

Yelp effect reshapes how businesses interact with customers

November 13 2013, by David Ferrell

Cassie Piasecki navigates by the stars. Where to dine next? Where to work out when she's traveling? She scans the Web, favoring those places with four- and five-star reviews, disregarding the rest.

Online reviews led her to Pie-Not, a four-star eatery in Costa Mesa, Calif., where she enjoyed her first Australian meat pie. She discovered Bamboo Bistro, a tiny Asian Fusion restaurant in Corona del Mar, Calif., all but hidden from traffic on Pacific Coast Highway.

"You wouldn't really know it was there," said Piasecki, 45, a social-media expert and Pilates instructor who resides in Newport Beach, Calif. Her world has broadened: She has visited - and reviewed - more than 1,200 dining spots and other businesses. She talks of hidden gems in Palm Springs, Calif.; a fancy steakhouse in Boston; a gourmet cheese shop in New York City. A year ago, in Paris, she located a Halloween haunted house suitably scary for her husband, Jack.

Legions of Piaseckis are out there - modern-day magi who arrange their lives by turning to the starred ratings of products, places and services visible across cyberspace. A single galaxy, TripAdvisor.com, reported posting its 100-millionth online review in February, and has since topped 125 million. CEO Stephen Kaufer said a new review of a hotel, restaurant or tourist attraction goes onto the website literally every second. Annual revenues top \$760 million.

Yelp.com occupies another horizon. The San Francisco site, founded in

2004, also posts reviews that pour in, voluntarily, from consumers eager to express their views. So far more than 42 million have been submitted, conferring starred ratings on businesses around the world. About 108 million people see the website every month, Yelp said. The firm's ever-soaring revenues are expected to reach \$228 million this year, up two-thirds from 2012.

Scores of review sites rate everyone from the butcher, the baker and the candlestick maker to lawyers, dentists and high school math teachers. Google competes directly with Yelp; the search giant feeds starred review content to its Android mobile devices, while Yelp has a deal with rival Apple. Amazon showcases ratings of books, music and videos - and of sellers who deal in those products. Rotten Tomatoes does movies. Angie's List reviews contractors. Edmunds.com rates car brands and auto dealerships.

The modern consumer can seek guidance from the womb to the grave: Vitals.com offers the skinny on obstetricians. Funeralhomeratingz.com has the last word on final resting places.

"It's difficult to say how big an industry this is," said financial analyst Sameet Sinha of the online ratings universe. Sinha, of B. Riley & Co. in San Francisco, notes that just a few top players - Yelp, Angie's List and TripAdvisor - represent a combined market cap totaling billions of dollars. The sector has exploded virtually out of nowhere, he said. "It's certainly become a key part of the Internet ecosystem."

The power of online reviews has wrought profound, and in some cases troubling, changes to American commerce. Pick any given florist, plumber, hotel, music school, taco stand or muffler-repair shop, and chances are there are online reviews, probably on more than one website. The ratings are a sore spot for many entrepreneurs who complain they are being done in by negative reviews written by rivals and disgruntled

ex-employees, with virtually no chance to remove them from the public eye.

One business owner likened being criticized on a ratings site to seeing his company attacked on a highway billboard, powerless to tear it down.

"They've become my silent partner without me signing up for it. Whether I want (the review sites) or not, they're here," said Dr. Naz Haque, whose Market Place Dentistry in Tustin, Calif., advertises "one-day, same-day crowns." The 9-year-old dental group has a 4-star rating on YellowPages.com, a 3 {-star rating on Citysearch.com, and, for whatever reasons, a much-lower 1-star ranking on Yelp, where some of the comments are blistering.

"Don't ever go here!" writes "Brooklyn C." of Alhambra, Calif., a frequent reviewer whose full name is not available. The comments accompany two profile pictures - of a sports car and a koala.

Yelp's enormous reach amplifies such a voice, putting it before virtually anyone who might be dentist-shopping while concealing the reviewer's identity.

Critics can "post without any repercussions ... and it affects livelihoods," said Haque, who said the reviews do not reflect what patients say in the practice's own surveys. "We started asking our patients if they're happy with us," she said. "Basically, patients would say, 'You have a lot of reviews about you that are not true.' "

Rules governing patient privacy prevent her from responding to the critiques, Haque said. Therefore, no one reads her side of the story. "The very act of me saying that they're a patient of ours on the Internet ... is a breach of confidentiality," she said. "Medicine is a different ball game than having sushi down the street."

Review sites say they are diligent about screening out fake or biased reviews because credibility is vital to drawing website traffic, but the sheer numbers of reviews to be screened is daunting, and on many sites users can easily create fictitious accounts.

"It's not an easy problem," said Ryan Radia, associate director of technology studies at the Competitive Enterprise Institute, a think tank in Washington, D.C. "If the writer's talented enough, and not doing 100 reviews a day, most of the (fraudulent reviews) are hard to distinguish."

In the end, it's a vast guessing game as to who is posting what or why, said Trevor Pinch, a science and technology professor who studies online-reviewing behavior at Cornell University.

"Probably as many as 30 percent (of reviews seen on most websites) ... are fake reviews," Pinch said. "No one knows for sure."

Uncertainty has bred a climate of suspicion and acrimony among affected business owners, even as researchers and professional organizations are trying to better grasp the new landscape. A Harvard study, conducted two years ago, suggests that consumer-written reviews have a tangible impact on profits: A restaurant with a four-star average on Yelp is likely to bring in 5 to 9 percent more revenue than one with a three-star rating, scholar Michael Luca found.

Owners of eating places have become "more and more concerned" about being blindsided by damaging reviews, especially since ratings sites operate with very little oversight in urban zones where competition is intense, said Liz Garner, director of commerce and entrepreneurship for the National Restaurant Association in Washington, D.C.

Business owners need to know how to respond to bad reviews - the organization has drafted a new guidebook - while being mindful that

good reviews can be a boon to those that earn them, Garner said.

"This is becoming the new word of mouth," she said of online reviewing. "It's changing the business model. It's something, as an industry, we're trying to adapt to."

For many proprietors, the need to manage their online reputations amounts to an extra job - hours spent each week poring over Yelp, UrbanSpoon and other sites, and deciding what, if anything, to write in response.

"I spend the first hour of every day on social media. I probably check my reviews twice a day, once in a.m. and once in the p.m. - that's how obsessed we are," said Ilya Goldberg, owner of the Stone Soup Company in Tampa, Fla. "We started encouraging people to leave reviews. If someone compliments our soup, we say, 'Please leave a review somewhere.' It's almost like grass-roots campaign."

Goldberg said he's been striving to raise his rating on Yelp to 4 stars after falling back, briefly, to 3. Currently, he's stuck at 3. "If you're at a 4-star level, everybody wants to try you out," Goldberg said. A 3-star place might be good or might not. "Nobody's going to run to you. You're kind of living off your regulars."

If you've got fewer than 3 stars, "you're in deep trouble," he said. "Everybody on the lower end might as well kiss their business goodbye."

The ratings reinforce Darwinist forces in the marketplace. Businesses have to strive to stay sharp. Buyers are shooed clear of mediocrity.

"The balance of power has really swung toward the consumer," said Mary C. Gilly, a marketing professor at the University of California-Irvine who studies consumer complaint behavior. "In the past, unhappy

customers ... might tell their family and friends (about a problem). Now they're telling hundreds of thousands of people, potentially - or even millions."

Some business operators have embraced the challenge. "Everybody Yelps nowadays," said Donna Rodeheaver, general manager of the 149 Sports Grill in Orange, Calif., which offers discounts to customers who post reviews. "They come in and show us on their phones," she said.

That practice is strongly discouraged by ratings websites, which see bias in reviews obtained through incentives. Still, according to Rodeheaver, the feedback has done more than just bolster ratings for the sports bar near Chapman University. Critics alerted the grill's management to slow service one night - "the cook just got overwhelmed" - and that the Coors tap had to be recalibrated.

Rodeheaver said she and her family also use ratings in their personal lives. "I have four grown kids and 14 grandkids," she said. "Any product they buy ... they Yelp. I Yelp everywhere we eat. Somebody will say, 'Let's go here.' We'll Yelp it, definitely, before I waste my time, energy and money there. It's a great tool."

One modest, 21-room hotel in Laguna Beach, Calif., manages to pick up guests from all over the world in part because of a 4 { -star rating on TripAdvisor. "We're thrilled," said Linda Humes, co-owner of The Tides Inn, a refurbished, half-century-old property near the coastal bluffs.

Humes said she regularly reads the online reviews of her own hotel and about eight other budget inns nearby - her competitors. She is looking for what guests like and what they don't like, trying to fine-tune the visitor experience. At tourism meetings in town, people comment about her hotel's ratings.

"Everybody is checking out everybody's reviews," she said. "But that's good."

One of the most competitive hotel markets in the nation exists near Disneyland. The 59-room Del Sol Inn was mired in the pack, ranked No. 81 on TripAdvisor's hotel list for Anaheim, Calif., when manager T.J. Jones began consciously competing in the ratings game two or three years ago, Jones said.

Now the Del Sol has a four-star average and hovers around No. 20 in the rankings list, Jones said. Business is up; tourists from Japan, Australia and Germany mention that they discovered the hotel because of online reviews, Jones said.

Feedback has inspired upgraded mattresses, bedspreads and carpeting. "We stopped charging for Internet service because guests were complaining" on ratings sites, Jones said. Management upgraded the Wi-Fi signal, too. Even the free continental breakfast was overhauled, with mini-muffins and hard-boiled eggs replacing sugary Danish rolls.

"People asked for more protein choices," Jones said. "A lot of people were saying our off-brand Cheerios tasted like cardboard, so we changed to Fruit Loops. We got great response to that."

Online reviews became a cultural force in part because the Internet offers a ready window to see them and in part because, even if not always reliable, readers often perceive consumer reviews as far more truthful than what Madison Avenue puts out. But there is another reason, too, which cuts deep into the marrow of American life - the problem of choice.

We are a nation of abundance. We are a culture with too many options. At least that's the view of Swarthmore College psychologist Barry

Schwartz, author of "The Paradox of Choice: Why More Is Less."

During a widely viewed TED Talk, Schwartz outlined his thesis by reporting that he found 175 salad dressings at his local supermarket. Enough tuners and speakers and CD players and other components are available in a single electronics store to rig up stereo systems in 6 million combinations, Schwartz said. "With so many options to choose from, people find it very difficult to choose at all."

The ever-enlarging array of products and services is far beyond what anyone can sort through by asking friends or co-workers. Schwartz describes online review sites as an attempted solution, a chance to pick out 5 stars and achieve a decision.

"It's kind of nutty," he said. "You don't know anything about the people doing the ratings. Some of the time ratings are just bogus. People may well know that, but nonetheless, even bad information is better than no information."

One pioneering online review site, CNet, examined mainly software and computers in the late 1990s. Proliferating gadgetry continues to drive the growth of the site, now seen by 33 million visitors a month. Five years ago, CNet began posting reviews of high-tech systems in cars, and in September it branched out into "smart" home appliances, including computerized coffeemakers, fire alarms and Internet-connected washers and dryers.

"There's a Wi-Fi thermostat that can be controlled by an app on your phone," said Lindsey Turrentine, CNet's global editor and chief of reviews. "This is right in our wheelhouse. Technology is increasingly everywhere and we need to help people navigate that."

Unlike, say, the corner bistro, a smart refrigerator requires technical

expertise to properly evaluate. CNet allows reviews by consumers but also creates its own ratings based on product tests conducted at labs in New York, San Francisco and Louisville, Ky. The 12,000-square-foot Louisville plant, devoted exclusively to appliances, opened in August.

"A review on CNet can make or break a product in many cases," Turrentine said. "It's a big responsibility and we like to think we're very good at it."

In 2008 CBS Interactive paid \$1.8 billion to acquire CNet and Metacritic, a review site for movies, games and television shows founded in 2001 by University of Southern California law school classmates Marc Doyle, Julie Doyle Roberts and Jason Dietz.

"What we're seeing is growth across the board," said Christy Tanner, senior vice-president and general manager of CBS Interactive Media Group. "There's a hunger for the opinions of peers and the opinions of experts."

Emerging from the noise of opinions are review sites for aggregating review sites. ConsumerSearch.com said it "reviews hundreds of product reviews, analyzes them, distills the information shoppers need and recommends which products (to buy)." Categories address special interests - "best cell phones for seniors," for example. One device scores well for having a built-in flashlight but loses points because its keys "can be hard to press."

Customers diving deep in the salt mines of tech ratings data can discover that the Plantronics BackBeat Go stereo Bluetooth headset merits 3 { stars, based on reviews on CNet, PCMag.com, TrustedReviews.com, TechRadar.com and SlashGear.com.

Kitchen blenders come in nearly as many varieties as salad dressings.

The Breville Hemisphere Control BBL605XL scores 4 stars and has been reviewed 327 reviews on Amazon alone. The machine "crushes ice to snow and aces frozen drinks," said one judge.

The ability to access such information - not that everyone would want to - is a recent phenomenon, said Eric Goldman, director of the High Tech Law Institute at Santa Clara University.

"Twenty years ago, online [reviews](#) didn't exist. That entire category didn't exist," Goldman said. There were professional critics - such as those at Consumer Reports and theater critics employed by newspapers - but no means existed to comb the broad swath of consumer opinion on nearly every topic on the marketplace.

Review sites have created a channel to tap "the wisdom of the crowds" - or to spread bogus messages for selfish motives. "You have the potential to get a truer story," Goldman said. "Consumers like the veneer of authenticity. ... But we're still learning the rules about it. We're trying to strike that balance between letting everyone have their say and keeping the resource from being polluted by junk."

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