

Bumble: Buzzing a Path to Royalty

Sahil Asthana, Stanley Ho, Mary Wang, Christine Wang, Kevin Wang



Since launching Bumble in 2014, Whitney Wolfe Herd has grown the firm to 42M active users and an \$8.3B IPO.

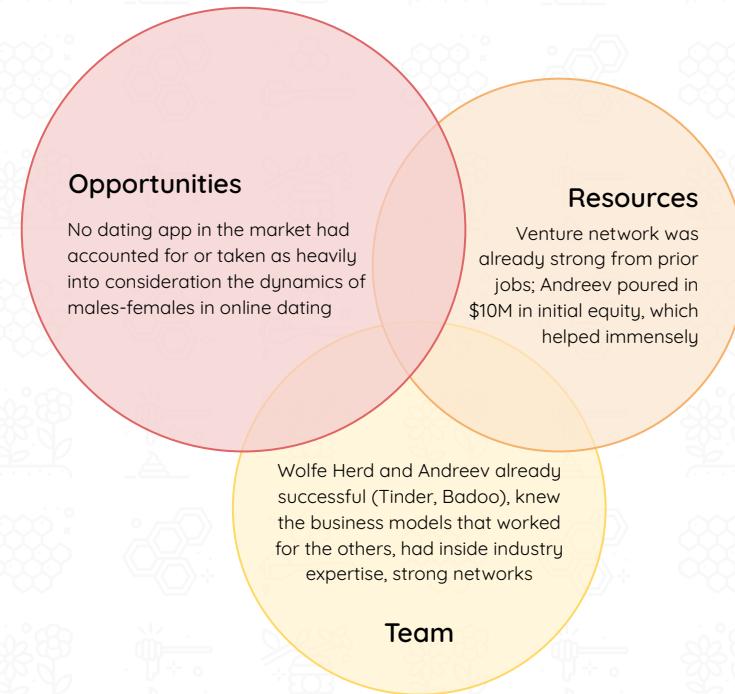
- Herd launched the app in 2014, with \$10M in backing from Badoo founder, Andrey Andreev, after Herd experienced sexism and filed for a sexual harassment lawsuit at Tinder
- The app was marketed to college campuses and quickly grew to 100,000 downloads a month after launch; grew to 22M users by 2017
- Approached by Match Group with a \$450M acquisition offer, which they denied, then sold to Blackstone Group by Andreev for a \$3B valuation
- Reached 100M users by July 2020. 42M active users by 2021; IPO opened to \$8.3B market cap on the first day of trading





Bumble's exponential growth came from disrupting the online dating space through a female-centric focus, in addition to a strong team and resource pool.

- Tackled issues in online dating space (misogyny and male-led dynamics) by making heterosexual matches female-message-first
- Leveraged feature - 10% of Bumble users pay \$10/month for bonus perks (e.g. preventing matches from expiring in 24hrs)
- Implemented safety features on app (e.g. auto-banning unsolicited lewd photos) to create a safer environment
- Reactively responded to user needs through analyzing profiles (e.g. Bumble Bizz, BFF)





Bumble thrives from its strong brand identity, but faces growth struggles in its sub-offerings. An opportunity exists to capitalize on COVID-based user behaviour.



Strengths

Strong, female-conscious user experience; Hip young-adult geared marketing in a growing segment; celebrity endorsed/financially backed; loyal, niche user base with above industry average metrics (e.g. average revenue per user)



Weaknesses

Smaller user base than Match Group; BFF/Bizz apps aren't heavily used; no safety/comfort-focused system for homosexual matches; heavily dependent on American market in city centres



Opportunities

Features to optimize matches and create better fits (by investing in ML/AI matches); features are monetizable, ad space exists; COVID-19 and post-COVID expected to impact app usage positively with increased demand; international expansion into new markets



Threats

Match Group has a monopoly on every other dating app; rise of Hinge and shift away from casual dating; lack of diversification in revenue streams; increasing competition with similar service offerings



The online dating app industry is growing quickly, with higher barriers to entry, allowing Bumble to position itself for further growth in the space.

Market Size-Up

Industry in Growth Phase:

- 18.4% increase in dating app usage in the US, 2019-2020
- Revenues in the online dating industry expected to reach \$3.2B in 2021
- High annual CAGR of 9.28%
- Competition and consolidation is increasing, few firms are profitable

Personal Goals of Users

- 48% of online daters are looking for “fun” followed by find friends (41%), partners (19%), sex (13%)
- Most popular form of dating for homosexuals, second for heterosexuals
- 10% of Bumble users put forward \$10/month for perks



Porter's Five Forces

High barriers to entry (need for diverse user base to attract more users, capital necessary to market and develop product)

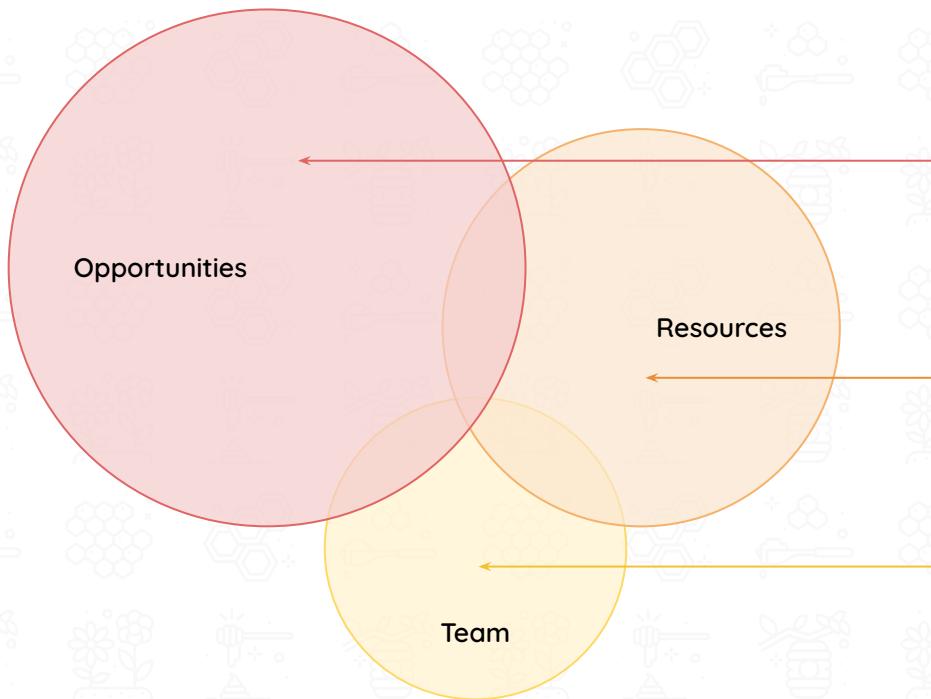
- Medium threat of new entry
 - Social media incumbents, like Facebook, expected to enter
- Low supplier power
- Low buyer power
- High threat of substitution
- High threat of competition

Key Success Factors

- Access to niche markets
- Ability to adopt new technology
- Good reputation
- Easy access to potential users
- Marketing and advertising



Bumble is currently the strongest in terms of its industry opportunities, followed by its capital resources and its management team.



Opportunities: Projected to grow to a \$5.71B industry by 2025 globally; slow de-stigmatization of online interactions could prompt greater adoption of online dating platforms

Resources: Bumble raised around \$2.15B through its IPO by selling 50M shares, providing a strong capital pool to support the company

Team: Despite a strong management team, the company's consistent expansion comprised of mostly new hires results in inexperienced manpower and added bureaucracy



When ranked against industry competitors, Bumble dominates on its feature pool and prioritization of user safety, but experiences below average user retention.

Key User Value Metrics:

Brand/Reputation: brand equity, positive perception, strong following

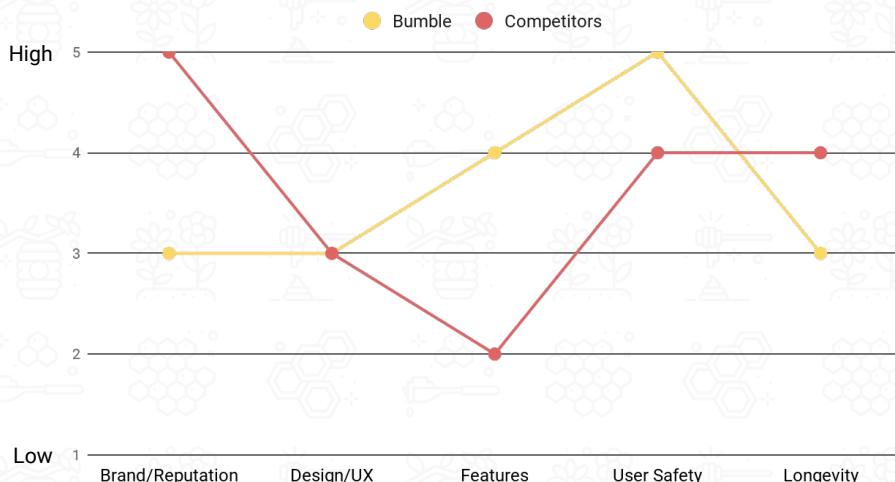
Design/UX: Positive, quality experience navigating the platform

Features: Quality of app, usability as a free platform + benefits of paid add-ons

Safety: Empowering and protecting users, given the nature of online interactions

Longevity: Length of time individuals stay on the app; overall app “stickiness”

Industry Value Curve



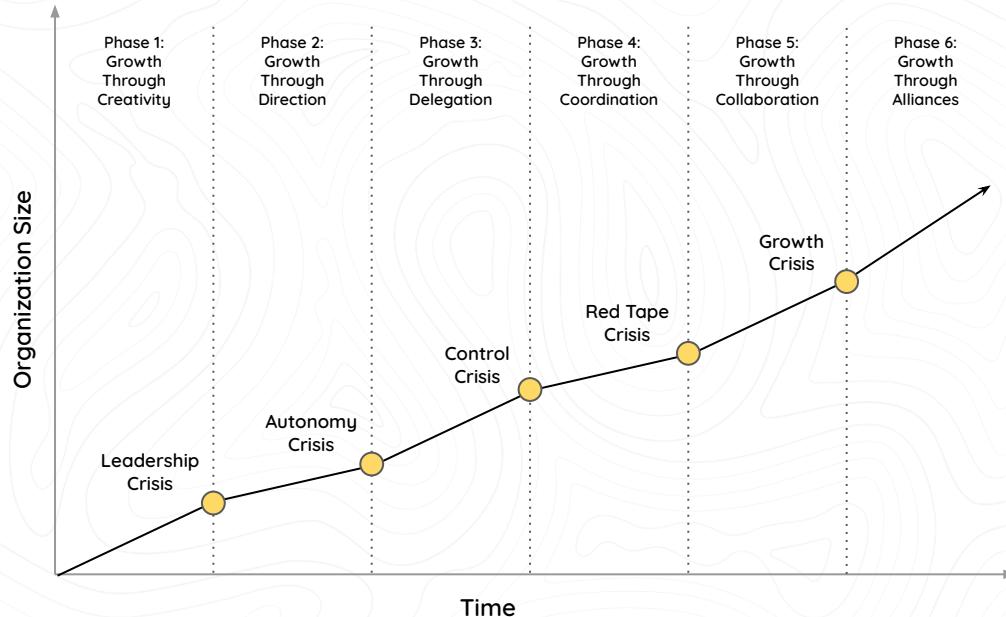


When evaluating Bumble's strategic 4 + 2, it excels across all categories but structure and talent, due to extreme growth stretching out its staff and organizational hierarchy.

Strategy	Clear value proposition that permeates throughout offering: creating more equitable dating spaces for women.	+	Talent	Always hiring and screening external applicants, can't fill needs from internal pools. Could potentially lead to increased employee turnover in the long-term if growth is unsustainable. Valuable resources diverted away from building up interior talent pool vs. hiring externally.	-
Execution	Highest NPS score among mobile dating apps. Able to execute on strategy and broaden brand's reach without diluting value proposition.	+	Innovation	First dating app to capture women-centric market. Continued to innovate and offer different complementary services to flesh out Bumble platform.	+
Culture	Values clearly outlined in brand's manifesto and has high employee buy-in: culture rooted in kindness, honesty, inclusivity, accountability, and growth. Women empowerment is core to the brand. Quickly distanced itself from Badoo founder due to sexual misconduct allegations.	+	Leadership	Experienced executive team with a proven track record and all have bought into the mission to build a global women's brand; financial incentives set according to individual performance indicators.	+
Structure	Rapid growth has put strain on organizational structure, thereby increasing bureaucracy due to sheer scale of company. Despite growth, Bumble has placed a focus on maintaining culture above all.	-	Mergers & Partnerships	Bumble leverages Badoo's international experience to complement its core strengths and identify new geographical areas to scale up (i.e. grow in Europe).	+



Shown through Greiner's Five Phases of Growth, Bumble has experienced the first 4 stages of firm development, and must now grow through a potential post-IPO bureaucracy crisis.



Phase 1: Founders already had management experience, a large capital pool, and as a result, were able to avoid a leadership crisis, while simultaneously pushing a brand new product to market.

Phase 2: Due to Bumble's exponential growth, Bumble was forced to add employees quickly, creating the need for a more structured, function-oriented, hierarchical organizational structure. To maintain flexible as an organization, lower-level employees were given greater autonomy to manage business units, resulting in increased employee retention.

Phase 3: Pre-IPO phase, Bumble continues to grow quickly, creating a control crisis. Hierarchical structures are cemented with set lines of communication within the business. In combination with an IPO, decision making is now centralized at the board and C-level.

Phase 4: Current phase - resources accessible post-IPO, continuing growth push with strong capital pool. Due to sheer size of company, cross-functional coordination becomes increasingly difficult.

Future: Must tackle Red Tape Crisis (excessive bureaucracy) with a flat organizational structure.



Bumble's dating features are used the most frequently, with young adults making the most extensive use of the app; these consumers value advanced filtering, women messaging first, and a 24-hour window to make the first move.

In a survey of 500 US Bumble users aged 18-40 who have used app within last 6 months:

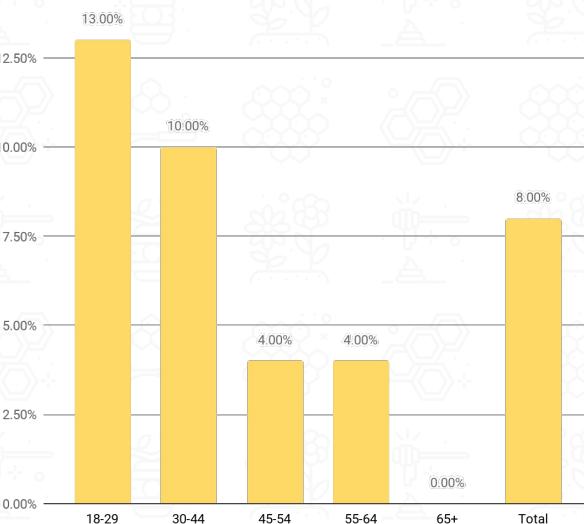
- 27.5% of respondents used Bumble in the last 6 months
- 43% of consumers gave Bumble a Net Promoter Score of 10, the highest rating. Generally liked better when compared to other industry competitors (e.g. Hinge, Tinder, OkCupid, Grindr)
- 74.6% used dating, 42.2% used BFF, 32.2% used Bizz

How do Consumers Rank Bumble's Current Features?

(1 being highest priority,
5 being lowest)

Women talk first	3.8
Advanced filters	3.8
24 hour timer	3.9
My Move Makers	3.9
SuperSwipe	4.1
Spotlight	4.2
Travel Mode	4.3

Share of US Internet Users Who Use Bumble by Age (April 2020)



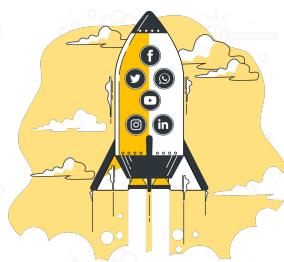


Despite significant growth, Bumble has been unable to consistently achieve profitability largely due to restructuring and fluctuating G&A expenses related to employee-related costs and one-time transaction costs amounting to approximately \$51M. Above average revenue per user isn't enough - Bumble must continue to scale up and pursue other monetization methods.

Key Metrics (Fiscal Year Ended December 31, 2019)



10 million+ monthly active users, 855,600 paying users with an average revenue per user of \$26.84 (much higher than industry average)



YoY growth of 69.7% in revenue, reaching \$275.5M year end 2019

Increase of \$109.5M in net earnings -> \$(23.7)M to \$85.8M and a margin of 17.6%

Net earnings in period from January 29 to September 30, 2020 has decreased to \$(84.1)M with a margin of (22.3)%



Net cash from operating activities grew 41.2%, reaching \$101.4M

Since decreased in period from January 29 to September 30, 2020 to \$1M

Financial Ratios (Period Ended September 30, 2020)

Liquidity

Current Ratio	1.35
Quick Ratio	1.08

Efficiency

A/R Days	60.12
A/P Days	50.042
Working Capital Gap	9.70

Profitability

Gross Margin	N/A
ROA	-2.38%
ROE	-3.68%

Debt Capacity

Debt to Assets	0.35
Debt to Equity	0.55
Interest Coverage (EBIT)	N/A



Issue Identification



Internal Issues

- Grown rapidly in recent years, but have limited operating experience at current scale of operations. If they are unable to manage their growth effectively, Bumble's brand, company culture and financial performance may suffer
- Bumble is highly dependent on the American market and may soon be forced to expand globally into markets with limited experience, which could prove to be costly and hurt the brand
- Retention and increasing engagement is a common issue in the industry. Bumble needs to not only grow its user base, but find new ways to convert users into paying customers to achieve positive earnings



External Issues

- Rising competition - Hinge's user base grew more than 20x since 2017
 - In addition, Match Group's monopoly continues to strengthen over the market with increasing consolidation
- Growing shift in attitudes from casual dating towards long-term relationships
- New challenges with dating due to COVID-19 pandemic
 - Net impact on business is unknown
- Increasing regulation regarding background checks of users
- How to accommodate growing interest from LGBTQIA+ community



Through a criterion matrix, Bumble seems to have the most forward growth prospects in gamifying its app, focusing on fostering long-term relationships, and establishing strategic partnerships.

	Aligns with Mission + Value Prop	Size of Market Opportunity	Increase Monetization Opportunities (ARPU)	Increase User Engagement (Time Spent In-App)	Increase User Base	Average Rating (1 is lowest)
In-App Ads	1	3	5	2	2	2.6
Increase Gamification	4	2	4	5	3	3.6
Increase On-Campus Presence	4	2	2	3	4	3.0
Increase Focus on Long-Term Relationships	4	4	3	5	3	3.8
Scale Up Global Presence	4	4	2	1	5	3.2
Strategic Partnerships (Uber)	5	4	4	3	1	3.4



Our three-pronged solution aims to increase user retention, engagement, and create new ways for Bumble to continue to diversify its product offering from its competitors.

Priority Initiative



Issue: Retention and Engagement

How our recommendation addresses this:

- Games will increase user engagement and total time spent on the app
- Ability to send game requests through chat messages will provide a new way for users to engage with one another

Secondary Initiatives



Issue: Maintain competitive parity against Tinder x Lyft's partnership

How our recommendation addresses this:

- Introducing a new product feature/partnership that will attract users to the app
- In-app safety features align with Bumble's mission to empower women



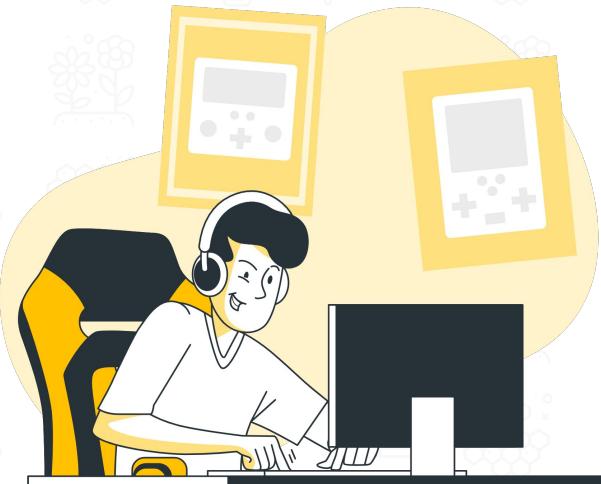
Issue: Rising competition from long-term relationship category

How our recommendation addresses this:

- Implement more mandatory fields (badges, profile sections) upon sign-up to increase profile detail → increases credibility of users and likelihood of creating more meaningful connections
- New message prompts within chats will foster more genuine conversations



Implementing in-app games paves the way for future expansion opportunities, increases revenue opportunities, while simultaneously creating new ways to keep users in-app.



1. Gamification

- Leveraging the increasing trend of gamification in dating app industry, Bumble should incorporate playable mini-games, similar to iMessage, such as 8-ball, chess, etc.
 - Badges can be collected for high scores to display on profile
- Will increase user engagement, further differentiate Bumble's service offering from competitors, and provide new creative ways to interact with potential matches
- Games will be revised monthly to keep users interested and increase variety in user experience
- Incorporation of games will create more revenue streams:
 - In-game ads
 - Limit amount of games users can send out -> more games can be purchased with Bumble Coins (in-app currency)
 - Men can message games first, but only a set number of times; to send multiple, they have to buy Bumble Coins
 - Redeem a certain number of wins to receive Bumble Coins and access to premium features
 - Create Bumble Game Hours program
 - If you're playing games during spike hours on the app, you have a chance to win Bumble Coins
- Allows Bumble to tap into growing gaming space
 - Pending success of initiative, could launch Bumble Games, similar to Bumble Bizz and BFF, to find people to play games with



A renewed focus on long-term relationships and a partnership with Uber aims to improve Bumble's user experience to increase engagement and capitalizes on an industry KSF: product innovation.



2. Increase focus on long-term relationships

- Implement mandatory information fields at initial profile sign-up
 - Similar to the gamification badges, specific badges will also be created to distinguish users looking for a casual relationship versus long-term; can pick up to two badges (casual, serious, or both)
 - Add an option in settings to filter by badge type; will result in increased probability of meeting matches who share common goals
- To increase the development of more meaningful relationships, matches who send 10 messages each start unlocking “deep” prompts to encourage more insightful conversations to foster deeper connections; further increases engagement and time spent in-app
 - Example: [36 Questions That Lead to Love](#)



3. Strategic partnership with Uber

- In-app ability to share your location with outside friends or Bumble Friends
- Aligns with mission and value proposition of empowering women and keeping users safe, allowing them to get to their dates safely
- Negotiate a kick-back with Uber for rides ordered in-app; another way to increase revenue streams and increase convenience / overall user experience

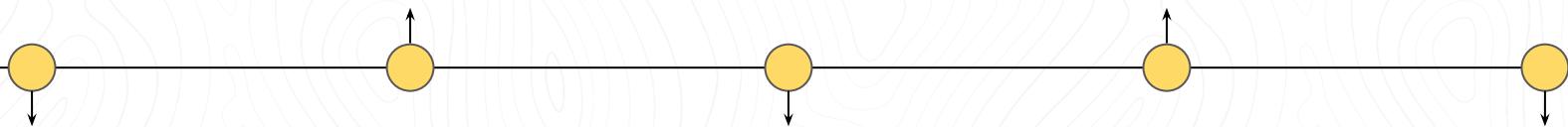


Implementation Strategy

Use Whitney Wolfe-Herd and existing celebrity partnerships to be the face of marketing campaign to promote new product initiatives and drum up buzz

- Placements on major talk shows
- In addition, Bumble should continue with micro-influencer / ambassador marketing, and look into potential partnerships with online personalities, such as Twitch streamers (align with gaming segment)

Notify all users through in-app-notifications, provide tutorial how to use features, and email of the new games and exclusive “10 message prompts”



Hire engineering team to implement games on the Bumble app, make changes to the mandatory information fields, and add “10 message prompts”

- Look to collaborate with leading mobile game makers, such as Activision, to create Bumble original games
- Done over the course of 8 months, a pilot program should be run in the initial phases of implementation to gather user feedback and iteratively improve on the product

Notify current users through in-app notifications of the changes with mandatory fields, allowing them to fill it out post-sign-up

Monitor success and incorporate feedback using following metrics:

1. Change in number of sign-ups after the fields were made mandatory
2. Number of “10 message prompts” that are used
3. Change of average time spent in-app
4. Change in average revenue per user



Risks & Mitigations

Risk

1. Everyone puts both options for casual vs. long-term badge to increase their match potential

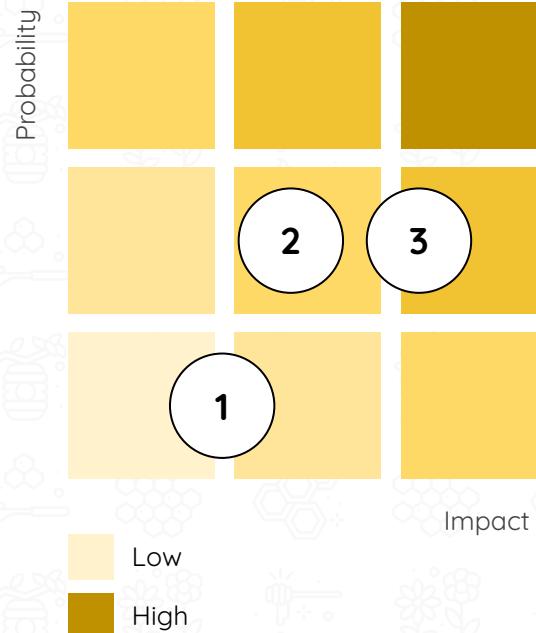
2. Sign-up drop off because of mandatory fields

3. New game feature harms Bumble brand

Mitigation

- Add pop-up notification that shows statistics on the benefits of providing more specific information on your profile
- Competitors like Hinge have much in-depth sign-up processes; even with this increase, Bumble still has a lower barrier to entry
- Can also separate mandatory fields from the initial sign-up process and move it after signing up (capitalize on escalation of commitment)
- Incorporate games with Bumble branding; women can only initiate games to leverage current value proposition
- Listed games could include monthly personality quizzes to show on profile, thereby creating value for the user in the match process

Risk Impact Map





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