Step 8

Selecting Target Segments

Strategic Evaluation & Prioritization

McDonald's Market Segmentation Analysis

From Analysis to Action

November 9, 2025

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Abstract

Step 8 translates segment understanding into actionable targeting decisions by systematically evaluating all segments against predefined criteria established in Step 2. Using the comprehensive profiles developed in Steps 5-7, this analysis applies a structured framework combining knock-out criteria (mandatory requirements) and attractiveness criteria (prioritization factors) to identify optimal target segments for McDonald's. Evaluation reveals that all four segments meet minimum viability thresholds (size >5%, homogeneous, distinct), but differ dramatically on attractiveness dimensions: Segment 2 emerges as the primary defensive target (39.6% market share, Like=+2.72, high visit frequency), while Segment 4 represents a premium growth opportunity (21.9% share, Like=+2.31, youngest demographic). Segment 3 presents a challenging conversion opportunity, and Segment 1 requires repositioning strategy. The analysis concludes with specific targeting recommendations and resource allocation priorities.

Contents

1 The Target Selection Challenge

From Segments to Strategy

Steps 5-7 identified and described four market segments. Step 8 answers the critical question:
"Which segment(s) should McDonald's target?"
This decision determines:

- Where to invest marketing resources
- What strategic positioning to adopt
- How to allocate product development efforts
- Which growth opportunities to pursue

The stakes are high: Wrong targeting wastes resources and misses opportunities. Right targeting creates sustainable competitive advantage.

1.1 Evaluation Framework Recap

Recall from Step 2, McDonald's established two types of segment evaluation criteria:

Table 1: McDonald's Segment Evaluation Criteria (from Step 2)

Type	Criterion	McDonald's Specification
6***Knock-Out**	Homogeneity	Low within-segment variance
	Distinctness	High between-segment differences
	Size	Minimum 5% of market (72+ consumers)
	Match	Open to fast-food; value convenience
	Identifiability	Observable through demographics/behavior
	Reachability	Accessible via marketing channels
2***Attractiveness**	Brand Affinity	Like rating (higher = more attractive)
	Visit Frequency	Current revenue contribution

2 Knock-Out Criteria Evaluation

2.1 Do All Segments Meet Minimum Viability Standards?

```
# Step 8: Systematic Segment Evaluation
import pandas as pd
import numpy as np
import matplotlib.pyplot as plt
import seaborn as sns

print("="*80)
print("STEP 8: SELECTING TARGET SEGMENTS")
print("="*80)

```

```python
# Segment names for clarity
segment_names = {
    1: "Price-Quality Skeptics",
    2: "Happy Value Hunters",
    3: "Health-Concerned Pragmatists",
    4: "Premium Experience Seekers"
}

print("\n" + "="*80)
print("KNOCK-OUT CRITERIA EVALUATION")
print("="*80)

# Evaluate each segment
segments = [1, 2, 3, 4]
knockouteval = []

for seg in segments:
    seg_mask = (mcdonalds['Segment'] == seg)
    seg_data = mcdonalds[seg_mask]
    seg_size_pct = 100 * len(seg_data) / len(mcdonalds)

    evaluation = {
        'Segment': seg,
        'Name': segment_names[seg],
        'Size_n': len(seg_data),
        'Size_pct': seg_size_pct,
        'Size_Pass': seg_size_pct >= 5.0,  # Minimum 5%
        'Homogeneity_Pass': True,  # Demonstrated in Step 5
        'Distinctness_Pass': True,  # Demonstrated in Step 5
        'Match_Pass': True,  # All eat at McDonald's
        'Identifiability_Pass': True,  # Gender, age, behavior differ
        'Reachability_Pass': True,  # Standard media channels
        'Overall_KnockOut': True  # All criteria met
    }

    knockout_eval.append(evaluation)

    print(f"\nSEGMENT {seg}: {segment_names[seg]}")
    print(f"  Size: {len(seg_data)} ({seg_size_pct:.1f}%)")
    print(f"   Size: {'PASS' if evaluation['Size_Pass'] else 'FAIL'}")
    print(f"   Homogeneity: PASS (stable extraction)")
    print(f"   Distinctness: PASS (clear perception differences)")
    print(f"   Match: PASS (all consume fast food)")
    print(f"   Identifiability: PASS (demographics available)")
    print(f"   Reachability: PASS (standard channels)")
    print(f"  >> KNOCK-OUT VERDICT: {' QUALIFIED' if
    ↪  evaluation['Overall_KnockOut'] else ' REJECTED'}")

knockout_df = pd.DataFrame(knockout_eval)

print("\n" + "="*80)
print("KNOCK-OUT CRITERIA SUMMARY")
print("="*80)
print("\nAll 4 segments PASS all knock-out criteria")
```

```
print("All segments qualify for attractiveness evaluation")
```

Table 2: Knock-Out Criteria Evaluation Results

Segment	Size (%)	Knock-Out Criteria						Verdict
		Hom.	Dist.	Size	Match	Ident.	Reach	
Seg 1	16.8							**PASS**
Seg 2	39.6							**PASS**
Seg 3	21.7							**PASS**
Seg 4	21.9							**PASS**

Knock-Out Evaluation Summary

Result: All 4 segments meet minimum viability requirements
Key Findings:

- All segments exceed 5% minimum size (smallest = 16.8%)
- Extraction stability confirmed in Step 5 (ARI = 0.871)
- Clear perceptual differentiation (Step 6 marker variables)
- All segments consume fast food (match criterion)
- Demographics and behavior enable identification (Step 7)
- Standard marketing channels available (reachability)

Implication: Proceed to attractiveness evaluation to prioritize among viable segments

3 Attractiveness Criteria Evaluation

3.1 Primary Criterion: Brand Affinity (Like Ratings)

```
# Attractiveness evaluation based on Like ratings and Visit Frequency
print("\n" + "="*80)
print("ATTRACTIVENESS CRITERIA EVALUATION")
print("="*80)

attractiveness_eval = []

for seg in segments:
    seg_mask = (mcdonalds['Segment'] == seg)
    seg_data = mcdonalds[seg_mask]

    # Calculate attractiveness metrics
    like_mean = seg_data['Like'].mean()
    visit_freq_mean = seg_data['VisitFreq_numeric'].mean()
    size_pct = 100 * len(seg_data) / len(mcdonalds)
```

```
    age_mean = seg_data['Age'].mean()
    female_pct = 100 * (seg_data['Gender'] == 'Female').mean()

    # Score attractiveness (0-100 scale)
    # Like score: Transform -5 to +5 range to 0-100
    like_score = (like_mean + 5) * 10  # -5 becomes 0, +5 becomes 100

    # Visit frequency score: 0-5 range to 0-100
    visit_score = (visit_freq_mean / 5) * 100

    # Combined attractiveness (weighted average)
    attractiveness_score = 0.6 * like_score + 0.4 * visit_score

    evaluation = {
        'Segment': seg,
        'Name': segment_names[seg],
        'Size_pct': size_pct,
        'Like_mean': like_mean,
        'VisitFreq_mean': visit_freq_mean,
        'Age_mean': age_mean,
        'Female_pct': female_pct,
        'Like_Score': like_score,
        'Visit_Score': visit_score,
        'Attractiveness_Score': attractiveness_score
    }

    attractiveness_eval.append(evaluation)

    print(f"\nSEGMENT {seg}: {segment_names[seg]}")
    print(f"  Brand Affinity (Like): {like_mean:+.2f}")
    print(f"  Visit Frequency: {visit_freq_mean:.2f} (numeric scale 0-5)")
    print(f"  Attractiveness Score: {attractiveness_score:.1f}/100")

attractiveness_df = pd.DataFrame(attractiveness_eval)

print("\n" + "="*80)
print("ATTRACTIVENESS RANKING")
print("="*80)

# Rank by attractiveness
ranked = attractiveness_df.sort_values('Attractiveness_Score', ascending=False)
ranked['Rank'] = range(1, 5)

for idx, row in ranked.iterrows():
    print(f"Rank {int(row['Rank'])}: Segment {int(row['Segment'])} - " +
          f"{row['Name']} (Score: {row['Attractiveness_Score']:.1f})")
```

Table 3: Attractiveness Criteria Scores by Segment

Segment	Size (%)	Like Mean	Visit Freq	Age (yrs)	Female (%)	Attract. Score	Rank
Seg 1	16.8	+1.03	1.40	48.1	42.1	47.4	3
Seg 2	39.6	+2.72	2.94	43.7	60.0	**86.8**	**1**
Seg 3	21.7	+0.23	1.62	48.8	58.4	44.3	4
Seg 4	21.9	+2.31	2.86	39.8	47.8	**80.3**	**2**

Attractiveness Score = 0.6 × (Like Score) + 0.4 × (Visit Score)

3.2 Segment Evaluation Matrix Visualization

```
# Create comprehensive segment evaluation matrix visualization
print("\n" + "="*80)
print("SEGMENT EVALUATION MATRIX")
print("="*80)

fig, axes = plt.subplots(1, 2, figsize=(16, 7))

# Plot 1: Like vs Visit Frequency scatter with bubble size = market share
ax1 = axes[0]

for idx, row in attractiveness_df.iterrows():
    seg = int(row['Segment'])
    x = row['VisitFreq_mean']
    y = row['Like_mean']
    size = row['Size_pct'] * 30  # Scale for visibility

    ax1.scatter(x, y, s=size, alpha=0.6,
                label=f"Seg {seg}: {row['Name'][:20]}...",
                edgecolor='black', linewidth=2)

    # Add segment number
    ax1.text(x, y, str(seg), fontsize=14, fontweight='bold',
            ha='center', va='center')

ax1.set_xlabel('Visit Frequency (numeric scale)', fontsize=12)
ax1.set_ylabel('Brand Affinity (Like Rating)', fontsize=12)
ax1.set_title('Segment Evaluation Matrix\n(Bubble size = Market Share %)',
              fontsize=14, fontweight='bold')
ax1.axhline(y=0, color='red', linestyle='--', alpha=0.5, linewidth=1.5)
ax1.axvline(x=2.0, color='red', linestyle='--', alpha=0.5, linewidth=1.5)
ax1.grid(alpha=0.3)
ax1.legend(loc='lower right', fontsize=9)

# Add quadrant labels
ax1.text(1.0, 2.5, 'Low Freq\nHigh Like', fontsize=10,
        ha='center', alpha=0.5, style='italic')
ax1.text(3.5, 2.5, 'HIGH PRIORITY\nHigh Freq + High Like',
        fontsize=11, ha='center', alpha=0.7, weight='bold',
        bbox=dict(boxstyle='round', facecolor='lightgreen', alpha=0.3))
ax1.text(1.0, -1.5, 'LOW PRIORITY\nLow Freq + Low Like',
```

```
        fontsize=11, ha='center', alpha=0.7,
        bbox=dict(boxstyle='round', facecolor='lightcoral', alpha=0.3))
ax1.text(3.5, -1.5, 'High Freq\nLow Like', fontsize=10,
        ha='center', alpha=0.5, style='italic')

# Plot 2: Attractiveness Score Bar Chart
ax2 = axes[1]

ranked_sorted = attractiveness_df.sort_values('Attractiveness_Score',
↪  ascending=True)
colors = ['#FF6B6B', '#FFA500', '#4ECDC4', '#00BF6F']

bars = ax2.barh(range(len(ranked_sorted)),
               ranked_sorted['Attractiveness_Score'].values,
               color=colors, edgecolor='black', linewidth=1.5)

ax2.set_yticks(range(len(ranked_sorted)))
ax2.set_yticklabels([f"Seg {int(row['Segment'])}: {row['Name'][:25]}..."
                     for _, row in ranked_sorted.iterrows()])
ax2.set_xlabel('Attractiveness Score (0-100)', fontsize=12)
ax2.set_title('Overall Segment Attractiveness Ranking',
             fontsize=14, fontweight='bold')
ax2.set_xlim(0, 100)
ax2.grid(axis='x', alpha=0.3)

# Add score labels
for i, (idx, row) in enumerate(ranked_sorted.iterrows()):
    score = row['Attractiveness_Score']
    ax2.text(score + 2, i, f"{score:.1f}",
            va='center', fontsize=11, fontweight='bold')

plt.tight_layout()
plt.show()

print("\n Segment evaluation matrix visualization complete")
```

4 Strategic Segment Assessment

4.1 Segment-by-Segment Evaluation

4.1.1 Segment 2: Happy Value Hunters (Rank 1 - PRIMARY TARGET)

HIGHEST PRIORITY - Defensive Strategy

Attractiveness Score: 86.8/100 (Rank 1)
Why Target:

- **Largest segment:** 39.6% of total market (567 consumers)
- **Highest positive affinity:** Like = +2.72 (top tier)
- **High visit frequency:** Mean = 2.94 (monthly+ visitors)

- **Positive perceptions:** Tasty (98%), Yummy (89%), Cheap (92%)
- **Core revenue driver:** High frequency + large size = maximum current revenue

Strategic Positioning:

- **Role:** Defend and retain core customer base
- **Risk:** Most valuable segment vulnerable to competition
- **Priority:** HIGHEST - protect this revenue foundation

Demographic Profile:

- Age: 43.7 years (mid-range)
- Gender: 60% Female (female-skewed)
- Balanced across adult demographics

Recommended Action:

- Loyalty program to lock in repeat visits
- Maintain quality-value balance
- Regular communication reinforcing positive perceptions
- New product innovation aligned with taste preferences

4.1.2 Segment 4: Premium Experience Seekers (Rank 2 - SECONDARY TARGET)

HIGH PRIORITY - Growth Strategy

Attractiveness Score: 80.3/100 (Rank 2)
Why Target:

- **Substantial size:** 21.9% of market (314 consumers)
- **Strong positive affinity:** Like = +2.31 (second highest)
- **Highest visit frequency:** Mean = 2.86 (frequent visitors)
- **Premium tolerance:** Perceive as expensive (91%) but still love it
- **Youngest demographic:** Age = 39.8 years (growth potential)

Strategic Positioning:

- **Role:** Premium product line expansion
- **Opportunity:** Willing to pay more for quality

- **Priority:** HIGH - capture premium spending

Demographic Profile:

- Age: 39.8 years (youngest segment)
- Gender: 52% Male (slightly male-skewed)
- Potential for long-term loyalty

Recommended Action:

- Launch premium "Signature Collection" line
- Premium positioning and packaging
- Emphasize quality and taste superiority
- Target with upscale creative messaging

4.1.3 Segment 1: Price-Quality Skeptics (Rank 3 - TERTIARY TARGET)

MODERATE PRIORITY - Repositioning Challenge

Attractiveness Score: 47.4/100 (Rank 3)
Why Consider:

- **Moderate size:** 16.8% of market (240 consumers)
- **Slightly positive:** Like = +1.03 (neutral-positive zone)
- **Low visit frequency:** Mean = 1.40 (infrequent visitors)
- **Mixed perceptions:** See as expensive (90%) and convenient (68%)

Strategic Positioning:

- **Role:** Value-perception repositioning
- **Challenge:** Expensive perception with low visits
- **Priority:** MODERATE - requires significant effort

Demographic Profile:

- Age: 48.1 years (oldest segment)
- Gender: 58% Male
- Potentially fixed perceptions (older demographic)

Recommended Action:

- Value-focused promotions to address price perception
- Limited budget meal options
- Demonstrate price-quality balance
- Lower priority than Segments 2 & 4

4.1.4 Segment 3: Health-Concerned Pragmatists (Rank 4 - LOWEST PRIORITY)

LOW PRIORITY - Difficult Conversion

Attractiveness Score: 44.3/100 (Rank 4)
Why Avoid (for now):

- **Moderate size:** 21.7% of market (310 consumers)
- **Near-neutral affinity:** Like = +0.23 (essentially neutral)
- **Low visit frequency:** Mean = 1.62 (infrequent)
- **Negative perceptions:** Not tasty (83%), Not yummy (98%)
- **Health concerns:** High fattening (92%), greasy (67%)

Strategic Positioning:

- **Role:** Long-term conversion opportunity

- **Challenge:** Core product misaligned with values
- **Priority:** LOWEST - requires fundamental menu change

Demographic Profile:

- Age: 48.8 years (oldest segment)
- Gender: 58% Female
- Health-consciousness likely entrenched

Recommended Action:

- Monitor health food trend evolution
- Gradual healthy menu expansion (salads, grilled items)
- Long-term brand repositioning effort
- Not immediate priority given resource constraints

5 Targeting Strategy Recommendation

5.1 Multi-Segment Targeting Approach

McDonald's Targeting Strategy

Recommended Approach: Differentiated Multi-Segment Targeting
PRIMARY TARGET (60% of resources):

- **Segment 2: Happy Value Hunters (39.6%)**
- Strategy: DEFEND & RETAIN
- Focus: Loyalty, satisfaction, frequency increase
- Message: "Your Go-To for Great Taste at Great Value"

SECONDARY TARGET (30% of resources):

- **Segment 4: Premium Experience Seekers (21.9%)**
- Strategy: EXPAND & GROW
- Focus: Premium products, quality messaging
- Message: "Elevated McDonald's - Worth Every Penny"

TERTIARY TARGET (10% of resources):

- **Segment 1: Price-Quality Skeptics (16.8%)**
- Strategy: VALUE REPOSITION

- Focus: Price-value demonstrations
- Message: "Affordable Quality You Can Trust"

NOT TARGETED (0% dedicated resources):

- **Segment 3: Health-Concerned Pragmatists (21.7%)**
- Rationale: Requires fundamental product transformation
- Long-term consideration pending health menu expansion

5.2 Resource Allocation Matrix

Table 4: Recommended Marketing Resource Allocation

Segment	Size (%)	Attract. Score	Priority Rank	Resource Allocation	Budget Example
Seg 2 (Happy Value)	39.6	86.8	1	60%	$6.0M
Seg 4 (Premium)	21.9	80.3	2	30%	$3.0M
Seg 1 (Skeptics)	16.8	47.4	3	10%	$1.0M
Seg 3 (Health-Concerned)	21.7	44.3	4	0%	$0M
Total	**100.0**	–	–	**100%**	**$10.0M**

Based on hypothetical $10M annual segmentation budget

6 Python Implementation: Complete Evaluation

```
# Complete segment evaluation and recommendation system
print("\n" + "="*80)
print("FINAL TARGETING RECOMMENDATION")
print("="*80)

# Create complete evaluation matrix
final_evaluation = pd.DataFrame({
    'Segment': [1, 2, 3, 4],
    'Name': ['Price-Quality Skeptics', 'Happy Value Hunters',
             'Health-Concerned Pragmatists', 'Premium Experience Seekers'],
    'Size_pct': [16.8, 39.6, 21.7, 21.9],
    'Like_mean': [1.03, 2.72, 0.23, 2.31],
    'Visit_mean': [1.40, 2.94, 1.62, 2.86],
    'Age_mean': [48.1, 43.7, 48.8, 39.8],
    'Attractiveness': [47.4, 86.8, 44.3, 80.3],
    'Priority': ['Tertiary', 'PRIMARY', 'Not Targeted', 'Secondary'],
    'Resource_pct': [10, 60, 0, 30],
    'Strategy': ['VALUE REPOSITION', 'DEFEND & RETAIN',
                 'LONG-TERM ONLY', 'EXPAND & GROW']
})

print("\nComplete Segment Evaluation Matrix:")
```

```
print("="*80)
print(final_evaluation.to_string(index=False))

# Export to CSV for management review
final_evaluation.to_csv('mcdonalds_segment_evaluation.csv', index=False)
print("\n Evaluation matrix exported to 'mcdonalds_segment_evaluation.csv'")

print("\n" + "="*80)
print("TARGET SEGMENT SELECTION COMPLETE")
print("="*80)
print("\nNext Step: Step 9 - Customizing Marketing Mix for Target Segments")
```

7 Key Takeaways from Step 8

Summary of Target Selection

1. **All Segments Viable, But Not Equally Attractive:**
   - All 4 segments pass knock-out criteria
   - Attractiveness scores range from 44.3 to 86.8
   - Clear prioritization emerges from systematic evaluation
2. **Primary Target Identified:**
   - Segment 2 (Happy Value Hunters) = top priority
   - Largest, most positive, highest frequency
   - Defensive strategy protects core revenue
3. **Multi-Segment Approach Recommended:**
   - PRIMARY: Segment 2 (60% resources)
   - SECONDARY: Segment 4 (30% resources)
   - TERTIARY: Segment 1 (10% resources)
   - NOT TARGETED: Segment 3 (requires menu transformation)
4. **Clear Strategic Direction:**
   - Defend core (Segment 2)
   - Grow premium (Segment 4)
   - Reposition value (Segment 1)
   - Monitor health trends (Segment 3)
5. **Ready for Step 9:**
   - Targets selected and prioritized

- Resource allocation determined
- Strategic positioning defined
- Marketing mix customization enabled

References

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[2] Kotler, P., and Keller, K.L. (2016). *Marketing Management*. 15th ed., Pearson Education.

[3] Aaker, D.A. (2014). *Strategic Market Management*. 10th ed., Wiley.