McDonalds Market Segmentation

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Abrasion:

McDonald's is one of the most popular restaurant chains in the world. Nowadays, there are more than 40000 McDonald's restaurants globally which serve tens of millions of customers every day. The question becomes what did McDonald's do in order to make sure its customers stuck on McDonald's products. The difficult part is that each of the customers has a different profile. The profile could include elements as broad as nationality and elements that are much more specific such as preference of meat. To satisfy all these needs, it's crucial to know about customers and build a marketing segmentation so that the other departments could start advertising and branding accordingly. Indeed, McDonald's marketing team does a lot of work behind and one of its jobs is to build customer segmentation in order to know their customers better and target new potential customers. In the following text, the goal is to explore what approaches do McDonald's use to build marketing segmentation.

MCDONALD'S:

McDonald's Corporation is an American-based multinational fast food chain, founded in

Richard McDonald   Maurice McDonald

1940 as a restaurant operated by Richard and Maurice McDonald, in San Bernardino, California, United States.

McDonald's generated a total revenue of 23.22 billion U.S. dollars in 2021. In that year, when looking at McDonald's revenue by region, the country that generated the highest portion of revenue was the United States - accounting for 8.71 billion U.S. dollars.

McDonald is best known for its hamburgers, cheeseburgers and French Fires. They also feature Chicken Products, Breakfast items, Soft Drinks, Milkshakes, Wraps and Desserts.

In response to changing consumer tastes and a negative backslash because of the unhealthiness of the food, the company has added to its menu Salads, Fish, Smoothies and Fruits.

McDonald's On-demand delivery concept which began in 2017 in partnership with Uber Eats and added Door Dash in 2019, accounts for up to 3% of all business as of 2019.

The original mascot of McDonald's was a chef hat on top of a hamburger who was referred to as "SPEEDEE".

In 1962, the "GOLDEN ARCHES" replaced Speedee as the universal mascot. The mascot, clown "RONALD MCDONALD" was introduced in 1965. He appeared in advertising to target their audience of children.

Data collection:

McDonald's is a giant international fast-food company. Aside from its operation in the U.S, McDonald's also operates in another 117 countries across the world. In addition, these 118 countries in total cover all seven continents. Since the goal is to explore all approaches used by McDonald's to build its marketing segmentation and geographic approach is one of its components. It's necessary to pick countries that represent its continents. The menu information would be extracted from each country's McDonald's website. It's logically sound to select countries that have the most population in its continents. Thus, the following countries were selected which are the U.S, China, India, Brazil, Egypt, Australia and Germany. The reason that Egypt is chosen instead of the two other countries with more population is that those two countries do not have McDonald's operation as for now. Meanwhile, China and India are selected together because they are two of the most populated countries in the world and they

have almost identical populations as now. Last but not least, Russia does not have an official McDonald's site which makes the data collection impossible. In this case, Russia was replaced with Germany which are on the second place with most population in Europe.

SEGMENTATION, TARGETING AND POSITIONING, PROFILING IN ORGANIZATIONS :

- SEGMENTATION, TARGETING AND POSITIONING are strategic marketing models used by organizations to attract the right customers for their goods, products or services.

- It is done to position the brand image of their organization in the mindset of customers against their rivals in the market.

- For a good marketing strategy it is important for a company to understand its target customers in order to communicate and market them products accordingly.

SEGMENTATION :

Segmentation is the process of dividing the population into different groups of similar needs and wants. Segmentation is necessary to know the customer in detail which will help to serve the customers better.

McDonald's has divided its consumer market into —
- Geographic

- Demographic

- Psychographic

- Behavioral

GEOGRAPHIC SEGMENTATION :

It segments the market like geographic criteria like region and density and Density. McDonalds breaks its business into different geographical segments like-
- America

- Europe

- Asia/Pacific, Middle East and Africa

- Other countries like Canada

McDonald's optimizes its Menu and price to suit the regional tastes and needs of customers on the basis of their geographic segmentation.

In the United States of America McDonald has its "DOLLER MENU" which will be replaced with the "MC PICK2" menu, it will allow customers to pick two items for $2 each. In India it has "HAPPY PRICE MENU".

McDonald's respect cultural differences in their respective countries and design their products accordingly. In US People tend to have Beef rather than Chicken but in India and China people don't prefer Beef so more chicken items are included in the menu.

In India Vegetarian Burgers are included like McAloo Tikki, Mc Veggie and Veg Pizza McPuff, Mexican Aloo Wrap.

In Middle East it has introduced 'Mc Arabia' to its menu and in Philippines 'Mc Spaghetti'.

Countries like Germany, Europe and Japan Mc Donald's even sell a Draft beer as part of drinks with their food in order to attract more adult into their business.

They Introduced PLANT-LETTUCE-TOMATO OR PLT SANDWICH as often promoted in Ontario, as well as locations in London and Sarnia.

DEMOGRAPHIC SEGMENTATION :

➢ Income, socio economic status.
➢ AGE — They have targeted below Age Groups.
➢ CHILDREN — MC Donald's offers great features to childrens like "HAPPY MEALS"
➢

➢ Which is serve with favorite toys of children.
➢ Toys are part of the marketing strategy which aims at attracting children to
➢ McDonald's.
➢ Ronald McDonald was introduced to target children as their audience and make the meals more appealing to them.
➢ McDonald's had even built playgrounds for kids in the restaurant.

➢ The Happy Meals offered by the company targets whole family. The reason being that most parents will bring their children in the restaurant and order something for themselves too.

YOUNG ADULTS (BETWEEN 18-29) :

　　This segment is the main source of business for McDonald's. Their consumption pattern are much more than the other market segment.

Example- Children's from school and college hangout with their friends in McDonalds for lunch, dinner and birthday celebration, working professionals visit for lunch and dinners.

ADULT :

- 　McDonald's in order to target this segment tweaked its menu and made it in less calories and healthy.
- 　For families they have different outlets which offer takeaways and Drive-thru.
- 　The Happy Meals offered by the company targets whole family. The reason being that most parents will bring their children in the restaurant and order something for themselves too.

INCOME

　　McDonald's make products of different price which is affordable by low and high income group as well.

　　They have specific value pricing as well as bundling strategies like Combo Meal, Happy Meal, Family Meal and Happy Price Menu which increases the sales. Example- Burgers such as Mc Aloo Tikki costs Rs. 49 in India. They have come up with stay Home Combos which costs from Rs. 309 onwards for vegitarian meals.

PSYCHOGRAPHIC SEGMENTATION :

It segments the market into social class and life style of people. McDonald's has adopted itself according to the convenience and lifestyle of consumers in different countries. Like taste, preference of consumers, religious beliefs and behaviour of consumers for the particular country and made changes in their menu and modified themselves.

Example: India has huge vegitarian population so McDonald's has come up with a different and new product line like Mc Aloo Tikki, Mc Veggie. In United States people prefer beef so more beef products are available such as Quarter Pounder (Beef) Burger.

BEHAVIOURAL SEGMENTATION :

It focuses on Degree of Loyalty, Benefits Sought, Personality, User Status and Occasions.

Example : McDonald's provide party rooms for children's birthday celebrations in order to attract more customers.

DEGREE OF LOYALTY

Loyalty depends on how satisfied the customers are with the product or service. McDonald's offers its customers excellent services with less waiting time and menu designed as per the country and preferences of people which makes it different from other companies.

BENEFITS SOUGHT :

It is different benefits customers get in using a product or service.

Example : McDonald offers its customers Quick service as compare to other restaurants, price is affordable by low income people also and Free WiFi.

TARGETING :

➢ Targeting implies selecting market segments that companies want to focus on and then customize or position their products to each segment.

➢ McDonald's chooses below market segments to target for driving their business strategy, sales and marketing.

➢ EXAMPLE — McDonald's targets Children with 'HAPPY MEALS' and Youngsters with Free WiFi.

➢ McDonald's targeted 'Breakfast lovers' in Australia and New Zealand to serve breakfast during the whole day.

➢ They targeted Vegetarians in India and changed their menu by introducing Vegetarian Burger.
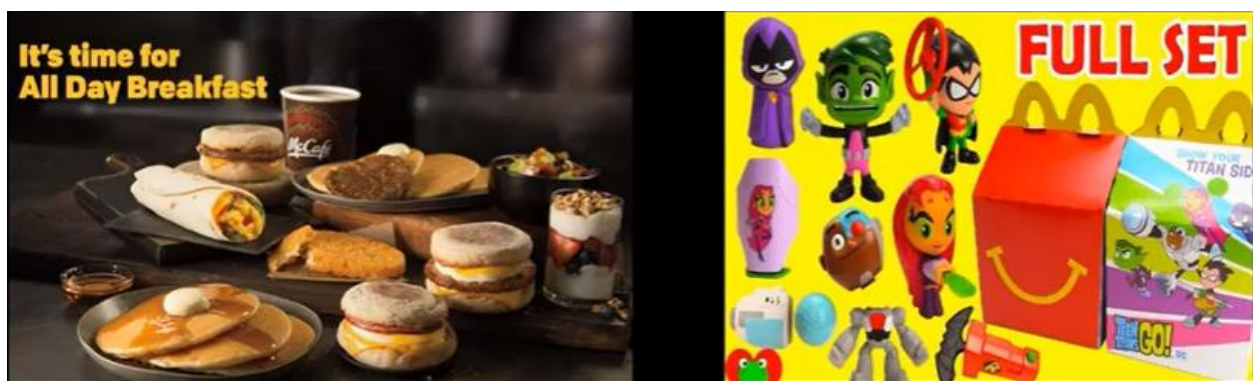
POSITIONING AND PROFILING :

Positioning is a process of creating an 'image' in the mind of consumers by which they can understand the uniqueness about your product as compare to competitor.

McDonald's uses segment insights i.e. values, needs and lifestyle of each segment of the consumer behaviour that are developed through market research.

McDonald's had developed a unique image in the mind of consumers through their positioning strategy.

McDonald's unique Positioning Strategies that made its brand different from their rivals.

They came up with the Mascot of 'RONALD MC DONALD' a clown — shaped man that had a great attraction for children which made children driving to the restaurants

They advertised through Social Media and Billboards as their mainstream to position its brand against its rivals.

Example : For Breakfast lovers McDonald's came up with a giant egg that breaks into half between 6:30 am to 10:30 pm which shows the hours in which McDonalds serves breakfast. This kind of differentiation makes them position their brand in consumer mindset as compare to their competitors.

McDonald's is known for 'Ronald McDonald House Charities' (RMHC) which is an independent non-profit organization whose mission is to create, find and support programs that directly improve the health and well-being of children. Through RMHC they had made an impact on consumers.

Pricing Strategy of McDonald's is a strategical tool to position its brand and products in the consumer mind. McDonald's also sponsers Sporting Events like Little League, FIFA World Cup and Olympics.

McDonald's has established itself to be the Family friendly low cost restaurant in the fast food business and set up an example for the importance of having Segmentation Targeting and Positioning Strategy for differentiating business from their competitors.

PROFILING SEGMENT:

A market segment profile is a detailed description of the market segment that you wish to offer your products or services in – across a range of factors and measures. It is designed to provide the organization with an in-depth understanding of consumers within each segment for the purposes of comparison and strategy.

Segment extraction leads to one or more segmentation solutions. They may have been pre-selected on the basis of statistical criteria. But statistical criteria are no substitute for user assessment. The profiling stage is the opportunity for all members of the segmentation team to inspect what characterizes each of the resulting market segments, and to select which segment to retain for the next step. Profiling is based on segmentation variables.

Example : Age is used as the segmentation variable for the commonsense segmentation, it is obvious that the resulting segments will be age groups. Therefore, Step 6 is not necessary when commonsense segmentation is conducted.

Benefits of market segmentation include:
- ✓ Increased resource efficiency. Marketing segmentation allows management to focus on certain demographics or customers.
- ✓ Stronger brand image.
- ✓ Greater potential for brand loyalty.
- ✓ Stronger market differentiation.
- ✓ Better targeted digital advertising.

The situation is quite different in the case of data-driven segmentation: users of the segmentation solution may have decided to extract segments on the basis of benefits sought by consumers. Yet – until after the data has been analyzed – the defining characteristics of the resulting market segments are unknown. Identifying these defining characteristics of market segments with respect to the segmentation variables is the aim of profiling. Profiling consists of characterizing the market segments individually, but also in comparison to the other market segments.

Characteristics of Market Segments:
There are several different ways businesses can segment a market, but not all market segments are equally valuable to a business. Before deciding to focus on a segment, it's important to see whether it is viable.

- Rest and relax
- Change of surroundings
- Excitement, a challenge
- Fun and entertainment
- Good company
- Not exceed planned budget
- Free–and–easy–going
- Luxury / be spoilt
- Entertainment facilities
- Not care about prices
- Cosines/familiar atmosphere
- Everything organized
- Do sports
- Realize creativity
- Health and beauty
- Intense experience of nature
- Maintain unsolid surroundings
- Unsolid nature/natural landscape
- Life style of the local people