



iLLUminate Blog Transcript: Gauri Subramani on How Online Listings Impact Business Performance

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- ANNOUNCER: 00:00 This podcast is brought to you by iLLUminate, the Lehigh Business blog. To learn more, please visit us at business.lehigh.edu/news.
- STEPHANIE VETO: 00:13 Welcome to iLLUminate, the podcast for Lehigh University's College of Business. I'm your host, Stephanie Veto. Gauri Subramani is here with us today to talk about her research on how online listings can impact business performance. She's an assistant professor in the department of management, and she studies the implications of representation on entrepreneurship and innovation. Hi, Gauri.
- GAURI SUBRAMANI: 00:38 Hey, Steph.
- VETO: 00:39 So you recently co-authored a paper called Getting on the Map: The Impact of Online Listings on Business Performance. Can you give us an overview of the study?
- SUBRAMANI: 00:48 Sure. So this is a paper my co-authors and I have been working on for a really long time. And I actually think that the effects that we found are only more important today than they were in 2017 when we started the study. So we were interested in understanding what the effect is of having a listing online. So there is a lot of work that shows that, for example, your star rating online matters, how much information on an online profile for a business matters. But that all evaluates the effect of adding more to an already existing profile, for example. But we don't have a good sense of what having a profile does at all. And it's a little bit more complicated than you might expect, just at first, to anticipate if it would be a positive or negative effect. Because you can imagine that there are some businesses that maybe are actually bad or restaurants that are not very good that don't want to reveal that online. So you could actually imagine that it could be a strategic decision to stay offline. But we use a natural experiment on Yelp. And what we find is actually that having a listing on Yelp increases revenues for bars and restaurants in Texas by about 5% to 10%. So a really meaningful increase in revenues.
- VETO: 02:05 And why focus on restaurants?
- SUBRAMANI: 02:07 So we were thinking of contexts in which we could evaluate this question, right, of what is the effect of having an online presence. And we also needed then data on revenues to look at that. So we found this-- one of my collaborators had a relationship with Yelp, and we found this data set that, basically, in Texas, there are pretty good open data laws. So alcohol revenues, specifically. So we look at alcohol revenues - not all restaurant revenues - have to be publicly reported and are available publicly. So we could actually get the data on monthly alcohol revenues throughout the state of Texas. So we could combine that data with Yelp's listing information to see what the outcomes were like. So I think it was two things. One, it was that was the data that we were able to get. And the other thing is those are really the businesses for which you'd think that having a presence online is really important. What do we do when we want to find somewhere to eat and you're not in your neighborhood? You search



Italian on Google Maps or on Yelp or something. Right? So we also thought it was kind of the category that was the most salient for thinking about this question.

VETO: 03:14

Yeah. I was curious why you chose Yelp. And it's funny because, when you are searching for a restaurant or a place to eat, if you're in a new spot, you go to something like Yelp or Google. And I've found that I'll even compare the two and get a nice average. So I was curious why Yelp over any other sort of review system.

SUBRAMANI: 03:36

Yeah. We had the relationship with Yelp. And the study required getting sort of internal data that we were able to get from them. So that was how we decided to work with that data.

VETO: 03:47

One thing that really boggled my mind when going over your research was how did you even find restaurants that don't have listings? Because honestly, if it's not online anymore, or if you're not from the area and you don't know about it already, you're not going to find it, I feel like.

SUBRAMANI: 04:04

Yeah. It's a really good question. And that was sort of central to what enabled us to do the study, the fact that we had this data from Texas that had the whole universe of restaurants that reported alcohol revenues for tax purposes. So that gave us kind of a ground-truth measure of the places that were serving alcohol in Texas. So we could compare that, basically, directory, with what was actually on Yelp. And also, so we started this study in 2017. So our data cuts off in 2017, and we were looking at before then. So that was also a time when there was less digital penetration. And even over the time period that we look at, we see an increase in the proportion of places that are listed online. But I have to say, I'm still surprised sometimes. Even in Bethlehem, for example, I've added places to Yelp. I will look at or go somewhere, and then find that they're not on there. So you'd be surprised, especially for small businesses, business owners who are not necessarily super digitally savvy, that there isn't always the impulse to immediately add themselves to these review platforms which are free.

VETO: 05:13

How do you feel about sometimes-- I mean, especially if I'm traveling in a new place, my husband and I will be like, "What are we going to eat?" And we get such a kick out of reading some of the Yelp reviews because they are so absurd sometimes and so intense. And sometimes, people that want to leave a negative review sometimes are the only ones leaving the negative review. And so how do you find that happy medium? I know you're looking at revenue increases, but does it affect the business?

SUBRAMANI: 05:47

Yeah. It's a good question. So I think, interestingly, the review distribution is not so skewed in the aggregate towards negative reviews. Actually, for most restaurants, it's pretty balanced, or there are more five-star reviews. But we were interested in what the effect of a star rating was. So we also separated our sample with above and below median ratings to see is there a bigger effect or a different effect for restaurants that get better reviews. And what we found was interesting, which is that restaurants that have above median ratings - which was above, I think, about a 3.4 - they benefited more from having an online presence. But even restaurants that had worse reviews, were below median, there was not a negative effect for them. So this fear that a lot of businesses have that, "We're going to go online and we're going to have some disgruntled consumer or customers leave negative reviews, so it's better to just avoid the whole thing," actually doesn't seem to bear out.



VETO: 06:47

And is a 5 to 10 percent revenue increase significant when it comes to these restaurants?

SUBRAMANI: 06:56

It's really significant because the restaurant industry and just, in general, kind of food service has really, really low margins. So the latest that I saw from Toast, which has this point-of-sale systems, is that 5 to 15 percent is the average margins that restaurants have. So these aren't businesses that have a really big cushion. Right? There's even research that shows that rainy days, for example, can really affect revenues. So doing really anything, especially a free intervention that can increase revenues by 5%, can be really meaningful because they're not in a situation where they're swimming in cash.

VETO: 07:37

Do you find that there are some restaurants that still want to remain offline intentionally?

SUBRAMANI: 07:45

It's a really good question. So a couple things just about the platform. I think this is true of almost all of the review platforms. Businesses can add themselves. You can identify as a business owner and kind of claim the listing or create your own listing. But you can also be added by a third party. I can add a coffee shop in Bethlehem if I go there. So it's not totally up to a business owner whether they have a presence online or not because you can say, "We want to stay off," but someone else could add you. So that's sort of thing one. And it's also free to have the listing. It's not free to advertise, but to just have the listing and to be able to claim it is free. So this desire to stay off is not always-- you can't do anything about it, really, even if someone creates a profile. But just anecdotally, from conversations that we had with business owners through the course of this, the thing that was driving this desire was generally fear of getting bad reviews and then feeling like, "Oh, what if I only get two reviews and one of them is bad, and then no one wants to come to visit my establishment?" And what we see is that that doesn't really happen. So I think that there is this concern about it. There's also a general misperception that some business owners have that they have to pay for it. But A, it's not totally within your control. And B, I think what we find is that it's actually a suboptimal business decision to stay off.

VETO: 09:10

Is there anything about the study that surprised you?

SUBRAMANI: 09:12

So we actually thought that negative ratings might be bad. And also, we were surprised because, like I mentioned, you can be added by the business owner or you can be added by either a third party or Yelp and Google, for example, all of these platforms buy data. So from, for example, yellowpages.com, etc., they buy data and add listings because you want to populate the website. If you imagine when Yelp first launched, it's like if nothing is on there, it's not useful. Right? So you need to have at least some businesses that people can find and then add reviews for. So all of these platforms have this practice of purchasing and populating data inorganically. So we looked specifically also at a set of listings that were added to Yelp in Texas from one of these data purchases. And you can imagine that maybe those, the effect would be not as strong if we think that there's any selection into business owners adding their own businesses. So to your question earlier, if you have some people who want to stay off the platform, and maybe those are people whose businesses are not as good, they're not providing a service that's as good, whatever it might be, and then you have some people who are selecting into adding their businesses on the platform, you



might think that the people who are adding their own businesses are better. Right? But for us, it was really important, in order to be able to isolate the effect of being on the platform and not selecting on a prior of quality differences, to see that there was an effect with even the places that were added to Yelp from this data purchase. And we do see that for those establishments, there still is a significant effect of being added to Yelp. So that was really interesting because these are places that are added not by consumers. They're not being added by a customer who discovers this mom-and-pop shop, but from this data purchase. And even being added in that way facilitates customer discovery and increases revenue. So that was really interesting.

VETO: 11:15

You've got over 10 years' worth of data. You said you started this in 2017. That has got to be awesome to look at. I mean, a decade's worth of data when starting this. And you're right, online presence has increased by - I don't know, I'm making it up - tenfold in the past decade. What's it like to have this data and the importance of something like that?

SUBRAMANI: 11:38

So we actually looked from 2007 to 2018.

VETO: 11:41

Oh, wow.

SUBRAMANI: 11:42

Yeah. So that was an especially interesting time because that was when these online platforms really launched and everyone started searching using their phones. Right? So it's a really nice time period to have this data. And we see in the very beginning-- so if you look in 2008, that there are basically only 20% of establishments are listed on Yelp. And then by the time you get to 2018, it's totally inverted that 72% of places are on Yelp. So it's really interesting to see how that gap closes. And the one thing that's really great about the data, we actually didn't end up putting this in the paper, but we were also able to look, for example, at searches and see people searching for these restaurants and see how often they show up on people's search results pages. So it was a really cool way to see how these online tools have empowered both consumers and small businesses, small and large businesses.

VETO: 12:39

Well, and as a consumer, I mean, I remember trying to find a place to eat before all this, and it was impossible. If you didn't know the area, you're walking the streets or looking in the phone book for it. And I mean, I think it's helped significantly. And then you become snobby too, where you're like, "I won't do anything below four stars."

SUBRAMANI: 12:59

Yeah. Yeah. I mean, I think the thing that I like about the study is we could talk for hours about how digital tools are problematic in our world, etc., but that these are really a way, I think, to empower businesses and also to help just people like us have better experiences and find places that you might not otherwise discover.

VETO: 13:25

Now, this was published. Are you and your co-authors going to keep going with it to see where it goes or find different avenues within the data to look into?

SUBRAMANI: 13:35

We've talked about a lot of different things. One thing that we've thought about doing is maybe something experimental. Because when you look at-- this is data that had a natural experiment, but we were basically trying to find patterns in this data. So we've thought about some things. Nothing in the works right now, but hopefully in the future.

VETO: 13:53

Is there anything that you're working on right now that you want to share with us?



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SUBRAMANI: 13:57

Sure. So it's unrelated, actually, to the Yelp space, but the same kind of idea that, really, I developed when I was working on this project, around the gap between what we see. So this paper is called Getting on the Map. And the core idea, I think, that I'm interested in is the fact that we see what exists in spaces. Right? We see what's on Yelp, but we don't have a sense of the negative space, what isn't there. And I've applied that framework to thinking about innovation as well. So we see inventions that exist, but we don't see things that didn't get patented or were unsuccessful in the patenting process, for example, or scientific work that was abandoned. So this frame of thinking about, yeah, the negative space, I think, has been really interesting for me. And I have a couple other projects in that space looking at scientific research, looking at actually how harassment affects the production of scientific research and, really, the attrition of female scientists out of academia, and also looking at using patent data and looking at who ends up kind of falling out of the innovation ecosystem over time.

VETO: 15:05

Gauri, thank you so much for being on the show today. Your research is really awesome.

SUBRAMANI: 15:09

Thank you so much.

VETO: 15:11

That was Gauri Subramani talking with us about how online listings can impact business performance. This podcast is brought to you by iLLUminate, the Lehigh Business blog. To hear more podcasts featuring Lehigh Business thought leaders or to follow us on social media, please visit business.lehigh.edu/news. This is Stephanie Veto, host of the iLLUminate podcast. Thanks for listening.