

# Rating platforms drive sales at tourist-area NYC eateries

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Ratings on platforms such as Yelp and TripAdvisor can greatly impact high-priced New York City restaurants that service tourists, but have less of an effect on restaurants frequented by "locals" outside of tourist areas,

according to new Cornell research.

"In neighborhoods frequented by 'locals,' the advent and expansion of internet-based ratings platforms did not result in greater disparities in [restaurant](#) sales despite how ubiquitous they are and how frequently we anecdotally use them," said Jason Greenberg, associate professor of management and organizations at the Peter and Stephanie Nolan School of Hotel Administration in the Cornell SC Johnson College of Business.

Greenberg co-authored the paper, "[Rating Systems and Increased Heterogeneity in Firm Performance: Evidence From the New York City Restaurant Industry, 1994-2013](#)," published Aug. 28 in *Strategic Management Journal*. The paper was co-authored with New York University Stern School of Business faculty Gino Cattani and Joe Porac and former Stern doctoral student Daniel Sands, now of University College London.

Locals have firsthand information and experience with restaurants in their area, so they know the nuances of different offerings, Greenberg said. Consequently, they are less reliant on rating platforms. Tourists, on the other hand, lack this firsthand information, so they must rely on rating platforms to inform their choices.

"When we look for a place to eat—particularly for a special or high-cost meal—we want to know if the meal and experience will be good," he said. "Rating platforms help provide this information. In turn, consumer choices based on these platforms impacts comparative [business](#) performance and all that entails for the businesses and their workers."

To discern and measure the impact of internet-enabled rating platforms on restaurant performance, Greenberg and fellow researchers set out to gather continuous ratings information both before and after the proliferation of digital rating platforms. They also needed performance

measures for thousands of private businesses.

Greenberg's approach was to apply for and gain access to restricted-access government data that included private companies' sales information. "I also acquired paper copies of Zagat guides on eBay and Amazon and then digitized those ratings so that I could have a continuous timeseries of ratings that goes back to 1994, before the advent and expansion of online rating platforms," he said.

This research is valuable for restaurant owners and managers because it identifies consumers who seek, and are influenced by, ratings platforms as [tourists](#) and consumers of the highest-cost restaurants, Greenberg said. It also underscores the importance of tuning into the nuanced information those consumers seek and need.

"One New York City restaurateur we interviewed reflected on the increased importance of receiving and maintaining favorable ratings, saying: 'It's not about ego. That's how you make money,'" Greenberg said. "The bottom line is that to compete in a fragmented and [competitive market](#) like the restaurant market, owners and managers must be attuned to the nuances and codes of [rating](#) platforms."

Ratings are valuable in helping consumers make choices; they also have implications for business performance that impact all stakeholders in a business.

"As the late food writer and critic Anthony Bourdain put it, 'Food is everything we are,'" Greenberg said. "Consequently, it's vital to understand the factors that underlie and influence business competition and performance."

**More information:** Jason Greenberg et al, Rating systems and increased heterogeneity in firm performance: Evidence from the New

York City Restaurant Industry, 1994–2013, *Strategic Management Journal* (2023). [DOI: 10.1002/smj.3545](https://doi.org/10.1002/smj.3545)

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