

Marketing and online social networks assignment

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INTRODUCTION Situation Synopsis: Competitors have developed different approaches to attract consumers in the online dating market; some of which have been copying eHarmony's product features and using alternative strategies to attract singles. Company's Current Strategy: eHarmony uses a focused differentiation strategy. It focuses on singles seeking a serious relationship and long-term compatibility. It distinguished itself from other sites by using a unique matching algorithm. They have also invested substantial resources into marketing and R&D.

Problem Statement: eHarmony has opened the door to their competition by declining potential customers as a way to ensure quality control. eHarmony's CEO must decide how to react to imitations of its business model, encroachment by competing models and the rise of free alternatives.

ANALYSIS 1. EXTERNAL ANALYSIS 1. General External Environment

Demographic: ??? Age 40 and 50 year olds becoming the fastest growing segment ??? Age structure: 60% of eHarmony users were women ???

Members reflect the geographic distribution of the US quite well Legal ???

Lawsuits for discrimination, etc. ??? Privacy settings

Socio-Cultural: ??? Average age to get married is increasing ??? The marriage rate had reached its lowest point in recorded history ??? Cultural changes and economic factors had a substantial effect on the marriage market ??? Fluctuating divorce rates ??? One-fifth of marriages were initiated through online encounters **Technological:** ??? Increasingly sophisticated communication and recording technology ??? R: relationship dynamics, physical attraction, and couples ??? Must obtain patents for matching

systems Global: ??? Competitors have expanded globally 2. Industry

Situation Analysis 1. 2. 1 Industry Structure

The online personals industry can be segmented into 4 different categories where the 3 main players; eHarmony, Match, and Yahoo! Personals are represented by the Paid Do-it-yourself category: ??? Paid Do-it-yourself Sites ??? Free Do-It-Yourself Sites ??? Niche Sites ??? Online Social Networks

1. 2. 2 Industry Direction and Trends Competition is steadily increasing.

Many companies within this industry try to develop new approaches in an attempt to divert customers away from market leaders such as eHarmony. Some either put up few barriers to join or allow people to join for free. The industry is expected to rise and perhaps double by 2012.

Trends that may be important for this industries future include the following: ??? Subscribers to these sites tend to be repeat users ??? 40 to 50 year olds are the fastest growing segment ??? Marriage rate has reached its lowest point in recorded history ??? Divorce rates are constantly fluctuating

1. 2. 3 Industry Economics

The online personals market grew very slowly, reaching only \$40 million in 2001. In 2007, as a result of changing attitudes amongst consumers, the industry increased to \$900 million. Observers have predicted that the industry may double in size by 2012.

1. 2. 4 Industry Driving Forces

Internet: As the number of people becoming internet savvy increases, so does the number of potential customers for online personals. ??? Globalization: Some competitors, for instance Match, have already branched out to markets overseas. ??? Industry Growth Rate:

Industry expected to double by 2012. ??? Who buys & how it is used: Online personals are most popular for middle-aged (40-50) peoples. Used to find <https://assignbuster.com/marketing-and-online-social-networks-assignment/>

potential mates for those seeking various different types of relationships. ???

Marketing Innovation: “ eHarmony is one of the few online companies that made offline marketing work and pay for itself. Many companies end up spending large quantities on their marketing strategies but do not necessarily acquire more customers. ???

Changes in Societal Concerns, Attitudes & Lifestyles: More and more people are becoming internet savvy therefore increasing the market potential for online personals. 1. 2. 5 Key Success Factors (See Appendix A) 1. 2. 6 Strategic Groups Map (See Appendix B for Strategic Groups Map) Cost to join and barriers to join an online personal site are the two dimensions which are relevant to a firms’ performance within this industry. Harmony possesses the highest membership fees in the industry along with particularly high barriers to join. Even their direct competitors; Match and Yahoo! Personals differ from eHarmony in that they have much lower barriers to join as well as lower sign up fees. Most of their indirect competitors are free and have little to no barriers to join. 1. 2. 7 Strategic Issues in the Industry ??? Industry was plagued by people misrepresenting themselves and putting false personal information ??? Users are concerned about the privacy of their information ??? Level of customer dissatisfaction remains high . 2. 8

Opportunities & Threats Opportunities: ??? This industry will continue to rise in popularity due to increasing usage of computer technology. ??? Due to it being a more affordable means of match making, people will generally turn to online personals as opposed to other offline services. Convenience also plays a factor. ??? Increasing their market share, catering to more market segments. (Niche markets). Threats: ??? Online personals sites with more resources pose a threat to those lacking resources. ??? Security issues linked

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with sharing information on online personals. Online dating scams) ???
Reduction of barriers could also mean expanding globally before other competitors capture foreign market segments. 3. Competitive Situation Analysis 1. 3. 1 Competitive Forces (See Appendix C for analysis). After analyzing Porter's five forces it is concluded that the online personals industry is attractive. 1. 3. 2 Competitive Approaches ??? Match: They target individuals looking for "enduring romance". They have also expanded their markets overseas. ??? Yahoo! Personals: The types of consumers they target are not specified in the case.

Although they have expanded their markets overseas ??? Online Social Networks: relies on viral process through which friends encourage their friends to join. 1. 3. 3 Competitive Strengths & Weaknesses (See Appendix D) 2. INTERNAL ANALYSIS 2. 1 Company Situation/Resources Analysis (See Appendix E) 2. 2 Operations Analysis: not applicable to this case 2. 3 R&D Analysis ??? E-Harmony Labs: In which scientists study different aspects of love (Biological, sociological, and neurological foundations of love) ??? Scientists continue to do research on physical attraction.

They believe that the initial encounter is the crucial in determining the long-term success rate of relationship. ??? Invested heavily on studies on couples. These studies analyzed how relationships were affected after specific life stages, for example, after a first child is born. 2. 4 Procurement Analysis: not applicable to this case 2. 5 Marketing and Competitive Position ???

Successful marketing formula: the use of testimonials enabled their offline marketing efforts to pay for itself. ??? Competitive position: "matching on the basis of long-term compatibility. ??? Focus on direct-response marketing
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and only work with firm's who truly understand this form of advertising. ???

They purchase media at lower rates. ??? Advertise only on national cable networks and avoid broadcast television. (Less costly approach) ??? ? of

budget spend on TV and radio advertising, ? is spent on Internet search and banner ads (expensive). 2. 5 HR Analysis The company grew to 230

employees, half of whom were in customer service. They also employ a team of uniquely positioned research psychologists. 2. 6 Managerial

Preferences/Values Analysis The CEO, Greg Waldorf values the exclusivity of the site. ??? Their customers values long term relationships. 3. APPRAISAL OF

STRATEGIC ISSUES 3. 1 Evaluation of Current Strategic Performance 3. 1. 1

Strategic Resources: Tangible ??? Financial: Ability to generate internal

funds: marketing campaign paid for itself within the first week ??? Borrowing capacity: Received 3 million from an investment firm at start up ???

Technological: Scientifically produced matching algorithm *** Organizational Resources and Physical Resources do not apply to this case

Resources: Intangible ??? Human resources: knowledgeable team of

psychologist ??? Innovation resource: labs were tasked with studying the biological, sociological, and neurological underpinnings of love ???

Reputational resources: eHarmony's focus on serious relationship resonated

well with faith communities Capabilities: ??? Marketing: Highly successful marketing formula ??? R: secured a patent for the matching algorithm ???

Strong vision *** Distribution, Human Resources, Management information systems, Management, and Manufacturing do not apply to this case

Core Competencies: Sustainable Competitive Advantage: ??? Patented

matching system and guided communication system ??? Unique positioning

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of its team of research psychologists ??? Successful marketing formula ***

Value Chain does not apply to this case 3. 1. 2 Financial ??? Borrowing capacity: Received \$3 million from an investment firm at start up. ???

Opportunity Cost: Declines to sell memberships to at least one million people annually costing the company an estimated \$100 million per year. Break Even: By early 2002 registrations had grown to over 300, 000 allowing the firm to break even that year and become cash flow positive the next. ???

Fixed Costs: Advertising: Marketing expenses reaching as much as \$80 million per year, firm profitability depended on efficient customer acquisition

4. FORMULATION AND DISCUSSION OF STRATEGIC ALTERNATIVES 4. 1 Option

1: Reduction of Barriers Pros: ??? Allowing more subscriptions will increase revenues ??? Cost effective ??? Would tap into niche markets such as the gay and lesbian communities (largest niche market). User satisfaction increase when there are more users ??? Denies competitors a chance to grow (Chemistry) Cons: ??? Current members will not be as confident when recommending matches ??? Less exclusive ??? Spend money in R: New

matching models 4. 2 Option: Broadening Customer base to include casual daters Pros: ??? Strong point of differentiation: Introducing the matching algorithm to the casual dater segment ??? Allowing more subscriptions will increase revenues Cons: Undermining its credibility with individuals seeking individuals seeking long-term commitment ??? Exposure to more competitive rivalry ??? Spend money in R: New matching models 4. 3 Option 3: Growing a

new business based on R Pros: ??? Greater audience which allows for more subscriptions thus an increase in revenues ??? Reducing risk of being trampled by competitors by diversifying Cons: ??? Can tarnish eHarmony's reputation and name brand ??? Risky because it may not gain as much as

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what was anticipated ??? Growth strategy may not be concrete . 4 Option 4: Rapid Geographic expansion Pros: ??? Enables them to take control of target segments before their competitors do ??? Increases their geographic scope which translates to increased revenues Cons: ??? The matching portfolio may not cater to foreign markets (Different cultures etc.) ??? Large investment in R&D in order to create new algorithms ??? Must take into account politics, religion, culture 5. STRATEGY RECOMMENDATION

Since its inception, the company has declined to sell memberships to at least one million people who sought to become paying customers. As a result, the opportunity cost of this decision has lost the company an estimated \$10 million in revenues per year. eHarmony should continue to focus on it's vision in creating long-term relationships, however while reducing the amount of barriers they have instilled in order to become a member. By reducing their barriers not only will they increase their market share, they will be able to cater to more market segments (niche markets).

Reducing their barriers could also involve expanding their services globally before other competitors capture significant foreign market segments. On that note, they can also deny their competitors a chance to grow. This will also satisfy their current users since there will be a greater selection. On the other hand some users may not take well to the idea, but as long as eHarmony maintains some element of control regarding who is accepted the changes may not be noticed. To conclude, we believe the R expense of creating a new algorithm will prove to be a worthy investment. [pic]