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Questions for the Record
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QUESTIONS FROM SENATOR BOOKER

1. A 2019 *Wall Street Journal* story,¹ along with a Today Show segment from the same year,² illustrated a problem at Google with misinformation, fake reviews, and listings for what have been called “ghost businesses.” The people running these phantom listings fool consumers who are using Google’s search feature to find local businesses for urgent jobs, like changing a lock or fixing a busted garage door. Instead of getting reliable repairs, consumers get shoddy work done by unvetted workers who do substandard work and charge several times what the job is worth.

- a. What does Yelp do to address the problem of “ghost businesses” on its platform?

Yelp employs human beings who conduct ongoing quality checks and business listing updates based on proactive research and in-bound flags from Yelp users. These user operations specialists make up a significant percentage of Yelp’s overall workforce.

Yelp also invests deeply in employing some of the top minds in Silicon Valley whose focus is on developing sophisticated algorithms that examine all 200 million+ reviews which have been submitted to Yelp over the course of its lifetime. On any given day, about a quarter of these reviews are put into a “Not Recommended” state. Users can read the reviews, but they require going to a separate page. The ratings associated with the reviews don’t factor into the business’s average rating.

The deep investments Yelp makes in quality control ensure the “ghost business” issue is minimized.

- b. Do you believe Google profits from these fake listings?

Yes. Google does not invest in the same level of quality control, but because Google is a monopoly it can degrade the quality of its services without fear that users will switch to competing services. Most of Google’s monetary exchanges involve no human contact, so this enables fakes and scammers to amplify their efforts with advertisements on Google, enabling the search giant to profit from fake listings.

2. In 2004, with a relatively small investment, two young individuals founded Yelp, and they subsequently expanded the company into a massive leader in what you call “local search.” The landscape has changed significantly since then, and virtually all types of online searches seem to be dominated by one company.

- a. Do you believe that Yelp, or a company like Yelp, could be successfully built today?

No.

- b. What are the largest barriers to entry such a startup would face today?

In 2011, when Yelp CEO Jeremy Stoppelman testified before the Senate Antitrust Subcommittee he suggested it would be impossible to start Yelp in the anticompetitive environment of 2011. Nine years later, the environment is much more hostile to innovation.

Most searches (around 65%) occur on smartphones. Between its defaults on iOS and Android's strong majority share in the U.S., Google serves nearly 100% of smartphone searches. Over half of these searches have local intent. The form factor enables Google to aggressively siphon traffic to secondary pages on Google.com. Seven in ten local searches on a mobile device result in a click to a Google secondary property.

The ability to be discovered largely exists by the ever-decreasing number of users scrolling beyond Google's hardwired house product and visiting third party services across the web. Today's environment makes the ability to achieve the level of discovery needed to scale a robust local search service essentially impossible.

3. Publications from *Forbes*³ to *Wired*⁴ to the *Economist*,⁵ among many others, have all written some version of the phrase “data is the new oil.” These reports liken digital data to crude because of its immense value as a commodity, its utility as a component in several different types of businesses, and because of the potentially dangerous effects of its misuse.
- a. Do you agree with this comparison? If not, what is the best metaphor for the role data play in the platform economy?

¹ Rob Copeland & Katherine Bindley, *Millions of Business Listings on Google Maps Are Fake—and Google Profits*, WALL ST. J. (June 20, 2019), <https://www.wsj.com/articles/google-maps-littered-with-fake-business-listings-harming-consumers-and-competitors-11561042283>;

² *How ‘Ghost Businesses’ Are Stealing Your Money*, TODAY SHOW (Sept. 27, 2019), <https://www.today.com/video/how-ghost-businesses-are-stealing-your-money-70073925647>.

³ Kiran Bhageshpur, *Data Is the New Oil—and That’s a Good Thing*, FORBES (Nov. 15, 2019), <https://www.forbes.com/sites/forbestechcouncil/2019/11/15/data-is-the-new-oil-and-thats-a-good-thing>

⁴ Joris Toonders, *Data Is the New Oil of the Digital Economy*, WIRED (July 2014), <https://www.wired.com/insights/2014/07/data-new-oil-digital-economy>.

⁵ *The World’s Most Valuable Resource Is No Longer Oil, But Data*, ECONOMIST (May 6, 2017), <https://www.economist.com/leaders/2017/05/06/the-worlds-most-valuable-resource-is-no-longer-oil-but-data>.

The term “data” here is too general and the metaphor doesn’t cleanly fit into every scenario in digital markets.

- b. The collection and use of American consumers’ data raises significant privacy concerns. In what ways does it also raise competitive concerns?

It has been argued that Google could never be disrupted due to its insurmountable advantages in terms of the amount of data it has on its users. This is likely true, but Google’s data advantages play less of a role in cementing its dominance than, for example, its purchase of defaults – both with direct payments to major operating systems and the development of a “free” operating system for OEMs that attaches stringent requirements. Purchasing defaults enables Google to status quo bias. More attention should be paid to the way in which plat

- c. How important is it for a startup to have the data in the first place, compared with being able to invent with the research and infrastructure necessary to develop and cultivate those data? Which is the bigger barrier to entry?

It depends on the nature of the startup. Many are arguing AI-based startups are at an inherent disadvantage because larger tech companies possess the necessary data to effectively train the algorithms. It is difficult to speak with much certainty without more details.

- 4. On the same day as this Subcommittee’s hearing on self-preferencing, Senator Klobuchar, Senator Blumenthal, and I led the introduction of the Anticompetitive Exclusionary Conduct Prevention Act (S. 3426). This bill would enable stronger enforcement against harmful anticompetitive behavior across the economy.

Do you think the Anticompetitive Exclusionary Conduct Prevention Act would be likely to have a significant impact on the deleterious self-preferencing practices of large tech platforms? How so?

Yes. This would arm enforcers with stronger tools to confront self-preferencing practices by large tech platforms by shifting burden of proof on the platforms to demonstrate they are not behaving in exclusionary practices.

- 5. A majority of all Google searches on desktop and mobile devices in the United States last year resulted in zero clicks to a non-Google website, at least based on one measure of clickstream data reporting.⁶ What conclusions would you draw from this reporting in terms of Google’s ability to keep consumers using its own websites and products, rather than those of its competitors?

It is ironic that - for roughly the first decade of its existence - Google was a key force in growing the world wide web. This changed after Google obtained dominance. Now, Google

makes design decisions with the goal of maximizing the number of search engine result pages people generate on Google. It sometimes does this by giving helpful answers to users' queries, but often the "answer" is gleaned from the web with a diminutive link to the source which has been A/B optimized to minimize traffic to the web. Google could make a different design decision: answer users' queries while maximizing traffic to the web.

⁶ Rand Fishkin, *Less than Half of Google Searches Now Result in a Click*, SPARKTORO (Aug. 13, 2019), <https://sparktoro.com/blog/less-than-half-of-google-searches-now-result-in-a-click>.