Detailed Summary: Chapter 6
Market Segmentation Case Study (McDonald's)

Introduction

This document summarizes Steps 1–4 of Chapter 6 from a typical market segmentation textbook that uses the McDonald's consumer perception case study. The goal is to understand how to conduct segmentation effectively by defining the problem, designing the research, collecting reliable data, and exploring it thoroughly.

1 Step 1: Problem Definition

Purpose: The first step is to clearly define the segmentation problem. The focus is to understand why segmentation is needed and what business question it will answer.

In this case study, the goal is to identify segments among Australian consumers based on their perceptions of McDonald's on various attributes such as YUMMY, GREASY, FAST, CHEAP, HEALTHY, etc.

Key Points:

- Clarify the business objective (e.g., repositioning, targeted promotions).
- Identify the target population.
- Decide what dimensions will be used (demographic, psychographic, attitudinal).
- Develop a clear problem statement.

A clear definition helps ensure that all following steps are focused and relevant.

2 Step 2: Planning the Research Design

Purpose: This step involves designing how the needed information will be collected.

Main Components:

- **Target Population:** Define who will be surveyed (e.g., adult Australian consumers).
- **Variables:** Identify core attributes and additional demographic variables.

- **Measurement:** Use clear, easy-to-answer formats. In this study, attributes were measured using YES/NO responses.
- **Sampling Method:** Choose a method ensuring the sample is representative.
- **Pretesting:** Pilot test the survey to ensure clarity.
- **Ethical Considerations:** Maintain respondent confidentiality and consent.

A solid research design ensures that the collected data is reliable and useful for clustering.

3 Step 3: Collecting Data

Purpose: Execute the research plan and collect the required data.
   Process:

- A survey collected responses from 1453 adults.
- Respondents answered YES/NO for each attribute.
- Demographic data like AGE and GENDER were collected.

   Best Practices:

- Ensure questions are clear.
- Minimize nonresponse or bias.
- Verify that the sample matches the intended population.

Additional behavioral or psychographic data could improve segmentation quality but were not included in this example.

4 Step 4: Exploring Data

Purpose: Before conducting segmentation, it is crucial to perform Exploratory Data Analysis (EDA) to ensure the data is valid and useful.
   Key Tasks:

- **Check measurement levels:** Confirm that responses are coded correctly (e.g., YES/NO as 1/0).
- **Assess plausibility:** Verify that ranges make sense (e.g., AGE has no negative values).
- **Detect missing data:** Identify any missing or implausible responses.
- **Spot dependencies:** Use cross-tabulations to see how attributes relate to each other.
- **Visualize:** Use bar charts, mosaic plots, or other visual tools to understand data distributions.

- **Detect outliers:** Identify unusual combinations or patterns that may distort analysis.
- **Prepare for clustering:** Transform or standardize variables if needed.

Proper EDA ensures that clustering methods will be applied to clean, meaningful data, leading to actionable market segments.

Key Insight: Exploring the data bridges raw data collection and meaningful segmentation. It helps the analyst understand what segments might exist and how to validate them.