO, 2012, in US\$

Source: Thomson One, accessed October 2012.

## Endnotes

<sup>1</sup> <http://www.yelp.com/about>, accessed February 17, 2009.

<sup>2</sup> “Yelp,” Trefis Analyst Report, April 30, 2012, via Thomson ONE Banker, accessed May 2012.

<sup>3</sup> Alex Cocotas, “YELP: It Has No Clear Path To Profitability,” *Business Insider*, March 1 2012, [http://articles.businessinsider.com/2012-03-01/tech/31115588\\_1\\_yelp-business-insider-click#ixzz2AyqyaHC1](http://articles.businessinsider.com/2012-03-01/tech/31115588_1_yelp-business-insider-click#ixzz2AyqyaHC1), accessed October 31, 2012.

<sup>4</sup> Tim Mullaney, “Global Ad Spending to Fall in 2009, Forecasters Say,” Bloomberg. <http://www.bloomberg.com/apps/news?pid=20601087&sid=aZ2ysU0uRIYo>, accessed February 19, 2009.

<sup>5</sup> Henry Work, “Yelp raises \$15 million in fourth round, rumored valuation \$200 million,” *TechCrunch*. <http://www.techcrunch.com/2008/02/26/yelp-raises-15-million-fourth-round-valuation-200-million>, accessed February 19, 2009.

<sup>6</sup> Sarah Jane Tribble, “Angie’s List earns an ‘A’ for filling customer niche,” *San Jose Mercury News*, [http://seattletimes.nwsources.com/html/business/technology/2003230767\\_btangielist28.html](http://seattletimes.nwsources.com/html/business/technology/2003230767_btangielist28.html), accessed February 19, 2009.

<sup>7</sup> “Paypal Co-Founder Backs Website for Finding Local Businesses Through Friends,” PR Newswire, October 13, 2004, via Factiva, accessed July 17, 2008.

<sup>8</sup> Jeffrey M. O’Brien, “Business Paradigm Shifts and Free Tequila Shots,” *Fortune*, July 10, 2007, [http://money.cnn.com/magazines/fortune/fortune\\_archive/2007/07/23/100134489/index.htm](http://money.cnn.com/magazines/fortune/fortune_archive/2007/07/23/100134489/index.htm), accessed July 17, 2008.

<sup>9</sup> O’Brien, “Business Paradigm Shifts and Free Tequila Shots.”

<sup>10</sup> “People Are ‘Yelping’ . . . Making and Receiving Recommendations Will Never Be The Same,” PR Newswire, May 11, 2005, via Factiva, accessed July 10, 2008.

<sup>11</sup> O’Brien, “Business Paradigm Shifts and Free Tequila Shots.”

<sup>12</sup> “Paypal Co-Founder Backs Website.”

<sup>13</sup> Robert X. Cringely, “The Ears Have It,” CRINGELY BLOG, October 14, 2004, [http://www.pbs.org/cringely/pulpit/2004/pulpit\\_20041014\\_000829.html](http://www.pbs.org/cringely/pulpit/2004/pulpit_20041014_000829.html), accessed July 10, 2008.

<sup>14</sup> Cringely, “The Ears Have It.”

<sup>15</sup> “Paypal Co-Founder Backs Website.”

<sup>16</sup> “Paypal Co-Founder Backs Website.”

<sup>17</sup> Jeremy Stoppelman, interview by Greg Galant, “VV Show #46—Jeremy Stoppelman of Yelp,” June 24, 2007, post on blog “Venture Voice,” [http://www.venturevoice.com/2007/06/vv\\_show\\_46\\_jeremy\\_stoppelman\\_o.html](http://www.venturevoice.com/2007/06/vv_show_46_jeremy_stoppelman_o.html), accessed July 29, 2008.

<sup>18</sup> Burt Helm, “Yelping for Dollars,” *BusinessWeek*, December 7, 2006, via Factiva, accessed July 12, 2008.

<sup>19</sup> Stoppelman, interview by Galant.

<sup>20</sup> “By the Time You Finish This Sentence, Another Yelp Review Will Be Born,” PR Newswire, June 29, 2005, via Factiva, accessed July 10, 2008.

<sup>21</sup> Stoppelman, interview by Galant.

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