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Matchmaking in the Digital Age: An Economic Perspective on the Billion-Dollar Industry of Love

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Abstract

This research report examines the online dating industry and the significance of the same in the economy. Through a comprehensive literature review and analysis of industry data, this study explores the growth as well as impact of online dating on various economic factors, including consumer behavior, employment, and industry revenue. Additionally, this report considers the social and psychological factors that contribute to the popularity of online dating, and the potential implications of new technology on its usage, practices, and growth. Our findings suggest that online dating has become an increasingly important sector of the digital economy, with significant implications for both consumers and businesses. Ultimately, this report provides valuable insights into the complex interplay between technology, social behavior, and economic outcomes in the era of online dating.

Keywords: Online dating industry, Digital economy, Matchmaking platforms, Consumer behavior, Dating apps market, Investment and revenue models, Technology and relationship formation

1. Introduction

Online dating is a way for singles to connect with one other and set up dates, typically with the intention of forming a personal and romantic relationship. Many online dating services are readily available. Each one uses a somewhat different marketing strategy to cater to specific dating-related demographics.

The business is quite well known. Over 54 million Americans are single, and 41 million have attempted internet dating. Online dating service usage and opinions vary greatly as well. According to a 2005 analysis of data from the Pew Internet & American Life Project, people are less likely to use an online dating service if they are trusting of other people and more likely to use one if they use the Internet for a variety of purposes.

1.1. History of Online Dating

The first computer-based dating service in the United States was developed in 1956 by two bright, young Harvard students using an IBM 1401. The two guys created a 75 question survey for love-seeking applicants to complete after being inspired by the pathetic dating environment of post-war academics. In exchange for a $3 fee and the submission of their questionnaires by mail, singles would receive a list of computer-generated matches.

In the 1980s and 1990s, more and more people had access to computers and the Internet, which drove up online usage. Match.com, the first online dating service in the world, went live in 1995. Social networking websites were more prevalent at the beginning of the twenty-first century, with Friendster being well-known before other platforms overtook it.

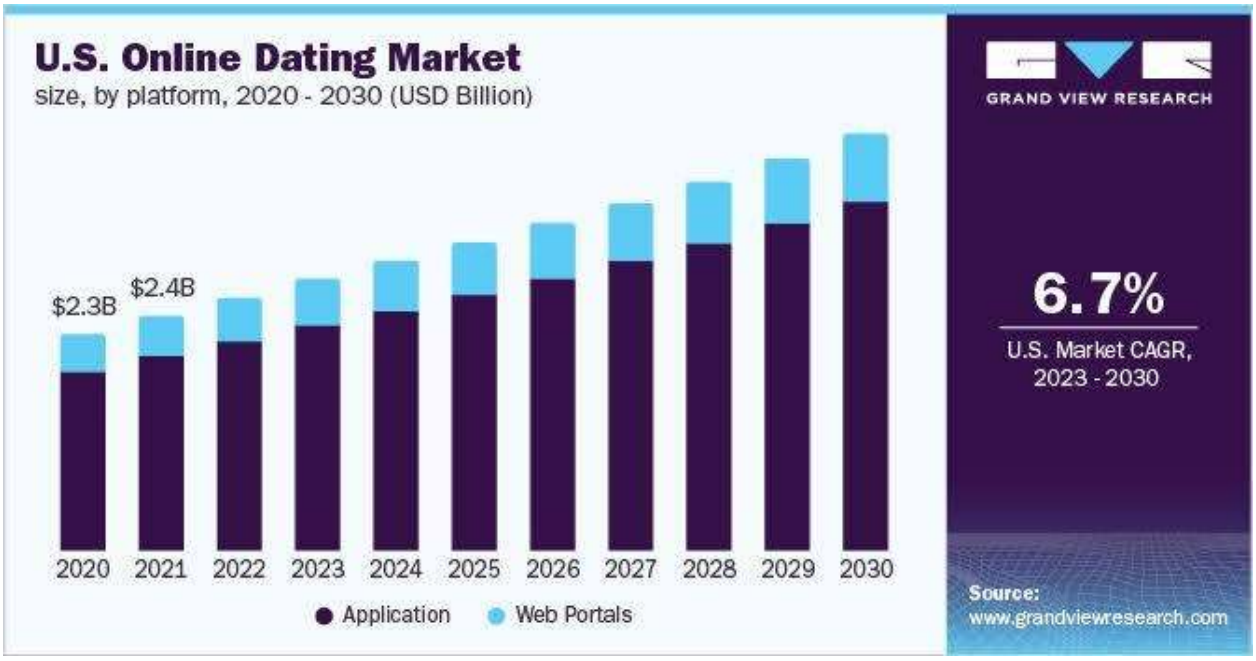
Both Tinder and Hinge, which were introduced in 2012, featured novel features and distinct points of appeal. The option to "swipe left" or "swipe right" on possible matches for a faster rate of viewing was the most distinctive feature that Tinder gave users. The more well-known of the two, Tinder is currently the most popular dating service in the US. Hinge has a unique perspective on dating websites. Hinge, dubbed "the dating app designed to be deleted," focused on establishing connections between users and others who shared their "most suitable" interests or behaviors through the use of a matching algorithm. The Nobel Prize-winning algorithm, known as the Gale-Shapley algorithm, contributed to Hinge's success as a dating app.

Because of the COVID-19 pandemic's social isolation and quarantine requirements, innovative application creators have revived the online dating sector and helped people connect more.

TikTok's popularity on social media has led to the emergence of video-first dating applications. Apps like Snack and Curtn demand users to submit video messages rather than text messages to create a more intimate connection between matches. Online dating has been able to advance with technology since it was first developed following the advent of the internet.

2. Market size of the online dating industry

The size of the worldwide online dating market was estimated at USD 9.65 billion in 2022, and it is anticipated to rise at a CAGR of 7.4% between 2023 and 2030. One of the key reasons driving the market expansion during the forecast period is the considerable rise in use of online dating apps like Tinder, Match Group, and others among the youthful population. Online dating applications and portals are increasingly popular as social networking sites play an important role in navigating and tracking romantic interactions among people. Also, the industry has several opportunities to expand as a result of the rising internet penetration rate and the expanding smartphone user base. Nonetheless, it is anticipated that rising online fraud and data breaches caused by dating apps will impede industry expansion.

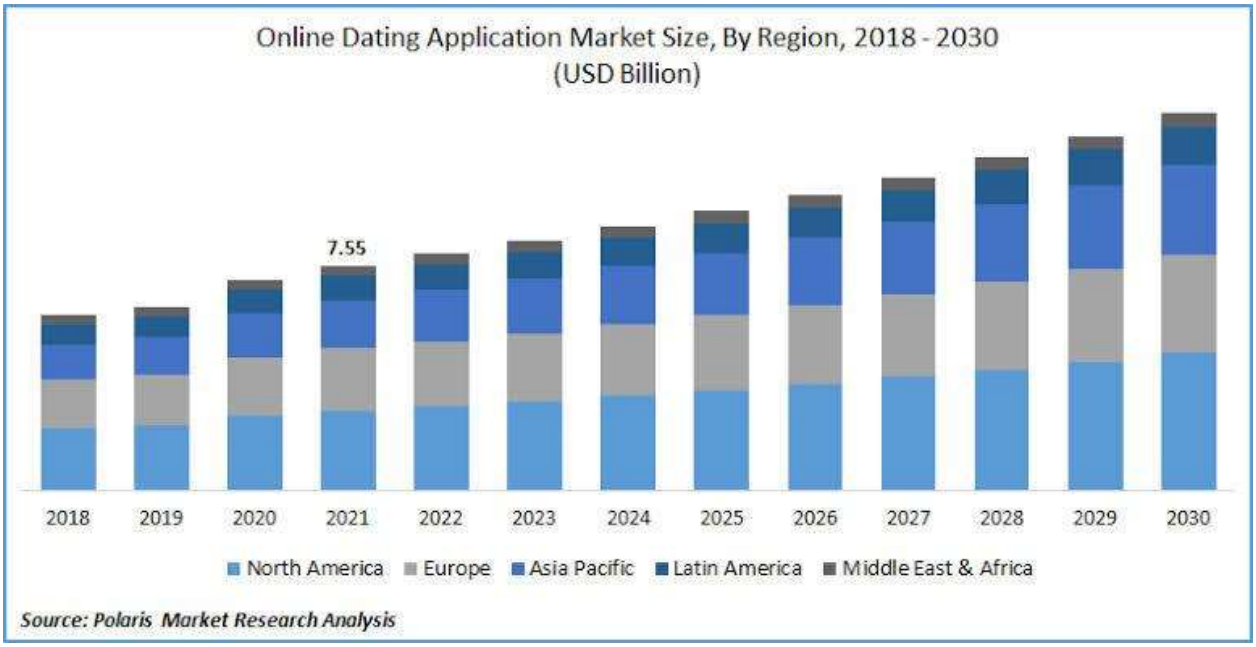


The targeted market is further divided into the application and web portals based on the platform. Of these, the application segment's share of total revenue in 2022 was the highest at over 82%. Globally, a

significant section of the youthful population uses mobile applications for online dating, which boosts the market share even further. Also, the market share was boosted by the increasing use of apps like Tinder, Bumble, Badoo, and others all over the world. As an illustration, the average number of Tinder subscribers went from 7.9 million in 2018 to 10.4 million in 2020. As a result, the increasing number of members demonstrates the growing popularity of such online dating applications, which also helped to drive the greatest market share. Throughout the forecast period, the web portals market is anticipated to grow at a substantial CAGR of 6.2%.

The market is divided into subscription and advertising segments based on how much money is generated. Almost 63% of all revenue in 2022 came from subscriptions, and it is anticipated that this dominance would persist throughout the forecast period and is anticipated to keep holding the lead during the predicted period. Based on subscription, the market is further segmented by age, gender, and type. The age range is divided into four categories: 18–24, 26–34, 35–50, and over 50. In 2022, the age group 18 to 25 years had the biggest revenue share (36%), followed by the age group 26 to 34 years. The younger generation's increased propensity for online dating is credited with the segment's expansion. According to an analysis of the market, Bumble is the second-largest participant in the 18–25 age range, after Tinder. Throughout the forecast period, the age group of 26 to 34 is anticipated to grow at the highest CAGR.

The greatest CAGR of 8.5% is anticipated for Asia Pacific between 2023 and 2030. India and China are helping the market expand in a favorable way. The rising popularity of online dating websites and apps among the youthful population in emerging economies is one of the key drivers of regional growth. Also, a significant increase in smartphone penetration and rising digitization in China and India both contribute to the market's expansion. It is also anticipated that the industry would have plenty of chances due to the rising number of users of online dating applications in China, India, and other emerging nations.



The online dating industry has seen significant growth in recent years and has become a major contributor to the global economy. According to a report by IBISWorld, the industry generated a revenue of $3 billion in 2020. This number is expected to grow to $9.9 billion by 2026, according to a report by Market Research Future. The industry has also created employment opportunities. According to IBISWorld, the industry

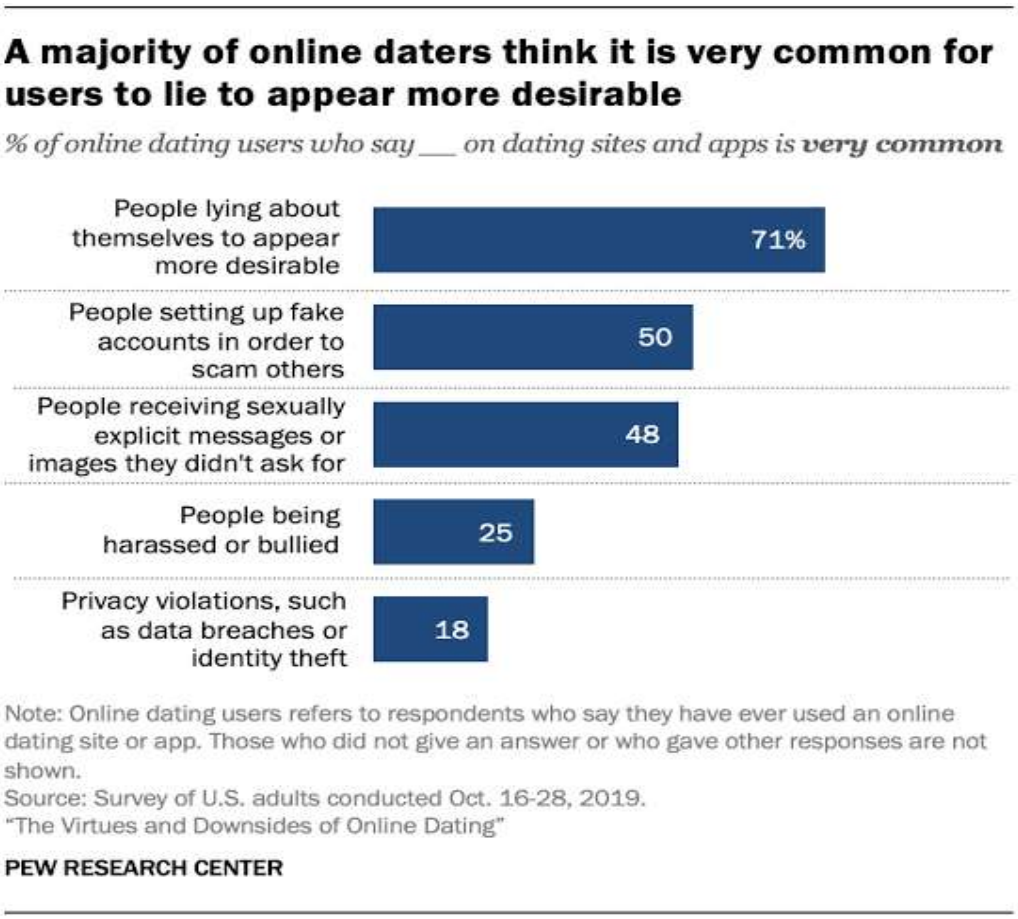
employed over 7,000 people in 2020. This number is expected to grow as the industry expands. The online dating industry employs people in a variety of roles, such as software developers, marketers, customer service representatives, and data analysts.

Finally, this emerging industry has had a significant impact on tourism. Many people use online dating services to meet potential partners when traveling to different countries, leading to an increase in tourism spending. In fact, a report by GlobalWebIndex found that 42% of Tinder users travel specifically to meet someone they have matched with on the app. This has led to the development of a new type of tourism called "romantic tourism," where people travel to other countries specifically to meet potential partners they have met online.

3. Challenges

The online dating industry has revolutionized the way people meet and connect with one another. With the rise of dating apps and websites, finding love has become more accessible and convenient than ever before. However, like any industry, the online dating sector faces its own set of challenges.

One of the biggest challenges faced by the online dating industry is the issue of trust. According to a 2021 survey by Pew Research Center, 45% of adults in the United States believe that online dating is more dangerous than other ways of meeting people. Additionally, 57% of online daters report that they have had an experience that made them feel uncomfortable or unsafe. With the anonymity of the internet, it can be difficult to determine whether someone is who they say they are. This has led to concerns about safety and security, with many people worried about the potential risks of meeting strangers online.



Another challenge faced by the online dating industry is the problem of fake profiles. A 2020 study by the Norwegian Consumer Council found that many popular dating apps had inadequate security measures in place to prevent fake profiles.

The issue of matching algorithms is another challenge for the online dating industry. While these algorithms have been designed to help people find compatible partners, they are not always effective. A 2018 study published in the journal Psychological Science found that while people tend to prefer potential partners who are similar to themselves in terms of traits like education and income, these factors don't necessarily predict long-term relationship satisfaction. In other words, matching algorithms that focus too heavily on these factors may not always lead to successful matches.

Finally, the online dating industry faces the challenge of keeping up with changing trends and preferences. The industry is constantly evolving, and it can be difficult for companies to keep up with changing trends and preferences. For example, a 2019 survey by eHarmony found that more than half of single people in the United States believe that dating apps have made it harder to find love. Additionally, the rise of video dating during the COVID-19 pandemic has prompted some companies to pivot their offerings to better accommodate this trend. This requires constant innovation and the ability to anticipate and respond to new trends and user demands.

Despite these challenges, the industry continues to grow and evolve, driven by the desire of people to find love and companionship in an increasingly digital world.

4. Online dating industry - from the perspective of Investors

The goal of dating used to be the outcome. It has become more about the journey since switching to an online business. Although it may not be ideal for the duration of customer connections, it should continue to be advantageous for investors' love affair with publicly traded companies like Match Group and Bumble. At the conclusion of the first quarter, there were approximately 100 million active monthly users across all Match apps. While this is going on, more and more people are starting to pay for so-called "freemium" dating apps. According to data from research firm YipitData, Bumble's name-brand app and Match's Tinder both had more than twice as many paying users in the U.S. in May as they did in the same month five years prior.Wall Street anticipates that Match and Bumble will generate well over $4 billion this year from the searches of its customers for...whatever it is that they are looking for.

Prior to the epidemic, a countrywide survey conducted by Stanford University and the University of New Mexico and released in 2019 indicated that heterosexual couples were increasingly meeting online. According to Pew, nearly half of young adults between the ages of 18 and 29 have used a dating website or app. Yet, it appears that the dating industry is currently more lucrative for the platforms than it is for the users.

A dating app is practical, and anyone who has tried to meet a partner in a crowded pub will probably agree with you. Internet dating casts a wider net and produces more targeted results. For instance, more than 10 million users of the app Tinder pay to arrange dates. Even the most well-liked person of your family or friends has a small social network in contrast.

Yet there are many traps. When your friends set you up, they most likely have your best interests in mind. For-profit businesses that host dating apps run the danger of losing your patronage if you discover a lifelong match. Companies also take advantage of FOMO: According to a poll by Evercore ISI, users of paid dating apps typically pay for multiple apps at once. What if the app you're not paying for has your soul mate on it? The dread can nearly be as financially taxing as it is mentally.

Even the best dating software is just as effective as your ability to choose who is right for you or even someone worth meeting. In the same way that customers may filter for prices, features, or star ratings on an e-commerce site, advanced height filters, for instance, are utilized in dating applications. According to a former product manager for Bumble, the majority of women using the site have a floor of 6 feet for men, which would reduce the pool of potential matches to 15% of the population.

With the help of modern dating apps, individuals can pretend to be someone they are not—a practice known as "catfishing" by children. Yet, blockchain technology might be able to provide some degree of truth verification. Other social verification options include: If not based on consumers' preferences, at least based on accuracy, potential partners may create reputation scores similar to evaluations for Uber drivers. As today's dating applications are already heading in this direction, it might be time to reconsider investing in online dating if everything is starting to appear absurd. For a generation that doesn't seem to know what it wants, entertainment may be the best alternative. Bumble's dating app Fruitz, which is well-liked in Europe among GenZ users, lets users select from four fruits to represent various types of dating intents, such as a relationship or a hookup. Yet according to Fruitz, being a cherry doesn't exclude you from falling in love with a grape. According to a recent survey of Tinder users, there are now nearly 50% more daters looking for "no particular form of relationship," which is why the future of dating has been dubbed "fluid" in a press release from Tinder.

It may not lead to love. Nonetheless, those chances must be attractive to dating app developers.

5. The way ahead

According to Statista, the revenue generated by the online dating industry in 2021 is expected to reach over $3.2 billion in the United States alone. This growth can be attributed to the increasing popularity of dating apps, which make it easier than ever to connect with potential partners.

As technology continues to advance, the future of the online dating industry looks promising. The use of AI and machine learning algorithms are revolutionizing the way people find love online. These technologies can help match users based on compatibility factors such as interests, values, and personality traits, leading to more successful matches and fewer disappointing dates. Virtual reality is another technology that has the potential to change the online dating landscape, as it allows users to interact in a more immersive way than ever before.

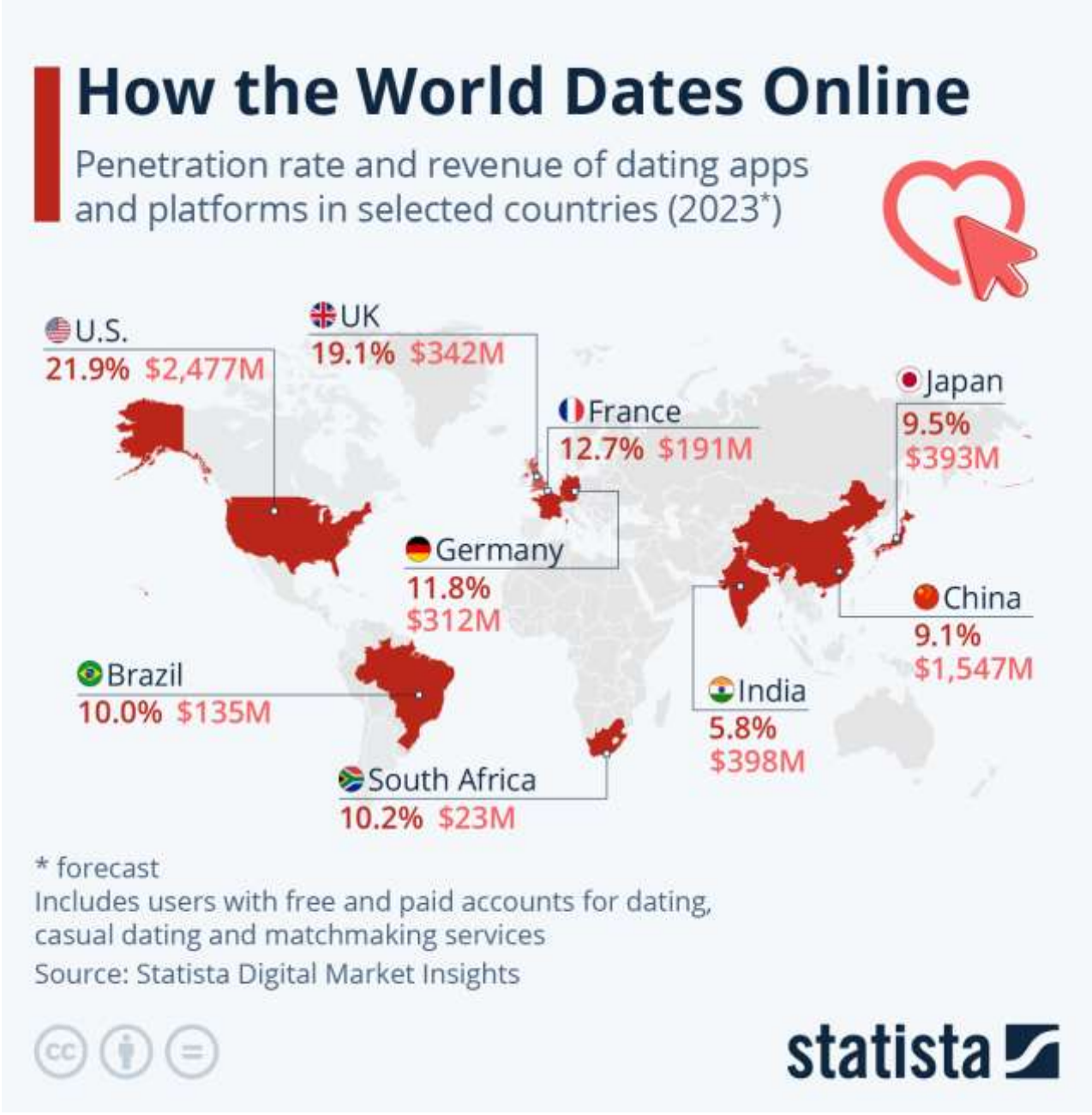
Despite the potential for continued growth and innovation, the online dating industry also faces challenges in the future. One of the biggest concerns is the issue of safety, as online dating can put users at risk of fraud, scams, and even physical harm. To address these issues, dating apps and websites are implementing stricter verification processes and increasing their focus on user safety. Additionally, the industry will need to continue to adapt to changing cultural norms and societal expectations around dating and relationships to remain relevant and successful.

Dating apps have been using fundamental matching techniques like geolocation and "swiping right" for the past ten years. For machine learning algorithms to provide more relevant matches based on its users' core values, beliefs, and personality traits, AI can assist in gathering in-app user activity data. Nowadays, apps like Coffee Meets Bagel, Hinge, Tinder, and Badoo use AI and machine learning to help users identify compatible matches. Taking it a step further, AI might potentially serve as a digital matchmaker, setting up actual meetings and offering coaching and feedback.

In contrast to virtual reality, which is entirely digital, augmented reality (AR) is a visual or auditory overlay of digital life in the actual world (VR). Because AR's departure from the real world is less drastic than

VR's, it will probably be more socially acceptable than VR, which completely eclipses the user's current reality to show a brand-new one. Companies like Flirtar, the world's first AR dating app, are already utilizing AR in the dating sector. With the help of geolocation, Flirtar's mission is to enable people to connect in real life nearly immediately by placing matches in their direct line of sight.

A dating software called DNA Romance pairs people based on the information encoded in their DNA to predict love chemistry. Dr. Tim Sexton developed the programme on the theory that partners with opposite immune system genes (MHC genes) had substantially stronger romantic chemistry than those with comparable genes, which was based on the "sweaty T-shirt experiment" carried out by Hans Wedekind in 1995. People are drawn to those with varied immune systems, according to Sexton, since it assures that some of us are resistant to emerging infections, ensuring the survival of the human population. To find matches, people can purchase DNA collection kits or upload DNA files.



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