Yelp Business Model

Idea In Short

Yelp turns user-written reviews of restaurants, salons and other local businesses into a marketplace where merchants pay to be seen. Two former PayPal employees, Jeremy Stoppelman and Russel Simmons, started the company in 2004 as an email referral tool before pivoting to open reviews once users bypassed the original format on their own. The company now runs mainly on cost-per-click advertising sold to local merchants, supplemented by premium profile subscriptions and commissions on bookings, deals and food delivery orders routed through its site. Yelp went public in 2012 and has stayed independent since rebuffing acquisition interest from Google and Yahoo. Its model depends on a loop: more reviews attract more searchers, and more searchers attract more advertisers.

From an email tool to a review platform

Yelp began in 2004 as an email-based referral service built by Jeremy Stoppelman and Russel Simmons, two engineers who had worked together at PayPal before joining an incubator run by PayPal co-founder Max Levchin. The original idea asked friends to email each other business recommendations, but almost nobody used it outside the founders' own circles. Users found a workaround: a secondary "Real Reviews" feature became the product people actually wanted, and Stoppelman and Simmons redesigned the site around open, searchable reviews in 2005. That redesign set off the company's growth, and by 2010 Yelp had built $30 million in annual revenue and roughly 5 million user reviews on the strength of $125 million raised across multiple funding rounds1.

Public markets and ownership

Yelp expanded internationally starting in 2009 and operated in more than 20 countries by 2012, the same year it listed on the New York Stock Exchange. Both Google and Yahoo explored buying the company before the initial public offering, but negotiations fell apart and Yelp chose to stay independent, pricing its shares at $15 and closing its first day of trading at $24.52. Stoppelman remains chief executive, and the company's largest shareholders today are institutional investors including BlackRock Fund Advisors and The Vanguard Group rather than the founders themselves. Yelp's stock has traded well below its IPO-era highs for most of the years since, a sign of investor caution about how much local advertising revenue the company can keep extracting from a fixed base of small merchants2.

The advertising engine

Advertising supplies about 95% of Yelp's revenue, and in 2025 the company reported net revenue of $1.46 billion, up 4% from the prior year, with services advertising alone reaching a record $948 million. Most of that money comes through cost-per-click pricing: a business sets a monthly budget, and Yelp deducts a fee each time a user clicks its ad, whether that ad appears on the business's own page or on a competitor's listing. Click prices vary widely by category and location, from a few cents for a low-competition search like a sushi restaurant in a small city to tens of dollars for categories such as legal or financial services, where a single new client is worth far more to the advertiser.3

Premium profiles and verified listings

Beyond click-based ads, Yelp sells two tiers of premium business profiles. A branded profile adds slideshows, a call-to-action button and an "About" section, while an enhanced profile includes those features plus the ability to hide competitors' ads from a business's page. Businesses can also pay to have their licenses verified, marked with a blue shield icon on their listing. The monthly subscription fee for these premium features scales inversely with a business's overall advertising spend, and Yelp lets approved third-party advertising partners resell placements to the businesses they serve, taking a cut of that spend under a revenue-sharing arrangement.

Transactions and platform services

A smaller share of revenue comes from transactions Yelp facilitates directly, including prepaid Yelp Deals vouchers, gift certificates and food delivery orders. Yelp acquired the delivery service Eat24 for $134 million in 2015, then sold it to Grubhub in 2017 for $287.5 million while keeping a five-year integration in place so customers could still order food without leaving Yelp's app or site. Each completed order placed through that integration earns Yelp a commission. The company also sells software tools directly to business partners, including Yelp Reservations for online booking and waitlist management and Yelp Knowledge, an application programming interface (API) product that gives companies access to location- and category-specific review data.4

Competing for local search attention

Yelp competes with a range of platforms that also aggregate local business information, including TripAdvisor, Angi, Facebook Recommendations, Nextdoor and the Yellow Pages, though each occupies a different niche. TripAdvisor covers travel categories such as hotels and airlines that Yelp does not, while Facebook Recommendations serves a similar function inside a social feed with a simple yes-or-no recommendation rather than a star rating. Nextdoor and the Yellow Pages both let users rate local businesses too, but neither matches Yelp's depth of coverage in categories like restaurants and home services, where review volume and search engine visibility give Yelp an edge that broader platforms have not closed.

A period of retrenchment

Yelp announced a multi-year strategic plan in 2019 aimed at expanding through new products, broader marketing and new office locations, but the coronavirus pandemic disrupted that trajectory within a year. In April 2020, the company laid off 1,000 employees and furloughed more than 1,100 others, about 35% of its roughly 5,950-person staff, as stay-at-home orders cut deeply into the local business advertising that funds the platform. Yelp has since rebuilt around a leaner cost base, and by the end of 2025 the platform hosted 330 million cumulative reviews, up 7% from a year earlier, contributed at a pace of roughly 60,000 new reviews a day.5

Key Partners

Yelp's most important partners are the reviewers and content creators who supply the platform's core asset for free: written reviews, photos and ratings of local businesses. Without a steady flow of new, credible content, the site's value to both users and advertisers erodes quickly, so Yelp maintains an elite reviewer program that offers recognition and early access to features in exchange for continued contribution. Business partners such as Grubhub extend Yelp's reach into transactions it does not handle natively, letting the company earn commissions on food orders without building its own delivery fleet. Payment processors and third-party advertising resellers round out the partner network, handling the transaction infrastructure and expanded ad sales that Yelp's own team does not cover directly.

Key Activities

Selling and serving advertising is Yelp's central activity, since it determines nearly all of the company's revenue and requires constant refinement of ad placement, pricing and targeting. Maintaining the website and mobile apps, moderating content for authenticity and expanding coverage into new local communities all support that advertising business by keeping the platform useful enough that people keep searching it. Yelp also invests in the network effect that underpins the whole model, since every new reviewer makes the site marginally more valuable to searchers, and every new searcher makes it marginally more valuable to advertisers.

Key Resources

Yelp's brand reputation for trustworthy local reviews is its most valuable resource, built over two decades and difficult for a new entrant to replicate quickly. The accumulated database of 330 million reviews, photos and business listings functions as a proprietary content asset that search engines reward with organic traffic. Its engineering and sales staff maintain and monetize that asset, while the community of active reviewers effectively works as an unpaid content workforce that renews itself continuously.

Value Propositions

For local businesses, Yelp offers access to a large, geographically targeted audience actively searching for exactly the type of service on offer, along with tools for taking bookings, managing waitlists and analyzing customer data. For everyday users, Yelp offers a fast way to compare nearby businesses on price, quality and other people's experiences before spending money, saving time that would otherwise go into independent research. For content creators and reviewers, Yelp offers status within an engaged community, elite recognition programs and a platform where their opinions reach a wide audience of prospective customers.

Customer Relationships

Yelp runs largely as a self-service platform, letting both businesses and users set up profiles, post content and manage their presence without direct human contact. An engaged community of regular reviewers and Yelp Elite members forms a more social layer of relationship, reinforced through local events and recognition programs. Social media accounts extend that community engagement beyond the core site, and a dedicated customer service function handles account and dispute issues that self-service tools cannot resolve.

Channels

The Yelp website remains the primary channel through which most users discover businesses and read reviews, followed closely by the company's smartphone apps for iOS and Android. Social media accounts distribute content and drive traffic back to the core platform, while a dedicated developer portal serves companies building on the Yelp API. A company blog rounds out the channel mix, used mainly for product announcements and community updates rather than direct monetization.

Customer Segments

Local businesses across categories such as restaurants, salons and home services form Yelp's paying customer segment, distinguished by factors like service type, price point, location and hours of operation. General users make up a much larger, non-paying segment that visits the site or app to research businesses before making a purchase decision. Content creators, a subset of that user base, actively write reviews and upload photos rather than simply reading them. Advertising resellers and technology partners that build on Yelp's data form a smaller fourth segment.

Cost Structure

Product development accounts for a significant share of Yelp's costs, covering the engineers and product staff who maintain the website, apps and underlying data infrastructure. Sales and marketing costs cover both the direct sales force that sells advertising to local businesses and the marketing spend used to attract new users and reviewers. General administration and the direct cost of delivering revenue, including hosting and payment processing, round out the remaining cost base.

Revenue Streams

Advertising is by far Yelp's largest revenue stream, built primarily on cost-per-click pricing and supplemented by premium profile subscriptions. Transactions generate a smaller stream through Yelp Deals, gift certificates and commissions on food delivery orders placed through the Grubhub integration. Other services, including Yelp Reservations subscriptions and Yelp Knowledge API access fees, contribute the remainder, giving the company a secondary revenue line that is less tied to advertising budgets.

- 1Yelp's founding and early history
- 2Yelp's 2012 stock market debut
- 3Yelp's 2025 annual revenue results
- 4Yelp's sale of Eat24 to Grubhub
- 5Yelp's April 2020 layoffs and furloughs

Summary

Yelp's challenge is less about generating content than converting attention into advertiser dollars while search behavior shifts toward AI-generated answers and closed ecosystems such as Google Maps and Instagram. The company has leaned on automation, using its review corpus and machine learning to summarize business quality and match consumer intent to paid placements. Its advertiser base remains concentrated among small and mid-sized local businesses, a segment more sensitive to marketing budgets than national brands, which makes Yelp's revenue line move with the broader economy. Growth increasingly comes from deepening tools for existing categories such as home services and restaurants rather than opening new geographies. Whether Yelp can defend its position against free alternatives built into search engines and social platforms will determine if its advertising model keeps compounding or plateaus.