

DATING AND INTERNET SEX PARTNER SEARCHING

Carmel Crimmins

Hey there. So this week's show overlaps with Valentine's Day. And we thought it a good opportunity to take a look at the economics of love, or more specifically, the economics of dating apps, because love them or hate them. They've transformed how we meet romantic partners. We thought you'd want to know more about how they work, about the paradox at the heart of this multi-billion dollar industry, that for every successful match, a dating app, in theory, loses two customers. So how do they navigate that? I'm Carmel Crimmins and this is Reuters Econ World. Every week we go deep on the economic principles and ideas driving the biggest news around the world. On this week's show, the dating app paradox and what happens when pleasure becomes business.

VOXPOPS

I think a dating app is a fun to have thing, but when you pay for it, it just comes across as desperate. And I think that if you have to pay for, it becomes really unromantic. I don't think I get more of a day out than the free features. I think that most apps these days have a subscription element, so it seems much the same. I should do a hinge. I think it's a great way to meet new people. If the love of my life is behind a two pound paywall, maybe it's worth it. They've tricked society into believing there's always a better option out there. If I knew my friends were paying for it, I'd probably be more inclined to. I met my boyfriend with a non-premium version, so why would I pay? I just don't believe in paying for love.

Carmel Crimmins

So full confession, I'm probably the worst person to be hosting this show, because I met my significant other in the pre-digital dating era, where you sort of side-look to someone in the pub or the club, or if you're feeling really delusional on the bus or street, and ask them out. My producer, Eliza, tells me this kind of organic, in-person method is making a comeback. It's nice to know I'm cool. She met her other half on Hinge, by the way. Very Generation Z. So let's get into that app and all the others with someone who does know what he's talking about. And that's Mark Brooks. He's an expert in helping dating businesses grow and refine their strategy. Mark, thanks so much for joining me.

Mark Brooks

My pleasure, it's great to be here, thank you.

Carmel Crimmins

Have you got any plans for Valentine's Day?

Mark Brooks

Well, you know, creature of habit, I'm going to take my wife for a wonderful curry in Malta, which is where we live part year.

Carmel Crimmins

That sounds lovely. Did you meet her on a dating app?

Mark Brooks

People always ask me that and we have to say nearly. We met as a consequence of dating. I was in Europe for the European Internet Dating Conference many years ago and my friend held a going away party and I met Irena and I didn't go away.

Carmel Crimmins

Oh, lovely. So take us back, because you're obviously the expert on dating apps. Can you take us to when all this started back in 1995 with Match.com?

Mark Brooks

So back in 1995, things were very, very simple. What we were trying to really do is compete with flat, boring personals in newspapers.

Carmel Crimmins

Lonely Hearts.

Mark Brooks

Then you'd have to mail in a note and you'd have to wait a while to get a response. It was all very antiquated, so it was pretty easy to compete. We provided search. For the first time, you could say, I'm in San Francisco. I'm London. I want to meet somebody within 20 miles. And then you'd be able to communicate with them. You'd find them and you'll be able to communicate very quickly. And that was the second thing we did really well. We enabled people to communicate, very quickly. The third thing which I think is really the holy grail for us, which I think many apps still struggle with, is this element of compatibility. Meeting someone is easy enough, but meeting the right person is quite a bit more difficult.

Carmel Crimmins

And Tinder really shook things up, didn't it, in 2012, kind of pioneering the swipe right maneuver.

Mark Brooks

Back then, there was eHarmony, there was Match, and it was quite a bit of work. And what Tinder did most right is they made it super simple. And they kind of gamified it. They made it kind of fun. Because you just look at a photograph, and you say, do I fancy this person?

Carmel Crimmins

Right. Cut to the chase. Yes. Yeah. And tell us about because there's a whole universe of apps out there, right? There's obviously Tinder, but we've also got Hinge, Bumble, Grindr. Can you talk us through all the various apps that are the big ones?

Mark Brooks

There's a long tail of niche apps, but the majors are number one Match Group. You've got Tinder, which is the biggest app. They do about three and a half billion dollars a year. Then you've got Bumble, which kind of came in and disrupted match for some time. They're coming in at about a billion dollars a year, the number three player now is Grindr. They've just taken over Parship Meet Group. Parship Meet group has Parship, eHarmony, Meet Me, Scout, Tag, they've got a portfolio of. But their main product right now is eHarmony. Those are the top four.

Carmel Crimmins

And match.com is the big player here, right? Like it owns quite a lot of those apps.

Mark Brooks

Match Group. Match Group has Tinder, they've got Match.com of course, which is a hallmark service from years ago. They also have a few niche products as well, like Black People Meet and Our Time. So they also have delved into niches as well.

Carmel Crimmins

And how did the dating apps make their money originally?

Mark Brooks

Originally, it was a bit of a land grab. VCs came in, we tried to get to critical mass. It was free for a short while and then it became paid. And about 10% of people converted to paid. 90% would just come in, look around, maybe match with a few people, maybe respond to a few but they couldn't initiate. Then we moved to mobile and the dynamic really changed. Again, the VCs come in. They funded it. It was for a while. It was freemium for the longest time. And it wasn't until fairly recently that metrics popped up to about 10% conversion again for the major brands. And so, you know, we lowered the pay bar. We made it very easy. And so we got far more people using online dating. It became the thing to do to meet someone.

Carmel Crimmins

And explain to me, listeners, that that freemium model, what exactly did it mean?

Mark Brooks

Well, we always had to pay to find new members. There was a time when people talked about online dating, when it was very efficient in that respect, it was the new thing. And then people kind of got used to it, and then we had to paid quite a bit to acquire new members, to find them, and entice them onto our various apps. And so the thing that disrupted that was moving back to freemium. So I worked with Plenty of Fish for some years, and we were 100% free. And so that was the attraction. In fact, the tagline for Plenty of Fish was 100% free. Put away your credit card for many years. And then they started charging, and then they sold to Match Group. So it's the natural kind of trajectory of dating apps. They'll start free to attract people in. Once they've stocked the shelves with people, then they can start charging.

Carmel Crimmins

Quiz time. Studies show that despite what people say they want in surveys, their actual swiping behavior reveals different preferences. What trait gets the biggest boost in right swipes but is rarely mentioned as important in surveys? Is it A, intelligence, B, physical attractiveness, or C, sense of humor? We'll have the answer for you at the end of the show. Up next, we look at how the course of true love is not running smoothly for the dating app industry. Obviously these dating apps have transformed how we meet romantic partners, but they have been having a rough time of it, of late, haven't they? And part of it is, isn't it, that kind of switch to the subscription model.

Mark Brooks

The way I look at it is we had a rosy time during COVID. It was very interesting how people gravitated towards online dating. They felt their singleness more than any other time and they couldn't really get out. And you think because they couldn't get out and go on dates, you would think that we wouldn't do so well, but the opposite was true. The industry boomed. And so if you look at the numbers during 2020, 2021. For example match groups numbers. Yes, they did dip but I look at that You could almost argue the case that it's regression to the mean. We've gone back to Covid like on the cusp of covid numbers or in the case of bumble like 2021 2022 numbers. So have we gone back in time? Yes. Are we up on where we were in 2019 2020? Yes So I don't think online dating is going away. I think there's a bit of a bit... People have discovered the real world again, as they should. They should be out in the real-world. What we help people do better than any other mode is get the tough questions right out of the way, right up front. Are you single? Are you married? Do you want to be married? Do you wanna have kids? Do you have kids, what kind of lifestyle are you on? What kind of religion?

Carmel Crimmins

Yes, sifting through all of the information to kind of get to the core of it. There is a fundamental paradox, though, isn't there, Mark, like at the heart of this business model. If these apps are successful, and if they do manage to match up two people, then they've lost two customers.

Mark Brooks

It's very interesting. Yes. I've long thought about that. I remember having a chat with Mandy Ginsburg the former CEO of match about this and she said you know what we see is when we do a good job people say nice things About us and we try and do a job so that people do say nice thing about us and that's the missing element That's tough to measure tough to really see but that's truth of it If we do good job, then the industry grows and I've seen the opposite I've see some dating apps come and go that didn't do a good job. They didn't have the integrity, they didn't have their users' best interests at heart. And they rise, and then they go away quickly. So at the end of the day, dating apps live and die at the singles' dinner tables. The truth be told, people will sit down, they'll compare notes, and good apps will continue to grow, provided they do a good job by their single users.

Carmel Crimmins

How do they navigate the paradox that, you know, if you're successful, you will lose customers? How do the navigate it?

Mark Brooks

There's really two schools of thought I've noticed. There's one school of thought, which is kind of the e-harmony school of thought, which is where they ask lots of questions and they try and serve up a few people that are highly compatible. The other school of thought is just, here's a world of people, here's some search functions, good luck. That's the general school of thought, and what generally happens when you go that approach is people are happy because they have lots of choice, but they tend to stick around a fair amount of time because of paradox of choice. It becomes more difficult to choose. So we do have a balance point. Ultimately it's very important for us to hit certain metrics so people stick around for like, I mean ideally for us we want to see people sticking around for about three months optimally. Okay that allows us to have a decent ROI and the amount of money it took to obtain that person's attention and paying relationship. And then beyond three months I mean the job should be done. We know at three or four months they should have been... They should be bowing out and be into a relationship. That's kind of the optimal number.

Carmel Crimmins

But we have seen the number of paid users falling on platforms like Tinder. It seems like young people in particular don't want to pay to date.

Mark Brooks

I think there's a bit of a backlash. I think people are and should be going out and dating. I always say as a four-letter word for singles, and that is home. Get out of it. Stay away from it. I know.

Carmel Crimmins

But how is the industry grappling with that? Because is it fair to say they've moved from relying on ads to moving to the subscription model, which, of course, Wall Street loves because it's recurring revenue. How are they getting people back on? How are they encouraging people to pay?

Mark Brooks

We are all about subscriptions. We've always been all about subscription, except for Plenty of Fish, which was a really odd one out in the industry. And it didn't monetize anywhere near as well as the other dating apps, just with advertising. Subscriptions is absolutely what we rely on. So I don't see that changing anytime soon. The big change is going from freemium and monetizing a larger proportion of our users. And we do that with, kind of pay as you go type options and points and virtual gifts and you name it. And then there's also of course the ongoing subscriptions which is an absolute mainstay. And those prices have gone up. Those prices are really, even on Hinge you can spend over \$100 a month now.

Carmel Crimmins

Wow. What is the average spend on something like Hinge?

Mark Brooks

Typically, you're still looking to get the job done. I think you can spend as little as \$20, but we're re-looking at \$30, \$40 a month.

Carmel Crimmins

Mark, how would you describe the state of the industry now? Because we have seen pullback. We have seen people more reluctant to pay for these apps.

Mark Brooks

I think I'd describe it in one way, I'd say it's just a flesh wound.

Carmel Crimmins

Okay.

Mark Brooks

I think it's here to stay. I think we have to adapt to what people really want right now, which is a dose of reality, a dose to the real world. I think there's a great challenge and great opportunity in the rise of artificial intelligence. I see great challenge because we can't tell the difference a lot of the times between a fake profile and a real profile, but we have our ways and means. There are ways to verify people, but it is definitely challenging. And then on the positive side, I think in time, we'll be able to use artificial intelligence to look for correlations that are non-obvious. And I think if we open up our

data to AI, it will spot these non-obvious correlations and help us have slightly better relationships as a consequence. Then the big, the absolute golden prize, I think, is not only helping people get into a relationship, but helping them in the relationship. And I think that's where we solve what I call the continuity problem, which is that problem that you mentioned about our users going away if we do a good job. If we do good job, if we've earned the right to learn more about that user and match them effectively, we should be able to help them in the relationships as well.

Carmel Crimmins

I mean, you've got a background in behavioral science. What is the psychology? Why don't people want to pay for dating apps potentially? I mean other than the obvious, it's expensive. Like is there a stigma attached to it? What's the reason?

Mark Brooks

There used to be a stigma. I think that's largely gone away. But having said that, I see the younger gen Z also, there's some kind of resurrection of that stigma actually. I think it is a bit of a problem. It's phased out and then it's phasing back in. Right.

Carmel Crimmins

And that's a big problem, isn't it, for the industry? Like, if younger generations want to go offline to date. Like, that is the biggest problem of all.

Mark Brooks

I think it's the way our brains have adapted. Everything is so incredibly public these days, and Gen Z is very much born into video, online video, and so this nary a private moment. So when you're opening yourself up into this context of online dating, that is incredibly personal, and so we have to be very careful. I mean, our defining nature is that we, keep people's identities private. It's very different from social networks. You go on a social network, and you're disclosing who you are, how your day's going, et cetera, et cetera. With a dating app, it's, as Hinge says, we are designed to be deleted. We want people to come on, share enough that they can find somebody, then share some more, if they want to disclose their contact information and meet up, but ultimately, we safeguard people's privacy. That's absolutely our core. And I think... I think this newer generation are more privacy sensitive than ever before, which is in some ways the opposite of what you see. What you see is them being very public, but the truth of it is they're actually quite privacy concerned. When it comes to this context of dating, they don't want people making fun of them.

Carmel Crimmins

And it's interesting to see the sort of the diversions within different apps, like how they're doing. So Hinge appears to be doing better than Tinder. Are people looking for more commitment? Is that what that's telling us?

Mark Brooks

Well, Hinge is doing better because I think what Match Group is doing is driving people a bit more towards Hinge. They're kind of rebalancing their portfolio based on what they're seeing in the human psyche right now. And I think the human psyche is that people come onto a Tinder and then they all want to upgrade. Where do they upgrade to? They want something more meaningful. I see Tinder as the try before you buy, the try of you really get into it. I don't want to use the word serious relationship, you know, that's the wrong word. Meaningful is the right word. Who wants a serious relationship? How very dull. But meaningful is what they're looking for.

Carmel Crimmins

And what about the hookup apps? I mean, are they, from a business perspective, are they just great because people will go back and back to them? Or do they also have a kind of a shelf life and need to constantly refresh who's joining them?

Mark Brooks

The metrics around the lifestyle apps are stronger. Grindr will retain far longer than a regular dating app. So there are distinguishing factors in the more casual-minded apps. People just stick around because they're not less commitment-minded. But I always think people will commit once they find the right one. They just are happy to take a longer journey and a longer route. So I mean, Grindr's the number three. It's overtaken Parship Meet Group now. So they're doing very well, they're the gay-berhood, essentially. So they have social networking, they are more like a social network, and they're trying to move themselves in that direction. I've always been regarded by the rest of the industry as more social discovery. Yes, it's about being single, but they have very successfully extended their model into this kind of social networking area as well.

Carmel Crimmins

So kind of going into that, like identifying groups, is that quite a lucrative model to go in? Like identifying various different groups and really leaning in there to create that community.

Mark Brooks

It depends. I mean, niches tend to do very well around lifestyle and religion. I mean we've got the likes of JDate that's been around for years. Millionaire Match is another interesting one.

Carmel Crimmins

Haven't heard of that. What's that? What's that?

Mark Brooks

So it's for people who want to meet a millionaires and who are a millionaire and actually do some checks. Alright, okay.

Carmel Crimmins

Right, cut to the chase, okay?

Mark Brooks

Yeah, and that's, you know, there was an interesting study that was done some while ago actually. I was like, one of the problems that we have in the dating space is that if you are in a certain category of people, say if you're five foot four and you're bald, as a male, you're gonna have a hard time because the women will tend to search for six foot and they kind of want to have full head of hair in general. There was a study that was done, I think it was by Dan Ariely, to see how much more you have to earn if you're, I don't know, five foot six. And overweight. And he actually put a number on this. I remember saying it was like \$200,000, \$300,000 more. You'll do it. You're doing.

VOXPOPS

Whoa, whoa.

Mark Brooks

So, yeah, there are some cold, stark realities that we observe in the dating space. And one of the effects that we've exacerbated is that people have their lists and they have a sense of what they really want. And six foot is, we see lots of people searching for six foot, not too many people searching for five foot three. So if you're not a tall male, we have exacerbated the choosiness of people. And that's not good for them. So how can you bubble yourself up? Well, if you happen to be a five foot three bald male, then maybe you'll have better luck in a niche. Maybe you'll stand out a bit more if you're a millionaire, perhaps.

Carmel Crimmins

Or maybe you just wear heels on your shoes or lie about your height, right? I mean, that's the other option.

Mark Brooks

Cowboy boots. Exactly.

Carmel Crimmins

Experts predict that swiping may disappear within five years. How realistic is that? What do you reckon about that?

Mark Brooks

I think there will always be a place for Tinder. I think that effect is, as I say, it's a try before you buy. It's a great place to start. But then Tinder will often leave people wanting a bit more. And so that's the brilliance of having Hinge in the portfolio with Match Group.

Carmel Crimmins

Because you hop from one to the other. Exactly.

Mark Brooks

Exactly, yeah. You can try Our Time, which is for older singles. If you're 50 plus, you could go to Black People Meet, perhaps, if you really just want to meet people of your race profile. There's religious-based services as well. There are geographically based services, not within Match Group. There is London Singles, for example. So if you just really, really want to meet somebody in a particular city... There's a dating app for pretty much everything. What you have to be very careful with as a user is is there a good population of people on this app? And you can get on there pretty quickly and assess that, just kind of search for people nearby.

Carmel Crimmins

Before we get to the final part of the show, a quick shout out. If you like Econ World, check out Reuter's The Big View, our sister podcast that breaks down the forces driving markets, business, and global power. It's smart, it's punchy, and it's a great companion to this show. We've dropped a link in the episode description. Coming up, what's next for dating apps in the age of AI and the algorithm? We talked about it a little bit before, but let's get properly into it. How will generative AI change the mechanics of online dating, do you think?

Mark Brooks

I think there's lots of people that could use a little bit of help. And now they can get a little help. It can help them not make the obvious mistakes in terms of the way they communicate. Help them put a little more effort in. It can certainly improve their profiles. I think people have got to be very careful. I saw one app that would take your photograph and then put you into a hiking scenario and put a puppy in your arms.

Carmel Crimmins

Okay, there's a lot going on there.

Mark Brooks

Puppies are good. Puppies get attention. If you've got a puppy in your arms, But it's not real, is it? I mean, is your, is it real or is it not? It's you, but it's really not you in the photograph. So I'd say that is, we've got, there's a fine line between fibbing and lying. You shouldn't start a relationship lying. We try, we prevent that. We try and encourage people to not lie. But the natural tendency is to fib. For example, if you're five foot 11 as a male, if you say you're six foot, you're going to get a lot more attention. So what do you do? Put the cowboy boots on. Say you're six foot.

Carmel Crimmins

What about for women? What's the lie that they'll sometimes deploy?

Mark Brooks

That will be weight. Weight is the big one, of course, for both male and female, actually. For example, if I was on a dating app, I'm not going to be on a dating app, I'm taken, but if I were, I would say I'm athletic, but that's beyond a fib. That is aspirational. I would tend to want to say that, but I probably wouldn't get away with it. So that's the big challenge. Weight is the thing that people... Fib about the most.

Carmel Crimmins

Okay, and in terms of the AIs as well, I suppose there's also, when we talk about AI in general, we talk with ethical concerns, there would be that aspect as well wouldn't there, that like AI might sort of reinforce our biases as well when it comes to dating, right? Like, there is that issue too.

Mark Brooks

In some ways, it helps people be a little bit more competitive in the marketplace called online dating. But they've got to be very careful that when they show up on the date, the other person should recognize them.

Carmel Crimmins

You mean competitive in terms of how they're presented? Yeah, like if they've, yes, six pack, the puppy on the hike, yeah.

Mark Brooks

And just the way they communicate too. I mean, it's very easy to get, get advice on how to could, you know, sweet talk somebody into going onto a date. But if you can't keep that up on a date, it is not going to go very well.

Carmel Crimmins

In fact, Bumble's CEO has talked about your AI concierge, perhaps one day going out and dating other people's AI concierges, like it's quite fascinating. It sounds like the AI is gonna have all the fun.

Mark Brooks

There is an interesting argument to be made, rather like when the AIs learned how to play chess. How did they learn how to playing chess? They played millions of games of chess against themselves and then they came up with winning strategies to play Chess. So there is an argument to said that you could actually have everybody on a dating app, date everybody else on a data app and then model that. In usability, it's called synthetic humans. So rather than surveying real humans, you can actually survey

synthetic humans and get a clear idea of how they're gonna react to an app. So there is an argument to be made, but I reject that argument. I don't think that's the way to go. It seems like a race to the bottom to me. And I don't think we'll have the compute to be able to do it very effectively anyway for quite a while.

Carmel Crimmins

I mean, there have been criticisms, haven't there, that the industry has sort of gamified the whole dating industry, you know, they've gamified the whole process. What do you say to that?

Mark Brooks

We had to make it fun, because it wasn't fun. It wasn't, fun. There's a wonderful survey that was done. If you look across all the different segments, digital segments, we have the most unhappy users. And why is that? It's because they are about us. It's not just, they're not just playing a game. They're not doing their accounting. They're laying themselves on a line. So, I mean, we a lot. To very, very high expectations from our users. So I believe we'll be able to deliver on that eventually. I live in hope. But there's a lot more for us to do. There's a little more work to be done. I think AI will definitely help us with that.

Carmel Crimmins

So where does this leave the future of relationships, Mark?

Mark Brooks

Oh my goodness, wow. Okay, waxing philosophical. I think there's a great place for online dating well into the future. I think we'll be able to harness the great work that many academics have done and fully, finally be able to layer that into the kinds of questions that we ask and the way we do draw people together. It's one thing to measure, to assess personality, but it's very, very difficult to actually predict compatibility. That is compoundingly difficult. And I think that is a great use for AI. I'm very excited and I remain committed to this industry because that's the future. We will get this right at some point and we will provide considerably better relationships for people if they're, you know, if they tell us who they really are and if they are honest with us. We'll have the technology soon to be able to really help them get into better relationships and stay in those relationships.

Carmel Crimmins

A big thank you to Mark for his time and insights. Now for that quiz. I asked you what trait gets the biggest boost in right swipes, but is rarely mentioned as important in surveys. Is it A, intelligence, B, physical attractiveness, or C, sense of humor? And the answer is B, physical attractiveness. Come on guys, was that ever in doubt? It's a shallow, shallow jungle out there. This is Reuters Econ World. Every week we go deep on the economic principles and ideas driving the biggest news around the world. If you want to tell us what you thought of this week's show, drop us a line in the comment section of your favorite podcast platform or reach out to me on LinkedIn. This episode was produced

by Eliza Davis Beard and Ethan Plotkin. Sound design, music composition and engineering was by Josh Sommer. Our executive producer is Leela de Kretzer. Remember, for all your daily news, check out Reuters World News on the Reuters app or wherever you listen to your podcasts.

Our Standards: [The Thomson Reuters Trust Principles.](#)