

Yelp's ad pitch gets bad reviews from some business owners

August 9 2012, By Johanna Somers

Some businesses say the consumer-review site Yelp isn't exactly what it claims to be: "Real People. Real Reviews." Instead, they say, Yelp manipulates how reviews appear to coerce businesses to advertise.

"If you buy [ad space](#) with them (\$300 to \$800 per month), this will help 'control' or eliminate negative [reviews](#) by reviewers of your business." That's the proposition Marcia Evans, owner of Jewel Hospitality, a Seattle catering company, described in a 2009 complaint to the Washington Attorney General's Office. Asked recently about [Yelp](#), Evans said, "I hate them."

Stacy Oltman, the general manager of Hill's Neighborhood Restaurant in Shoreline, Wash., said she got a call in June from a Yelp salesperson who said, "You have gotten a terrible review online. We would love to help you remove it."

The number the salesperson gave her led Oltman to a Yelp call center where she got a pitch to advertise.

Stewart Patey, owner of Mattress City in Everett, Wash., and Kim Nguyen, owner of Hoa Nails and Spa in Redmond, Wash., have similar complaints: They say legitimate positive reviews on their Yelp pages disappeared recently because they did not agree to advertise with Yelp.

The San Francisco-based company says it doesn't do business that way. Regarding the offer to remove or downplay a negative review, Darnell

Holloway, Yelp's manager of local business outreach, said, "Generally speaking, that is not a sales tactic from our company."

He insisted the company's approach is straightforward: "Businesses can't pay for favorable reviews, and our automated filter doesn't penalize nonadvertisers."

Yelp hosts about 30 million reviews - anyone can write what they think about a company and rate it from a low of one star to a high of five stars. But the company uses an undisclosed algorithm to filter out about 20 percent of the reviews - with the goal, it says, of enforcing guidelines such as no [hate speech](#), and eliminating fake reviews.

The workings of that filter system were part of a class-action lawsuit, filed in federal court in San Francisco, that was dismissed in October and is now on appeal. The four firms that sued claimed Yelp "unlawfully manipulated the content of their business review pages in order to induce them to pay for advertising."

Reviews that are filtered out can be seen only by clicking the light gray word "filtered" at the bottom of the Yelp page. The filtered reviews are also not calculated in businesses' overall ratings.

Holloway said the filter is needed to prevent people from gaming the system and to enforce the site's rules. Those include no threats or harassment, no negative reviews of competitors, and no reviews without firsthand experience.

Lawrence Murray, an attorney for San Francisco-based Lawrence D Murray & Associates, which is handling the class-action lawsuit, said about eight other individual lawsuits have been filed as well. None has been filed in Washington state.

Federal Judge Edward Chen in San Francisco dismissed the suit in October after ruling the plaintiffs had failed to demonstrate that Yelp was trying to extort advertising revenue from businesses, according to court documents.

The judge also said that Yelp was not liable for what third parties posted on its website, and was not liable for how it organized its content since it's allowed to exercise "traditional editorial functions."

Holloway said, "We are confident that the appeals court will affirm the district court's decision that the claims lack merit."

But the judge's ruling said it could be argued that businesses and the public are being harmed if Yelp is misrepresenting its posting criteria. If Yelp is manipulating ratings in favor of those who advertise and not disclosing this, Yelp would not be immune from claims of false advertising, the ruling said.

Yelp has about 78 million unique visitors a month and 990 employees. Last week, it reported record quarterly revenue of \$32.7 million in the second quarter, 67 percent higher than a year ago, but it continues to lose money, with a quarterly net loss of \$2 million.

The company's shares jumped nearly 17 percent the next day as analysts enthused about Yelp expanding its presence in Europe and consumers' growing use of its reviews on mobile phones.

But while Yelp is growing, Mattress City's Patey said his business is suffering. "We are being sabotaged because we are not interested in paying \$350 a month," he said.

Patey said he had several months of positive reviews last summer, but a couple days after he rejected a Yelp salesperson's pitch about advertising

on the site, he saw his positive reviews disappear, leaving one negative review at the top of his company's Yelp page.

He was also threatened by a Yelp employee, he said. On the last of several phone calls in which Patey asked why he needed the advertising if he already had positive reviews, the [salesperson](#) told him, "You are about to find out," and hung up on him, Patey said. After that, Mattress City didn't have a positive review on its page for five months, he said.

Today his Yelp page displays two negative reviews and one positive - even though there are 35 additional filtered reviews, 32 of which carry five stars. But readers can only access those other reviews by clicking on a nearly invisible link at the bottom of the page called "35 Filtered" and passing the distorted-text security measure.

Redmond nail-salon owner Nguyen said she didn't reject the advertising, but abruptly ended a phone call with a Yelp representative to help a customer a few weeks ago. In the next couple of days, she said, she noticed that her positive reviews were filtered out and her negative reviews stayed visible at the top of the page.

Besides these recent cases, 15 complaints have been filed against Yelp at the Washington Attorney General's Office since January 2009. Half of them raised similar issues.

Businesses elsewhere also have complaints about feeling pressured. Ernie Buletti, the owner of RedSpaghetti Tattoo & Piercing in Sonoma County, Calif., said he considers the review that spells out "(expletive) RED SPAGHETTI TATTOO" on his Yelp site to be hate speech. But despite his emails and phone calls to Yelp, the company won't take the review down, Buletti said.

Once RedSpaghetti had the bad reviews, someone claiming to be from

Yelp asked him to pay as much as \$5,000 to "join" and advertise with Yelp. In exchange, he would be able to "manage" his account and have his business's negative reviews "not appear," Buletta said.

"We have been held hostage," he said.

In the past three years the Better Business Bureau in the San Francisco Bay Area and Northern Coastal California has received 493 complaints against Yelp; in a third of them the complainant was not satisfied with Yelp's response.

By comparison, CityGrid Media - which owns review sites such as Citysearch, Insider Pages and Urbanspoon - drew less than half as many complaints, 231.

Yelp's Holloway said businesses that feel trapped by negative reviews can work on developing a strong reputation by providing great customer service offline and responding diplomatically to reviews online. Businesses can respond publicly or privately to Yelp reviews, he said.

Adryenn Ashley, a small-business advocate in Reno, Nev., and longtime critic of Yelp, has another suggestion for small businesses unhappy with how they are portrayed on Yelp or other outside websites: They should think about growing a social media presence of their own. If a business isn't online or its only online presence is a negative Yelp page, it is losing money, she said.

A small business can get a domain name and establish a blog, and then go to a content distribution service that can push blog posts out to about 46 social-network sites, she said.

A business can also set up a Google+ account with a photograph and add the Google+ link to its website to increase how Google recognizes the

relevance of the company's website. Businesses should also claim their Google+ Local or Yahoo! Local review sites if they want to strengthen their Web presence, she said.

If a company can become more relevant on other websites or social-media sites, the Yelp page will be further down the list or at least won't be the only site that pops up on search engines, she said.

"The only way you can fight back is to get popular," Ashley said.

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