

# Internet dating market is expanding and growing marketing essay



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As the internet dating market is expanding and growing, eHarmony is faced with the question of how to address the short-term competitive threats, and position the company for long-term success within their limited resources.

We will provide an analysis of eHarmony's business model and strategic position, and offer recommendations for continued market sustainability and long term success.

## **Analysis**

eHarmony is an online dating service founded in 1998 by a practicing psychologist Dr. Neil Warren. The business model is focused on the market segment of singles that are interested in long-term relationships, with the intention to marry. eHarmony has distinguished itself from other competitors by offering an integrated system of profiling, pre-screening, and matching (See Exhibit 1), based on established scientific evidence and rigorous content validity testing. The systems' algorithm could predict, with a high degree of accuracy, whether matched couples would maintain a long term relationship. A significant part of eHarmony's value proposition is to provide a service that is built on safety of the customer, thus establishing credibility. Customers are pre-screened using a Relationship Questionnaire, and those that do not meet criteria for being able to establish a long term relationship are declined. 60% of eHarmony users are women, and people over the age of 45 are the fastest-growing segment. As of 2005, marriages attributed to eHarmony members were 90 per day.

With low barriers to entry, there are over 14, 000 current sites dedicated to matchmaking, with over 1, 000 more to enter by 2016. eHarmony's two main competitors are Match, and Yahoo! Personals.

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Greg Waldorf was faced with several threats at the same time. Rising competition in eHarmony's prized segment of the match making industry, long term (serious) relationship, was getting encroached by Chemistry, a new division of Match. Match had increased its advertising budget by 80% in an effort to put pressure on eHarmony. There was also the threat of the free websites, which were exploding in popularity. Greg knew that he could not waver on the values and the vision that was set before him by founder Dr. Neil Clark, to help people with mate selection, focused on singles seeking a serious relationship.

Rather than turning away customers seeking mid-term relationships, eHarmony should expand their services to support them. Adapting their matching algorithms to determine fit for mid-term relationship seeking individuals significantly opens up the relationship seeker market for eHarmony (how much? 0. 5%?).

Mid-term relationship seeking individuals would still pay the premium prices eHarmony commands on the long-term relationship business because of the match quality provided by their algorithms. Diluting their brand through discount pricing or lower quality matches in the mid-term relationship market would tarnish the overall eHarmony brand, including the long-term relationship market that has been one of their key differentiators. Although adapting the algorithms to work for mid-term relationships would entail a time investment, eHarmony can leverage their expansive data collected over the years on relationships that did not work based on incompatibilities in long-term personal goals.

Some users might not even know whether a mid-term or long-term relationship better suits them. An initial screening questionnaire could help customers identify their relationship needs, followed up by the expanded questionnaires used to match individuals with others searching for a similar relationship type.

Many customers drawn into eHarmony under the mid-term relationship model will become customers of the long-term relationship model down the road. As life priorities change, these users eventually desire to settle down, get married and start families. Users that found success under the mid-term model will recognize the value offered by eHarmony's matching algorithms and rely on their services to find long-term relationships.

### **DEFENDING LONG-TERM ; BRAND MANAGEMENT:**

Studies show that online dating sites reflect as many as 30 percent of newly married couples first met through online dating. There are currently over 14K matchmaking services, with another 1K to enter by 2016. Therefore, eHarmony must establish the objectives to attract serious clients that are serious in finding a long-term partner. Since the stigma is slowly declining, which is increasing the interest to join, eHarmony must protect its brand from degenerate individuals that are looking for a secret relationship or some other service in which they may profit from as well.

### **KEEP PREMIUM BRAND:**

eHarmony should pursue the first option. eHarmony must focus on trying to establish itself as a stronger competitor in the " long-term relationship" segment of the market. Based on eHarmony's strategic approach to gain

competitive advantage in the market, and its margin levels, it seems as though that the company is well positioned to grow within the current segment of its focus (long-term relationship).

SWOT analysis show (see SWOT Analysis), it was easy to see that eHarmony's competitive advantage is that it has created a niche for itself in the online dating market. The company offers services to those people who are seeking serious relationships. The unique matching algorithm and extensive questionnaire are used to pair people with similar interests and romantic interest signals.

eHarmony's greatest strengths are its high level of expertise and research-backed service. It is able to convey to its customers the psychological calm that its matching capabilities are supported with significant amount of science and hard work.

## **INCREASE ADVERTISING**

Focus on advertising its service through customer testimonials to attract more customers. eHarmony should encourage the user of "Fast Track Communication." As the case indicates, "members who used Fast Track communicated with more potential matches and renewed their subscription more often". eHarmony should refrain from selling memberships to anyone that wants to join as it may risk the quality of its service. Furthermore, eHarmony can offer incentives to currently paying customers to make further referrals to friends, co-workers and/or family members. The sales objectives that should be evident for eHarmony are increased sales, increased market share and brand extensions.

Another consideration or objective to generate revenue is by developing its own internal advertising programs that will feature static advertisements within the website. These advertisements will be sold directly to advertisers rather than through a third party system. In the future, eHarmony can focus more energy on seeking opportunities to develop product affiliation and corporate sponsorship relationships which would further the Company's visibility and revenue streams.

## **ENHANCING CRM**

All the value scheme of online matchmaking services boils down to the ability to provide suitable matches through successfully business-to-customer (B2C) customer service enhanced by the web and based on sound customer relations management practices. eHarmony should focus on customer relationship management (CRM). This will not cost eHarmony much to instrument and will also in turn harvest great results as the customers are both the suppliers and buyers who in turn play a major part in the company's success.