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## Tinder: From Swiping Right to Scaling Up

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### Introduction

Since its inception, Tinder had long endured its share of obstacles and publicity debacles. In 2015, one of its original co-founders left the startup after settling a sexual harassment case against the company for the abusive behavior of another co-founder.<sup>1</sup> In addition, the company's then-CEO Sean Rad misused "sodomy" in the place of "sapiosexual" in an interview with the *London Evening Standard*<sup>2</sup> shortly before Match Group's (Tinder's parent company) initial public offering, garnering a reprimand from the SEC and momentarily jeopardizing the equity offering. In that same year, *Vanity Fair* published a highly circulated article about Tinder's contribution to the demise of dating culture.<sup>3</sup> In February 2018, Tinder was found guilty of age discrimination when a California court ruled that it was illegal for the company to charge users over the age of 30 more for its subscription services, a lawsuit it settled a year later for \$11.5 million.<sup>4</sup>

Yet, despite these criticisms, Tinder, and its parent company, Match, continued to command the attention of investors and entrepreneurs alike. In fact, in first quarter 2019, Tinder generated the most revenue out of all non-gaming apps on Apple's app store, replacing Netflix, which had held the spot since fourth quarter 2016.<sup>5</sup> Furthermore, although the onset of the COVID-19 pandemic depressed usage initially in March 2020, by the time lockdown measures were rolled back in the summer, Tinder's revenue and subscribers both managed to grow by about 15% from 2019 to 2020.<sup>6</sup> By the end of 2022, there were 75 million global monthly active users on Tinder, among whom 10.7 million were paid subscribers.<sup>7</sup> At its core, Tinder was an app-based service that allowed one to view a stream of other Tinder users in close geographic proximity one-by-one and indicate whether one of these users is a suitable match for potential romantic interaction—by swiping right on the user's profile—or not—by swiping left. If two users happened to swipe right on each other's profiles, the app would present each with a notification of a match and the opportunity to communicate with one another. Less than two years after its founding in 2012, Tinder had acquired more than 10 million users. By December 2014, the platform had been downloaded more than 40 million times with users swiping more

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than 1 billion times per day. By March 2015, Tinder had moved up six spots in the Google Play revenue rankings and jumped from number 969 to number 26 in the iOS overall rankings.<sup>8</sup> In 2023, Tinder was the highest performing app among parent company Match.com's suite of online dating platforms, contributing to over half of Match.com's total revenue and counting 10.7 million users as paid subscribers to either Tinder Gold or Tinder Plus or paying for à la carte services, such as Tinder Boost.<sup>9</sup>

Against the backdrop of proven success from websites such as Match.com and eHarmony, Tinder's early successes and potential were somewhat of a mystery. Users had long valued and were willing to pay subscription fees for traditional dating websites that filter a small selection of matches from a large population of potential partners with the promise of more meaningful interactions. In contrast, Tinder initially offered a free service that significantly extended the range of people users could access with little attention to the quality of potential matches.

As Tinder's owner, Match Group, looked ahead after its earnings report in Q2 2023, it was encouraged by several trends. First, driving Tinder's revenue growth was more spending by existing users on subscriptions, with revenue per payer increasing to \$21.53 – a 20% year-over-year increase. Second, additional factors that showed promise in sustaining future included a weekly subscription plan introduced in some markets and upticks in reactivations among dormant users, especially by women.<sup>10</sup> This was welcome news as new Match Group CEO Bernard Kim, announced in August 2022 that the company would part ways with Tinder CEO Renate Nyborg, who had just stepped into the role in 2021.<sup>11</sup> Establishing a renewed focus on monetization would therefore be a priority for whoever would assume Tinder's chief executive role (Kim stepped in as Interim CEO): should Tinder prioritize promoting subscriptions or à la carte services to generate increased revenue? Is there another viable monetization strategy worth considering, such as within-app advertising? Beyond dating, should the company build products that enable virtual interaction through games, live-streaming, and short videos, to form new connections between users? Should Tinder be open to offering even more tiers – referring to its pilot testing of a \$500/month plan – and flexibility – referring to the initial success of its weekly plan – in its subscription plans?

## The First Wave of Digital Dating

### ONLINE PERSONALS

The initial diffusion of the internet into American homes was almost immediately accompanied by the advent of online personals (personal ads) websites, the first of which appeared in 1992. Personal ads had been a common feature of many newspapers and periodicals, but the breadth of the world wide web gave rise to platforms that allowed people to interact and seek matches at a far greater scale. Popular arenas for initiating online dating included AOL.com chatrooms and other community- or interest-based websites with bulletin boards, such as The WELL (Whole Earth 'Lectronic Link). However, despite the interest in online dating, customer satisfaction was low – especially among those searching for long-term relationships – and a social stigma remained around admitting to searching for romance online. By 2001, the digital dating market had only reached a market size of \$40 Million.<sup>12</sup>

Following the first dot-com bubble, as internet use played a greater role in everyday life, the stigma of dabbling in online dating also began to evaporate. In 2005, more than 5% of the marriages that took place yearly in the U.S. originated from an online dating platform (120,000 out of 2.2 Million).<sup>13</sup> Moreover, users of online dating websites were diverse in terms of their relationship history and status, with 45% reporting having never been married or in a long-term relationship, 31% divorced, separated, or widowed, and 23% currently married or in a long-term relationship.<sup>14</sup> The surge in demand for online dating platforms, in particular among those seeking long-term partners or marriage, resulted in fierce competition. One company, however, stood out, becoming emblematic of online dating during this time period.

### **THE RISE AND SUCCESS OF EHARMONY**

eHarmony, founded by Neil Clark Warren and his son-in-law Greg Forgatch in 1998, rose to become one of the most prominent players in the digital dating market in the 2000s.<sup>15</sup> Focusing on the marriage market, eHarmony became known for its wholesome and serious approach to facilitating matchmaking. For example, even as recent as 2017, much of the company's marketing spend was channeled into television and radio advertising, appealing to older audiences who did not look to their smartphones as their priority for information consumption. The company's TV ads were instantly recognizable through its use of Natalie Cole's "This Will Be" background music while featuring Dr. Warren, their 83-year-old founder who was also a practicing psychologist with a PhD from the University of Chicago, touting the benefits of eHarmony. Before founding eHarmony, Warren himself had written multiple books on love and marriage, served as a Dean at the Fuller Theological Seminary, and was a frequent speaker at events, in which he lectured about personality similarity as a key ingredient in the success of long-term relationships.<sup>16</sup>

Warren's approach to compatibility was deeply reflected in eHarmony's core product. Users could register for eHarmony for free, after which, they would be asked to complete a comprehensive personality and relationship survey. User responses to the survey would be then used as the input data to generate matches via a sophisticated algorithm developed by eHarmony's R&D team. In the beginning, the questionnaire was daunting, consisting of 436 questions. It was later condensed to 258 questions, and again to 150 questions in 2016. The questionnaire itself was a result of a rigorous study of 4,000 married couples, whose insight led to a survey that asked users about lifestyle preferences, values, beliefs, attitudes, personality traits, family background, birth order, energy level, intelligence, spirituality, and future aspirations.<sup>17</sup>

The algorithm used to generate matches using questionnaire responses took a different approach to assessing compatibility from most psychological theories of emotional affect, which suggested that "opposites attract." Instead, the algorithm was built around Dr. Warren's core belief that similarity in personality traits and values, above all, predicted long-term relationship success. eHarmony's R&D spent 4 years testing and refining the algorithm to curate a set of questions that would be best used to form matches based on similarity.<sup>18</sup>

The questionnaire could take up to an hour to complete, which Warren suggested was a way to screen users to make sure that they were serious about their search for a long-term partner.

Furthermore, although completing the questionnaire was free, users could only view and initiate conversation with their matches if they purchased a subscription to eHarmony (which in 2021 for U.S.-based users was \$65.90/month for 1 month, \$45.90/month for 6 months, and \$35.90/month for 12 months – notably, these membership fees grew by between 10% and 35% from 2020).<sup>19</sup> Nevertheless, eHarmony claimed that of those who completed the questionnaire, the company refused to sell memberships to at least 20% of them each year because of their responses to the questionnaire – the most common reason being that responses would reveal that a potential customer was already married or was seeking a same-sex relationship, a market that the company did not address.

By not offering paid memberships to 20% of those who completed the questionnaire – which was about 1 million people in 2012 – Greg Waldorf, who was CEO at the time, suggested, “We leave a lot of short-term value on the table, but the idea is to keep the quality of our pool really healthy.”<sup>20</sup> Failing to sell subscriptions to at least 1 million potential paid users meant that the company was costing itself close to \$10 million each year.

A distinct feature of eHarmony is that users could not freely browse the profiles of other eHarmony users. Instead, a paid eHarmony user would be presented with a small fixed set of matches periodically, with whom the paid user could choose to initiate a dialogue. If a paid user starts a conversation with a match, the partner could only reply if he/she was also a paid user.

Upon entering into a dialogue, the matched pair would be put into an interaction that eHarmony called “Guided Communication.” Rather than freely interacting with one another, Guided Communication entailed three steps. In the first, the pair would submit their answers to multiple-choice questions such as, “If you were taken by your date to a party where you knew no one, how would you respond?” The second step involved having both users share lists of “must-haves” and “can’t-stands” with one another, and in the third step, users would give open-ended answers to deeper questions about personal values. If at any step of the Guided Communication process, one or both users choose to opt out, their match would be ‘closed.’ If they successfully completed the Guided Communication interaction by approving each other’s responses, the matched pair would be put into Open Communication, in which they could chat freely. 20-30% of users who initiated Guided Communication ultimately ended up on Open Communication. In addition, a matched pair could mutually elect to “Fast-Track” their match by paying extra to skip Guided Communication and be put immediately into Open Communication. Only about 10% of matched pairs used the “Fast-Track” option.

The result of the highly integrated system led to eHarmony claiming a higher success rate in producing long-lasting relationships than its competitors. Although other competitors could produce more initial matches, eHarmony touted that marriages that resulted from its platform were happier overall and less likely to end in divorce.<sup>21</sup> In 2017, CEO Grant Langston revealed that the company had about 750,000 paid subscribers and 10 Million active users (both paid and non-paid users can fill out the questionnaire and receive matches, but only paid users can initiate contact with their matches).<sup>22</sup> By 2021, there were 29 million paid and non-paid active users although the company has not released any data about subscriptions.<sup>23</sup> eHarmony, which was still a private company, recognized the need to adjust to rapidly shifting social

expectations when it came to dating. The marriage segment in the digital dating market was growing at a slower pace relative to casual dating, as rivals, such as Match.com were finding greater traction with younger generations.

## App-based Dating: A Company History of Tinder

In 2012, Sean Rad founded Tinder inside Hatch Labs, a startup incubator run by InterActiveCorp (IAC), the former parent company of Match Group. With Rad as CEO, the company's original team was comprised of Jonathan Badeen, vice president of product; Justin Mateen, CMO and co-founder; and Whitney Wolfe, vice president of marketing, who later left the company to found Bumble, a competitor dating app. Rad was born to Iranian immigrant parents and grew up in Beverly Hills.<sup>24</sup> He studied business at the University of Southern California but dropped out after two-and-a-half years to work in the startup space. Prior to Tinder, he founded two companies, including Adly, a platform that helped celebrities and influencers monetize their brands.

In its initial stages, Wolfe pushed for the proliferation of Tinder through word of mouth. In 2012, she crossed the country, visiting sororities at colleges and universities. Specifically, Wolfe attended chapter meetings and encouraged women to sign up on the spot. Once she persuaded enough women to join the platform, she then shifted her attention to fraternities. Wolfe employed campus ambassadors to host Tinder-themed parties that only allowed men to attend upon agreeing to download Tinder. She successfully increased the user base from 5,000 to 15,000 during this inaugural "recruiting" trip.<sup>25</sup> In 2013, Tinder won the TechCrunch Crunchie Award for "Best New Startup of 2013."

Despite the success of eHarmony and Match's other platforms that promote the value of algorithms for matching people for long-term partnerships, Rad believed in a model that imitated the nuanced intuition of real-life dating. However, a key difference was that the number of people that Tinder users could access for potential dating opportunities was larger compared to offline means of meeting people. In addition, Rad maintained that Tinder preserved the organic feel of meeting new people, in contrast to the calculated algorithms used by traditional dating websites: "When was the last time you walked into a bar and someone said, 'Excuse me, can you fill out this form and we'll match you up with people here?' That's not how we think about meeting new people in real life."<sup>26</sup> Rather, Rad believed that first encounters are substantially more intimate—filled with uncertainty, devoid of significant information, and reliant on instinct. In addition to maintaining the dynamics of real life interactions, Tinder also removed the fear of blunders and rejection from dating, making the Tinder experience more akin to "locking eyes with someone at a bar."<sup>i</sup>

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<sup>i</sup> Interestingly, Rad's low opinion of the efficacy of dating algorithms was shared by some relationship experts. According to Associate Professor Eli J. Finkel at Northwestern University: "They are a joke, and there is no relationship scientist that takes them seriously as relationship science." Alternatively, people more heavily weight intangible factors such as looks and mannerisms when making judgments about the viability of their potential future partners. (Nick Bilton, "Tinder, the Fast-Growing Dating App, Taps an Age-Old Truth," New York Times, October 29 2014, [http://www.nytimes.com/2014/10/30/fashion/tinder-the-fast-growing-dating-app-taps-an-age-old-truth.html?\\_r=0](http://www.nytimes.com/2014/10/30/fashion/tinder-the-fast-growing-dating-app-taps-an-age-old-truth.html?_r=0).)



In 2014, Tinder transitioned from clicking icons to its signature swiping mechanism. Co-founder Badeen suggested that when people meet in real life and decide whether to pursue a romantic relationship, they are essentially engaging in a “cognitive swipe”<sup>27</sup> —thus making Tinder the most intuitive user experience.

In March 2014, IAC increased its majority stake in Tinder. Under the leadership of IAC, Tinder introduced mechanisms for monetization in March 2015, prior to its planned initial public offering (IPO). However, Tinder’s debut to the public markets was met with a stumble. On June 30, 2015, Wolfe filed a sexual harassment lawsuit against Tinder involving fellow co-founder Mateen, whom she had been dating. She claimed that her other male colleagues allegedly turned blind eyes to her treatment and stripped her of her co-founder title.<sup>28</sup> Tinder settled the case for \$1 million, and Wolfe left to start Bumble, a competing dating app company that catered more to female customers and female employees.

The lawsuit prompted leadership changes at Tinder. Mateen was asked to leave the company, and Rad stepped down as CEO, although he continued to serve as chairman. Tinder’s board of directors appointed Christopher Payne to replace Rad as CEO. Payne had prior work experience at established technology firms such as Microsoft and eBay, and was brought in to implement more structure and accountability. After a short five-month stint, he stepped down on August 12, 2015, and the board reinstated Rad as CEO.<sup>29</sup>

Despite early claims denouncing matching algorithms, in late 2015, Tinder deployed its own algorithm. Tinder adapted a variation of the “Elo score” —a ranking based on users’ popularity or “desirability”. Rad explained, “It’s not just about how many people swipe right on you. It’s very complicated.”<sup>30</sup> The company had historically been secretive about the mechanisms of the algorithm; however, possible data points that Rad hinted might contribute to an Elo score included:

- Out of the profiles that a user swipes right on, how many times is the favor returned?
- What length of time is spent looking at a profile?
- Whether the user’s linked Instagram profile is investigated.
- How many Super Likes has one’s profile received?

A more popular profile, i.e., one with a higher Elo score, would allegedly be shown to more users, and if a profile were given a Super Like by another user, it would temporarily be bumped to the top of the stack. Around the same time, Tinder added users’ educational and career information to profiles. Again, the Tinder team decided that more information would facilitate more informed decisions and lead to better matches. For example, if users attended the same college or worked at the same company, that information was highlighted under their picture.<sup>31</sup> It is worth noting that Tinder’s platform changes followed in the footsteps of Bumble and Hinge, which both promoted these features ahead of Tinder.

On November 20, 2015, IAC decided to spin out Match, which owned Tinder, into a separate entity on the public markets (a process that was officially completed in June 2020). The IPO raised \$400 million at \$12 per share with a \$3 billion valuation and listed under the symbol MTCH on the NASDAQ.<sup>32</sup> Tinder, known as the crown jewel of Match’s portfolio, drove the

company's valuation, boasting over 9.6 million daily active users and 583,000 paid members at the time of the offering.<sup>33</sup>

On December 8, 2016, Rad once again stepped down as Tinder's CEO to focus on Swipe Ventures, an investment vehicle inside Match that operated as the mergers and acquisitions arm under Tinder's umbrella.<sup>34</sup> The exact amount of funding at Swipe Ventures remained undisclosed.<sup>35</sup> Although Tinder was the golden goose among Match's portfolio of dating platforms, Match's acquisitions included, OKCupid (February 2011), Tappy (January 2015), PlentyOfFish (July 2015), Humin (March 2016), Hey! Vina (September 2016), Hinge (June 2018), Harmonica (August 2019) and The League (July 2022).

By 2023, there were about 75 million active Tinder users across the world.<sup>36</sup> Surveys suggested that 80% of users were looking for more than just a casual relationship, prompting the company to reevaluate its value proposition as the go-to platform for casual dating.<sup>37</sup> Indeed, in December 2022, Tinder announced that it would allow users to specify their "Relationship Goals" on their profiles which ranged from "still figuring it out" to "short-term fun." In 2021, Tinder remained the primary contributor, via subscription revenue, to Match's growth: According to Match's annual report, Tinder contributed \$1.6 billion to Match's \$3 billion in revenue (see Exhibit 1 for a summary of recent key financials).<sup>38</sup>

## The Product

Although Tinder was not the first smartphone dating application, it established the standards for the mobile dating industry and the dating apps that followed. For example, to verify the validity of user's identities, the platform only allowed people with Facebook profiles to sign up as a Tinder user. Tinder user profiles pulled specific listed information from Facebook such as education and work background, hobbies, "likes," and common Facebook friends. However, users were given the opportunity to fill in a brief introduction of themselves as well as upload several photos of themselves. Tinder also allowed for users' profiles to be linked to their Instagram accounts.

Tinder's services are primarily location-based, displaying other Tinder users in close geographic proximity (see Exhibit 1). A user's location is updated every time he or she signs in to the platform. In the app's settings, users can stipulate their sexual orientation, the desired age range of other Tinder users to display, and the maximum distance within which Tinder should search for other users. Rad envisioned a design that showed users pictures on a deck of cards that people could flip through. Swiping left on a Tinder user's profile indicates lack of interest, and swiping right signals openness to further interactions. When two users "swipe right" on each other's profiles, Tinder simultaneously notifies both users of the match (see Exhibit 1). Their counterparts then appear on each other's "matches" page, and users can initiate conversation through the Tinder app. Initially, users were allowed unlimited swipes, but a limit of 100 right swipes per day was eventually implemented in order to prevent people from always swiping right just to see who swiped right on them.

## PRODUCT EXTENSIONS

In 2015, Tinder launched its “Super Like” feature. Super Like allows a user to indicate that they like someone and have their interest shown to the other party before the other party decides which way to swipe. Every user is allowed only one Super Like per day. Statistics show that people are three times more likely to match with someone they Super Liked, and conversations initiated by Super Likes last 70% longer on average.<sup>39</sup>

In 2018, Tinder released several new product features in direct response to competitive threats from its competitors. Most notably, Tinder began piloting a feature called “My Move” in India, which allows women on the app to only engage in chats that they have initiated.<sup>40</sup> The feature is highly similar to the premise of rival dating app Bumble, which only allows women to initiate chat interactions upon matching with a potential partner. Other new additions include “Places,” which prompts users in real-time with potential matches who frequent the same locations according to their mobile device’s location data.<sup>41</sup> Finally, in 2018, the company announced that it was testing “Top Picks,” which presents paid users with a curated set of potential matches rather than the typical ‘endless swipe’ interface.<sup>42</sup>

In a nod to eHarmony, Tinder released a feature in early 2020 that prompted matched Tinder users to engage via a guided questionnaire, a core aspect of the dating app, Hinge, which was also owned by Match.com. As the pandemic took hold, Tinder made its paid Passport feature, which allowed users to match with individuals across all regions (not just within a fixed geographic proximity), free to all users. In October 2020, Tinder released “Face to Face”, an option for virtual dating via video conferencing within the Tinder App, a feature that other apps in the Match.com portfolio had implemented earlier in the year.<sup>43</sup> Finally, because of a number of reports in which Tinder users were victims of harassment and assault, in early 2022, Tinder implemented a background check feature. Developed with background check service company, Garbo, when two Tinder users engage in a chat to plan an in-person meeting, a prompt appears asking each user whether they would like to run a background check on the other user, which searches “public information about arrests, convictions, and sex offender registry records.”<sup>44</sup>

## PRODUCT SECURITY AND QUALITY CONCERNS

Although Tinder only displays a user’s first name, it is not difficult for those who want to find information about a Tinder user outside of Tinder. The requisite Facebook- or Instagram-linked identity information (e.g., school, jobs, interest, etc.) is enough for a quick Google search to pinpoint a person’s actual Facebook identity or LinkedIn profile. In addition, some users prefer to converse outside the Tinder platform as soon they become comfortable in their Tinder conversations. Historically, there have also been incidents of financial fraud on Tinder.<sup>45</sup>

## USER BEHAVIOR

Although Match does not release official statistics about usage rates broken down by its users’ demographic categories for each of its online dating platforms, a number of studies took note of considerable imbalances between men and women Tinder users when it came to matching and messaging rates. For example, a 2016 study created 14 fake generic Tinder profiles (7 men and 7 women) and tracked the behavior of approximately 480,000 men and women Tinder users living in London who had an opportunity to swipe left or right on these fake profiles.<sup>46</sup>



The researchers found that women had a 10.5% matching rate – defined as the percentage of users on which a user has swiped right who have also swiped right on the user whereas men had just a 0.6% matching rate.

In addition, according to the researchers, most swiping activity occurred during commute hours (between 8 AM and 9 AM and between 5 PM and 8 PM). Women sent an initial message to 21% of their matches whereas men initiated a conversation with 7% of their matches, indicating that men were less engaged on the platform beyond the swipe mechanism. However, when men did send a message, 63% of men did so within 5 minutes of the match notification while only 18% of women sent a message within 5 minutes of hearing about a match.

Further studies investigated the nature of conversations after a match was made on Tinder. Another study in 2016 collected the text of over 18.9 million messages that were part of 2.1 million conversations, in which 400,000 heterosexual Tinder users took part in the U.S.<sup>47</sup> In their sample of conversations, 39% consisted of just one message, and another 11% had two unreciprocated messages. Only 52% of conversations initiated contained a reciprocated response (42% for female initiated, and 53% for male initiated). In these “mutual conversations”, the average time between the first message and first response was 2.4 days. Finally, the researchers found that in just 18% of mutual conversations, was there a phone number exchange between users.

Together these studies revealed that although women appeared to be more engaged on the platform with their matches, men received considerably fewer matches in total than women. Moreover, when a conversation did occur with a user’s match, only a small proportion led to the potential for communication outside Tinder’s messaging platform.

## **BEYOND DATING**

The company began diversifying into other areas in 2019, perhaps most notably with its production of interactive content, distributed through the Tinder app. In October 2019, Tinder released episodes of a series it called “Swipe Night,” in which Tinder users advanced through an original content story by swiping left or right at certain decision points in the plot in a choose-your-own-adventure format. The experimental series was lauded as a success, as millions of users progressed through the story. The company also reported 26% increases in matches and 12% increases in messages on the nights in which episodes were released.<sup>48</sup>

The success of “Swipe Night” presaged Tinder’s ambitions to grow in areas beyond dating. Most notably, Match Group acquired Hyperconnect, a South Korean social networking company enabling group video-chats and live-streaming, for \$1.73 billion in February 2021 – to date, the company’s largest acquisition.<sup>49</sup> The acquisition signaled Tinder’s intention to facilitate forms of social interactivity beyond causal dating. In September 2021, Tinder released Explore, which allows Tinder users to get to know each other through various activities and interest groups without any emphasis on matching or dating.<sup>50</sup> The initial platform became the new home to “Swipe Night” and other services, like “Hot Take”, which puts two unmatched Tinder users in time-limited chat, akin to virtual speed dating. According to CEO of Match, Shar Dubey, in the company’s Q3 2021 Earnings Call “[Explore] keeps Tinder

at the center of culture...gives users new reasons to keep coming back, increases engagement and activity.”<sup>51</sup> With the success of Swipe Night, Tinder released a broader feature in 2021 called “Vibes” that prompts users to engage in Tinder by answering a short series of questions within the same 48-hour window, with their answers displayed on their profiles for a period of 72 hours to facilitate matches.<sup>52</sup>

## Monetizing the Platform

### TINDER PLUS, GOLD, AND PLATINUM

Tinder employed a dual-track monetization business model. The company executed its first major monetization strategy with Tinder Plus in March 2015. As of 2022, Tinder Plus charged \$7.99 for a one month subscription (with the price coming down to \$2.67 per month with a 1-year commitment).<sup>53</sup> Benefits of the subscription include the following:

- Unlimited swipes
- No advertisements
- Rewind swipes—Users can change their minds about profiles of Tinder users on which they have already swiped.
- Passport—Instead of being restricted to Tinder users based on location, subscribers can match with people all over the world. This functionality allows users to start matching with people in geographic areas where they plan to travel before physically reaching the destination. Passport was made free to all users in 2020.
- More Super Likes—Super Likes are increased from one per day to five per day. Reports suggested that a Super Like increased the probability that a user would reciprocate, resulting in a match, by 3x.<sup>54</sup>

In June 2017, the company announced that it would launch a premium tier of Tinder Plus, which it called Tinder Gold. In addition to the benefits of Tinder Plus, Tinder Gold users would have access to a new feature called, “Likes You,” which would allow a user to view a list of those who had swiped right on his/her profile without the user taking any action on their profiles. The company stated that the feature would “offer an easier, quicker way to use Tinder without having to swipe through people’s profiles in the hopes of getting matches.”<sup>55</sup> Tinder Gold subscriptions cost \$24.99 for a one month subscription.

A third tier of paid subscription plans, Tinder Platinum, was announced in 2020, granting users all of the features in Tinder Gold and two additional capabilities. The first allows Tinder Platinum users to send a short message with a Super Like, enabling communication prior to a reciprocating right swipe. The second feature, ‘Priority Likes’, pushes a user’s like to the front of a recipient’s queue – regardless of the user’s Elo score – increasing the likelihood that it will be seen by a recipient. Tinder Platinum charged users \$29.99 for a one month subscription.<sup>56</sup>

### DISPLAY ADVERTISING

Tinder integrated advertising into the user experience by incorporating it into users’ “deck of cards” as if the ads were any ordinary profile. Once a user swiped right on an ad, the advertising company typically sent the first message—offering discounts, entering matches

into raffles, promoting an upcoming release or a game or movie, etc. Tinder's most memorable ad campaigns included the following:

- Domino's Pizza offered free pizza and other promotions to users who matched with them and reached over 230,000 people through its campaign.<sup>57</sup>
- Amnesty International (AI) raised awareness about forced marriages on International Women's Day by encouraging their matches to change their profile pictures to the AI logo.<sup>58</sup> In addition, matches were sent links to the interactive website that offered more information on the topic with the option of signing up for the mailing list. Given the positive nature of the ad campaign, Tinder boosted its visibility, and AI saw a large uptick in both website visits and membership.
- Bud Light partnered with Tinder, paying over \$1 million per campaign, to raffle off tickets to its Whatever, USA, trip through a video ad on the platform. The promotion was highly successful. According to Hugh Cullman, Bud Light's director of marketing, "There's a lot of synergies between the Tinder audience and the audience we're looking for."<sup>59</sup>

Generally, users have exhibited negative reactions to TV shows or movies promoting their upcoming releases by creating a profile for one of their characters. For example, people have not liked the character promotions for the movie, "Mike and Dave Need Wedding Dates"<sup>60</sup> and the TV show, "The Mindy Project,"<sup>61</sup> associating these ads with bait-and-switch tactics.

### **TINDER BOOST**

In September 2016, Tinder launched Tinder Boost,<sup>62</sup> which promoted a user's profile for 30 minutes. Within this range of time, promoted profiles achieved 10x more profile views and attained 3x more matches. In 2022, one Boost cost \$6.99. A package of five Boosts cost \$30, and 10 Boosts cost \$50. Pricing is also adjusted dynamically based on age, location, and time of day/week. Shortly thereafter, Tinder introduced Super Boosts, which multiplied profile views by 100x. Only available to paid subscribers, Super Boosts cost \$39.99 and lasted 6 hours.

## **Company Financials and User Growth**

Given the novelty of Tinder's monetization strategies and its subsidiary position within Match, there was little public financial information on Tinder alone. Since its opening debut at \$12 per share, Match's stock price has steadily increased, reaching an all-time closing high at \$175.53 on October 21, 2021. Although Tinder was a leading driver of Match's unprecedented direct revenue growth over the past couple of years, Tinder's rapid expansion also incurred an increase in cost of revenues as well as product development expenses in the form of headcount increases. As a result, since 2021, the company's stock price has fallen by over 75% through 2022, with a stock price of \$41.70 on the first day of trading in 2023.

Having been a subsidiary of IAC with the luxury of raising money internally, Tinder never grappled with seeking funding in rounds from venture capital firms and thus did not have a public valuation. In April 2014, when IAC increased its stake in the company, public

speculation estimated Tinder's valuation to be somewhere in the wide range of \$500 million to \$5 billion.<sup>63</sup> In April 2015, J.P. Morgan calculated Tinder's standalone valuation to be as much as \$1.6 billion, based on management's indications towards Tinder Plus' strong renewal rates as well as the platform's successful video ad campaign with Bud Light, indicating its prioritization of user engagement (see Exhibit 4).<sup>64</sup> Recent numbers from a lawsuit against Tinder by a group of Tinder co-founders (including Rad) suggest that Tinder today is worth over \$10 billion.<sup>65</sup>

By 2023 there were an estimated 75 million user accounts on Tinder, which includes both paid and unpaid users. Tinder's paid user base stood at 10.7 million worldwide. Tinder's paid users also comprised over 50% of the total number of paid users and revenue across all of Match's dating platforms. Adjusted operating margin for Match in Q2 2023 was 36%, consistent with the year before; although margins were not broken out by individual service, the company in the past has stated that operating margins for Tinder approached 40%.<sup>66</sup>

With increased competition in the online dating space, executives acknowledged in a Q3 2022 earnings call that controlling rising costs – especially marketing expenses – and new product development would be primary goals moving forward. Although executives recognized the explosive growth of Hinge, which was now Match's third most popular service, the growth of Tinder was disappointing. Shareholders pinpointed a possible reason for Tinder's less-than-stellar results: the decline in a la carte purchases (for example, Tinder Boost). Match executives attributed this to the weakening global economic outlook, which affected Tinder's most price sensitive customers most acutely. On projecting a more conservative growth trajectory for Tinder, Match CFO Gary Swider commented, "we think the caution is warranted given the change in trends and the weakness in the overall macro environment, which, as BK just said, is really affecting Tinder on the a la carte side, as users, especially younger users have less discretionary income, are being a little bit more cautious in their purchasing. And we think that effect is going to linger for a period of time."

## Competitor Focus: Bumble

Bumble, started by Whitney Wolfe Herd after leaving Tinder, continues to be one of Tinder's most formidable competitors. Launched in December 2014 in Austin, Texas, the app's user interface is generally like Tinder's, but it focuses more on its female customer base, only allowing women to start conversations and removing a match if a woman does not initiate conversation with 24 hours of the match. In essence, Bumble allows women to forge more meaningful connections without a barrage of unwanted messages from prospective men. In addition, unlike Tinder, Bumble offers unlimited swiping and a backtrack feature that allows a user to undo accidental left swipes by shaking her phone at no cost.<sup>67</sup> Bumble's subscription package grants re-matching with expired swipes ("Rematch"), extends the 24-hour window with a match ("Busy Bee"), and most importantly, provides a list of all users who have swiped right on a user ("Beeline").<sup>68</sup> However, there is no Super Like equivalent function on either the paid or unpaid platform. Bumble priced subscriptions at \$9.99 for one month, \$7.99 per month for three months, and \$5.99 per month for a package of six months. As of December 2015, the

company employed 13 people, only one of which was a man.<sup>69</sup> By 2020, Bumble had grown to 750 employees, as users eclipsed 100 million.<sup>70</sup>

Bumble's success did not go unnoticed by incumbent dating platform companies. In 2018, it was revealed that Match had attempted twice to acquire Bumble. Bumble had declined the first offer in spring 2017, which set Bumble's valuation at \$450 million, and again in fall 2017, when the acquisition offer increased its valuation of Bumble to \$1 billion. Following their failed acquisition attempts, Match sued Bumble, alleging that the company copied certain features of Tinder's app including the swipe gesture, infringing on Match's patents. In March 2018, Bumble then countersued Match, which alleged that Match's initial lawsuit forced Bumble to reveal sensitive information that was protected as Bumble's trade secrets.<sup>71</sup> The on-going legal tension between the two companies had no resolution in sight as of 2020.

As Bumble went public on February 11, 2021, Wolfe Herd became group CEO of Magic Labs, the parent company established by Wolfe Herd and Andrey Andreev, with whom she initially founded Bumble. In November 2020, private equity group Blackstone took a majority stake in Magic Labs, valuing the parent company at \$3 Billion. With its ownership of Badoo, the world's largest dating platform, the total number of worldwide users of Magic Labs' dating apps exceeded 500 million.<sup>72</sup>

## Questions Moving Forward

Despite its initial successes, Tinder faces numerous hurdles going forward. First of all, although it commands millions of downloads, there is little evidence that Tinder users find better matches than users of other services. Many believe the platform has led to the Dating Apocalypse: "the extreme casualness of sex in the age of Tinder leaves many women feeling de-valued."<sup>73</sup>

Tinder is also often seen as catering more to heterosexual users than any other demographic. The LGBTQ community has noticed the difficulty for trans, queer, and other non-binary individuals to use its services.<sup>74</sup> For example, the limited number of LGBTQ people on the platform caused these users to turn to alternatives such as Grindr or OkCupid. In addition, Tinder users have historically experienced app glitches that have showed them potential matches who are outside of their preference. This has further deterred the LGBTQ users from the platform, resulting in low engagement with the app.

In terms of competitors, recognizing Tinder's prominence, eHarmony has made attempts to encroach upon Tinder's target customers. For example, starting in January 2017, eHarmony made its trademark 150-question personality survey optional for first-time users.<sup>75</sup> In an effort to shed its dusty image, the platform granted users the ability to text instead of restricting communication among potential partners to email. According to then eHarmony CEO Grant Langston, "[T]here are people using Tinder today who are not looking for a hookup, that want a serious relationship. . . . We want them to drift to us if they want a more serious relationship."<sup>76</sup> Langston believes that the way to lower switching costs for converters is by making eHarmony easier to access and use. Critics of Tinder's business model suggest that the



mobile app is merely a gateway to more serious virtual dating platforms and relate Tinder's high adoption rate to the transient interest that fad gaming apps face.<sup>77</sup>

Because of the COVID-19 pandemic, 2020 operating income lagged its performance from prior years, but users of Tinder, PlentyOfFish, and Hinge all increased their engagement as apps increasingly turned to video dating as a socially-distant and safe option. This convergence also created the opportunity for rival apps to differentiate. Grindr, for example, added a feature that gave tips for virtual sex while Coffee Meets Bagel began experimenting with group virtual dates. In the post-pandemic period, should Tinder consider investing further in these pandemic-induced innovations to complement its core functionality of facilitating in-person encounters?<sup>78</sup>

On top of this, market trend reports indicate that casual dating itself might be giving way to alternative forms of social interaction facilitated through apps, especially among digital-native Gen Z consumers. Tinder's Explore feature, released in September 2021, is a sign of the platform's ambition to focus on social discovery and other forms of group interaction – in both virtual or non-virtual settings. At the same time, in August 2022, Tinder abandoned its plans to invest heavily in Metaverse dating.<sup>79</sup> In 2023, Tinder Match Group CEO Bernard Kim reported initial success with its new marketing campaign – “It Starts with a Swipe” – which was aimed at Gen Z users: both new sign-ups and reactivations increased year-over-year.<sup>80</sup> Meanwhile, although the introduction of weekly plans brought in more subscription revenue, Kim noted that it could also create “short-term volatility in [Tinder's] payer numbers. Weekly packages lead to bumps when introduced as conversion increases, then declines when these shorter duration payers roll off.”<sup>81</sup>

Finally, what was once considered off-the-wall and experimental has emerged as a viable monetization strategy, with the continued testing of a \$500/month subscription plan, termed internally as “Tinder Vault.” Some viewed this as Tinder's attempt to compete with more exclusive dating services, such as Raya, which tend to focus on long-term relationships.<sup>82</sup>

Together, these issues contextualize the main decision points for Tinder as it confronts skeptics of its future growth. The following questions summarize these key challenges:

- Are network effects strong enough in the online dating industry to keep users on its platform?
- Are there strategic trade-offs in creating an additional tier of subscriptions, like Tinder Platinum, that are aimed at increasing revenue-per-user?
- To confront its reputation and challenge online dating incumbents like eHarmony, should Tinder expand its services to focus on long-term relationships?
- Should Tinder invest more in virtual dating experience-based features, such as Swipe Night or Explore?
- Should Tinder release a greater range of subscription plans, including high-priced premium subscription plans to weekly plans?

## Exhibits

### Exhibit 1

#### Match Group Revenue Statistics from 2022 10-K

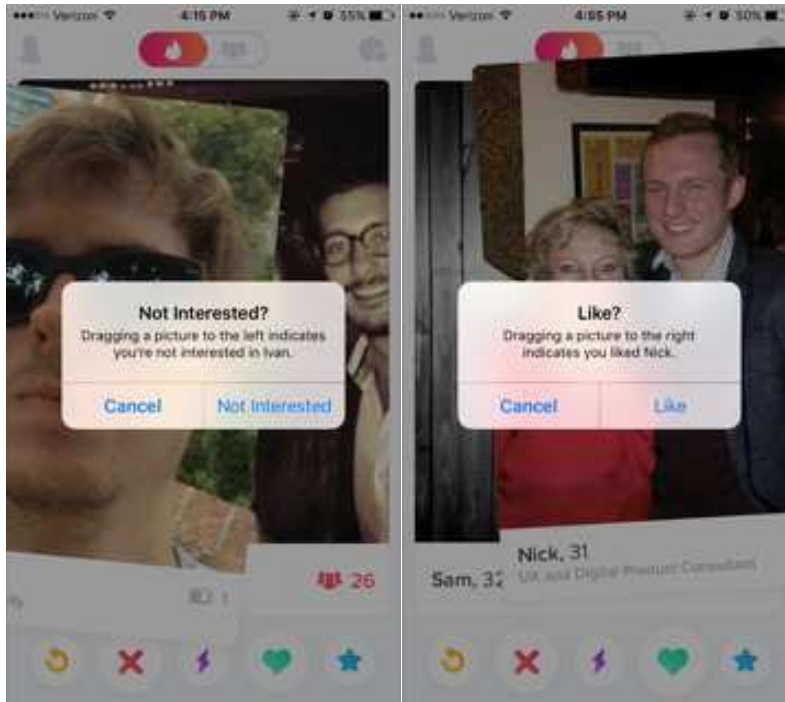
	Years Ended December 31 (in '000s)		
	2022	2021	2020
<b>Direct Revenue</b>			
North America	1,629,069	1,512,057	1,185,307
EU, APAC, Other	1,501,152	1,410,814	1,159,417
Total Direct Revenue	3,130,221	2,922,871	2,344,724
Indirect Revenue	58,622	60,406	46,545
Total Revenue	3,188,843	2,983,277	2,391,269
<b>Direct Revenue</b>			
Tinder	1,794,467	1,649,757	1,355,400
Other brands	283,668	1,273,114	989,324
Total Direct Revenue	3,130,221	2,983,277	2,344,724
<b>Payers</b>			
North America	8,169	8,009	7,113
EU, APAC, Other	8,167	7,476	6,437
Total	16,336	15,485	13,550
<b>Avg. Revenue per User</b>			
North America	\$16.62	\$15.73	\$14.62
EU, APAC, Other	\$15.32	\$15.72	\$14.19
Total	\$15.97	\$15.73	\$14.42

Source: Match Group, 2022 Annual Report.

## Exhibit 2

### Product Screenshots and Functionality

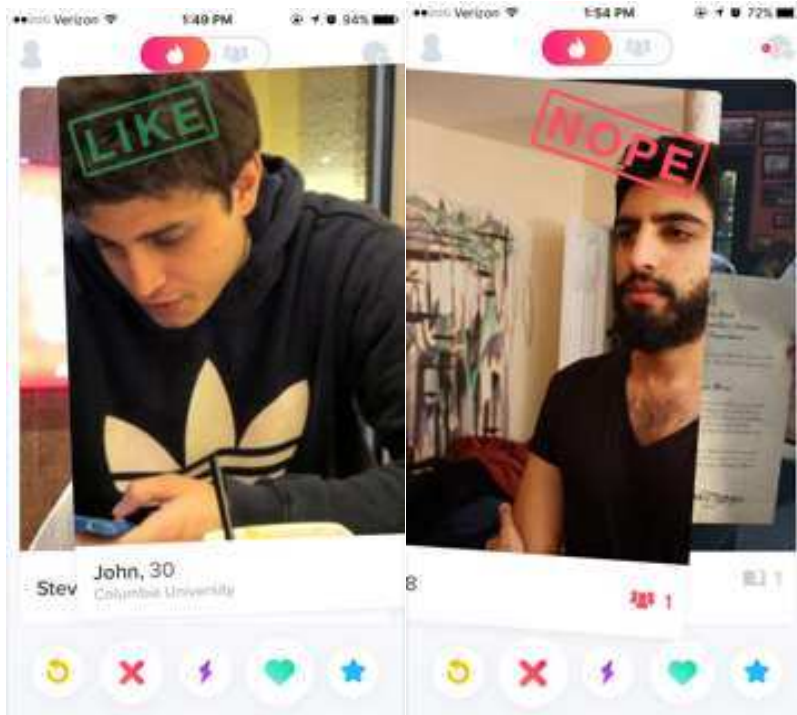
#### TUTORIAL OF HOW TO USE THE PLATFORM WHEN FIRST TIME USERS LOG ONTO TINDER



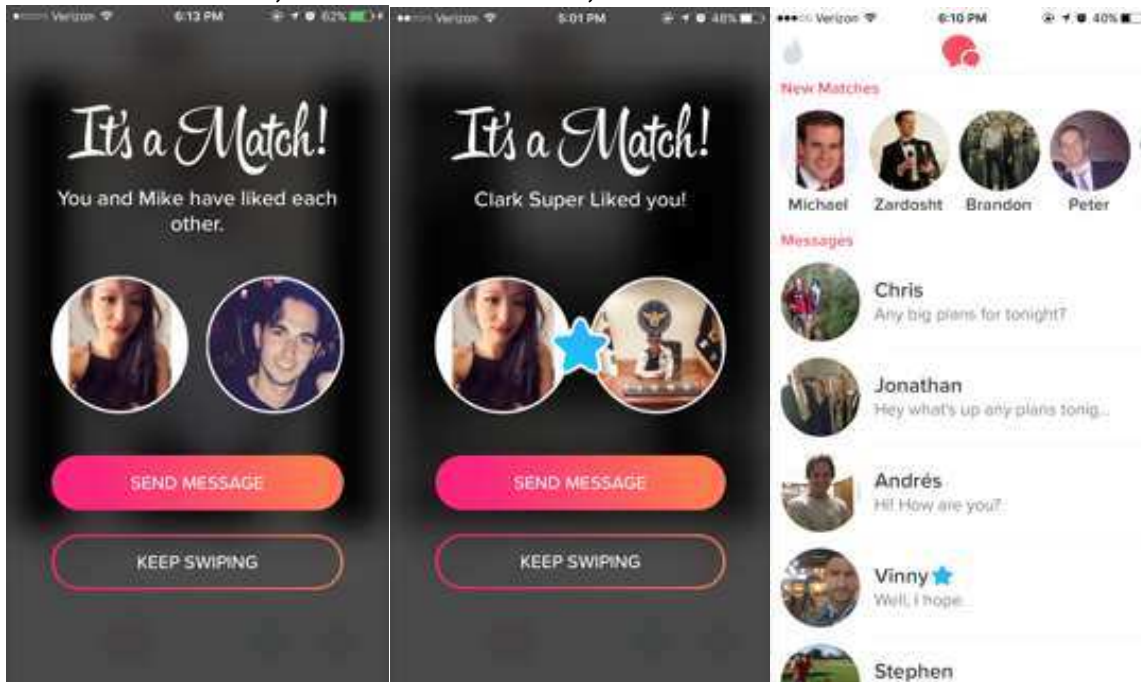
Source: Tinder app.

## Exhibit 2 (cont.)

### LIKE AND PASS STAMPS AS USERS SWIPE RIGHT AND LEFT

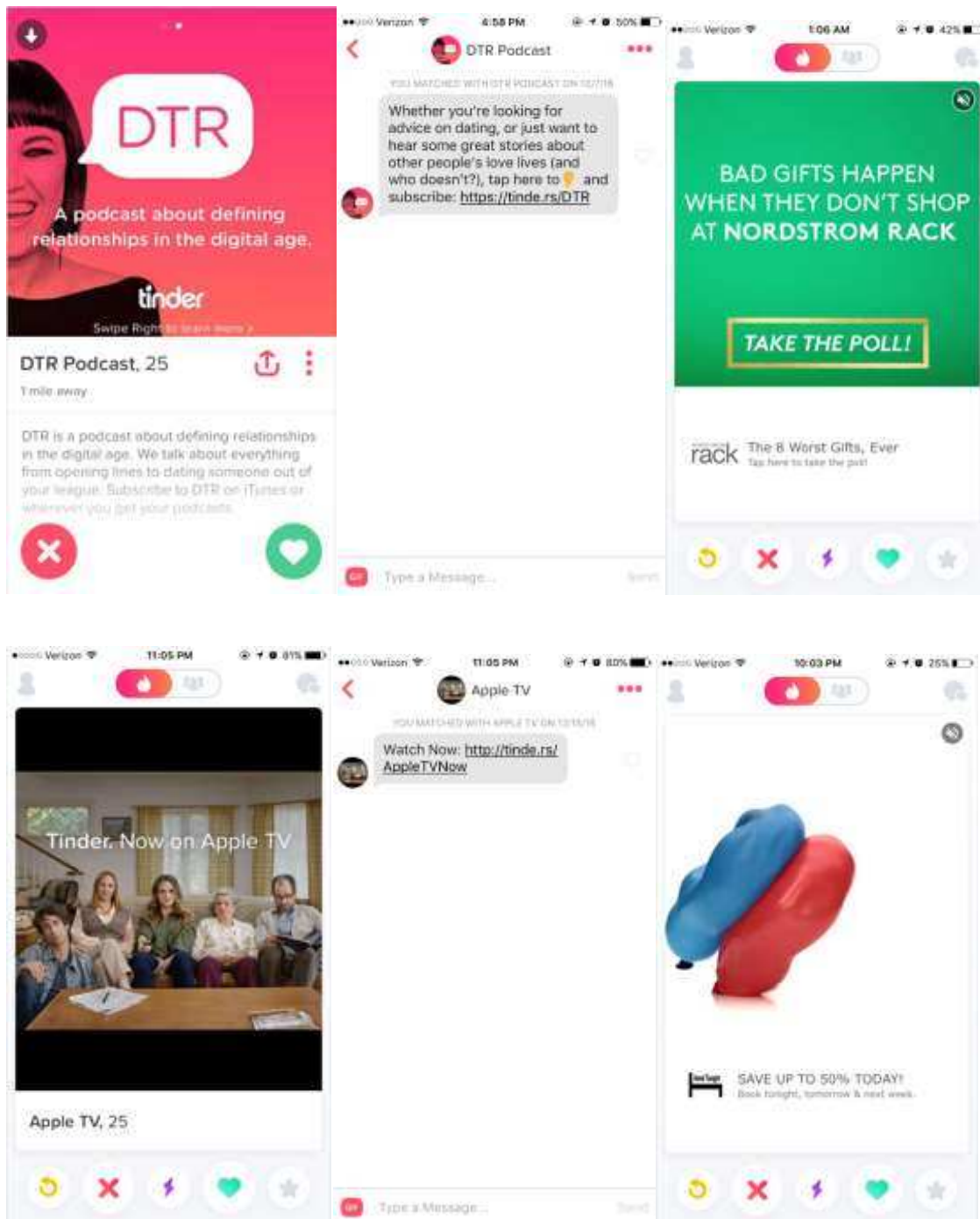


### REGULAR MATCHES, SUPER LIKE MATCHES, AND LIST OF MATCHES



## Exhibit 2 (cont.)

### ADVERTISEMENTS AND CONVERSATION WINDOWS IF USERS SWIPE RIGHT

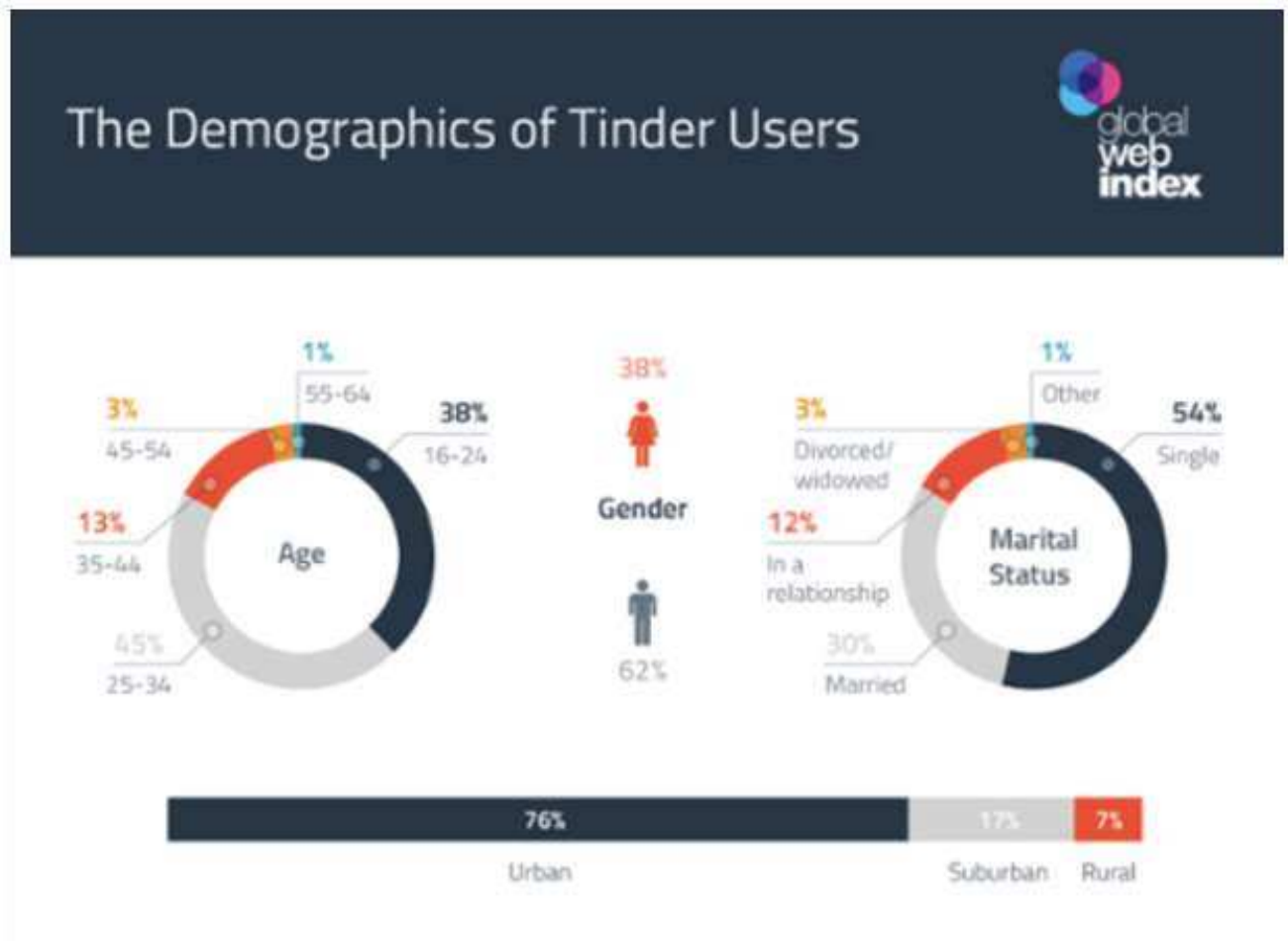


Source: Tinder app.





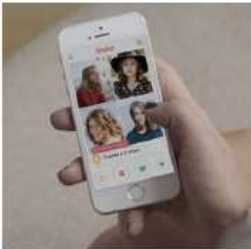

## Exhibit 3

### User Statistics



Note: Demographics represent Tinder users aged 16-64.  
Source: GlobalWebindex Q1 2015.

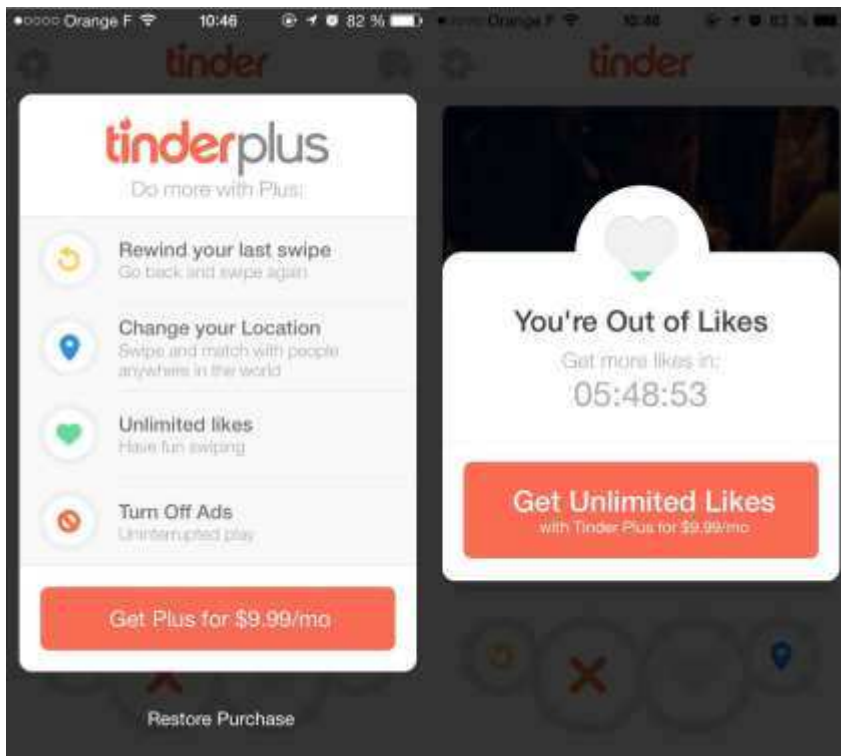
## Exhibit 4 Product Strategy

"Under the Hood"	Widening the Top of the Funnel	Product Experience	\$\$\$
<ul style="list-style-type: none"> <li>Major investments globally in:               <ul style="list-style-type: none"> <li>Speed, reliability</li> <li>Security, integrity</li> <li>Spam-fighting</li> <li>Artificial intelligence / machine learning</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Alternative sign-up (non-Facebook)</li> <li>Web application</li> <li>Localization</li> <li>Apple TV / Messenger</li> </ul>	<ul style="list-style-type: none"> <li>Evolution of Tinder Social</li> <li>Other cool stuff we can't talk about</li> </ul>	<ul style="list-style-type: none"> <li>Boost</li> <li>Advertising</li> </ul>
			

Source: Match Group, Third Quarter Investor Presentation, 2016.

## Exhibit 5

### Monetization Process

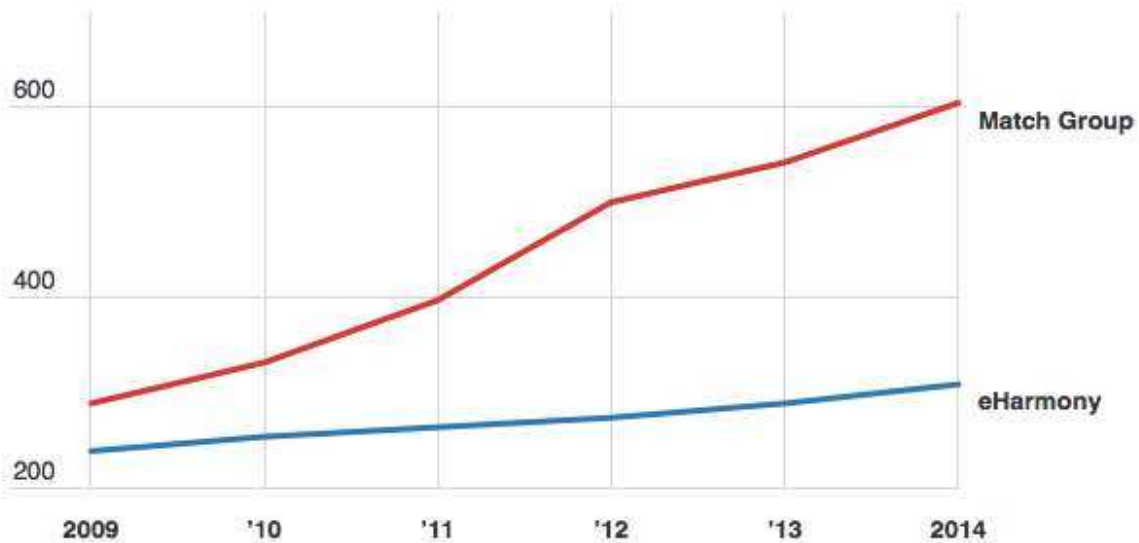


Source: Amar Toor, "A Paid Version of Tinder is Reportedly Launching Today," *The Verge*, March 2, 2015, <http://www.theverge.com/2015/3/2/8131683/tinder-plus-price-and-date>.

## Exhibit 6

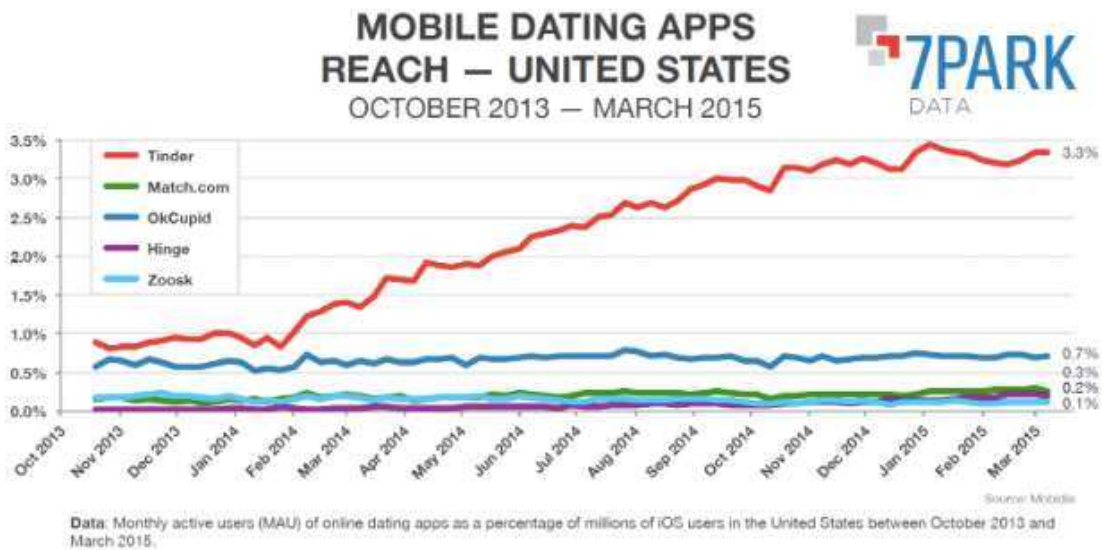
### Selected Financials and Highlights

The profile-heavy eHarmony has fallen behind IAC's The Match Group (including Tinder, Match.com and OKCupid) in America's \$2.2 billion online dating industry.

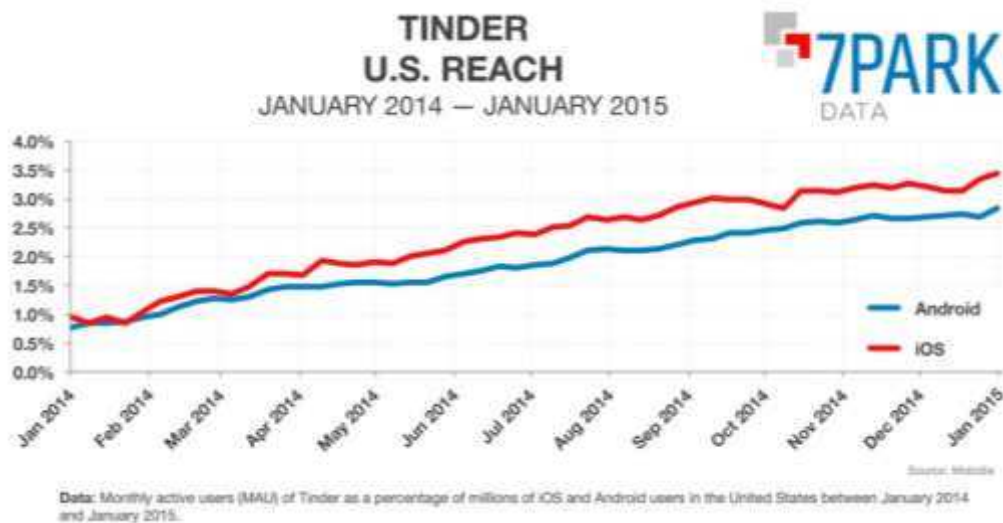


Source: IBISWorld estimates. U.S. revenues in millions of dollars.

The Washington Post

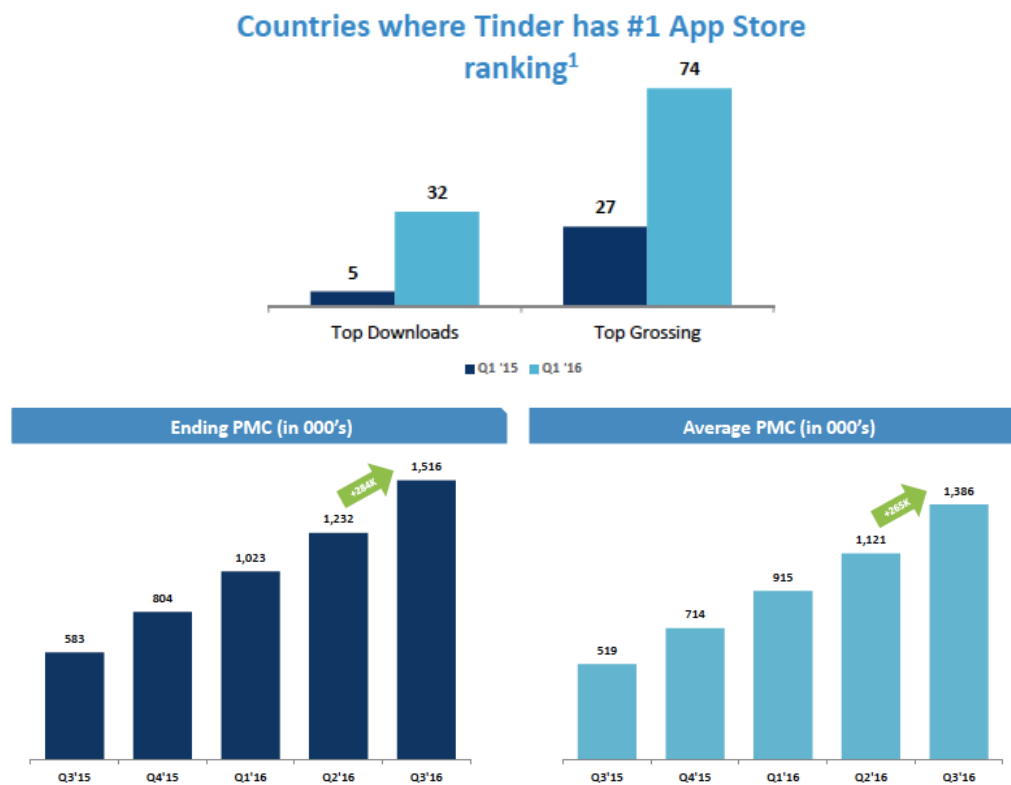


## Exhibit 6 (cont.)



Source: 7Park Data.

## Exhibit 7 User Growth

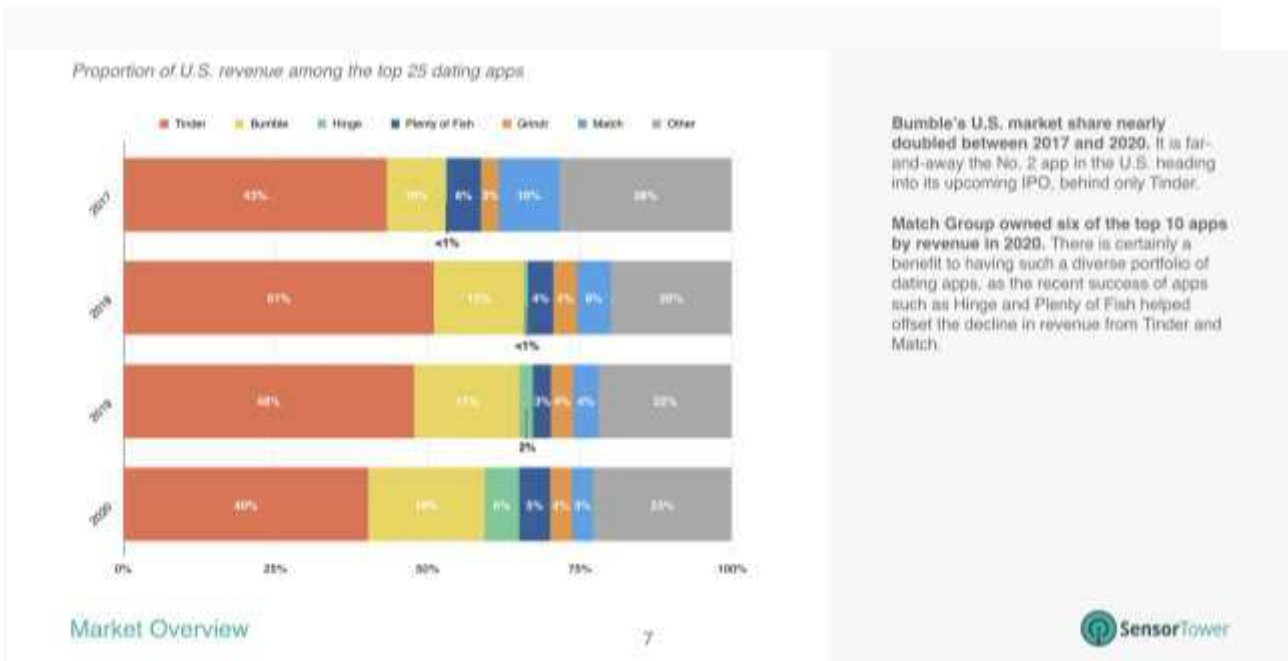


Source: Match Group, Investor Presentations, 2016.



## Exhibit 8

### Industry Statistics



Source: Sensor Tower, 2021, <https://sensortower.com/blog/state-of-dating-apps-report-2021>.

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