

Dating game: With increasing internet penetration, online dating is on the rise

IBISWorld Industry Report 81299a Dating Services in the US

April 2014

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About this Industry

Industry Definition

Companies in this industry provide services allowing clients to meet with other clients, usually with the intent of pursuing romantic relationships. Services can be provided via phone,

internet, magazine and newspaper. The industry also includes companies that organize singles events, such as speed dating. It does not include social networking sites.

Main Activities

The primary activities of this industry are

Providing online personal introductory services

Providing specialist print media introductory services

Providing cell phone introductory services

Organizing singles events

The major products and services in this industry are

Matchmakers

Mobile dating

Online dating

Singles events

Other

Similar Industries

71312 Arcade, Food & Entertainment Complexes in the US

This industry includes businesses that primarily operate video game arcades and game-focused family entertainment centers, which typically sell food and beverages.

81341 Civic, Social & Youth Organizations in the US

Operators in this industry organize social events for members including nonprofit social clubs, societies and associations.

51711d Internet Service Providers in the US

Firms in this industry provide internet connections to households and businesses, which can then be used to facilitate online dating.

NN006 Wedding Services in the US

Operators in this industry provide day-of-wedding services providers such as wedding coordination.

About this Industry

Additional Resources

For additional information on this industry

www.bls.gov

Bureau of Labor Statistics

www.datingsitesreviews.com

Dating Sites Reviews

www.onlinedatingpost.com

Online Dating Insider

www.census.gov

US Census Bureau

IBISWorld writes over 700 US industry reports, which are updated up to four times a year. To see all reports, go to www.ibisworld.com

Industry at a Glance

Dating Services in 2014

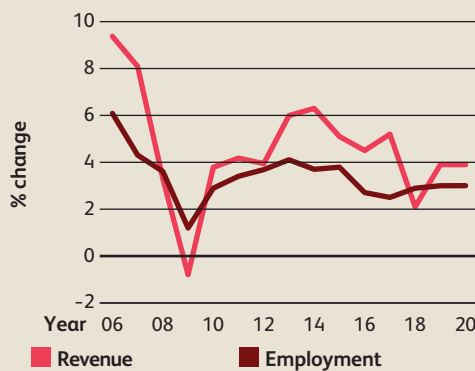
Key Statistics Snapshot

Revenue	Annual Growth 09-14	Annual Growth 14-19
\$2.2bn	4.8%	4.2%
Profit	Wages	Businesses
\$293.8m	\$604.4m	3,851

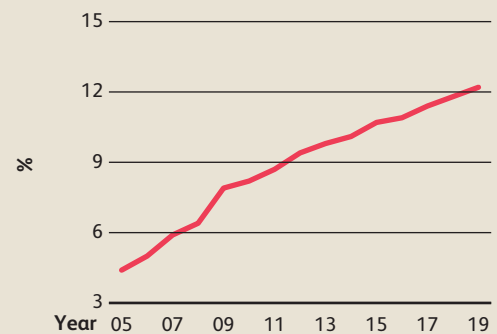
Market Share
 InterActiveCorp
27.0%
 eHarmony Inc.
13.8%
 Zoosk Inc.
5.1%

p. 27

Revenue vs. employment growth



Percentage of services conducted online

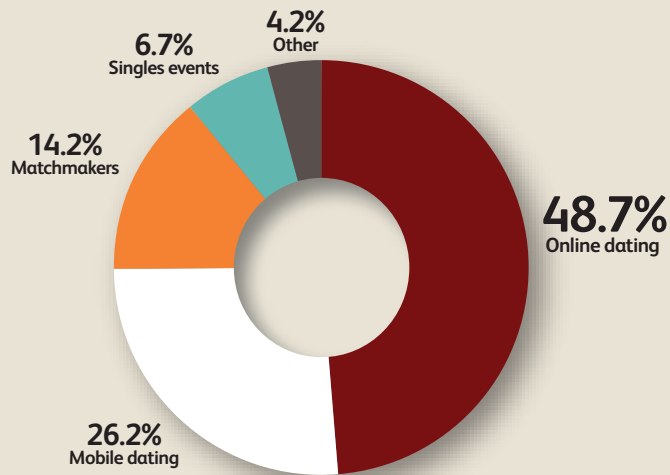


SOURCE: WWW.IBISWORLD.COM

Key External Drivers
 Number of adults aged 20 to 64
 Percentage of services conducted online
 Marriage rate
 Per capita disposable income
 Regulation for the Online Dating industry

p. 5

Products and services segmentation (2014)



SOURCE: WWW.IBISWORLD.COM

Industry Structure

Life Cycle Stage	Growth	Regulation Level	Medium
Revenue Volatility	Low	Technology Change	Medium
Capital Intensity	Low	Barriers to Entry	Low
Industry Assistance	None	Industry Globalization	Low
Concentration Level	Medium	Competition Level	High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 38

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive Summary

The Dating Services industry has performed well during the five years to 2014. A recovering economy has helped boost strong existing conditions for the industry. Consumers are increasingly turning to the internet for a range of services, and this includes looking for love. A rapidly increasing number of broadband connections and improving opinions on the abilities of online dating has helped the industry grow over the five-year period. Furthermore, firms that

In addition to product expansion, as consumer demand for online dating and matchmaking services has grown, new companies have entered the industry. IBISWorld estimates that the number of companies in the Dating Services industry increased at an average annual rate of 2.4% to 3,851 in the five years to 2014. However, growth in industry enterprises has been mitigated by increasing consolidation from major players such as InterActiveCorp.

More singles in the baby boomer generation will continue to increase demand and revenue

are able to take advantage of the rising smartphone adoption rate in the United States have been highly successful. Consumers are accessing the internet more through their smartphones as functionality and speeds improve. As a result, the overall industry is forecast to grow at an average annual rate of 4.8% over the five years to 2014. Growth is expected to be stronger in 2014, when revenue is projected to grow 6.3% to \$2.2 billion as mobile services and added company services drive growth.

The Dating Services industry can expect strong demand in the next five years, with revenue forecast to rise at an average annual rate of 4.2% to total \$2.7 billion in 2019. The percentage of households with access to the internet is projected to continue rising throughout the period, which will expand the consumer market for online dating services. It is estimated that niche dating networks and services catering to the baby-boomer generation will see the most growth. In addition, revenue for the mobile dating market is expected to nearly double in the next five years, with rising smartphone adoption and new location-based features leading the market.

Key External Drivers

Number of adults aged 20 to 64

Adults in this age group are the key consumers of online dating and matchmaking services. As the number of consumers within this age range rises, the demand for industry services is expected to grow. The number of adults aged 20 to 64 is expected to increase slowly during 2014.

Percentage of services conducted online

The percentage of services conducted online measures attitudinal shifts regarding how much consumers rely on the internet. As consumer usage of

the internet has grown, online dating has become more popular. The percentage of services conducted online is expected to increase during 2014, which is a potential opportunity for the industry.

Marriage rate

A lower marriage rate indicates that a higher proportion of consumers are single, which increases demand for dating and matchmaking services. A declining marriage rate may also indicate a higher average age for marriage among the US population.

Industry Performance

Key External Drivers continued

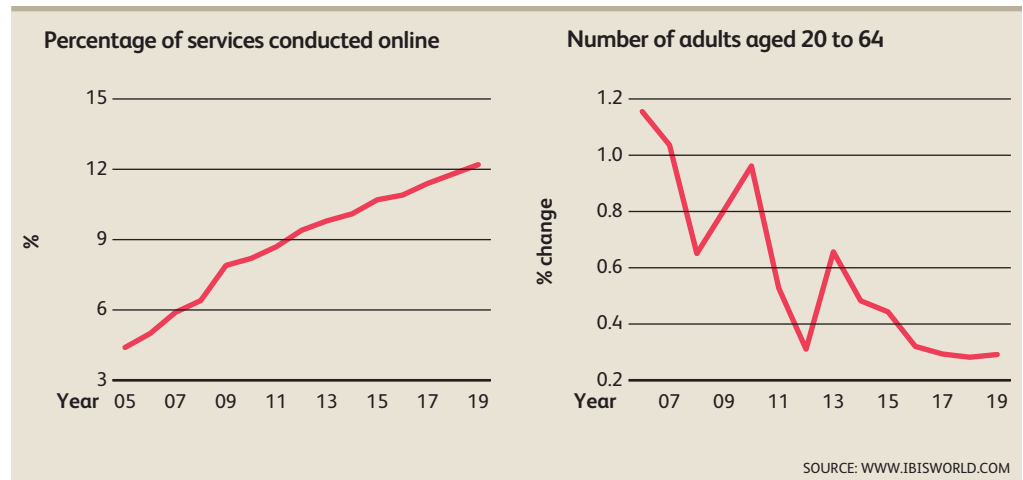
As this rate falls, revenue for industry operators is expected to rise. The marriage rate is expected to decrease during 2014.

Per capita disposable income

Per capita disposable income determines an individual's ability to purchase goods or services. With higher per capita income, more consumers opt for subscription-based and personalized industry services that typically cost more, expanding industry revenue. Per capita disposable income is expected to increase during 2014.

Regulation for the Online Dating industry

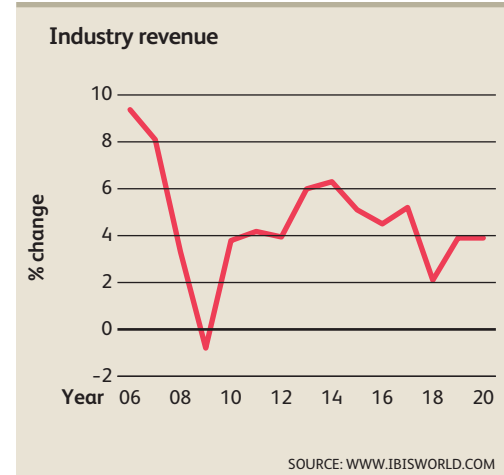
Several states have proposed regulations for online dating companies to increase consumer safety. These proposed regulations extend from performing background checks on users or advertising that these checks are not performed. Should these regulations pass, it would potentially result in higher expenses for online companies, negatively impacting operators. Regulation for the Online Dating industry is expected to increase slowly during 2014, which is a potential threat to the industry.



Industry Performance

Current Performance

The Dating Services industry has experienced strong growth over the past five years. The advent of online dating has significantly changed the industry landscape and the majority of industry revenue is now generated through online dating services. Industry revenue growth has been driven by an increasing number of broadband connections and a declining stigma toward the notion of online dating. Americans are becoming more comfortable turning to the internet to receive services, and this has permeated into consumer love lives. Furthermore, the rapid adoption of smartphones has increased demand for dating services, as a number of apps are developed for consumers to use on the go. Mobile dating represents a rapidly growing industry segment and a host of companies have benefited from changing consumer preferences. Overall, the industry is forecast to grow



at an average annual rate of 4.8% to \$2.2 billion over the five years to 2014. Industry growth slowed slightly in 2009 due to subdued consumer spending, but has grown each year since and is projected to grow a further 6.3% in 2014.

Online consumer preferences

In 2014, an estimated 10.1% of services are expected to be conducted online by consumers and businesses. This is up from 7.9% in 2009, as the number of broadband internet connections increases rapidly because of falling prices and the development of a wide variety of media that can be accessed online. As a result of increased internet penetration and consumer preferences trending to convenient online services, internet dating has become increasingly popular. According to Pew Research, in 2013, 11.0% of American adults and 38.0% of those currently single and looking for a partner have used online dating sites or mobile dating apps. Moreover, Pew Research found that

23.0% of online daters have met a spouse or long-term relationship through an online dating site.

In addition to rising internet usage, opinions toward online dating have changed dramatically over the five-year period. Americans have continued to warm up to the idea of meeting a potential partner online and, furthermore, have become enamored with the concept that online dating allows people to find a better match. Consequently, the industry has continued to grow, and increased uptake has proved to be a multiplier effect, as increased familiarity through friends, family and coworkers reduces the stigma and boosts online user numbers.

Industry Performance

Mobile-service opportunities

Outside of the increased usage of dating sites through personal computers, the industry has also experienced more rapid growth due to increasing smartphone capabilities. A study conducted by Pew Research in 2013 suggested that 56.0% of American adults now own a smartphone.

Furthermore, according to the Federal Communications Commission and IBISWorld, the number of mobile internet connections, which includes all broadband internet-capable devices, is forecast to grow at an average annual rate of 36.8% to 234.2 million in the five years to 2014. This rapid increase in the number of smartphones has provided a new platform for industry operators to expand revenue. Mobile devices allow users to conveniently access dating sites and respond to messages faster, without requiring them to visit a computer and login.

The use of mobile devices has also helped reduce hesitation over online dating. Mobile dating apps have become tailored to consumer preferences for more casual dating options. Therefore, a number of industry players have created simple mobile user interfaces, where users are limited in functionality. For example, new industry player Tinder (majority owned by major player InterActiveCorp) enjoyed a rapid increase in the number of users due to its simple functionality and options. Users simply

Mobile apps and large baby boomer markets are creating opportunities for companies

swipe to approve or ignore profiles, which has been successful in making certain aspects of online dating seem fun and more like a game. As a result, a number of other industry players have adopted similar functionality in their apps.

However, other dating apps targeted to demographics that are looking for a more serious relationship have not used this system. The industry caters to a wide range of demographics, and, therefore, successful industry operators have tailored their offerings depending on the sort of experience their users desire. Older demographics are more likely to want to establish a connection with another user based on similar emotional temperaments, shared values and common interests. Therefore, these applications have focused on providing other services, such as virtual currency, which allows users to pay real money for profile boosts and stronger exposure. Furthermore, on many sites, users are able to pay so that their message is more prominent to other users and to check if the user has read their message yet or not.

Evolving technology

In addition to the introduction of mobile applications, industry operators have been investing in software development to win users based on better matches and functionality. Online providers of dating services are increasingly investing in the development of algorithms and other computer engines that are able to read user data. Algorithms allow computers to read user behavior, such as the profiles

they view, the messages they send and the hours they use services, to recommend better matches. For instance, viewing a profile may register as light interest, while sending a message will register as high interest. Providers can then better understand the types of partners users are interested in and make recommendations based on past performance.

Industry Performance

Industry consolidation

The industry caters to a wide range of individuals with varying tastes in desired partners. As a result, the largest industry players are those that run an array of highly functional sites. The largest company in the industry, InterActiveCorp, currently provides dating services through Match, Singlesnet, OKCupid, BlackPeopleMeet, SeniorPeopleMeet, Tinder and other sites. The company's acquisitions over the past five years, such as OKCupid in 2010 and the further 10.0% purchase of Tinder in April, 2014, have allowed the firm to control a large share of the market. Small nonemploying firms still

comprise the majority of the industry; however, the largest industry players are attempting to win greater market share through acquisitions. Furthermore, as websites become more established, it becomes increasingly difficult for new players to enter the industry, as their user bases will not be as large and profit is hard to generate while focusing on marketing and advertising. Therefore, the number of industry players is only projected to grow at an average annual rate of 2.4% to 3,851 over the five years to 2014. Industry employment is expected to grow at a more robust annualized 3.6% to 7,649 over the same period.

Industry Outlook

IBISWorld projects the Dating Services industry will experience strong revenue growth in the five years to 2019. Industry revenue is forecast to rise at an annualized rate of 4.2% to reach \$2.7 billion in 2019. Growth will result from improved economic conditions, meaning higher per capita income, giving consumers more resources to spend on discretionary services like dating and matchmaking. Furthermore, internet usage will continue to rise, along with a growing social acceptance of online dating as a method for finding romantic partners. In addition, mobile dating will be a strong source of growth for the industry throughout the next five years.

During the next five years, per capita disposable income is projected to rise at an annualized rate of 2.2%. Since cost considerations will become less relevant with increasing per capita income, consumers will look to more personalized matchmaking services, though free dating websites will continue to provide substantial internal competition. Additionally, rising membership among the baby-boomer generation will aid revenue growth during the period as internet usage increases.

A rise in disposable income will drive demand for personalized matchmaking services

Online dating will be a primary driver of growth as internet penetration continues to rise. By 2015, the percentage of people with internet access is projected to rise to 93.5%, according to eMarketer, which will result in a larger consumer market for industry services. In response to increased demand, the number of online dating and matchmaking companies is projected to rise at an average annual rate of 1.5% to 4,140 companies by 2019. Companies are expected to increasingly target new niche markets in order to break into the increasingly competitive industry. With the number of companies in the industry expected to rise, the market will become saturated during the five-year period. As a result, the rate of company growth will slow over the next five years. Employment is projected to increase at an average rate of 3.0% per year to 8,858

Industry Performance

Industry Outlook continued

employees; however, the industry will continue to be primarily composed of nonemployer firms, since labor and capital requirements are low for entrants. IBISWorld forecasts that profit margins will remain relatively flat over the next five years, but will vary dramatically depending on the business. Offline providers are expected to record low margins, while online providers will vary depending on their investment in marketing and advertising to attract a user base.

As the domestic market reaches saturation, companies are expected to expand internationally to reach new emerging markets. The majority of major players already have an international presence; however, other prominent players in the industry are expected to increasingly develop their own international operations in the next five years. In particular, companies will target areas such as Eastern Europe, Russia, South America and Asia.

The next medium: smartphone apps

Revenue from mobile dating is projected to continue rising throughout the next five years. IBISWorld estimates that by 2019, more than 80.0% of the population will own a smartphone, compared with the 58.0% who owned one in January 2014, according to Pew Research Center. With the smartphone user base rising during the period, there will be more opportunities for the mobile dating industry to expand its core user base. Location-based services or geo-dating in

particular is expected to be another key driver of growth. Companies are forecast to increasingly incorporate location-based features as a value-added element to their mobile app to allow users to facilitate in-person meetings. These features will be particularly popular among users living in urban areas where there is a higher percentage of people with a smartphone device, and thus a greater chance of facilitating in-person meetings with fellow dating app users.

Industry regulation on the rise

As a result of increasing consumer complaints of online scams and sexual predators on dating websites, industry regulations are estimated to become more stringent. New York, Illinois and New Jersey have passed the Internet Dating Safety Act, which requires online dating sites to disclose to users whether they perform background checks. Several other states, such as California, New Jersey, Florida, Michigan, Ohio, Virginia and Texas, have also proposed bills that require companies to warn users that criminal background checks are not performed on their users. Another proposed regulation may require industry operators to perform background checks

Increased regulations on background checks of online dating users will hinder growth

on all of their users. If this regulation passes, the number of free online dating websites would potentially decrease and subscription fees might increase, given the higher company expenses.

Mandatory background checks are unlikely to be enforced, however, it is likely that companies will be required to go to greater lengths to promote

Industry Performance

Industry regulation on the rise continued

safe dating. Efforts to better inform users are expected to be made by companies voluntarily, as any

negative perception around the safety of online dating is highly detrimental to performance.

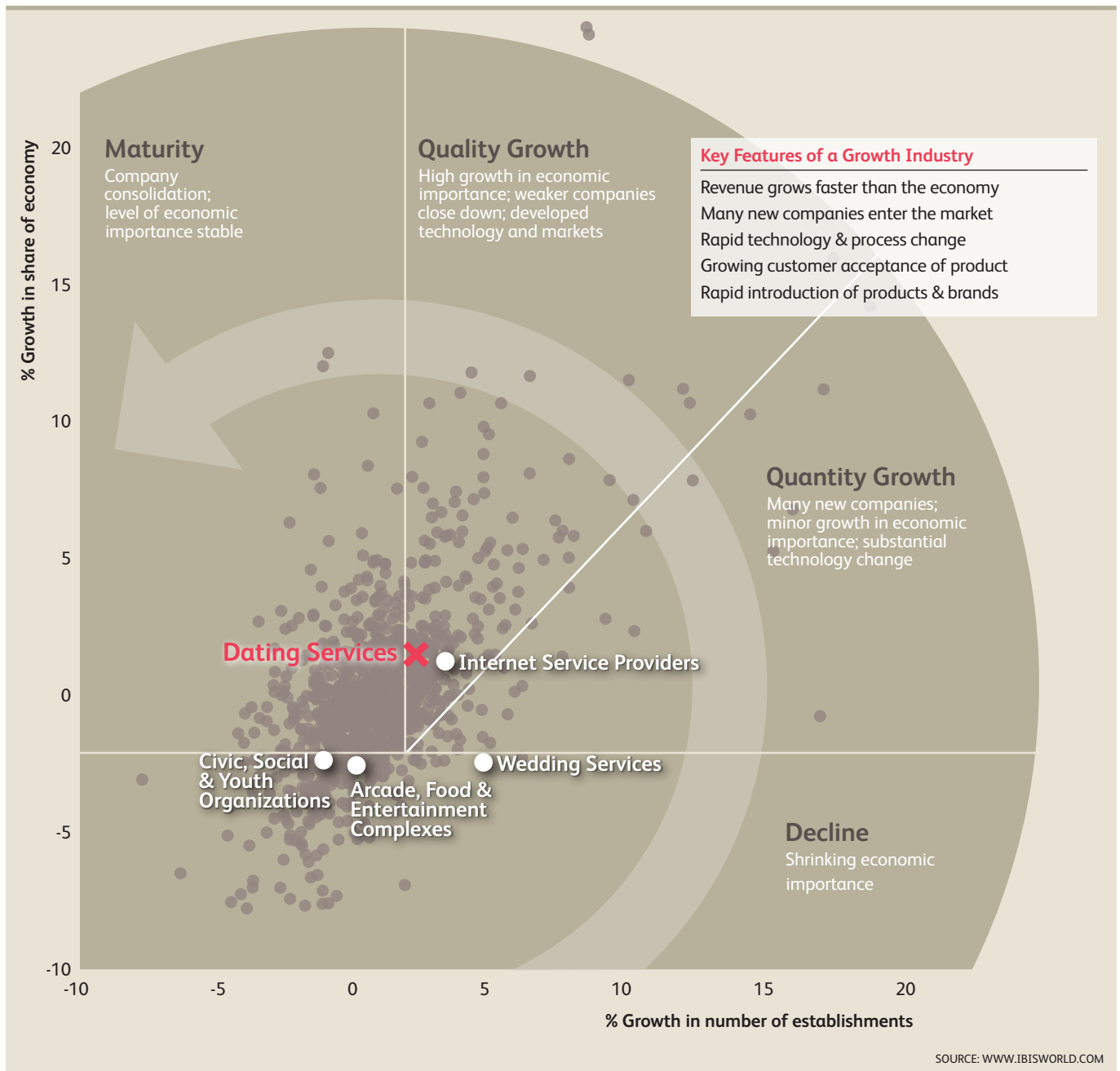
Industry Performance

Life Cycle Stage

Industry value added is growing faster than the economy as a whole

Industry-wide employment is rising

There has been a high level of product development



Industry Performance

Industry Life Cycle

This industry is **Growing**

The Dating Services industry is in the growth phase of its economic life cycle. Indicators of this life cycle stage include increased industry value added, rising revenue, a growing number of companies, increased industry-wide employment and an enhanced level of product development. The rise in demand for industry services is mainly due to changing consumer attitudes. The concept of using internet and matchmaking services has become more widely accepted as a method for forming relationships.

Industry value added, which measures the industry's contribution to GDP, is forecast to increase at an average annual rate of 4.2% between 2009 and 2019. GDP, by contrast is expected to grow at an annualized rate of 2.7% during the same period. Therefore, the industry's contribution to GDP is increasing its share over time. Industry value added has been increasing due to rising employment levels and high profit margins among industry operators. The number of industry operators is expected to grow at an average annual rate of 1.9% in the 10 years to 2019. Given the

relatively low capital and labor expenses required to start a matchmaking or dating service and the high consumer demand for these services, the number of companies within the industry is expected to continue increasing. However, consolidation by larger companies will slow this trend.

Another indication that the industry is in the growth phase is its high level of product innovation. In response to increased smartphone usage among consumers, industry operators have introduced dating apps for iPhone, Android and BlackBerry phones among others, which have rapidly gained in popularity. Online dating companies have also introduced video chat functionality for users. Furthermore, mobile dating companies have introduced location-based features for clients to meet potential matches in their nearby area. Industry operators, particularly subscription-based companies, have been developing higher-level search capabilities allowing users to sort potential matches based on values and emotional temperaments as well as traditional physical characteristics.

Products & Markets

Supply Chain | Products & Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

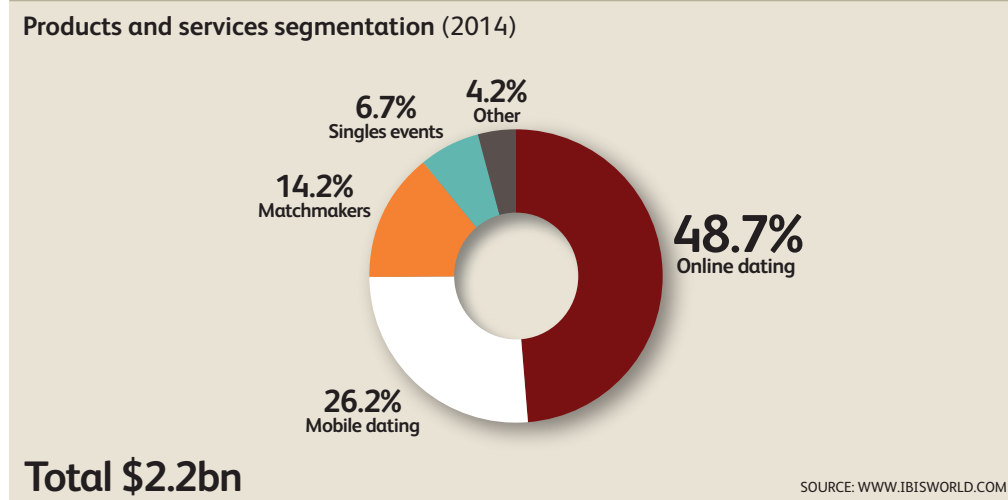
KEY BUYING INDUSTRIES

9901 Consumers in the US
Most of the demand for the services of this industry is derived from households.

KEY SELLING INDUSTRIES

51711d Internet Service Providers in the US
These providers allow consumers to communicate with one another through online dating services

Products & Services



Online dating and matchmaking services are a burgeoning industry in the United States. As online dating becomes more socially acceptable, online dating and matchmaking services have seen a rise in demand. Online dating makes up the majority of industry sales, followed by phone dating services. The value of sales for each service depends on the quantity sold as well as the price of those services.

Online dating

Dating websites, free and subscription-based, comprise the largest segment in the industry. This segment does not include social networking sites; rather it is made up of websites that are primarily focused on allowing individuals to form romantic relationships. Dating websites allow individuals to communicate not

only through e-mail but also through company-hosted video chat, voice chat and instant messaging. Some of the more popular websites are Match.com, eHarmony, OKCupid, Chemistry.com, and Plenty of Fish. Subscription-based websites like Match.com and eHarmony typically charge between \$30 and \$60 per month. Free dating websites like OKCupid.com garner the majority of their revenue through advertising, though these sites typically offer premium membership options.

Additionally, over the past five years, more free websites have begun offering additional functionality to users for a price. Online dating sites such as OKCupid and Zoosk allow users to boost their profile for a fee, which means individual user profiles will appear in

Products & Markets

Products & Services continued

more searches and be featured on the website. Additionally, users can pay to see if another user has actually seen the message they have sent. This allows individuals to see if the user they have messaged has not yet seen their message, or if they have ignored the interaction.

This service segment is the largest contributor to industry revenue, and is estimated to account for 48.7% of revenue. The price of subscription-based websites has increased during the past five years, supporting revenue growth for the industry. Demand for this segment has grown in the five-year period, as online dating has become more socially acceptable among consumers. Furthermore, the rise of niche ethnic, religious and age-based dating websites has fueled the majority of growth for this segment.

Mobile dating

Mobile dating represents the fastest growing segment for industry operators. Typically, mobile dating exists as an extension of online dating; therefore, revenue for this segment represents income earned in online dating through advertising viewed or subscriptions activated through mobile internet connections. In addition to online dating sites that offer smartphones applications, a number of new companies have entered the industry with mobile-only applications. This includes companies such as Tinder, who has capitalized on additionally mobile functionality and smartphone penetration. This has become exceptionally popular as users with GPS functionality on their cell phones are able to search for dates within their immediate vicinity. According to 2013 data from Pew Research, 56.0% of Americans have a smartphone device, making them more commonly owned than basic phones.

The rapid increase in mobile internet connections over the past five years,

including smartphones and tablets, has driven growth in this segment. Consumers are increasingly using their smartphones to access the internet, and this includes personal services such as online dating. Smartphones allow users a more casual experience, which has helped reduce the stigma associated with online dating. Additionally, mobile dating allows individuals to message rapidly without having to return to a computer and access their profile. Therefore, this segment is expected to continue to see strong growth over the next five years as smartphone penetration rises.

Matchmakers

Matchmakers conduct in-person interviews with clients and select matches for their clients, typically from a smaller pool of candidates. The price of matchmaking services varies significantly, for example, yearlong contracts can range from \$150 to more than \$4,000. Some consumers turn to matchmakers because of the substantial time involved in online dating. Furthermore, since most matchmaking companies perform background checks on clients, some consumers view matchmaking services as a safer alternative. The share of revenue by matchmaking companies has declined over the five years to 2014 due to the rise of online dating. It's estimated that in 2014, industry revenue from this segment will account for 14.2% of revenue.

Singles events

This segment includes the hosting of events where single people can meet, such as speed dating luncheons. Singles events are estimated to account for 6.7% of revenue for the industry. With speed dating, clients typically pay in advance, though some companies allow walk-ins. Individuals normally have three-to-eight minutes to converse with potential matches; afterward, if both parties are interested, the

Products & Markets

Products & Services continued

company hosting the event will distribute contact information to the respective parties. Singles events are typically less structured and include activities such as sporting events and happy hour socials. Companies such as IAC, which owns Match.com, diversified into singles events in 2012 with Stir, a program that will host between 2,000 and 3,000 targeted singles events each year.

Other

Services in the other category include personals ads, dating coaches and online dating assistants among others. Personals ads can be distributed

through newspapers, magazines and radio stations. In newspapers and magazines, individuals post brief descriptions of themselves with short statements on their ideal matches and contact information. Due to competition from online media, the popularity of newspaper, magazine and radio personals has declined in the past five years. However, demand for online dating assistants has risen with the growth of online dating. Online dating assistants help clients build their dating website profiles for dating and send introductory emails to potential matches.

Demand Determinants

Demand for this industry's services is dependent on consumer preferences, seasonality, internet usage and the proportion of single adults in the population. Changes in per capita disposable income affect the types of services preferred by consumers; however, overall demand for industry services appears to be relatively unaffected by worsening economic conditions. With lower disposable income, consumers tend to switch to free services rather than subscription-based services.

Changing consumer preferences

The largest determinant of demand for industry services is the acceptance of online dating and matchmaking among consumers. Online dating, which has enjoyed increased acceptance, is still a relatively new phenomenon, as it has only been offered as a service since 1995. According to a 2010 study, "The Social Demography of Internet Dating in the United States", 18.0% of online singles have used an online dating service. By contrast, in 2006 only 11.0% of internet users had used a dating website. Changes in consumer

acceptance have been driven by increased marketing and advertising through movies, shows and articles about personal success stories. However, safety concerns about posting personal information on the web, online scams, stalking and personal safety have mitigated some of this increased popularity.

Seasonality

Demand for industry services fluctuates with the time of year. Typically, demand for online dating and matchmaking services increases near New Year's and Valentine's Day as these holidays are focused on romantic relationships. As a result, industry operators tend to experience better sales and higher membership rates during the first and fourth quarters of a given year.

Proportion of single adults

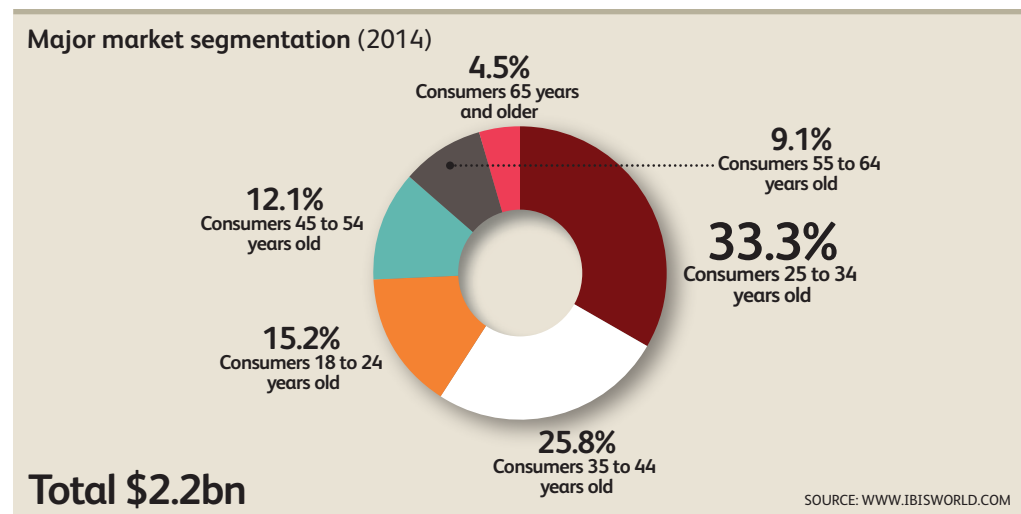
According to the latest information from the 2011 US Census, an estimated 49.2% of American adults older than 15 years old are single. In 2006, 47.3% of adults were single, and in 2000, 45.9%. The percentage of adults who are divorced or

Products & Markets

Demand Determinants continued

have never been married has been increasing, and the greater the percentage of adults who are single, the higher demand for dating services.

Major Markets



Consumers aged 18 to 34

Consumers aged 18 to 34 account for the majority of industry revenue, with an estimated 48.5% in 2014. According to the US Census Bureau's *America's Families and Living Arrangements 2013*, 71.2% of Americans aged 18 to 34 are not married, with 86.3% of individuals between 20 and 24 never having been married. Additionally, users in this age category are the most likely to own smartphones and use all the technology available to them such as applications focused on online dating. These individuals have the highest internet usage rates and are also more likely to use more casual dating services, which are aimed at mobile devices, compared with their older counterparts.

Over the past five years, consumers aged 18 to 34 have grown as a proportion of revenue. The average marriage age has

continued to climb over the past decade as more individuals date and hold off before getting married. Furthermore, this age range has the highest smartphone penetration and internet usage, which has led to users of online dating services.

Consumers aged 30 to 49 years old

Consumers aged 30 to 49 years old account for 37.9% of revenue, collectively. Consumers aged 35 to 44 account for over one-quarter of total revenue and individuals in this segment are more likely to be looking for serious relationships and, therefore, dating sites such as Match and eHarmony. There are fewer individuals in this age category that have never been married; however, more individuals are likely to have been divorced. Over the past five years, consumers aged 30 to 49 have declined slightly as a proportion of revenue, though, this has only been because of the

Products & Markets

Major Markets continued

Marital status of people by age (2013)*

Age (Years)	Married (%)	Widowed (%)	Divorced (%)	Never married (%)
18-24	8.7	0.2	0.9	89.0
25-34	45.3	0.3	5.3	46.6
35-49	64.8	1.0	12.8	18.2
50-64	65.7	4.1	16.9	10.6
65+	57.9	25.5	11.1	4.4

*Remaining percentage equals separated individuals

SOURCE: US CENSUS BUREAU

rising number of young individuals using dating services. The segment continues to grow in absolute terms and be a key driver of revenue for industry operators.

Consumers aged 50 and over

Consumers aged 50 and over are estimated to account for 13.6% of industry revenue. Users in this category are most likely to look for serious relationships and have fewer avenues to

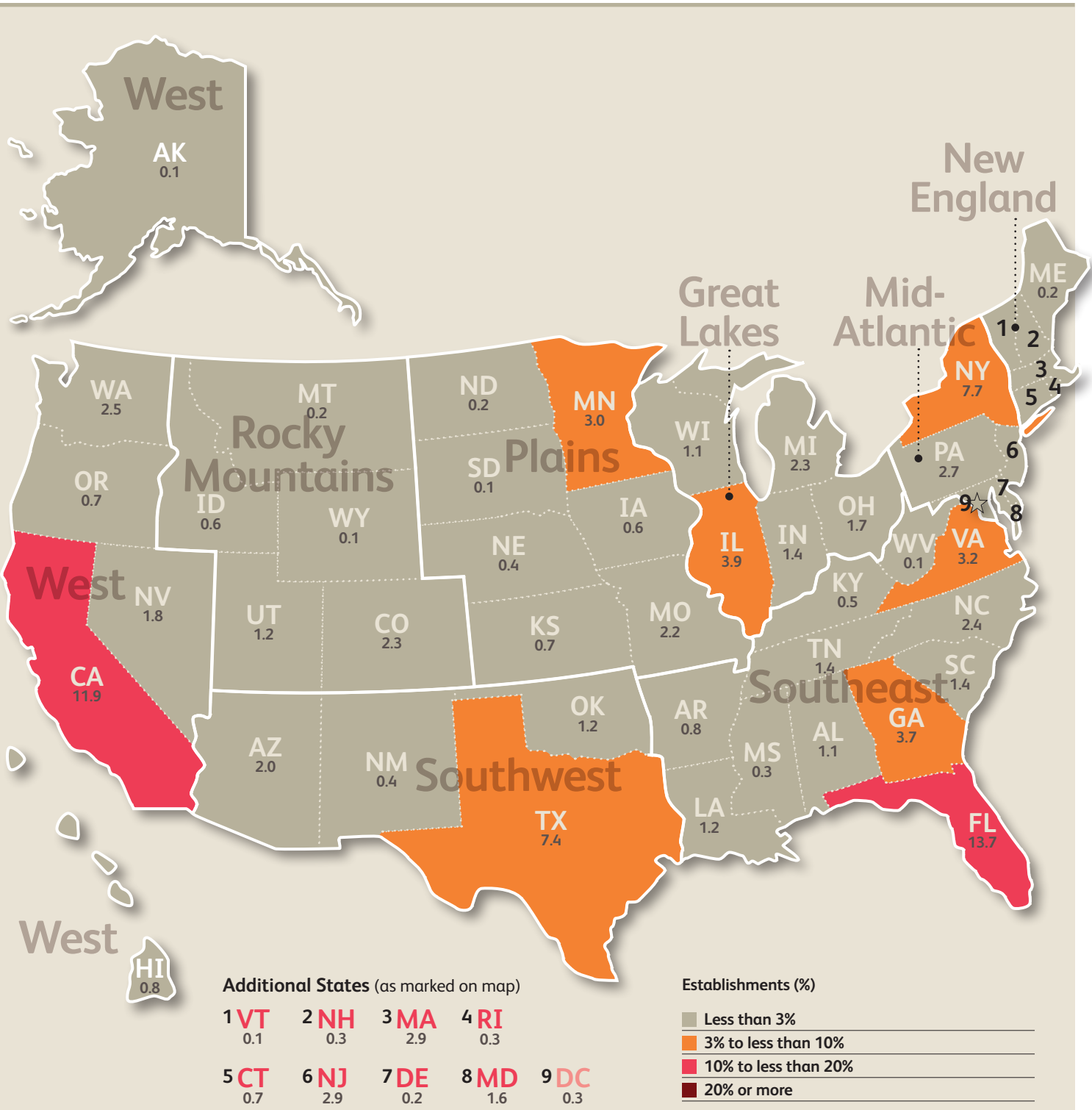
meet potential partners. As a result, revenue from this segment has increased as internet usage and smartphone penetration rises for these consumers. Furthermore, an ageing US population is promoting growth in this segment as a proportion of industry revenue. Consumers aged 50 and over are also significantly likely to be looking for a new relationship as a result of been widowed or divorced.

International Trade

There is no measurable international trade as this is a personal service industry; industry operations are largely domestic.

Products & Markets

Business Locations 2014



Products & Markets

Business Locations

The regions with the greatest concentration of industry establishments are the Southeast, West, Mid-Atlantic and Great Lakes. The distribution of industry establishments is largely based on the share of the population within a given region as well as the age structure of that population.

Southeast

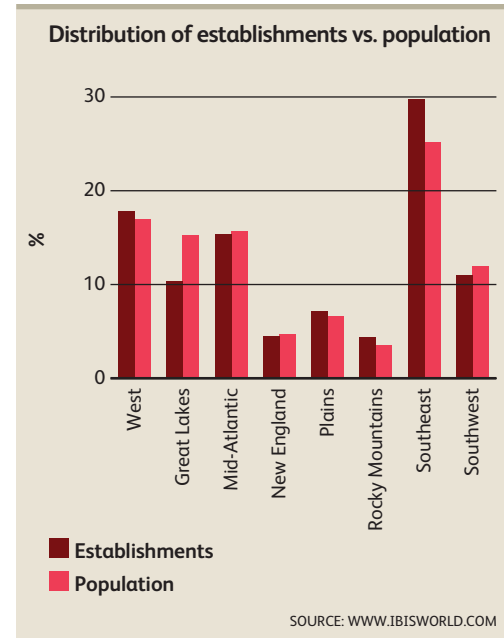
Dating service companies situate themselves near large population centers to increase the size of their client base. The Southeast is home to 25.4% of the US population, and has the greatest share of industry establishments, estimated at 29.7%. Florida alone has one of the highest concentrations of industry establishments at 13.7% of the total. Population density in the South has grown in the past decade, according to US Census data from 2000 and 2010, with a 14.3% rise, compared to the more modest increase of 9.9% for the rest of the nation. During the past five years, the share of industry establishments for the South has increased, largely due to population migration to the region.

West

The West has the second highest concentration of industry establishments, estimated at 17.7% in 2013. Establishments in the West are dominated by California, which hosts the largest share of establishments at 11.9%, due to large consumer markets in Los Angeles, San Francisco and San Diego. The West is home to 17.7% of the US population, and a large proportion is under 44 years old. As this age bracket is the highest source of demand for industry services, dating service companies choose to establish themselves in this region.

Mid-Atlantic

The Mid-Atlantic comes in a close third with 15.3% of companies established in the region. Its high share of



establishments is mainly because of New York, which is home to 7.7% of dating service businesses. Industry establishments tend to be attracted to large metropolitan centers due to large consumer bases; also, urban settings tend to have large segments of younger adults, the key purchasers of industry services.

Great Lakes

The Great Lakes region has an estimated 10.3% of the nation's matchmaking companies, which is slightly less than its respective share of the population at 14.9%. With 2.7% of the nation's total for matchmaking companies, Pennsylvania has the largest industry presence in this region. Ohio also has a significant share of establishments. Although the large population centers within the region are appealing to companies, the share of the population under 44 is comparable to the rest of the nation. Unlike the West and Mid-Atlantic, the Great Lakes region does not have particularly large young adult markets for industry services; therefore, this region is not a very popular destination.

Products & Markets

Business Locations continued

Other regions

Other smaller participating regions include the Southwest, Plains, Rocky Mountains and New England. Among these four, the Southwest is the most prominent, largely due to Texas,

which holds 7.4% of matchmaking companies. In general, the Plains, Rocky Mountains and New England regions have fewer establishments due to their lower share of the nation's population.

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in this industry is **Medium**

The Dating Services industry is characterized by a medium degree of market share concentration. In 2014, the four largest industry operators are estimated to account for 49.1% of industry revenue. The majority of operators are small nonemployer firms that focus on providing services to local markets. Industry operators typically have few labor requirements because it is possible to service a large client base with only one or two employees. However, the largest industry operators are online providers of dating services. This includes major players InterActiveCorp, eHarmony and Zoosk. InterActiveCorp is currently the largest player in the industry with an estimated 27.0% of total industry revenue.

The level of concentration in the Dating Services industry has risen over

the past five years. Industry consolidation is largely the result of increased mergers and acquisitions, as larger companies acquire well-established dating sites and companies to increase the density of their consumer bases. As there are a myriad of different dating sites for consumers to choose from, companies are increasingly targeting companies with well-established reputations. Major examples include InterActiveCorp's acquisitions of Singlesnet and OKCupid in 2010. The company has continued to be the most successful in the industry through its large range of websites targeting a variety of demographics. In April 2014, InterActiveCorp also purchased an additional 10.0% of mobile dating company Tinder as the application records high user numbers.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Access to niche markets

Due to the high level of competition among most major industry services, the ability to develop niche markets is becoming more important. Such markets have been experiencing higher membership growth rates.

Ability to quickly adopt new technology

Firms should have the ability to quickly adapt to new technology, particularly software enhancements that improve the search capabilities of the company's website.

Having a good reputation

Having a good reputation and receiving positive word-of-mouth

recommendations from clients is important given the high level of competition within the industry.

Easy access for clients

Firms should be easily accessible, via the internet or by providing dating and matchmaking services at convenient locations and times.

Marketing and advertising

Given the high level of competition in the industry, the ability to effectively market services to a targeted consumer audience is increasingly important.

Cost Structure Benchmarks

Cost structures in the Dating Services industry vary significantly depending on the stage each company is in its lifecycle. New companies typically have very high marketing and development costs, which

result in years of posting losses, which affect industry average profit margins. As companies become established and mature, cost structures focus around drawing profit and sustaining subscriptions.

Competitive Landscape

Cost Structure Benchmarks continued

Profit

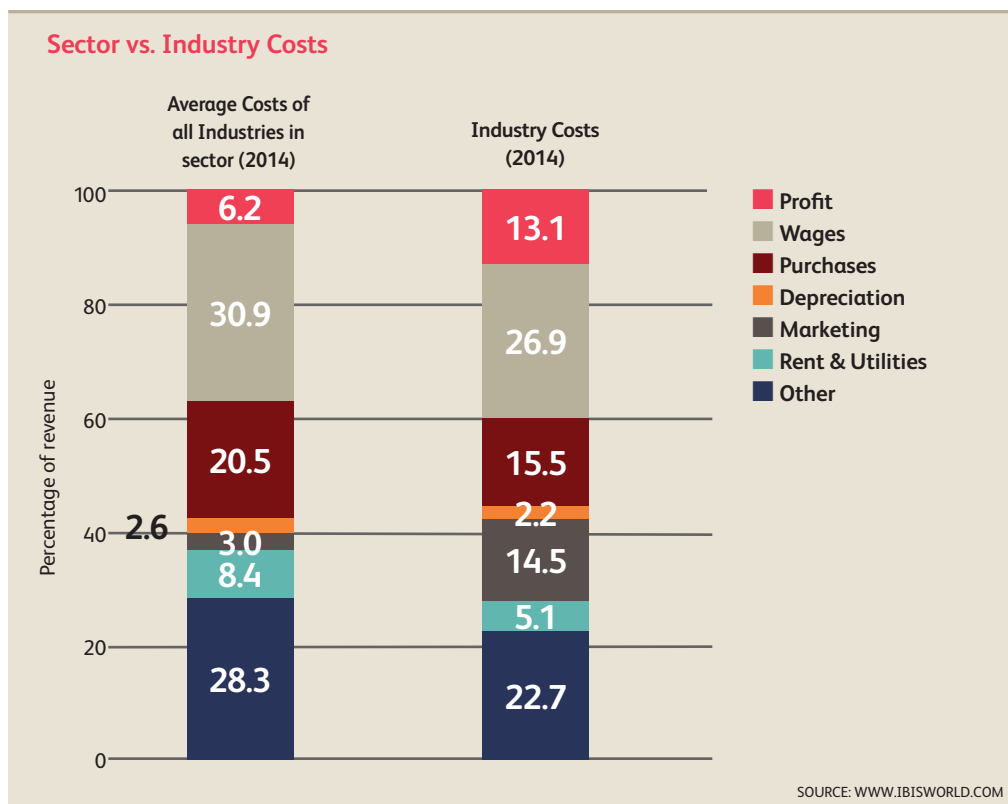
Profit margins are estimated to account for 13.1% of industry revenue on average in 2014. Although considered a personal service industry, dating service companies typically have relatively low staffing requirements. A large number of clients can be managed with only one or two employees; as such, the majority of companies in the industry are nonemploying firms with small operations. Additionally, the most rapid industry growth potential is in the online sphere, which needs relatively few employees following the development of key software. Consequently, the industry is becoming increasingly reliant on new technology rather than wage payments.

Profit margins have increased over the past five years; however, can be dramatically different from company to company. The Dating Services industry is in the growth stage of its economic

lifecycle and for new online operators to become successful, it is becoming increasingly important to develop a successful online interface and invest in marketing. Therefore, there are a large number of companies in the industry that continue to post large losses each year as they focus on building a user base that will lead to future profitability.

Wages

Industry wages are estimated to account for 26.9% of industry revenue in 2014 and incorporate a wide range of staff. Industry operators require a staff that are familiar first in foremost with the process of dating and how to attract clients; therefore, data analysts and consultants are required to help give the company goals. Following this stage, firms will need to develop an interface for clients. Most recently, this primarily includes the programming and building



Competitive Landscape

Cost Structure Benchmarks continued

of a database that users can use, as online dating proves to be the most lucrative and fastest growing industry segment. These staff are typically highly skilled and require knowledge in building algorithms and other tools to help improve user experiences based on their actions. Marketing professionals are then required to help boost the profile of each company.

Over the past five years, wages have declined slightly as a proportion of revenue. Stronger revenue growth through the same number of professionals has seen wages decline. Additionally, as the industry becomes increasingly reliant on technology, the need for a large workforce declines. Therefore, wages as a proportion of revenue will slowly decline over the next five years.

Purchases and related costs

On average, industry purchases average about 15.5% of industry revenue.

Industry purchases include payments made to partners who distribute browser-based applications, hosting and technology expenses. Regular payments are required for web hosting and domain names and server fees increase as the number of users of a website increases. Companies may also need to purchase services to help redesign

websites to make them more attractive to consumers. Additionally, rent and utility costs are expected to account for 3.0% and 2.1%, respectively.

Marketing

Marketing expenses are high for dating service companies. In 2014, marketing expenses are expected to account for 14.5% of industry revenue. These figure also varies significantly from company to company. Advertising and marketing can account for up to 50.0% of total industry revenue for firms that are looking to increase their profile and attract new users. Meanwhile, more established companies with large user bases may focus on improving website interfaces rather than attracting more subscribers. Marketing costs have remained constant over the past five years as increased web traffic is crucial to driving revenue through subscriptions or advertising.

Other expenses

Industry operators are exposed to a variety of other costs. This includes insurance and legal fees, compensation expenses and other professional and administrative expenses. The high level of mergers and acquisitions by large companies can also result in high auditing, legal and accounting fees.

Basis of Competition

Level & Trend
Competition in this industry is **High** and the trend is **Increasing**

Competition within the Dating Services industry is high as there are many competitors operating with low market share. What's more, the number of competitors in the industry is increasing, as barriers to entry are low and online dating is gaining popularity. Companies also face external competition from social networking sites like Facebook and MySpace.

Internal competition

Competition among industry operators is based on the level of innovation, functionality, number of members, cost-effective marketing, quality of service and the ability to develop niche-dating markets. The ability to offer new products and services to consumers is extremely important. For example, companies that have developed smartphone dating apps, particularly

Competitive Landscape

Basis of Competition continued

those with added location-based features, have enjoyed substantial demand from consumers. Another basis of competition is the functionality and appearance of the dating website. Companies that offer easy-to-use search capabilities with an aesthetically pleasing site have a competitive edge.

The number of members can also determine a company’s success, as consumers will be more likely to try a dating site that can offer them a higher chance of meeting someone. It is also important for industry operators to be able to engage in cost-effective marketing to drive traffic to their sites or company location. This is particularly important in the initial stage as companies work on garnering a membership base.

Companies also compete on the quality of service. Providing consistency in service standards and ensuring a high level of client satisfaction leads to

higher return rates and increased business via word-of-mouth recommendations by clients. Additionally, the ability to develop niche demographic or religious markets can provide a competitive edge. Niche markets typically have a lower level of competition and thus higher potential membership and revenue gains.

External competition

Online dating and matchmaking companies face external competition from social networking sites like Facebook and MySpace. As these sites list individuals’ relationship statuses, some consumers will use them to find potential matches within their own social spheres. Furthermore, these sites are free to users, which can be another basis of competition for industry operators that only offer subscription-based membership options.

Barriers to Entry

Level & Trend
Barriers to Entry
in this industry are
Low and Increasing

Overall, barriers to entry are low for industry operators; however, they are slightly higher for traditional matchmaking companies than online dating services. The number of entrants to the industry has increased throughout the past five years, despite consolidation from the industry’s largest players. This has led to a high level of competition within the industry.

Online dating sites have a low level of capital investment and typically only require purchasing a domain name, web hosting, a computer and related equipment. Labor requirements are low as well since the majority of online dating sites can be managed with only one employee. Barriers to entry are slightly higher for traditional matchmaking companies as a physical location is required.

Although there are no federal regulations for the industry, Congress

Barriers to Entry checklist	Level
Competition	High
Concentration	Medium
Life Cycle Stage	Growth
Capital Intensity	Low
Technology Change	Medium
Regulation & Policy	Medium
Industry Assistance	None

SOURCE: WWW.IBISWORLD.COM

and several US states have proposed bills to regulate online dating in response to complaints of online scams. State regulations could also require online dating companies to place prominent warnings stating that they have not conducted background checks on users. More industry regulation could result in barriers to entry increasing slightly for industry operators.

Competitive Landscape

Barriers to Entry continued

Barriers to success

Once new operators enter the industry, there are additional barriers to success. In order to compete with the vast number of companies offering dating and matchmaking services, newly-formed companies will need to invest significantly in marketing to gain new clients and increase

membership bases. The level of competition is lessened if new companies can find access to niche demographic or religious markets. Major players in the industry have increased the amount of spending that they devote to marketing and advertising as the level of competition has risen within the industry.

Level & Trend
Globalization in
this industry is
Low and the trend
is **Increasing**

There are only a few international operators in this industry. The industry mainly consists of small businesses operating within the domestic market. However, some of the larger online dating companies have expanded

internationally. For example, IAC's Match.com is available in 24 different countries. Plenty of Fish offers online dating services throughout the United States, Canada, Australia, New Zealand and the United Kingdom.

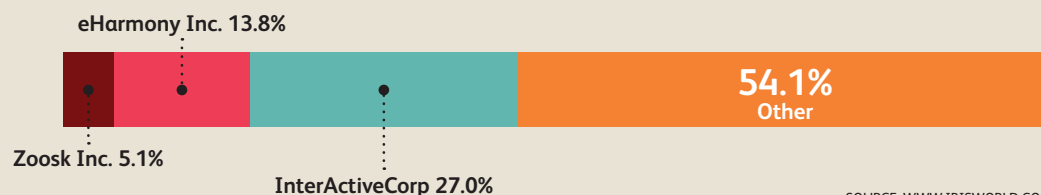
Major Companies

InterActiveCorp | eHarmony Inc.

Zoosk Inc. | Other Companies

Major players

(Market share)



SOURCE: WWW.IBISWORLD.COM

Player Performance

InterActiveCorp

Market share: 27.0%

Industry Brand Names

Match.com
Singlesnet
Peoplemedia.com
Chemistry.com
BlackPeopleMeet.com
SeniorPeopleMeet.com
OKCupid.com
Tinder

InterActiveCorp (IAC) is a leading internet company with more than 50 brands and consumer audiences throughout 30 countries. The company was incorporated in 1986 under the name Silver King Broadcasting Company as a subsidiary of the Home Shopping Network. In 1992, Silver King spun off as a separately traded public company. The company later changed its name to InterActiveCorp in 2003. The company has transformed from a hybrid media and electronic retailing operator to an interactive commerce company. In 2005, it separated its travel and travel-related businesses into an independent public company that included Expedia. In 2013, IAC had about 4,000 employees throughout its global operations and generated \$3.0 billion in revenue.

IAC has four operating segments: search and applications, match, local, and media and other. The match segment operates across North America, Europe, Latin America, Australia and Asia. As of 2013, the company provided online personals services to about 3.4 million subscribers. Some of the company's most prominent websites are Match.com, Chemistry.com, OurTime, BlackPeopleMeet.com and OKCupid. Mobile dating services are also available through its MatchMobile service. Revenue from the match segment is generated through subscription fees for online personals services, related products and online advertising, which are included in the company's industry-relevant revenue and market share.

IAC's match segment underwent significant restructuring in the five years to 2012. In 2011, IAC increased its ownership stake to 81.0% in Meetic, a European online dating company based in France. That same year, it acquired a 20.0% interest in Zhenai, an online matchmaking company in China. In 2009, it acquired PeopleMedia.com, a leading operator of targeted dating sites. The deal added 27 dating sites to IAC's network, with websites like BlackPeopleMeet.com, LDSPlanet.com and SeniorPeopleMeet.com. The company also partnered with Neu.de, a German online dating company, in 2009. In February 2010, the company announced the formation of a joint venture between Match.com and Meetic, through which it provides personals services in Latin America to further expand its international presence. Additionally, in May 2010, Yahoo outsourced its Yahoo Personals business to IAC, making Match.com the exclusive online dating provider and display advertiser on Yahoo. Before that, Yahoo Personals was a major competitor for IAC, with about four million visitors.

Two of the company's recent acquisitions include Singlesnet and OKCupid. IAC acquired Singlesnet in February 2010, and in February 2011, the company added OKCupid.com to its growing list of websites. Both Singlesnet and OKCupid.com are advertiser-supported online dating sites. OKCupid.com has an estimated 3.8 million active users, making it one of the largest free

Major Companies

Player Performance continued

dating websites. During 2010, OKCupid.com was the fastest growing dating site in the advertising-based category. In addition to dating and networking services, the company offers dating statistics through their OKTrends blog, which has resulted in significant marketing for the company. The acquisition was particularly useful because OKCupid.com targets a younger consumer base, mainly individuals in their mid-twenties.

In May 2011, IAC launched OurTime, an online dating site that specifically targeted singles over the age of 50. OurTime launched with more than one million members because members were gathered from existing sites, such as SeniorPeopleMeet.com. This made it the largest dating site specifically targeting baby boomers, which is a rapidly growing demographics in the Dating Service industry. Furthermore, in 2012, Match.com launched an event service called Stir, which aims to host between 2,000 and 3,000 targeted singles parties each year, leveraging its database of 3.0 million singles.

IAC also owns a majority stake in Tinder, a location-based dating application that allows users to communicate mutual approval, colloquially known as “a match”. The application has enjoyed a rapid uptake in

usage due to its exclusive accessibility through smartphones. The company has struggled to monetize, as revenue is currently solely based off of collected information, such as mobile device unique ID numbers, mobile device geographic location while the app is running, type of device being used, preferences and time settings, and how long the app is used and what services are run. This information is then shared with analytics companies and advertisers to generate income. The exact share of Tinder owned by IAC is not disclosed; however, the company purchased back a 10.0% share in April 2014.

Financial performance

In the five years to 2014, estimated revenue from IAC's US match operations is expected to grow at an annualized rate of 15.9% to an estimated \$605.1 million, which is a far stronger performance than the industry as a whole. Overall, the company's match segment generated \$788.2 million in revenue in 2013 and is expected to continue growing in 2014. IAC's better-than-average performance is largely due to the number of acquisitions undertaken during the period. Increasing subscribers and increased average revenue per subscriber has also driven revenue growth. In 2011, rising advertising revenue from the acquisition

InterActiveCorp (US match segment) – financial performance

Year	Revenue		Operating Income	
	(\$ million)	(% change)	(\$ million)	(% change)
2009	289.9	-2.0	71.9	17.7
2010	332.9	14.8	95.8	33.2
2011	398.2	19.6	105.8	10.4
2012	500.9	25.8	144.3	36.4
2013	542.7	8.3	169.1	17.2
2014*	605.1	11.5	192.8	14.0

*Estimates

SOURCE: ANNUAL REPORT AND IBISWORLD

Major Companies

Player Performance continued

of OKCupid.com helped increase revenue 19.6% in 2011 and a further 25.8% in 2012, which partially offset lower subscription revenue from Singlesnet. The company's only decline was experienced in 2009 as low consumer spending and advertising expenditure reduced sales for the company.

IAC's profit margins have also continued to grow each year. The company is estimated to earn \$192.8

million in industry-specific profit in 2014 representing an estimated 14.0% increase from the previous year. Company margins have increased each year over the five-year period as the company increases market share and its ability to influence the overall industry. Furthermore, a growing number of mobile internet connections and declining stigma toward internet dating have driven industry revenue forward.

Player Performance

eHarmony Inc.
Market share: 13.8 %

eHarmony was founded by Neil Clark Warren, a psychologist and author of books on dating, love and marriage, in 2000. The company is headquartered in Santa Monica, CA, and began as a website that offered advice on marriages and relationships. However, in early 2000, the company redesigned itself as an online matchmaking service. The company targeted women for its client base, and an estimated 60.0% of users are female. According to eHarmony and a survey conducted for the company by Harris Interactive, an average of 438 eHarmony members marry every day in the United States as a result of being matched through the website. The company offers online dating services throughout the United States, Canada, Australia, the United Kingdom and Brazil.

The company is situated in the higher-end dating market; its services cost almost twice as much as competitors like Match.com. In addition to matchmaking services, eHarmony operates a relationship research facility and publishes eHarmony Advice, a relationship advice site. The company also launched Compatible Partners in 2009, providing dating services to same-sex partners. The company invests heavily in television and radio advertising.

The company expanded internationally in 2007 when it launched its Canadian

website. Then, in 2008, it launched a UK site and partnered with Australian Yahoo!, allowing users access to both dating services through a unified front page. In 2010, the company also acquired a 30.0% stake in the German dating site eDarling. The same year, eHarmony expanded to Brazil, tripling international revenue for the company. In 2011, eHarmony opened a Tokyo office, supporting the 2011 launch of eHarmony Japan. Because growth in the United States has started to stagnate, more companies are expanding their international operations to target new, unsaturated markets.

Companies throughout the industry have also been focusing on developing smartphone apps for matchmaking services as well as developing niche markets. In 2010, eHarmony released iPhone and Android dating apps that allow members to view and communicate with matches. In 2013, more than 50.0% of communications that were sent and responded to were through mobile devices, and the company is experiencing its highest ever amount of unique users accessing the service through smartphones and other mobile devices. Additionally, the eHarmony app has been downloaded more than one million times.

eHarmony also focuses on specific niche markets, including Christian,

Major Companies

Player Performance continued

Jewish, Black, Hispanic and Asian singles, along with 30-year-olds and seniors, which have been high-growth segments for the company.

Financial performance

Because it is private, there is no official financial data available for this company; however, it is estimated to have revenue of \$310.0 million and a market share of 14.1% in 2014. The

company has undergone strong growth during the past five years, with revenue growing at an estimated average annual rate of 5.3%. eHarmony is expected to continue growing in 2014 due to rising demand from consumers and increasing consumer smartphone penetration. As a result, the company is expected to grow 6.9% in 2014, with about 45.0% of users registering for eHarmony on a mobile device.

eHarmony – financial performance*

Year	Revenue (\$ million)	(% change)	Operating Income (\$ million)	(% change)
2009	240.0	5.7	20.4	N/C
2010	255.0	6.3	15.6	-23.5
2011	265.0	3.9	25.2	61.5
2012	275.0	3.8	26.4	4.8
2013	290.0	5.5	32.2	22.0
2014	310.0	6.9	35.3	9.6

*Estimates

SOURCE: IBISWORLD

Player Performance

Zoosk Inc.
Market share: 5.1 %

Zoosk Inc. is a leading provider of online dating in the United States. The company is headquartered in San Francisco, and had 168 employees in 2013. Zoosk launched its online operations in 2007 and has grown to have about 26.0 million members, with 650,000 subscribers in 80 countries. Members are considered profiles with a validated email address, photo and other attributes, while subscribers are individuals that have actually made a payment for subscriptions. In 2013, Zoosk generated \$178.2 million in global revenue, representing a 63.3% increase from the previous year. In 2014, Zoosk filed its registration statement for a proposed initial public offering.

The company offers services on a subscription basis. In the United States,

users can subscribe for one month for \$30 or for six months for \$75. The online platform offers users a variety of functions, such as a search tool to browse profiles, as well as Carousel and SmartPick. Carousel is designed as a more casual tool, where users can express interest in profiles from a photo and other basic information with a “yes”, “no” or “maybe”. SmartPick uses the company’s proprietary behavioral matchmaking system, which provides customized user matches and experiences based on past activity, such as visiting profiles and sending messages. SmartPick then delivers a personalized match, which is available for 24 hours.

Zoosk generates revenue through two service offerings. The majority of revenue is generated through the website’s

Major Companies

Player Performance continued

subscription services; however, the company also offers virtual currency, which can be purchased through the website. Virtual currency then allows users to boost their profile, which increases the exposure of their listing to potential matches. Additionally, users can send virtual gifts or increase the prominence of their messages. In 2011, Zoosk generated only 2.8% of revenue through virtual currency; however, this rose to 13.2% in 2013.

Financial performance

Over the past five years, Zoosk has experienced rapid growth due to the constant introduction of new products and services, as well as intense marketing operations. The company introduced its virtual currency system in 2009 and then began providing mobile services through iPhone and

Android apps in 2010. The introduction of mobile services helped boost industry revenue 67.9% in 2010 and a further 91.4% in 2011. Company growth then slowed in 2012 before rapidly increasing a further 71.0% in 2013 due to the increasing number of mobile offerings and enhanced premium features. Over the five years to 2014, Zoosk's US-specific revenue is expected to increase at an average annual rate of 48.3% to \$114.2 million. In 2014, the company is expected to continue exhibiting strong growth and to even post a small profit margin. Nonetheless, profitability is expected to remain low as the company focuses on investing in marketing and other advertising to grow its user base. However, new responsibility to shareholders as the company goes public will place pressure to record profitability.

Zoosk Inc. (US dating services) – financial performance

Year	Revenue (\$ million)	(% change)	Operating Income (\$ million)	(% change)
2009*	15.9	N/C	-34.5	N/C
2010	26.7	67.9	-23.8	-31
2011	51.1	91.4	-5.1	-78.6
2012	53.7	5.1	-9.2	80.4
2013	91.7	70.8	-0.1	-98.9
2014*	114.2	24.5	3.5	N/C

*Estimates

SOURCE: ANNUAL REPORT AND IBISWORLD

Other Companies

There are currently an estimated 3,761 companies operating in the Dating Services industry. The majority of these are nonemployers that operate with market shares of less than 1.0%. The industry includes a variety of operators, including companies that provide online dating, singles events, personals advertisements, speed dating and offline

matchmaking, among others. The vast majority of these enterprises are small matchmakers that contribute a minute proportion of industry revenue. Industry operators also face external competition from social networking sites such as Facebook and MySpace because these services allow users to find potential matches within their online networks.

Major Companies

Other Companies continued

Spark Networks Inc.

Estimated market share: 3.2%

Spark Networks is a leading provider of online personals in the United States. It was established in 1997 when the company introduced JDate.com, which is now the leading online personals website among Jewish singles. The company operates in a number of international markets, such as Canada, the United Kingdom, France and Israel, but it maintains its central operations in the United States and Israel. Its US headquarters is in Beverly Hills, CA, and the company has 201 employees. It had 297,696 average paying subscribers in 2013, up 14.8% from the previous year.

Spark Networks operates 25 dating sites, primarily within specific demographic, religious and ethnic communities. Some of the company's prominent websites are JDate.com, Spark.com, BlackSingles.com, ChristianMingle and LDSMingle.com. The company also has two offline businesses: Hurry Date and Matchnet. Hurry Date is a singles event company that Spark Networks acquired in 2007 for \$4.3 million, while Matchnet is a free dating search engine. The company's primary source of revenue comes from monthly subscription member fees.

In the five years to 2014, US revenue has experienced strong growth and is estimated to be \$72.0 million. The company put itself up for sale in 2008, and while Great Hill Equity Partners made a bid in March 2010, Spark Networks ultimately rejected the proposal. The company's success waned during 2009 due to falling interest in the site, AmericanSingles. Over the past three years, the company has grown again and is expected to have a 3.2% market share in 2014. Revenue has grown significantly due to a strong increase in demand for Christian networks. In 2013 alone, revenue attributed to the company's Christian networks increased 27.5%.

First Media Group

Estimated market share: 1.8%

First Media Group was founded in 1988 and is based in Toronto, Canada. The company provides interactive voice, web and SMS technologies for dating. The company primarily operates through its subsidiaries Lavalife, which was acquired in 2010; Quest Chat lines; and QuestPersonals.com.

Lavalife was founded in Toronto, Canada in 1987 and initially offered phone-based classified services, including personals, furniture and apartments. In 1988, it transitioned to Telepersonals, a phone-based personals service. Lavalife migrated to the web in 1997 and two years later expanded to the US market. In mid-2006, Lavalife entered the speed-dating segment by partnering with speed-dating services provider FastLife. Unlike typical speed dating events, the partnership's events are by invitation only. Participants are profiled ahead of time, and only guests that are assigned a match rate of 90.0% are invited to attend. This partnership caused revenue to increase substantially. In 2007, Lavalife began offering niche online dating services to consumers aged 45 years and older with lavalifePRIME. Currently, Lavalife offers its services throughout the United States, Canada and Australia, employing about 320 workers and catering to an estimated 1.7 million members. The company is private, so no official financial information exists; however, IBISWorld estimates that the company has annual revenue of \$40.0 million in 2014 from its US operations.

Plenty of Fish (POF)

Estimated market share: 1.1%

POF is the world's largest free dating site, with more than 70.0 million members registered worldwide. The company was founded in Canada in 2003. Services are

Major Companies

Other Companies continued

offered throughout the United States, Canada, Australia, New Zealand and the United Kingdom. According to independent tracking firms ComScore and Hitwise.com, POF is the most-visited dating site in the United States, Canada and the United Kingdom. In 2013 the company had 75 employees and was headquartered in Vancouver, Canada.

Services are free to members, though there are premium

memberships available through their Serious Member feature. These monthly subscription fees are still relatively inexpensive at \$5.95 per month. Because the majority of the company's services are free, POF garners its revenue primarily through advertising. Annual revenue for the company is estimated to reach \$23.0 million in 2014.

Operating Conditions

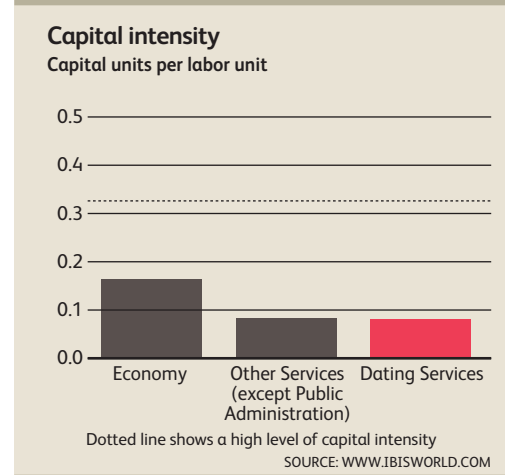
Capital Intensity | Technology & Systems | Revenue Volatility
 Regulation & Policy | Industry Assistance

Capital Intensity

Level
 The level of capital intensity is **Low**

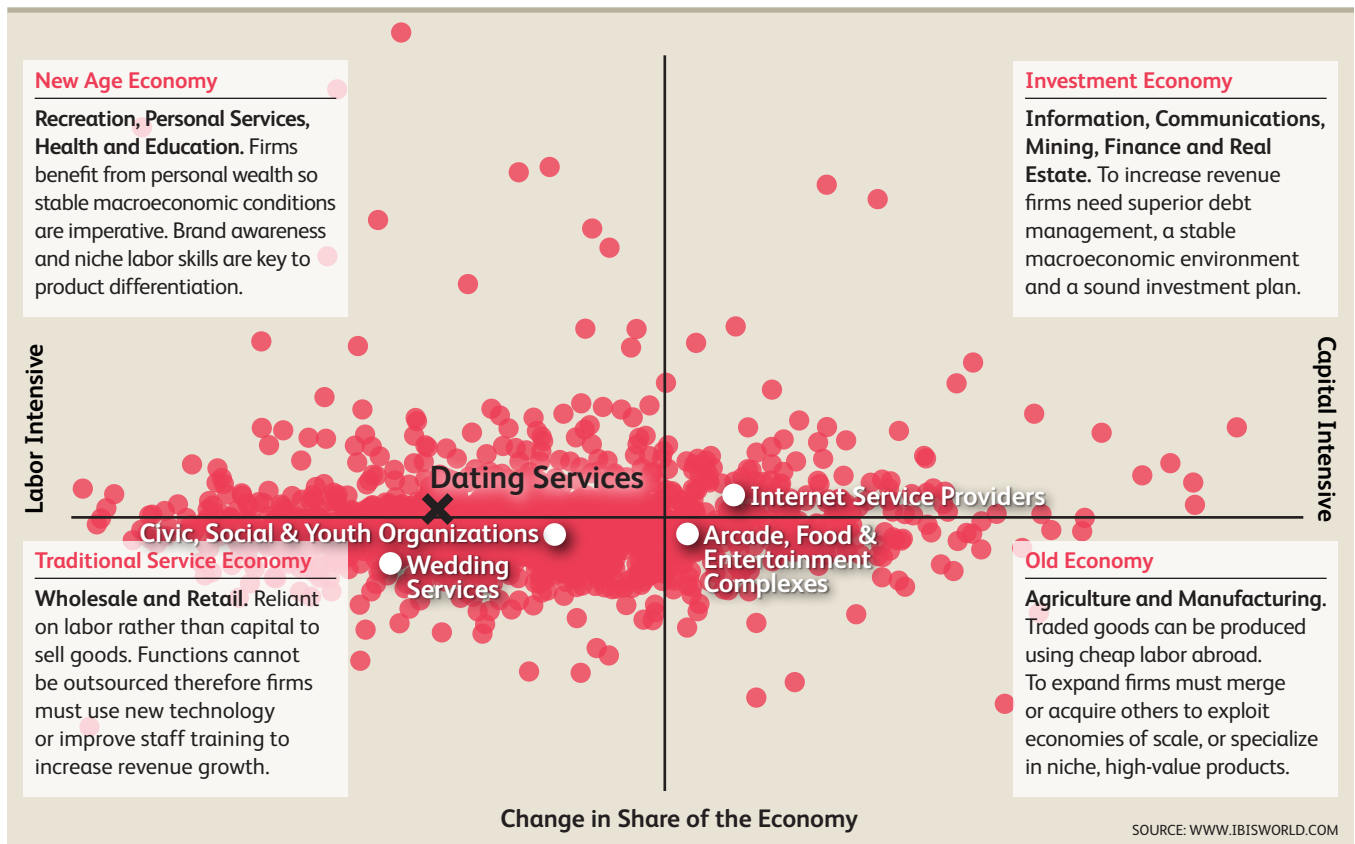
The industry has a low level of capital intensity, similar to other personal service industries. For every dollar spent on wages an estimated \$0.08 will be spent on capital investment in 2014. Capital intensity has remained relatively steady throughout the past five years. The requirements for setting up an online dating service are relatively minimal. Companies need to invest in computers, software and related equipment as well as a central facility. Online operators have a higher reliance on capital equipment and, therefore, depreciation tends to be higher for these companies.

In order to set up a matchmaking business in a physical location, a company must invest in the property's upkeep, since appearances can be a



significant determinant of a client's interest. Furthermore, matchmaking companies need to invest in computers

Tools of the Trade: Growth Strategies for Success



New Age Economy
 Recreation, Personal Services, Health and Education. Firms benefit from personal wealth so stable macroeconomic conditions are imperative. Brand awareness and niche labor skills are key to product differentiation.

Investment Economy
 Information, Communications, Mining, Finance and Real Estate. To increase revenue firms need superior debt management, a stable macroeconomic environment and a sound investment plan.

Traditional Service Economy
 Wholesale and Retail. Reliant on labor rather than capital to sell goods. Functions cannot be outsourced therefore firms must use new technology or improve staff training to increase revenue growth.

Old Economy
 Agriculture and Manufacturing. Traded goods can be produced using cheap labor abroad. To expand firms must merge or acquire others to exploit economies of scale, or specialize in niche, high-value products.

Labor Intensive

Capital Intensive

× Dating Services
 ● Internet Service Providers
 ● Civic, Social & Youth Organizations
 ● Wedding Services
 ● Arcade, Food & Entertainment Complexes

Operating Conditions

Capital Intensity continued

and related equipment to organize client information. The number of employees has risen over the past five years, however, this is due to the number of new

firms that have entered the industry. The vast majority of companies in the industry are nonemployers, so labor requirements are not extensive.

Technology & Systems

Level
The level of
Technology Change
is **Medium**

The industry has experienced substantial technological change during the past decade. Online dating entered the scene in 1995, profoundly changing the face of the industry. A decade later, online dating surpassed traditional matchmaking services and provided renewed growth to the industry. Throughout the past decade years, the online dating segment has continued to evolve, including the use of mobile services and algorithmic matching.

Mobile services

The introduction of dating services on mobile devices has been a key component of growth over the past five years. Mobile services are continuing to grow rapidly and are contributing a larger proportion of revenue each year. The use of smartphones to access dating sites has reduced the stigma around online dating because of its casual aspects. Furthermore, it has broken down barriers to contact such as needing to access a computer to message users. Additionally, the use of smartphones allows individuals to message individuals that are located nearby through location-based services. More companies are offering geo-location

searches for users with GPS functionality on their smartphones so that individuals can search for prospective dates within their immediate vicinities.

Algorithmic matching

Companies such as InterActiveCorp, eHarmony and Zoosk all now use algorithms to increase the success of their services. Complex algorithms are now used to determine matches based on core traits such as emotional temperament, similar values and shared interests. Additionally, over the past five years, companies have developed algorithms that increasingly learn based on user experiences. The use of different service functions allows algorithms to learn better potential matches for users. For example, when an individual views a profile, computer engines learn that an individual has a slight interest in people similar to the viewed user. Moreover, more significant actions such as messaging an individual register as a stronger interest in these types of users. Therefore, sites that use algorithms are more likely to suggest the correct type of match to users.

Revenue Volatility

Level
The level of
Volatility is **Low**

Industry revenue has exhibited a low level of volatility in the five years to 2014. During this five-year period, revenue volatility is expected to average 1.9%. Revenue for online dating and matchmaking companies has enjoyed sustained positive growth throughout the past decade as the industry has maintained high growth since the early

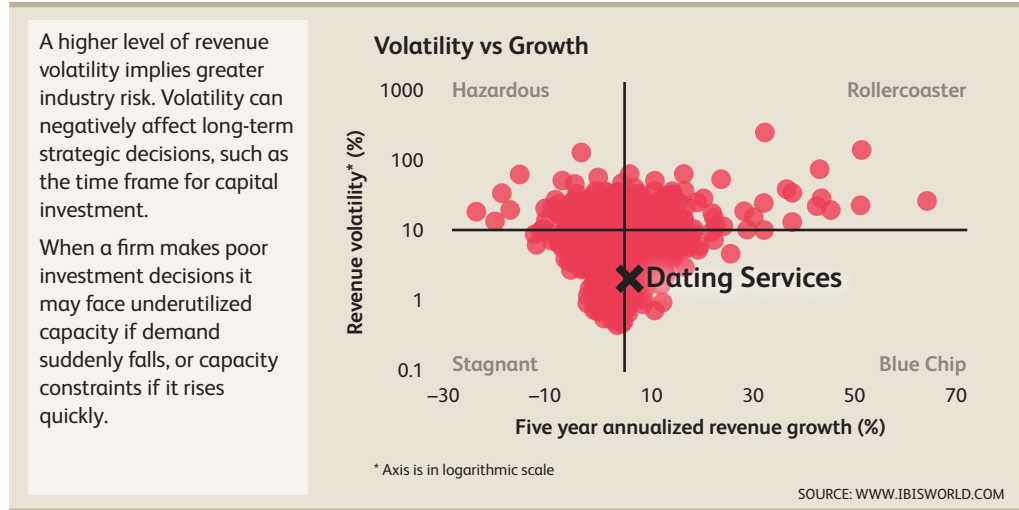
2000s. While many industries struggled during the recession, the industry experienced growth with the exception of a 0.8% decline in 2009. The internet also created new opportunities for traditional dating companies and opportunities for new companies to enter the industry, particularly in niche dating segments. Consumer demand for matchmaking

Operating Conditions

Revenue Volatility continued

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.



services in general has grown throughout the period, which is in line with the rising acceptance of online dating. As a result, revenue gains for the overall industry are expected to be consistent, but individual

companies may experience significantly higher volatility as trends and new players capitalizing on consumer preferences can rapidly gain and lose market share.

Regulation & Policy

Level & Trend
The level of Regulation is **Medium** and the trend is **Increasing**

The Dating Services industry faces a moderate level of regulation, primarily related to privacy protection. Industry operators are not regulated by any specific federal law; though, are affected by regulation affecting communications and user protection. The industry is also regulated by the 2007 US International Marriage Broker Regulation Act, which requires international dating services to perform background checks when Americans are matched with foreigners. Additionally, the Child Online Protection Act and the Children’s Online Privacy Protection Act restrict the distribution of materials considered harmful to children and impose additional restrictions on the ability of online services to collect information from minors. In the area of data protection, many states have passed laws requiring notification to users when there is a security breach of personal

data, such as California’s Information Practices Act.

Internet safety acts

A number of states have enacted internet dating safety acts to improve consumer knowledge over the past five years. New York, New Jersey and Illinois have all signed in an Internet Dating Safety Act, which requires internet dating service providers to disclose to members safety awareness information and whether or not the website conducts criminal background screenings on users. These state-based acts are becoming increasingly prevalent and are also resulting in stronger self-regulation by dating service providers. Therefore, even in states that do not have laws enacted or are not considering doing so currently, online dating providers are offering information to help appease concerned users.

Operating Conditions

Regulation & Policy continued

Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003

The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM) was signed into law in 2003 in an effort to produce national standards for the sending of commercial emails. The Federal Trade Commission is tasked with the enforcement of provisions, which includes requirements for the distribution of commercial emails and

provides penalties for the transmission of messages that are intended to deceive recipients as to source or content. Furthermore, a number of states have passed laws with stricter and more punitive measures for commercial email practices. Therefore, industry operators are required to be careful in their advertising and marketing efforts that email content is not excessive or misleading.

Industry Assistance

The industry does not receive any industry-specific government assistance.

Level & Trend
The level of Industry Assistance is **None** and the trend is **Steady**

Key Statistics

Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand	Marriage Rate (Thousand people)
2005	1,461.9	643.0	3,555	2,930	5,535	--	--	414.9	N/A	7.6
2006	1,598.9	687.3	3,768	3,103	5,872	--	--	444.3	N/A	7.3
2007	1,728.3	732.4	3,930	3,234	6,125	--	--	468.0	N/A	7.3
2008	1,785.4	760.7	4,068	3,347	6,346	--	--	487.6	N/A	7.1
2009	1,771.2	754.2	4,153	3,414	6,422	--	--	493.8	N/A	6.8
2010	1,838.3	784.3	4,269	3,509	6,608	--	--	510.4	N/A	6.8
2011	1,915.1	822.1	4,359	3,583	6,833	--	--	531.0	N/A	6.8
2012	1,990.6	862.8	4,481	3,669	7,085	--	--	558.3	N/A	7.0
2013	2,109.9	966.3	4,598	3,761	7,376	--	--	595.0	N/A	6.8
2014	2,242.8	947.6	4,708	3,851	7,649	--	--	604.4	N/A	6.7
2015	2,357.2	992.6	4,793	3,924	7,939	--	--	629.6	N/A	6.6
2016	2,463.3	1,029.1	4,884	4,026	8,154	--	--	649.7	N/A	6.5
2017	2,591.4	1,068.3	4,952	4,074	8,358	--	--	669.2	N/A	6.5
2018	2,645.8	1,099.5	5,011	4,119	8,600	--	--	692.0	N/A	6.4
2019	2,749.0	1,137.5	5,041	4,140	8,858	--	--	714.1	N/A	6.3
Sector Rank	42/68	40/68	46/68	44/68	55/68	N/A	N/A	42/68	N/A	N/A
Economy Rank	975/1298	907/1298	512/1297	486/1297	977/1298	N/A	N/A	866/1298	N/A	N/A

Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Marriage Rate (%)
2006	9.4	6.9	6.0	5.9	6.1	N/A	N/A	7.1	N/A	-3.9
2007	8.1	6.6	4.3	4.2	4.3	N/A	N/A	5.3	N/A	0.0
2008	3.3	3.9	3.5	3.5	3.6	N/A	N/A	4.2	N/A	-2.7
2009	-0.8	-0.9	2.1	2.0	1.2	N/A	N/A	1.3	N/A	-4.2
2010	3.8	4.0	2.8	2.8	2.9	N/A	N/A	3.4	N/A	0.0
2011	4.2	4.8	2.1	2.1	3.4	N/A	N/A	4.0	N/A	0.0
2012	3.9	5.0	2.8	2.4	3.7	N/A	N/A	5.1	N/A	2.9
2013	6.0	12.0	2.6	2.5	4.1	N/A	N/A	6.6	N/A	-2.9
2014	6.3	-1.9	2.4	2.4	3.7	N/A	N/A	1.6	N/A	-1.5
2015	5.1	4.7	1.8	1.9	3.8	N/A	N/A	4.2	N/A	-1.5
2016	4.5	3.7	1.9	2.6	2.7	N/A	N/A	3.2	N/A	-1.5
2017	5.2	3.8	1.4	1.2	2.5	N/A	N/A	3.0	N/A	0.0
2018	2.1	2.9	1.2	1.1	2.9	N/A	N/A	3.4	N/A	-1.5
2019	3.9	3.5	0.6	0.5	3.0	N/A	N/A	3.2	N/A	-1.6
Sector Rank	2/68	61/68	27/68	26/68	12/68	N/A	N/A	38/68	N/A	N/A
Economy Rank	196/1298	1154/1298	417/1297	377/1297	264/1298	N/A	N/A	756/1298	N/A	N/A

Key Ratios

	IVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2005	43.98	N/A	N/A	264.12	28.38	1.56	74,959.35	0.00
2006	42.99	N/A	N/A	272.29	27.79	1.56	75,664.17	0.00
2007	42.38	N/A	N/A	282.17	27.08	1.56	76,408.16	0.00
2008	42.61	N/A	N/A	281.34	27.31	1.56	76,835.80	0.01
2009	42.58	N/A	N/A	275.80	27.88	1.55	76,891.93	0.01
2010	42.66	N/A	N/A	278.19	27.76	1.55	77,239.71	0.01
2011	42.93	N/A	N/A	280.27	27.73	1.57	77,711.11	0.01
2012	43.34	N/A	N/A	280.96	28.05	1.58	78,800.28	0.01
2013	45.80	N/A	N/A	286.05	28.20	1.60	80,667.03	0.01
2014	42.25	N/A	N/A	293.21	26.95	1.62	79,016.86	0.01
2015	42.11	N/A	N/A	296.91	26.71	1.66	79,304.70	0.01
2016	41.78	N/A	N/A	302.10	26.38	1.67	79,678.69	0.01
2017	41.22	N/A	N/A	310.05	25.82	1.69	80,067.00	0.01
2018	41.56	N/A	N/A	307.65	26.15	1.72	80,465.12	0.01
2019	41.38	N/A	N/A	310.34	25.98	1.76	80,616.39	0.01
Sector Rank	38/68	N/A	N/A	6/68	45/68	49/68	2/68	40/68
Economy Rank	411/1298	N/A	N/A	589/1298	379/1298	1211/1297	185/1298	907/1298

Figures are inflation-adjusted 2014 dollars. Rank refers to 2014 data.

SOURCE: WWW.IBISWORLD.COM

Jargon & Glossary

Industry Jargon

SINGLES EVENT Event in which prospective romantic partners can meet each other. Typically the event is less structured than a speed dating event and the proportion of men to women is not predetermined.

SPEED DATING An organized event in which prospective romantic partners meet each other through a series of short one-on-one meetings.

TRADITIONAL MATCHMAKING SERVICE A company that mainly operates offline and provides clients with potential matches after reviewing client compatibility within its network.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than \$0.333 of capital to \$1 of labor; medium is \$0.125 to \$0.333 of capital to \$1 of labor; low is less than \$0.125 of capital for every \$1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

Jargon & Glossary

IBISWorld Glossary continued

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than $\pm 20\%$; high volatility is $\pm 10\%$ to $\pm 20\%$; moderate volatility is $\pm 3\%$ to $\pm 10\%$; and low volatility is less than $\pm 3\%$.

WAGES The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.

At IBISWorld we know that industry intelligence is more than assembling facts

It is combining data with analysis to answer the questions that successful businesses ask

Identify high growth, emerging & shrinking markets
Arm yourself with the latest industry intelligence
Assess competitive threats from existing & new entrants
Benchmark your performance against the competition
Make speedy market-ready, profit-maximizing decisions



Who is IBISWorld?

We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 700 US industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply-researched answers quickly.

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