<p style="text-align:center">Market Segmentation Analysis - Case Study - Fast Food</p>

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1.0 Problem Statement

McDonald's seeks to utilize market segmentation analysis through empirical data from a survey originally gathered to study brand image. The goal is to identify and comprehend distinct consumer groups with different views of McDonald's. This involves assessing whether negative perceptions are present in particular segments and discovering the main factors contributing to such negativity.

2.0 Objective

- **Segmentation Identification:** Identify distinct consumer segments based on brand perceptions of McDonald's.
- **Perception Analysis:** Categorize segments into positive and negative perceptions for targeted strategies.
- **Key Driver Identification:** Analyze segments with negative perceptions to identify key drivers of dissatisfaction.
- **Insightful Marketing Strategy:** Provide actionable insights for tailored marketing strategies to strengthen positive perceptions or modify negative ones.
- **Brand Enhancement:** Enhance McDonald's brand management by addressing specific consumer segment perceptions effectively.

3.0 Steps of Market Segmentation Analysis

Step 1: **Deciding (not) to Segment**

Step 2: **Specifying the Ideal Target Segment**

Step 3: **Collecting Data**

Step 4: **Exploring Data**

Step 5: **Extracting Segments**

Step 6: **Profiling Segments**

Step 7: **Describing Segments**

Step 8: **Selecting the Target Segment(s)**

Step 9: **Customizing the Marketing Mix**

Step 1: Deciding (not) to Segment

Implications of Committing to Market Segmentation

- It is critical to understand the consequences of pursuing a market segmentation strategy before committing resources to a market segmentation analysis.
- Market Segmentation is a long-term commitment and is in accordance with the ability and willingness of organizations to be adaptable and welcoming of significant changes.
- There are various costs associated with the implementation process of segmentation (cost of performing research, field surveys, designing packages and advertisements)
- To optimize the advantages of market segmentation, an organization needs to mold themselves around the segments rather than around their products.
- Due to the major implications of such a long-term commitment, the decision to investigate and implement market segmentation is of the highest importance for an enterprise.

Implementation Barriers

- There are various obstacles that can prevent a segmentation plan from being implemented successfully.
- Beginning with the barriers related to the senior management which basically are composed of the following factors: Lack of leadership, pro-active championing, commitment and involvement in the market segmentation process by senior leadership.
- Organizational culture is the subject of a second set of obstacles. Few of the key factors leading to creation of a barrier are: Lack of market or consumer orientation, resistance to change and new ideas, lack of creative thinking, bad communication skills and lack of sharing of information and insights across organizational unit.
- Another potential problem is lack of training which primarily arises when the senior management or the team responsible for segmentation process is not aware about the very foundations of the market segmentation or is short sighted in his approach without understanding its consequences
- Most of these barriers can be identified from the outset of a market segmentation study, and then proactively removed.
- Fundamentally as an organization/individual, a strong sense of intention and commitment is needed, balanced by tolerance and an understanding of the unavoidable challenges that will arise in the future.

Step 2: Specifying the Ideal Target Segment

Segment Evaluation Criteria

- For market segmentation analysis to yield valuable results for an organization, it is crucial to recognize that user input should not be confined to just an initial briefing or the final development of a marketing mix.
- The user's involvement is essential throughout various stages, closely intertwining with the technical aspects of the segmentation analysis process.
- In this step, the organization needs to establish two sets of segment evaluation criteria.
- The first set, known as **knock-out criteria**, consists of essential non-negotiable features that define segments the organization would potentially target.
- The second set, known as **attractiveness criteria**, is utilized to assess the relative appeal of the remaining market segments, those that meet the knock-out criteria.

Knock-out Criteria

Knock-out criteria decide if market segments identified in segmentation analysis qualify for assessment using segment attractiveness criteria. The main principles as specified by many authors are:

a. The segment must be homogeneous
b. The segment must be distinct
c. The segment must be large enough
d. The segment must be matching
e. Members of the segment must be identifiable
f. The segment must be reachable

Senior management, the segmentation team, and the advisory committee all need a clear understanding of the knock-out criteria.

Attractiveness Criteria

- Attractiveness criteria are not binary.
- They involve rating each market segment based on its degree of attractiveness for specific criteria.
- The cumulative assessment across all criteria determines whether a market segment is chosen as a target.

Implementing a Structured Process

- A widely adopted method for assessing market segments for target selection involves using a segment evaluation plot
- This plot represents segment attractiveness on one axis and organizational competitiveness on the other.
- The segmentation team determines the values for segment attractiveness and organizational competitiveness since there is no universally applicable set of criteria for all organizations.
- By the conclusion of this step, the market segmentation team should possess a list of approximately six segment attractiveness criteria.
- Each criterion should be assigned a weight, reflecting its relative importance to the organization when compared to other criteria.

Step 3: Collecting Data

Segmentation Variables

- Empirical data forms the basis of both commonsense and data-driven market segmentation.
- In commonsense segmentation, typically, one specific characteristic of the sample consumers is used as the segmentation variable.
- The distinction between commonsense and data-driven market segmentation lies in the fact that data-driven segmentation relies on multiple variables rather than just one, as is the case with commonsense segmentation.
- Segmentation studies gather empirical data from various sources, including surveys, observations like scanner data linked to individual customer purchase histories through loyalty programs, and experimental studies.

Segmentation Criteria

- The term "segmentation variable" pertains to a single measured value, like an item in a survey or an observed expenditure category.
- On the other hand, "segmentation criterion" refers to the nature of information employed in market segmentation, including specific constructs like benefits sought.

Data from Survey Studies

Most market segmentation analyses are based on survey data. Survey data is cheap and easy to collect, making it a feasible approach for any organization. But survey data – as opposed to data obtained from observing actual behaviour - can be contaminated by a wide range of biases.

- Choice of Variables
- Response Options
- Response Styles
- Sample Size

Data from Internal Sources

Organizations increasingly possess extensive internal data for market segmentation analysis. The value of this data stems from its representation of actual consumer behavior, avoiding the limitations associated with consumers' statements about their behavior or intentions, which can be influenced by imperfect memory and various response biases like social desirability bias or other response styles.

Data from Experimental Studies

Experimental data, derived from either field or laboratory experiments, represents another potential source for market segmentation analysis. This type of data can also arise from choice experiments or conjoint analyses, where consumers are presented with well-crafted stimuli featuring specific levels of product attributes. The consumers then express their preferences among products characterized by various combinations of attribute levels.

Step 6: Profiling Segments

Identifying Key Characteristics of Market Segments

- The purpose of the profiling step is to understand the market segments identified in the extraction step.
- Profiling is necessary only in data-driven market segmentation, as for commonsense segmentation, the segment profiles are predefined.
- Profiling involves characterizing each market segment individually and comparing them to other segments.
- Effective profiling forms the foundation for accurately interpreting the identified segments. This correct interpretation is crucial for making informed and strategic marketing decisions.

Traditional Approaches to Profiling Market Segments

Data-driven segmentation solutions are typically presented to users, such as clients or managers, in one of two ways:

- As high-level summaries that oversimplify segment characteristics to the point of being misleadingly trivial.
- As comprehensive tables detailing exact percentages for each segmentation variable within each segment. These tables are challenging to interpret, making it nearly impossible to obtain a quick overview of the key insights.

Segment Profiling with Visualizations

- Data visualization through graphics is essential in statistical data analysis as it offers insights into the intricate relationships between variables.
- In the data-driven market segmentation process, visualizations are valuable for examining one or more segments in detail for each segmentation solution.
- Statistical graphs aid in interpreting segment profiles and contribute to evaluating the effectiveness of a market segmentation solution.
- Creating a segment profile plot is an effective method to grasp the defining characteristics of each segment. This plot illustrates, for all segmentation variables, the distinctions between each market segment and the overall sample.
- Clear visualizations aid managers in making informed long-term strategic decisions based on segmentation results, which often involve significant financial commitments for strategy implementation. Therefore, investing in good visualizations yields an excellent return on investment.
- Segment separation can be effectively visualized through a segment separation plot, which illustrates the overlap of segments across all relevant dimensions of the data space.
- These plots are straightforward when the number of segmentation variables is low, they can become intricate as the number of variables increases.
- Segment separation plots offer a quick overview of data and segmentation solutions, even for complex cases.

Step 8: Selecting the Target Segment(s)

Convene a Segmentation Team Meeting

- Gather key team members involved in market segmentation and strategy.
- Focus on segments that align with the organization's objectives and capabilities.
- Reassess each segment against criteria like homogeneity, distinctness, size, match, identifiability, and reachability.
- Eliminate segments that do not meet these essential criteria.
- Discuss and reach a consensus on how each market segment scores on various attractiveness criteria (e.g., market growth, profitability, accessibility).

Assess Organizational Competitiveness for Each Segment

- Evaluate and agree on the organization's relative competitiveness in each segment (e.g., resources, expertise, brand strength).
- For each segment, multiply the segment value by the weight of each attractiveness criterion, and sum these values to get an overall attractiveness score.
- Similarly, calculate an overall score for relative organizational competitiveness for each segment.
- Create a visual representation (such as a matrix or two-axis plot) showing segments based on their overall attractiveness and organizational competitiveness.

Make a Preliminary Selection of Target Segments

- Based on the evaluations and plot, select the most viable segments as potential targets.
- If targeting multiple segments, ensure they are compatible and can be addressed effectively without conflicting strategies.
- Share the selected segments with an advisory committee for further discussion.
- Be open to reconsidering segments based on feedback.

- Finalize the selection of target market segments after thorough deliberation and approval from relevant stakeholders.

This process involves a mix of data – driven analysis and strategic discussion, ensuring that the selected market segments are not only attractive and reachable but also align well with the organization's and strategic objectives.

Step 9: Customizing the Marketing Mix

Implications for Marketing Mix Decisions

- The widely accepted modern interpretation is the 4Ps model, focusing on Product, Price, Promotion, and Place as the key components of an effective marketing strategy.

- Market segmentation is integral to strategic marketing and is closely linked with positioning and composition.

- The segmentation-targeting-positioning (STP) approach, emphasizes a sequential process: segmentation involves profiling and describing segments, followed by targeting the selection of a specific segment, and positioning focuses on distinct product perception aligned with segment needs, differentiating it from competitors.

Products

- In developing the product dimension of the marketing mix, organizations must align product specifications with customer needs.

- This refers to the tangible or intangible goods or services that a company offers to meet the needs and wants of its target market. It involves decisions related to product design, features, quality, branding, packaging, and any additional services that accompany the product.

Price

- Price is the amount of money customers are willing to pay for a product or service.
- Pricing decisions involve determining the right balance between setting a price that covers production and distribution costs while remaining attractive and competitive in the market.
- Pricing strategies can include penetration pricing, skimming pricing, discount pricing, etc.

Place

- Place refers to the distribution channels through which a product or service is made available to customers.
- It involves decisions related to the selection of distribution channels, logistics, inventory management, and ensuring that the product is available at the right place and time for customers to purchase.
- Place also considers factors like retail outlets, online presence, and geographic reach.

Promotion

- Promotion encompasses all the activities that a company undertakes to communicate and promote its products or services to the target audience.
- This includes advertising, sales promotions, public relations, personal selling, and other promotional activities. The goal is to create awareness, generate interest, and persuade customers to make a purchase.

Case Study – McDonald – Market Segmentation Analysis

GitHub Links

1. **Deepanshu**
   https://github.com/Kratoossss/Feynn-Labs-Internship/tree/main/Project%202.0%20-%20Market%20Segmentation%20case%20study/Market%20Segmentation_Case%20Study_Fast%20Food%20(McDonald%E2%80%99s)