

# **Study Task Report: Fundamental of Market Segment Analysis**

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## Introduction:

This section would provide an overview of the case study, including the research questions and objectives, as well as a brief background on McDonald's. Market segmentation is the process of dividing a market into smaller groups of consumers with similar needs or characteristics. The goal of market segmentation is to identify high yield segments – that is, those segments that are likely to be the most profitable or that have growth potential – and then develop specific products or marketing programs tailored to the needs of those segments.

## The process of market segmentation usually involves the following steps:

### 1. Defining the market:

Identifying the overall market and determining its size and growth potential. It involves identifying the overall market that the company operates in, and determining its size and growth potential. This step is crucial as it sets the context for the entire segmentation process and helps the company understand the opportunities and challenges that exist within the market.

- To define the market, the company needs to answer several key questions, such as:
- What are the products or services that the company offers?
- Who are the customers that the company serves?
- What are the needs and wants of those customers?
- What are the trends and changes that are taking place within the market?
- Who are the major competitors in the market and what are their market shares?
- What are the market size and growth potential?
- Once the company has a clear understanding of the overall market and its size and growth potential, it can then proceed to the next step of the market segmentation process, which is identifying the segmentation variables.
- It is important to note that defining the market is an ongoing process, as markets are constantly changing, and the company needs to regularly re-evaluate its definition of the market to ensure that it is still relevant and accurate.
- Having knowledge of marketing research methodologies, market analysis and industry analysis would be beneficial to define the market.

### 2. Identifying the segmentation variables:

Determining the characteristics that will be used to segment the market, such as demographic, psychographic, geographic, and behavioural variables.

The market segmentation process is to identify the segmentation variables. These are the characteristics that will be used to segment the market into smaller groups of consumers with similar needs or characteristics.

There are several types of segmentation variables that can be used, including:

- Demographic variables: These include characteristics such as age, gender, income, education, and occupation.

- Psychographic variables: These include characteristics such as personality, values, lifestyles, and interests.
- Geographic variables: These include characteristics such as region, climate, and population density.
- Behavioural variables: These include characteristics such as purchasing behavior, usage rate, and brand loyalty.

It is important to note that different types of segmentation variables may be more or less relevant to different products or services. For example, geographic variables may be more relevant to a company that sells outdoor equipment, while psychographic variables may be more relevant to a company that sells luxury goods.

Once the segmentation variables have been identified, the company can then proceed to the next step of the market segmentation process, which is collecting data. By gathering data on the segmentation variables, the company can create a profile of the segments that make up the market, including information on the size, growth, and characteristics of each segment.

It is important to choose the most relevant segmentation variable and have knowledge of research methodologies and marketing research to identify the segmentation variable.

### 3. Collecting data:

Collecting data is the third step in the market segmentation process. It involves gathering data on the segmentation variables and the market as a whole. This data can come from a variety of sources, including surveys, focus groups, and government statistics. The data collected will be used to create a profile of the segments that make up the market, including information on the size, growth, and characteristics of each segment.

There are several methods of collecting data, including:

- Surveys: Surveys are a popular method of collecting data in market research. They can be conducted online, by phone, or in person, and can be designed to gather information on a variety of segmentation variables, such as demographic, psychographic, geographic, and behavioural variables.
- Focus groups: Focus groups are a type of qualitative research in which a small group of people is brought together to discuss a particular topic. Focus groups can provide valuable insights into consumer attitudes, perceptions, and behaviour.
- Government statistics: Government statistics are a valuable source of data on the market as a whole, including information on population demographics, economic indicators, and market trends.
- Secondary data: Secondary data refers to data that has already been collected and is available publicly. This can include data from industry reports, company websites, and trade publications.

Once the data has been collected, it must be analysed to identify patterns, trends, and insights that can be used to create a segmentation profile.

It is important to have knowledge of research methodologies, data analysis and statistics to collect data effectively. Choosing the right method of data collection and using appropriate sampling techniques is also crucial in collecting accurate data.

#### 4. Developing a segmentation profile:

After collecting data, the next step in the market segmentation process is to develop a segmentation profile. This step involves creating a profile of the segments that make up the market, including information on the size, growth, and characteristics of each segment.

A segmentation profile typically includes the following information:

- Segment size: The size of each segment in terms of revenue, number of customers, or other relevant metric.
- Segment growth: The growth rate of each segment, both in terms of revenue and number of customers.
- Segment characteristics: A detailed description of the characteristics of each segment, including information on demographics, psychographics, behaviour, and other relevant variables.
- Segment needs and wants: An understanding of the needs and wants of each segment, and how they differ from one another.
- Segment behaviour: An understanding of the purchasing behaviour, usage rate, and brand loyalty of each segment.

By creating a segmentation profile, the company can gain a better understanding of the segments that make up the market and how they differ from one another. This information can then be used to evaluate the attractiveness of each segment, select target segments, and develop a unique and compelling positioning for the company's products or services.

It is important to have knowledge of research methodologies, data analysis and statistics to develop a segmentation profile effectively. The segmentation profile should be developed in a way that it is easy to understand and communicate to other stakeholders

#### 5. Evaluating segments:

After developing a segmentation profile, the next step in the market segmentation process is to evaluate the segments. This step involves assessing the attractiveness of each segment based on factors such as size, growth, and profitability. By evaluating the segments, the company can determine which segments are most likely to provide the best opportunities for growth and profitability.

There are several factors that can be used to evaluate the attractiveness of a segment, including:

- Size: The size of a segment in terms of revenue, number of customers, or other relevant metric. Larger segments are generally considered more attractive because they offer more potential for growth and profitability.
- Growth: The growth rate of a segment, both in terms of revenue and number of customers. Segments with high growth rates are generally considered more attractive because they offer more potential for future growth and profitability.
- Profitability: The profitability of a segment, which is typically measured by the segment's profit margin. Segments with high profitability are generally considered more attractive because they offer more potential for future profitability.
- Accessibility: The ease with which the company can reach and serve the segment. Segments that are easily accessible are generally considered more attractive because they require less investment in marketing, distribution, and other activities.

- Competitive intensity: The level of competition in the segment. Segments with low competitive intensity are generally considered more attractive because they offer more potential for profitability.

By evaluating the segments, the company can determine which segments are most attractive, and then select target segments to focus on.

It is important to have knowledge of market analysis, industry analysis, and financial analysis to evaluate the segments effectively. In order to get a comprehensive and accurate understanding of segments, multiple factors should be taken into account and the evaluation process should be conducted regularly to keep up with market changes.

## 6. Selecting target segments:

After evaluating the segments, the next step in the market segmentation process is to select target segments. This step involves choosing the segments that the company will target based on their attractiveness. By selecting target segments, the company can focus its marketing efforts and resources on the segments that are most likely to provide the best opportunities for growth and profitability.

There are several factors to consider when selecting target segments, including:

- Attractiveness: The attractiveness of the segment as determined by the evaluation process. The most attractive segments should be given priority in the selection process.
- Alignment with company goals: The alignment of the segment with the company's overall goals and objectives. Segments that align with the company's goals and objectives should be given priority in the selection process.
- Resource availability: The availability of resources, such as budget, personnel, and equipment, needed to effectively target the segment. Segments that can be targeted with the resources available should be given priority in the selection process.
- Fit with company capabilities: The fit of the segment with the company's capabilities, such as distribution channels, product offerings, and marketing expertise. Segments that fit well with the company's capabilities should be given priority in the selection process.

By selecting target segments, the company can focus its efforts and resources on the segments that are most likely to provide the best opportunities for growth and profitability. This will help the company to achieve its.

## 7. Developing positioning:

Once the target segments have been selected, the next step in the market segmentation process is to develop positioning. This step involves developing a unique and compelling positioning for the company's products or services for each target segment. By developing positioning, the company can differentiate its products or services from those of its competitors, and create a strong and compelling value proposition for each target segment.

There are several elements that are typically included in positioning, including:

- Unique selling proposition (USP): A statement that clearly communicates the unique benefit or value that the company's products or services offer to the target segment.
- Brand positioning: A statement that communicates the overall position of the company's brand in the minds of the target segment.

- Brand promise: A statement that communicates the overall commitment that the company is making to the target segment.
- Brand personality: The personality and character of the company's brand as perceived by the target segment.
- Brand essence: The core essence or spirit of the company's brand as perceived by the target segment.
- Brand positioning statement: A statement that encapsulates all of the above elements and communicates the overall positioning of the company's products or services to the target segment.

By developing positioning, the company can differentiate its products or services from those of its competitors and create a strong and compelling value proposition for each target segment. This will help the company to attract and retain customers, and increase its market share and profitability. It is important to have knowledge of brand management, marketing communication, and psychology to develop positioning effectively.

## 8. Developing a marketing mix:

After developing positioning, the next step in the market segmentation process is to develop a marketing mix for each target segment. A marketing mix is a set of marketing tools that the company uses to reach and persuade its target segments to buy its products or services. The four key elements of a marketing mix are product, price, place, and promotion.

- Product: The company must develop a product that meets the needs and wants of its target segments. This includes product design, features, quality, packaging, and branding.
- Price: The company must determine a price that is attractive to its target segments and that allows the company to earn a reasonable profit. This includes pricing strategy, discounts, financing, and payment terms.
- Place: The company must make its products or services available to its target segments at convenient locations, through the appropriate channels, and at the right time. This includes distribution channels, logistics, and inventory management.
- Promotion: The company must communicate the benefits of its products or services to its target segments through advertising, sales promotions, public relations, personal selling, and direct marketing.

It is important to develop a specific marketing mix for each target segment, as different segments may have different needs, wants, and preferences. By developing a marketing mix that is tailored to each target segment, the company can increase its chances of success and achieve its overall goals and objectives. It is important to have knowledge of marketing management, marketing research, and consumer behavior to develop a marketing mix effectively.

## 9. Implementing the marketing strategy:

After developing a marketing mix for each target segment, the next step in the market segmentation process is to implement the marketing strategy. This step involves allocating resources and developing tactics to put the marketing mix into action.

- Allocating resources: The company must allocate its resources, such as budget, personnel, and equipment, to the marketing mix elements that are most important for each target segment.

- **Developing tactics:** The company must develop specific tactics to execute the marketing mix elements. This includes creating advertising campaigns, setting up distribution channels, and training salespeople.
- **Implementing the marketing plan:** The company must put the marketing plan into action by implementing the tactics and allocating the resources. This includes launching new products, opening new stores, and running advertising campaigns.
- **Monitoring the progress:** The company must monitor the progress of the marketing plan and make adjustments as needed to ensure that it is achieving its goals and objectives. This includes tracking sales, market share, and customer satisfaction.

It is important to implement the marketing strategy effectively, as it is the key to success in reaching and persuading the target segments to buy the company's products or services. The implementation of the marketing strategy requires knowledge of marketing management, project management, and operations management.

By implementing the marketing strategy, the company can put its marketing mix into action and achieve its overall goals and objectives. This will help the company to attract and retain customers, increase its market share, and improve its profitability.

## 10. Monitoring and evaluating:

After implementing the marketing strategy, the next step in the market segmentation process is to monitor and evaluate its performance. This step involves continuously monitoring and evaluating the performance of the market segmentation strategy to ensure that it is achieving its intended goals.

- **Setting performance benchmarks:** The company must set performance benchmarks for the market segmentation strategy and for each target segment. This includes setting targets for sales, market share, and customer satisfaction.
- **Measuring performance:** The company must measure its performance against the benchmarks. This includes tracking sales, market share, and customer satisfaction.
- **Analysing performance:** The company must analyse its performance to identify areas of strength and weakness. This includes identifying the reasons for underperformance and overperformance.
- **Making adjustments:** The company must make adjustments to the market segmentation strategy as needed to improve its performance. This includes changing the marketing mix, repositioning the brand, or targeting new segments.
- **Continuously monitoring:** The company must continuously monitor its performance to ensure that it is achieving its goals and objectives.

Monitoring and evaluating the performance of the market segmentation strategy is essential for the company's long-term success. It allows the company to identify and address any issues early on, make adjustments to improve its performance, and ensure that it is achieving its goals and objectives. It is important to have knowledge of marketing research, data analysis, and performance management to monitor and evaluate effectively.

By continuously monitoring and evaluating the performance of the market segmentation strategy, the company can ensure that it is achieving its intended goals and make necessary adjustments to improve its performance. This will help the company to attract and retain customers, increase its market share, and improve its profitability in the long run.

## **Case Study & Practical Implementation:**

### **GitHub Link:**

<https://github.com/Chandhucp/FeyNN-Labs/blob/main/Task1/Market%20Segment%20Analysis.ipynb>