

through a single marketplace where service providers of all types could advertise their services and homeowners nationwide could locate and connect with local professionals across an array of home service tasks.

Achieving that goal has required extraordinary, and continuing, efforts from HomeAdvisor throughout its nearly 25-year history. HomeAdvisor has invested tens of millions of dollars since its formation to refine continually its lead generation practices and improve the digital marketplace for home services- a marketplace that did not exist until HomeAdvisor created it. Online lead generation is complex, and even more so here given the two-sided nature of serving both service providers and the homeowners who use HomeAdvisor's platform to find and connect with them. HomeAdvisor's two-sided model drives an inherently balanced structure through which both constituencies of its consumer market (homeowners and service providers) must receive fair value for HomeAdvisor to succeed. HomeAdvisor then

annually

Amazon—HomeAdvisor remains the industry leader for service providers seeking home services leads.

Of course, trial and error is inherent in innovation. In creating and cultivating this new marketplace, HomeAdvisor has since its founding worked to improve the experience of all its users, including lead generation for service providers. This has included development of a complex lead filtering process designed to flag potentially faulty or illegitimate leads, a generous credit policy that has returned hundreds of millions of dollars of value to service providers, a robust customer care team dedicated to fielding questions and concerns from service providers, and the continued development, optimization, and monitoring of various metrics to track and improve lead quality over time.

Indeed, HomeAdvisor has every reason to enhance service provider satisfaction, because its own success is dependent on that of its service providers. Only with a comprehensive and successful network of service providers can HomeAdvisor scale its business to serve adequately a growing homeowner base. This “flywheel” effect is critical to the success of a two-sided marketplace such as the HomeAdvisor platform, and HomeAdvisor could not possibly have remained in business for a quarter-century with a strategy of under-serving either of its two core constituencies. In short, providing a low-quality lead product to service providers would be antithetical to the interests of HomeAdvisor itself. And this is all the more so given that HomeAdvisor’s service providers are not a captive audience: they always can choose to enroll with one of HomeAdvisor’s competitors or simply forgo online marketplaces; and even after enrollment with HomeAdvisor, service providers can pause or terminate their memberships at any point if unsatisfied.

HomeAdvisor sells to service providers do not concern people who intend to hire a service provider soon.”). But the FTC never defines “soon,” and instead assumes that all consumers across hundreds of tasks throughout the United States only hire a service provider for every task in which they have expressed interest, but that they go on the same timeline. But different tasks involve different levels of consideration, planning, and assessment by the homeowner, which can impact when an interested homeowner intends to commence any project. For example, leads for lower consideration tasks, like gutter cleaning, require far less lead outreach and nurturing than leads for higher consideration tasks, like a full replacement. So too for urgent tasks, like fixing a leaky pipe, as opposed to long-term high-investment tasks, like a full kitchen remodel. As a result, service providers engaged in lower consideration or urgent tasks may close more jobs over a shorter period of time than service providers engaged in higher consideration or longer-term tasks. Moreover, regardless of task, each homeowner comes with his or her own set of preferences, needs, goals, and tastes, as well as his or her sense of budget and timing, while every service provider brings its own set of skills, experiences and understandings, as well as communication style, resources, and pricing. The service provider’s and homeowner’s subjective understandings of what factors matter in the process may further vary depending on the specific project, geographic locale, or industry issue. And no matter what the project, homeowners typically are considering multiple service providers—including potentially several HomeAdvisor service providers and/or service providers found through other marketing channels or personal referrals—and thus necessarily are comparing those service providers across an individualized set of metrics based on their specific project and preferences.

The FTC’s Complaint also alleges that HomeAdvisor “sold leads to service providers that were submitted by people who were only interested in obtaining prices,” Compl. ¶ 31, but provides

throughout its membership. At all times, the service provider is in total control of its HomeAdvisor profile criteria, including online through its HomeAdvisor portal page without the need even to speak to a customer care representative.

On the homeowner side, HomeAdvisor collects with each service request, at minimum, the homeowner's contact information, zip code, and th

potential gross lead revenue—because HomeAdvisor does not have service providers in its network who matched exactly with the type and geographic area of the service requests. That is hardly the mark of a company that, as the FTC would have it, knowingly traffics in bad leads.

IV. The Complaint’s Allegations About Leads Generated By Affiliates Are Conclusory And Unsupported

The FTC also has no legitimate basis for claiming that HomeAdvisor failed to disclose that

[REDACTED]

[REDACTED].” Compl. ¶ 45. While

the FTC uses vague—and unsubstantiated—words [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. Nor are the FTC’s claims supported by any other materials cited in the Complaint—such as internal sales materials that merely state:

“ [REDACTED]

[REDACTED].” Compl. ¶ 43.

In fact, HomeAdvisor’s use of affiliates to generate leads is no secret: HomeAdvisor publicly advertises its affiliate program on its website. At the same time, approximately [REDACTED] of the leads transmitted to service providers are, in any event, from homeowners who came directly to HomeAdvisor to submit their service requests.

¹ See HomeAdvisor Affiliate Program, <http://www.homeadvisor.co/affiliate/signup> (“HomeAdvisor’s industry-leading partner program offers aggressive payouts for qualified leads or calls.”).

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[REDACTED]

VII. The Complaint Disregards Services Providers' Return On Investment

The Complaint inexcusably fails even to consider the significant value and return on investment service providers obtain if they convert only a relatively small percentage of leads received from HomeAdvisor into jobs. As discussed above, leads are opportunities to develop and potentially close a sale, and the success from doing so depends on, among other things, the service provider's own efforts in contacting the homeowner and nurturing the lead. This is distinct from most consumer transactions where the buyer is literally paying for a specific end product or service. As also noted above, HomeAdvisor emphasizes this fact to prospective service providers, who must listen to and affirmatively indicate their understanding of, the following prompt before they can complete the HomeAdvisor enrollment process: "HomeAdvisor provides project leads, not guaranteed jobs. You will be billed for each lead that we send to you, and your success will vary depending on your abilities to follow up with potential prospects and sell your services."

The raw percentage of leads converted to sales accordingly must be considered in context with the understanding that not all leads—and indeed often a comparatively small percentage—will convert to paying work. Win rates of approximately 10–20% might appear low to some. But

by industry standards for online lead generators, those rates meet or exceed reasonable expectations⁵. That is because it is widely understood in the industry—by both sellers and buyers

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cost-per-lead compared to average sales price as a service provider's return on investment. Given the FTC's purported focus on harm to service providers, it somehow considers to be substandard, the Complaint's complete failure to reckon with the core measure of return on investment is striking.

Moreover, the direct return-on-investment attributable to won leads does not capture all the potential value HomeAdvisor membership affords. A service provider's return on investment also can include longer-term income, which the service provider (1) offers the homeowner repeat or related services; (2) obtains referrals from the homeowner; or (3) receives positive online recommendations and reviews from the homeowner. Of course, the likelihood of generating repeat or related work, referrals, and online recommendations depends largely on the particular homeowner's satisfaction with the work initially performed and the entire customer experience. But service providers that diligently pursued and succeed with HomeAdvisor leads can unlock tremendous value far beyond their initial sale through post-sale follow-up and communication.

VIII. HomeAdvisor Stopped Offering mHelpDesk Over Two Years Ago

The FTC's claim regarding the mHelpDesk product is likewise exaggerated and unsupported. See Compl. ¶¶ 54–60. HomeAdvisor stopped selling mHelpDesk in January 2020, and the FTC offers no basis to suggest that the product could be reinstated. Accordingly, there can be no ongoing and actionable violation of the FTC Act attributable to any representations about mHelpDesk. In any event, the statements about mHelpDesk referenced in the Complaint, ¶ 55, were not encouraged or condoned by HomeAdvisor or its management, and they contradict HomeAdvisor's training materials. Indeed, all of these statements were contemporaneously flagged by HomeAdvisor's quality assurance team as a "coaching opportunity" for the manager to address with the sales representative and/or resulted in a deduction from the sales representative's overall quality assurance score for the call at issue.

VIII. Other Legal Flaws in the FTC Complaint

The FTC's Complaint and associated claim for monetary relief also fail to exclude leads sold by HomeAdvisor to service providers located in Canada through Canadian subsidiary. The FTC lacks jurisdiction over such transactions because they are not "likely to cause reasonably foreseeable injury within the United States" and not "involve material conduct occurring within the United States." 45 U.S.C. § 45(a)(4)(A).

In addition, while the Complaint purports to cover the period from 2014 to the present, any claims arising out of conduct prior to August 2, 2016 are time-barred under the three-year statute of limitations applicable to Section 19 of the FTC Act, 15 U.S.C. § 57b(d), which was tolled as of August 2, 2019 pursuant to a tolling agreement between HomeAdvisor and the FTC.

[REDACTED]

* * * * *

The FTC's Complaint is predicated on the false notion that the hundreds of thousands of service providers who enrolled in, utilized and gained great value from HomeAdvisor's innovative online marketplace since 2014 were knowingly misled, unwittingly duped, and thereby harmed. But the Complaint is as shockingly sparse supporting factual allegations as it is long on unsubstantiated and irresponsible (and agenda-influenced) assertions. In fact, the actual evidence is directly contrary and will show that HomeAdvisor is a legitimate and innovative company that provides significant value to the homeowners and service providers who have kept coming back to HomeAdvisor because they recognize and want the benefits HomeAdvisor provides.

RESPONSES TO THE SPECIFIC ALLEGATIONS OF THE COMPLAINT

1. Respondent HomeAdvisor, Inc. ("HomeAdvisor"),

10. Every year, HomeAdvisor sells [REDACTED] of leads to service providers in its network. [REDACTED] the leads that HomeAdvisor sells consist of information submitted by visitors to HomeAdvisor's website, homeadvisor.com. The website's homepage states: "Find trusted local pros for any home project," and prompts the visitor to answer a series of questions about a project and provide contact information. A visitor can also browse a directory of service providers on HomeAdvisor's website.

RESPONSE TO ¶ 10:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. HomeAdvisor otherwise admits the allegations in this paragraph.

11. Using the information visitors submit to its website, HomeAdvisor sells a variety of lead types to service providers, including "Market Match Leads," "Exact Match Leads," and "Instant Booking Leads."

RESPONSE TO ¶ 11:

HomeAdvisor denies the allegations in this paragraph to the extent that they omit all the processes that HomeAdvisor undertakes to evaluate the information that it receives from homeowners in the form of service requests before, potentially, selling that information to service providers in the form of leads, such as manual and automated processes that filter out certain service requests befoEMC 435.Tdstan

Match Lead when a visitor selects a specific service provider from the directory and submits project and contact information directly to that service provider. HomeAdvisor generates an Instant Booking Lead when a visitor makes an appointment with a specific service provider via a web-based application on the directory. Approximately [REDACTED] of the leads HomeAdvisor sells to service providers are Exact Match Leads and approximately [REDACTED] are Instant Booking Leads.

RESPONSE TO ' 13:

HomeAdvisor denies the allegations in the first sentence of this paragraph.
HomeAdvisor denies the allegations in the

regularly sold a membership

RESPONSE TO' 20

HomeAdvisor denies the allegations in the first sentence of this paragraph, except admits that under certain membership types, service providers pay for each lead they receive (though they also may receive lead credits for a variety of reasons). HomeAdvisor denies the allegations in the second sentence of this paragraph to the extent that they purport to state all the ways that a service provider can limit the number of leads it receives per month or otherwise. HomeAdvisor denies the allegations in the third sentence of this paragraph to the extent that they fail to articulate fully the nature of the spend target system that HomeAdvisor uses with service providers. HomeAdvisor denies the allegations in the fourth sentence of this paragraph, except admits that service providers can pause their leads.

21. HomeAdvisor does not allow service providers to preview leads prior to receiving them. If a service provider is dissatisfied with a lead she receives from HomeAdvisor, prior to HomeAdvisor's

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RESPONSE TO' 25:

HomeAdvisor denies the allegations in the first sentence of this paragraph. To the extent that this paragraph references call ce

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RESPONSE TO ¶ 28:

P To the extent that this paragraph references documents, the documents speak for

Illustration 3: email marketing sent to prospective service provider members

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required, HomeAdvisor denies the allegations in this paragraph, admitting only that the webpage referenced includes language quoted in the second sentence of this paragraph.

38. Another page on its website has stated, "Only Get the Leads You Want. You pick your
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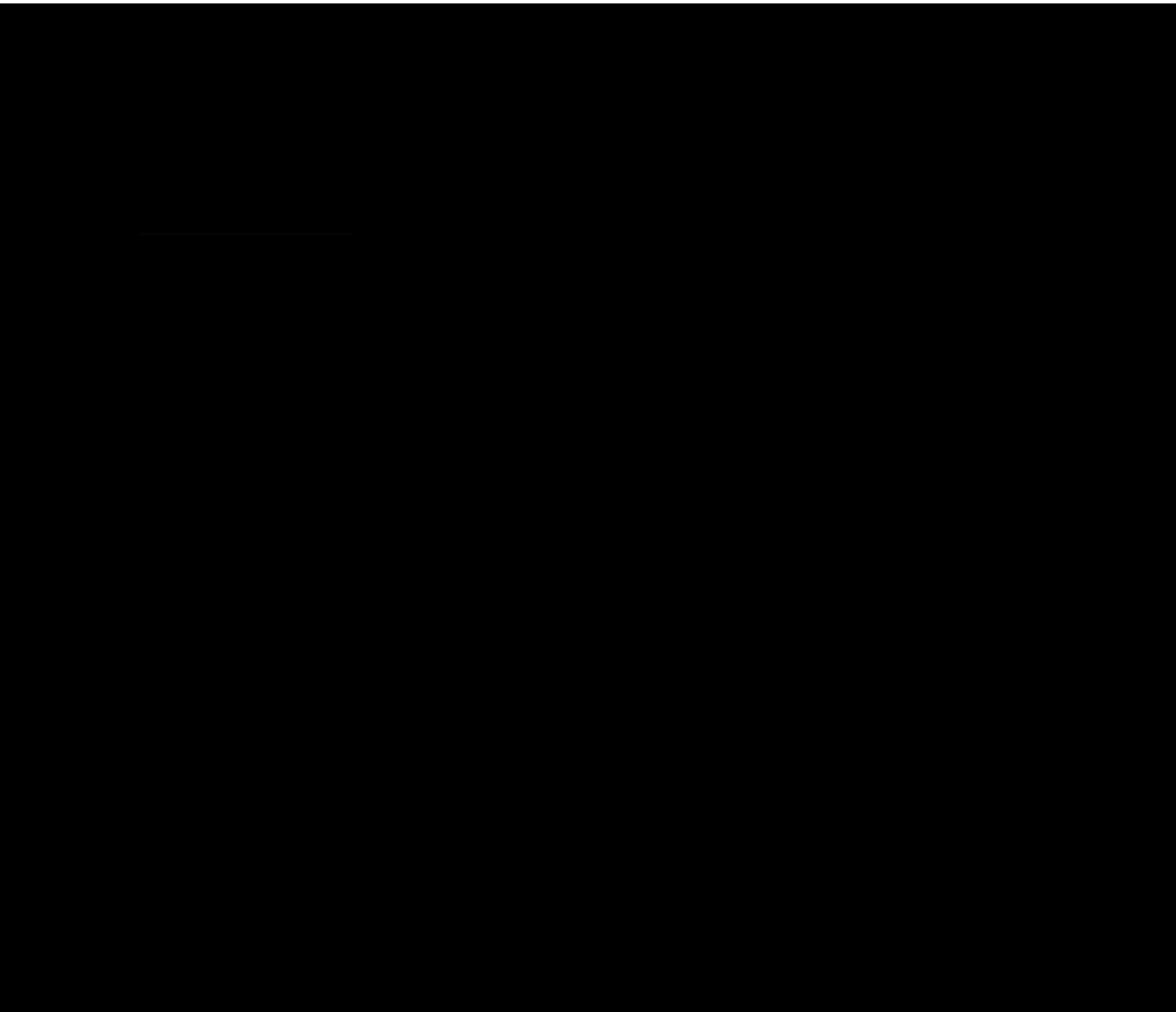


Illustration 6: previously available at <https://www.homeadvisor.com/enroll/signup/step1/leads/details>

RESPONSE TO [REDACTED]

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent a further response is required, HomeAdvisor admits only that the quoted language has appeared in certain materials and further notes that this language does not appear on HomeAdvisor's website at this time.

45. In fact, contrary to HomeAdvisor's representations, [REDACTED] of the leads that HomeAdvisor sells to service providers are purchased from affiliates and certain individuals who did not knowingly [REDACTED] HomeAdvisor's assistance. Since July 2014, HomeAdvisor has [REDACTED] B/D @AP-D335

[REDACTED]

[REDACTED]

[REDACTED]



10-10-18

...es the allegations in the first sentence of this paragraph. To the
... paragraph references documents, the documents speak for themselves and
... evidence of their contents. To the extent a further response is required,
HomeAdvisor lacks sufficient information to admit or deny the allegations in the remainder
of this paragraph. HomeAdvisor further denies that any of these statements is exemplary.

48. In numerous instances, HomeAdvisor's sales agents have represented to service providers
that HomeAdvisor's leads convert into jobs at rates well above what HomeAdvisor can
substantiate.

RESPONSE TO, 48:

HomeAdvisor denies the allegations in this paragraph.

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reported by service providers) [REDACTED] during the time period from July 2014 to September 2019.

50. [REDACTED] for Market as ranged between rate for [REDACTED] average win rate for Instant Booking Leads as range

RESPONSE TO 50

HomeAdvisor denies that the average win rate for Instant Booking Leads has ranged [REDACTED] and thus denies the remaining allegations in this paragraph.

51. Nonetheless, HomeAdvisor's sales agents have frequently represented falsely inflated win rates to service providers. For example, in sales calls HomeAdvisor's sales agents have described the leads as follows:

[REDACTED]

HomeAdvisor denies the allegations in the first sentence of this paragraph. To the extent that this paragraph references call recordings, the recordings speak for themselves and are the best evidence of the contents of those specific calls, which represent just a few statements, divorced from their context, taken from a small sample of the many thousands of sales calls that HomeAdvisor sales agents conducted during the time period of July 2014 to September 2019. In that context, HomeAdvisor admits the allegations in the second sentence of this paragraph. HomeAdvisor further denies that any of these statements is exemplary.

52. Indeed, [REDACTED]

[REDACTED]

RESPONSE TO, 52:

To the extent that this paragraph references documents, the documents speak for themselves and are the best evidence of their contents. To the extent that a further response is required, HomeAdvisor admits only that the language quoted appears in an email between those individuals, and that it describes only one of the at one point in time. HomeAdvisor further notes [REDACTED]

[REDACTED]

53 HomeAdvisor's [REDACTED] department has permitted [REDACTED] inflated [REDACTED]

[REDACTED]

RESPONSE TO, 53:

HomeAdvisor denies the allegations in the first instance of this [REDACTED]

[REDACTED]

54. In numerous instances,



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RESPONSE TO' 58

HomeAdvisor denies the allegations in this paragraph, except to admit that HomeAdvisor has made different types of memberships available, that some of these memberships cost \$287.99 annually and that some annual memberships previously sold, but that have not been sold since early 2020, included one month of mHelpDesk for a total price of \$347.98

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provider's receipt and credit card bill.

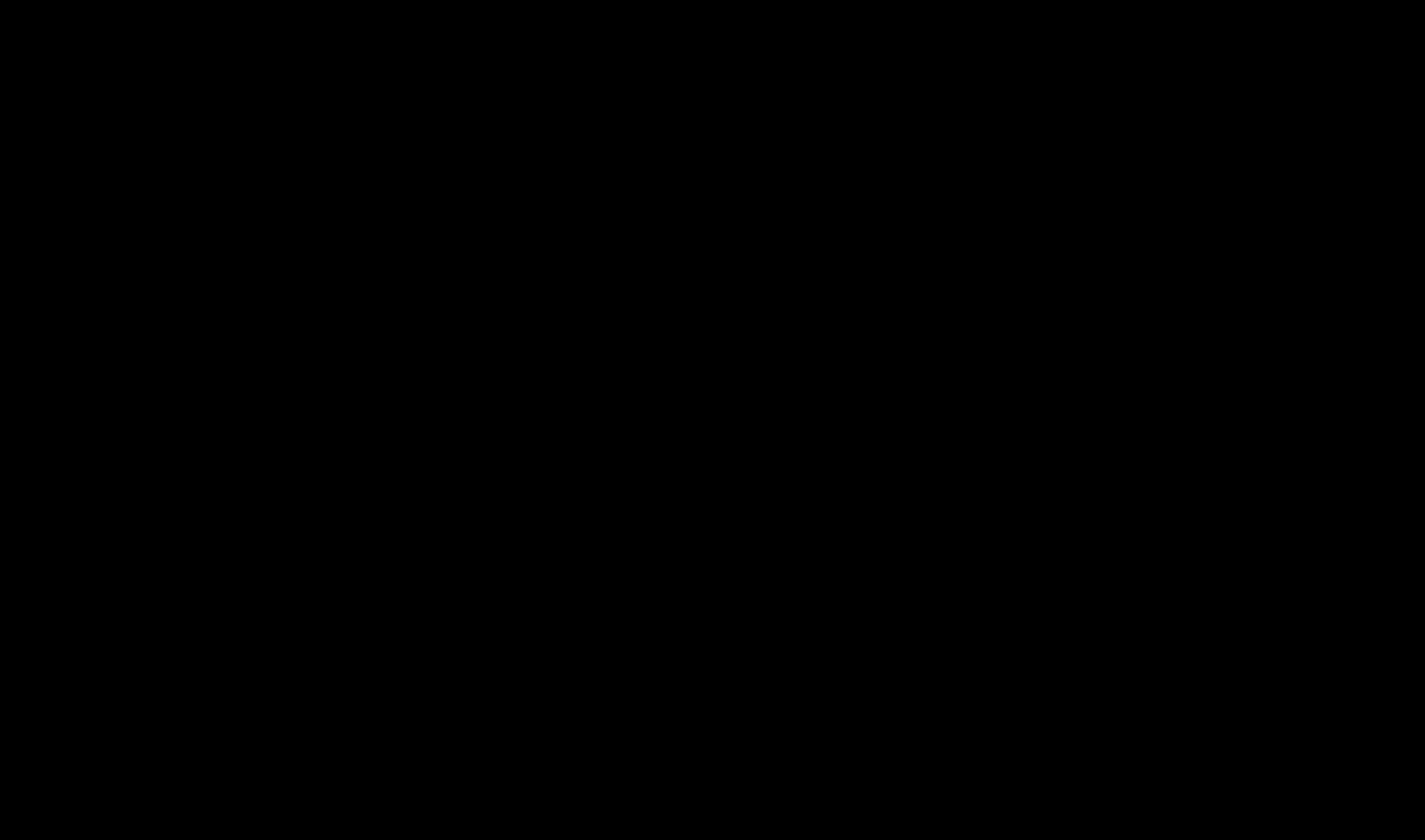
RESPONSE TO' 59

HomeAdvisor lacks sufficient information to admit or deny the allegations in this paragraph, because they allege what "service providers frequently have not learned" and

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[Redacted]

[Redacted]



65. The representations set forth in Paragraph 64 are false or misleading or were not substantiated at the time the representations were made.

RESPONSE TO ¶ 65:

This paragraph sets forth legal conclusions to which no response is required. To the extent that a response is required, HomeAdvisor denies the allegations.

**Count III
Misrepresentations Regarding mHelpDesk**

66. In numerous instances in connection with the advertising, marketing, promotion, offering for sale, or sale of leads, HomeAdvisor first month membership (mHelpDesk) T refree

Dated: April 6, 2022

Respectfully Submitted,

/s/ William A. Burck

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CERTIFICATE OF SERVICE

I hereby certify that on April 6, 2022, I filed the foregoing document electronically using the Administrative E-File System (AEFS), which will send notification of such filing to:

April Tabor
Office of the Secretary
Federal Trade Commission
Constitution Center

The Honorable D. Michael Chappell
Administrative Law Judge
Federal Trade Commission

I further certify that the electronic copy sent to the Secretary of the Commission is a true and correct copy of the paper original and that I possess a paper original of the signed document that is available for review by the parties and the adjudicator.

Dated: April 6, 2022

By: s/ William A. Burck

William A. Burck

Counsel for Respondent HomeAdvisor, Inc.