eHarmony Case Analysis

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I. Executive Summary

EHarmony, founded by Dr. Neil Clark Warren and Greg Forgatch in 1998, has become one of the main online dating sites that helps singles in their search for long-term and serious relationships. Today, with over 20 million registered users, eHarmony currently owns 13.9% of the online dating market share. However, the company faces threats from its competitors—Match.com, Spark Networks, Plenty of Fish—who provide similar or slightly lower quality services at a lower price. With about 16% of US singles looking for a romantic partner and the decreasing marriage rate, eHarmony needs to address its current problems and to reposition the company for long-term success. The following analysis examines the online dating industry, eHarmony’s current problems, the company’s strengths and weaknesses, potential opportunities and threats, and strategic position. This report provides alternatives and recommendations which the company can adapt to re-position itself in order to attract more subscribers and generate more revenue.

II. Problem:

Other internet dating sites are doing better than eHarmony: Match.com and Spark Networks are all more popular than eHarmony. Although eHarmony is doing better than many other services, the company still has much room for improvement. EHarmony has the second largest amount of subscribers and is currently trailing Match.com by nine million
subscribers. This is a significant margin when considering that eHarmony only has twenty million subscribers. While this margin may seem to be detrimental to eHarmony’s revenue, it is not a significant problem for eHarmony mostly because it has the most expensive pricing when compared to other popular online-dating companies. A three-month subscription to eHarmony costs $40 per month while Match.com only costs $23 per month. From the revenue standpoint, the relatively-expensive subscription fee helps to narrow the revenue gap between eHarmony and Match.com.

Despite eHarmony’s success, they have not always had a harmonious relationship with all demographics. One of these demographics was the gay and lesbian population. eHarmony’s founder Dr. Warren defended his company by explaining that he did not want to advocate for gay marriage, by catering to it, since it is illegal. As a result, eHarmony was sued by homosexuals for the demonstrated discrimination. This lawsuit was resolved by eHarmony’s creation of “Compatible Partners,” a separate website that served to cater the gay and lesbian population.

Another problem that eHarmony faces is the skepticism toward its scientific algorithm. Many people do not believe that there is a scientifically effective way of pairing people up. In addition to this, eHarmony has refused to provide the exact details on how people are matched.
Lastly, eHarmony faces an issue that other online dating services encounter too—the credibility of the users’ profiles. Individuals have the tendency to make themselves appear to be more desirable on the profiles by overrating themselves. Unfortunately, the dating company nor any other online dating sites has solved this issue.

Regardless of the lawsuits and profile credibility issue, eHarmony is still a very successful company in the online dating industry. By resolving the stated problems, eHarmony can become even more successful.

III. SWOT analysis

**Micro-Environment:** Strengths and Weaknesses

**a) Product**

EHarmony penetrated the online dating market by being the first website that scientifically matches its customers. This site provides a platform for individuals who are seeking serious and lasting relationships to find others alike. Each online dater would first answers 200 questions based on 29 dimensions of compatibility. Then, the system will connect people who demonstrate similarity in at least 25 areas. This matching standard further ensures the customers that they are being matched appropriately. Moreover, eHarmony rejects individuals who are emotionally unstable, married, and incompetent in
handling relationships (divorced more than three times). The selectivity secures the quality of singles on this websites.

Recently, the success in the United States has led eHarmony to extend its service to the United Kingdom in 2008. EHarmony has created a different set of questionnaires based on research for the British. Also, eHarmony has various sub-websites that allows people to search for individuals in specific categories, such a geographical location or ethnicity. These sub-websites filter the individuals and allow customers to find specific individuals more easily. However, eHarmony refused to cater the questionnaires to any other geographical areas other than the United Kingdom. This reluctance to design specific matching system for each group threatens its reputation of being a culturally-sensitive and sociologically-sensitive service.

Moreover, recently, a lawsuit that accused eHarmony of its scientific credibility has negatively impacted its publicity. In response, eHarmony refused to release the details on the matching method. Furthermore, eHarmony’s previous lawsuit pertaining to discrimination against gays and lesbians also had a lasting impact. Although the company had agreed to create a different website called “Compatible Partner” for gays and lesbians, its past restrictions imposed on this population had already made a stain on its name.

b) Place
EHarmony effectively used the fast-growing technological advancement to its advantage. In addition to the website, the company created apps to allow its customers to more easily access the service on tablets and smartphones. Moreover, customers can now better connect with eHarmony by following it on Facebook, YouTube, Instagram, and Twitter. On these social media sites, which are not hard to navigate through, the company shares news articles, online-dating tips, success stories, pictures of successful couples, and advertising videos. The extensive use of technology and social media allows customers to connect with eHarmony more regularly.

c) Price

EHarmony is the most expensive online-dating service at the moment compared to its competitors. Although the high price could divert its potential customers to other relatively-cheaper sites, the claim of using scientific system continues to attract many serious daters. Also, the price-quality mentality helps to strengthen the perceive quality of the service. Despite the high prices, eHarmony does occasionally gives discounts. Also, like many other websites, it provides free “Personality Profile” and cheaper monthly membership fees for those longer subscriptions.

d) Promotion
Recently, eHarmony has gradually increase the use of social networking sites to connect with its customers, but it still relies heavily on TV and radio for advertisements. Although the American population continues to spend a considerable time on TV, there is a 2 hours 44 minutes/month decrease on the use of this media. On the other hand, although the use of browsers and apps on the smartphone is relatively little compared to that of the TV at the moment, there is a drastic increase of 9 hours 52 minutes/month for the time spent on portable devices. With this trend, eHarmony’s focus on old media advertisement might soon become outdated and ineffective. Moreover, since eHarmony spends a significant amount of money on advertisement (usually double of other companies,) the shift to using online ads can potentially decrease the cost of promoting the service.

Despite its focus on old media and huge advertising expense, eHarmony does create very convincing ads. First of all, Dr. Warren, the founder of the service, narrates in most of the ads. His doctorate degree and the claim that the matching system is based on years of research increase the credibility and perceived quality of the service. More importantly, eHarmony heavily relies on the usage of successful stories and happy-looking couples’ images and videos in promoting the service on the website, blog, and social media. These successful couples verify the effectiveness of the service. Along with that, the company includes various appealing statistics on the website to further strengthen the reputation of the service.
EHarmony tries to attract more customers by providing free “Personality Profile.” Although it is a strategy that many other websites used, the idea of FREE appeals to many people and urge them to sign up for trial before subscribing to the full service.

Unfortunately, the two lawsuits on gays and lesbian and on credibility of the matching system have negatively impacted the publicity of the company. Although the gay and lesbian lawsuit has been settled by the creation of “Compatible Partner” service, the stained reputation remains. Also, although the reason that eHarmony was sued and the problem the victim encountered did not match logically, the fact that it was a lawsuit has already done damage to the honor of the website.

Macro Environment: Opportunities and Threats

a) Cultural & Social

As mentioned earlier, the damaged reputation from the Gay & Lesbian lawsuit can greatly impact the company not only because of past discrimination but also because of the current increase in support for the Lesbian, Gay, Bisexual, and Transgender (LGBT) community. These individuals and the supporters of LGBT might be sensitive towards the website for the discrimination demonstrated in the past.

Although eHarmony did not deal with LGBT community appropriately, it was sensitive towards cultural and sociological differences in this globalized world by creating
sub-websites for specific ethnic groups and customized website for the British. However, its refusal to design catered website for other countries greatly opposed this trend and can be potentially harmful to its reputation.

Regardless of the potential threats eHarmony faces, two trends are potentially beneficial to the company: 1) the increase in the use of online-dating in Europe and 2) the drastic increase use of social media and portable devices. The European market is one worth investing in for gaining a greater number of subscribers. And, the global trend of using social media on portable devices will increase potential daters’ interaction by having easier access to eHarmony’s service and the other social media services that allow people to further connect with their potential daters.

b) Competition

Many competitors exist in the online-dating market. In general, most competitors charges a lower subscription fee. Also, many websites are copying the idea of having a scientific matching system service to attract more customers.

EHarmony’s biggest competitor is Match.com. Match.com costs slightly less than eHarmony for subscription. Moreover, Match.com has created a premium website called Chemistry.com which matches individuals based on personality traits. Chemistry.com is providing similar service with a cheaper price for those individuals who are more serious
about developing lasting relationships. Furthermore, Match.com has recently bought another online dating website SingleNet.com and combined with Yahoo Personals, which means Match.com is increasing its dominance in this market.

c) **Technological**

The rapid technological advancement provides great opportunities for eHarmony. The increase number of social media websites allows eHarmony to reach out to its customers through various medium. Moreover, social media acts as a sort of advertisement, which is almost for free.

The biggest opportunity for eHarmony is the increased availability of tablets and smartphones, which are becoming cheaper and more convenient. These devices will allow eHarmony’s customers to access the service more easily and connect with potential daters on a more regular basis.

d) **Economic**

Although the 2008 recession has ended, many people still believe that the United States is still in recession. Since eHarmony is a very expensive online dating service, the perceived recession might cause potential customers to not subscribe in order to allocate that
money to other aspects of life that are more critical or necessary, such as rent, debt, and saving.

**Summary of SWOT Analysis:**

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<thead>
<tr>
<th><strong>Strength</strong></th>
<th><strong>Weakness</strong></th>
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<tbody>
<tr>
<td><strong>Product:</strong></td>
<td><strong>Product:</strong></td>
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<tr>
<td>● Selectivity of individuals</td>
<td>● Lack of proof on its scientific algorithm</td>
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<tr>
<td>● Scientific matching (claimed)</td>
<td>● Refusal to design appropriate questions</td>
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<tr>
<td>● Specific sub-sites</td>
<td>● Difficulty ensuring profile credibility</td>
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<tr>
<td><strong>Price:</strong></td>
<td><strong>Price:</strong></td>
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<tr>
<td>● Provides free “Personality Profile”</td>
<td>● Most Expensive</td>
</tr>
<tr>
<td>● Discounts: occasional &amp; longer subscription</td>
<td><strong>Promotion:</strong></td>
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<tr>
<td></td>
<td>● Over-reliance on TV and radio ads</td>
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<td></td>
<td>● Lawsuits</td>
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<tr>
<td><strong>Place:</strong></td>
<td><strong>Promotion:</strong></td>
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<tr>
<td>● Apps</td>
<td><strong>Social/Cultural:</strong></td>
</tr>
<tr>
<td>● Social Media</td>
<td>● Increase support for LGBT</td>
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<tr>
<td><strong>Promotion:</strong></td>
<td><strong>Competition:</strong></td>
</tr>
<tr>
<td>● Successful stories</td>
<td>● Price</td>
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<tr>
<td>● Dr. Neil: Authority figure</td>
<td>● More companies going “scientific”</td>
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<tr>
<td>● Appealing statistics</td>
<td><strong>Economic:</strong></td>
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<td></td>
<td>● Perceived recession</td>
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<tr>
<th><strong>Opportunities</strong></th>
<th><strong>Threat</strong></th>
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<tr>
<td><strong>Social/Cultural:</strong></td>
<td><strong>Social/Cultural:</strong></td>
</tr>
<tr>
<td>● Increase usage of online dating: Europe</td>
<td>● Increase support for LGBT</td>
</tr>
<tr>
<td>● Increase popularity in the use of social networking sites and portable devices</td>
<td><strong>Competition:</strong></td>
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<td></td>
<td>● Price</td>
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<td>● More companies going “scientific”</td>
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<td>● Perceived recession</td>
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<tr>
<td><strong>Technological:</strong></td>
<td><strong>Economic:</strong></td>
</tr>
<tr>
<td>● Lower price of portable devices (smartphone, tablets)</td>
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IV. Strategy:

a) Segmentation and Target Segmentations

Although eHarmony appeals to individuals both young and old, it is targeting a more specific group of people. Through the couples showcased in the commercials, it can be inferred that eHarmony targets those who are around 26-35 years old. Every so often the company also has commercials including older couples, but most of the couples in the commercials come from the main target age group. eHarmony focuses on developing serious relationships, especially marriages. The 26-35 age range is a perfect target as it contains the ages where people are looking to get married. Age is one of the most important factors when talking about the segments that eHarmony is trying to appeal to most.

Although eHarmony is available to most people, it excludes certain groups. The company does not allow people who demonstrate signs of mental illness to become members. eHarmony screens these people out through the use of the questionnaire with targeted questions to make sure that people with potential mental illnesses are not allowed into the eHarmony community. Another group who were previously excluded from eHarmony was the gay and lesbian community, but after being sued, eHarmony resolved this issue by creating a website called “Compatible Partners” for gays and lesbians seeking long-term relationships, but these individuals are not eHarmony’s target group. The creation of this site was solely to resolve the problem of eHarmony excluding gay and lesbian couples.
Finally, the company also tries to attract people who are either too scared to try to meet people in the bars and clubs, to frustrated with the inefficiency of meeting high-value people in the day-to-day life or have failed to meet someone they love on other online dating websites. Many of the commercials which eHarmony airs target the last group, those with bad previous online dating experiences. eHarmony is mostly focused on pairing up those aged 26-35 without mental illness and who are heterosexual.

b) Positioning:

**Price vs. Seriousness**
V. Alternatives and Recommendations

a) New System & Global Expansion (Alternative)

In the past few years, eHarmony has expanded its market to overseas countries like the United Kingdom, Germany, and Australia, but it uses nearly the same scientific matching system for every country. Since each country has its own unique culture and religions, eHarmony should design a particular matching system for each country based on the sociological differences. For example, people in Germany may focus on certain characteristics when they search for relationships. In this case, eHarmony can emphasize on
those characteristics in the questionnaires. However, it is an alternative because it is costly and time-consuming to investigate and analyze what exactly people from different regions search for when they are finding relationships.

If eHarmony gains significant confidence and popularity in Asian countries, it can expand its service to those geographical areas, preferably with customized questions. However, it is a risky action by eHarmony because, again, this task could be costly. Also, the money that could have been invested in research and designing customized questions for countries that eHarmony is already serving will be diverted, leading to a less efficient way of using the fund.

b) New Services (Alternative)

Although eHarmony is doing relatively well with its main service which includes designing questionnaires and matching individuals scientifically, it could potentially expand its service and hire counselling experts to guide individuals on developing meaningful and sustainable relationships. This service could be provided either for free or for extra charges depending on the cost of hiring such counselling individuals and on the subscription fees.

c) New Target Segment (Alternative)

In order to generate more revenue and gain a greater market, eHarmony could potentially target a new segment of individuals such as the casual daters. However, it is not
recommended because it contradicts with the company’s initial motive, which is to build lasting relationships.

d) Smartphones, Tablets, and Apps (Recommended)

Since most people who use online dating services are young people, who are between the age of 18 to 29 and use portable devices frequently, eHarmony should design easily-navigable apps. Currently, eHarmony’s app has a decent total download times and fine reviews by users, or at least better than its biggest competitor Match.com. However, there are still some problems with the software itself. Thus, eHarmony should continue to improve its app because if users find it more convenient to use the app, they will be more engaged with the app and hopefully like the service more. Also, since a range of major competitors like Perfect Match and Spark.com do not even have any mobile apps, it is a huge advatage for eHarmony if it can make its app outstanding.

e) Scientific Method of Matching (Recommended)

eHarmony’s slogan states, “Our bold, scientific approach to matching means more quality dates with deeply compatible singles that truly understand you.” The company should keep advertising its strongest and unique advantage which is its scientific matching system that aims to pair singles based on compatibility. Moreover, since it has been sued for its
scientific credibility, it should immediately clarify the matching algorithm in order to increase the credibility of the system.

f) Increase Profile Credibility (Recommended)

A way that eHarmony could make profiles more accurately reflect the individuals is by having other members conduct reviews of the key characteristics of a person that they went on dates with. Members could answer a couple of questions like:

- If you could pick four words to describe this person, what would they be?
- Complete the sentences: I liked this person because _____. I didn’t like this person because _____.

These answers could be automatically incorporated into subscribers’ profiles. Although the original questionnaire answers would be valued the most, these “reviews” by other people would be a good addition to a profile, allowing people to get a better picture of their potential dates. The reviews can also encourage people to be more honest on their profiles. The new function is highly recommended because it is financially feasible.

VI. Conclusion:

EHarmony has been successful with its scientific approach on matching single individuals. However, the lawsuits have harmed its publicity. Now, the company should
follow the recommendation mentioned in order to restore its reputation and differentiate itself from the competitors.
Bibliography:

Case Study given in class