

Online Dating Market in the USA: Revisions to Hinge's Pricing Model

In 2019, the Online Dating market in the USA boasted a total revenue of US\$912m. As user penetration *tripled* from 11% in 2013 to 30% in 2020, stigma is quickly eroding among users, facilitating further growth among 117.9million single Americans. With the proliferation of dating apps, however, comes increased frustration at misleading profiles, safety concerns, unwanted explicit content—and in particular, mismatched goals, where users who are looking for serious relationships find themselves matching with users who are simply looking for a fling. For a solution to these problems, enter Hinge.

Hinge: Designed to be Deleted

Hinge was designed to counter “swiping fatigue”, where users simply aim to match with as many users as possible. Instead, it emphasises quality over quantity, and targets only users who are looking for long-term relationships, rather than those interested in one-night stands or hook-ups—the latter of which Tinder is infamous for. To facilitate better matches, Hinge advocates comprehensive profiles comprising of at least six pictures and three “prompts” to tell one’s story, along with demographic information and even vices. With this information, users may filter matches by setting deal-breakers in advance, such as refusing matches who smoke, or where there is a misalignment in family plans.

Accordingly, Hinge positions itself as being “designed to be deleted”, relating its expertise—and unique selling proposition—in finding “the right one” for singles, and where they are encouraged to go on offline dates with the end goal of deleting the app together. Therein, however, lies the problem with Hinge: the better a job it does in connecting users, the larger the churn, and the less it makes in revenue.

Problems with Existing Pricing Model

Because of the importance of network externalities on dating apps—whose very value proposition is to widen one’s dating pool—most operate on a Freemium model, where basic services are free, but premium ones are charged a monthly or ala carte fee. For Hinge, this means a “Hinge Preferred” scheme, which grants users unlimited likes (upgraded from 10); filtering by lifestyle (upgraded from just basic demographics), and to see everyone who likes you in a grid view, rather than sequentially. Subscription fees vary by length: a month’s subscription costs \$9.99, 3 months at \$19.99, and six months at \$29.99. Problems with this model are as follows:

Problems with Price

- **Under-priced:** Hinge is three times cheaper than Tinder Gold, and 4.5 times cheaper than Coffee Meets Bagel, despite boasting an elite userbase of college-educated professionals. This suggests a gross underestimation of users’ willingness to pay (WTP).
- **No segmentation fences for price discrimination:** Research highlights that men above 31 years old are willing to pay as much as 2.7times more for dating apps than men between 18-29 years old. This is owed partially to spending power, but also due to the fact that opportunity costs with dating increases with age, and users are more anxious to find long-term partners. Accordingly, Hinge’s lack of segmentation fences again undermines its profitability through both money left on the table and passed up profit.
- **Poor customer lock-in.** While Hinge is designed to be deleted, dating still takes time. Tinder realises this, offering quantity discounts based on 1-month, 6 months, or 12months subscriptions, while Hinge’s subscription terms are half that. Consequently, it is not maximising value extraction in the window when customers are single, and who may be enticed by discounts to invest in a longer relationship with Hinge.

Therefore, Hinge needs to survey WTP across customers of varying ages to revise its pricing plans; while lengthening its subscription terms to reduce customer churn.

Problems with Product

- **Features exclusive to paid users on Tinder and CMB are free on Hinge:** For example, Tinder Plus and Tinder Gold are differentiated only by the feature to “see who likes you”, but which justifies a \$16 difference in subscription fees. In the meantime, this feature is available for free on Hinge, reflecting a poor understanding of the specific features that motivate paying users.
- **Hinge offers just one premium product with no ala carte purchases available:** On the other hand, Tinder offers two premium product versions, while CMB offers ala carte purchases as an in-between option between paying and non-paying users, offering user choice and flexibility. By offering just one “preferred members” scheme, Hinge undermines user choice and consequently, customer acquisition and profitability.

In addition to changes to its pricing model, Hinge also has to revise its product offerings to meet [paying] customer needs and offer greater variety to enhance user choice and flexibility.

New Pricing Model: Two Product Versions, Three Segments

After surveying an indicative group of users to understand the features that would induce them to pay for Hinge, we designed two products: Hinge Gold, and Hinge Preferred. These products deviate from Hinge’s original product in that “free” and “gold” users may no longer see who liked them or set lifestyle filters on matches, the two features that were voted most valuable in our survey—and which we envision will increase the acquisition of high-value paid users. To match Tinder’s product offerings, we will also introduce new features across the premium products, including the ability to “like” a user that one previously rejected; and to set flexible locations to further widen one’s dating pool.

Model 1

To price each product, we surveyed customer WTP across three age segments. The first model averages the WTP across ages to derive the prices for each product, for each segment:

Age Groups	Hinge Gold	Hinge Preferred
18-30	\$7.99	\$11.99
31-49	\$12.99	\$21.99
50+	\$23.99	\$29.99

We observe two trends from the survey results:

- (1) In alignment with previous research, WTP increases with age
- (2) Users are willing to pay more for Hinge Gold than Hinge Preferred, suggesting that we chose the right features, or incentives, to motivate paying users across different tiers

This model allows us to extract maximum value from each segment, leaving minimal money on the table and passed-up profit. The drawbacks, however, rest in claims of age discrimination. For example, Tinder is banned from charging different prices to age segments in California. Hence, we developed a second model with just a standard price for each product:

Model 2

We followed the following steps to price each product ([see Excel spreadsheet for details](#))

1. Extract all value from customers aged between 18 and 30 years old: Price Hinge Gold at \$7.99
2. Compute the respective consumer surpluses for older age segments if they purchase Hinge Gold
3. Price the premium version such that either group will receive a higher surplus from purchasing Hinge Preferred. Measure profits for both prices by checking which segment buys which product.
4. Of the two possible prices, choose the price that derives the highest profits

Variants @ Prices	Who buys	
Hinge Gold @ \$7.99	18 - 30	This model offers a straightforward solution to claims of age discrimination, while extracting maximum value from Hinge’s largest user base. However, it incurs money left on the table for high value customers.
Hinge Preferred @ \$15.99	30 and above	

Further, to ease cashflow and facilitate repeated interactions/lengthen customer relationships with Hinge, we will match Tinder’s discount rates for 3month (20% off), 6-month (41% off), and 12-month (54% off) subscription plans. Consumers have to make upfront payments for each plan, with no refunds.

A la Carte Purchases, Complementary to Either Model

For an additional revenue stream, we will also be launching a la carte purchases for the following features—that are available for purchase only as an upgrade to one’s existing customer tier. For example, while everyone may purchase unlimited likes, advanced filters can only be bought separately by Hinge Gold, and not free, users.

Free to Plus Features WTP	7.99\$
Unlimited Likes	4\$
Rewind	1\$
Flexible location	4\$
Plus to Gold Features	8\$ (15.99 - 7.99)
See who liked you	4.5\$
Filter Matches	4.5\$

While a la carte purchases offer an in-between option for non-paying customers who are unwilling to commit to a subscription, the price conscious will notice that membership bundles are more value for money—that is, the total fee for individual features > subscription fees on plans that include all features.