

# **Market Segmentation On McDonalds**

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## Market segmentation

Market segmentation is the process of dividing a larger market into smaller groups of consumers or businesses with similar needs or characteristics. The purpose of market segmentation is to identify subsets of the market that can be targeted with tailored marketing strategies and messages, in order to better meet their specific needs and preferences. Market segmentation typically involves analyzing various factors such as demographic, geographic, psychographic, and behavioral data, in order to identify distinct groups of consumers or businesses. Effective market segmentation allows companies to focus their resources on the most promising market segments, and to develop marketing campaigns that are more relevant and appealing to those segments



## Strategic and Tactical Marketing

The importance of marketing planning in achieving an organization's objectives. A marketing plan consists of two components: a strategic and a tactical marketing plan. The strategic plan outlines the long-term direction of an organization, while the tactical plan provides detailed instructions for short-term marketing action required to move in the long-term direction. The strategic marketing plan determines the organization's focus and the image

it wants to create in the market. On the other hand, the tactical marketing plan covers the development of the product, the determination of price, the selection of distribution channels, and the communication and promotion of the offer. The strategic marketing plan is critical because it determines the long-term direction of the organization, while the tactical marketing plan depends on it. The combination of good strategic marketing and good tactical marketing leads to the best possible outcome.

## **The Benefits and cost Market Segmentation**

In summary, market segmentation has numerous benefits including improving the understanding of consumer differences, creating a better match between organizational strengths and consumer needs, leading to long-term competitive advantage and market dominance, and yielding higher return on investment. It can also contribute to team building and improve communication and information sharing across organizational units. However, implementing market segmentation requires a substantial investment of human and financial resources and a failed strategy can lead to substantial expenses generating no additional return. Therefore, organizations must make an informed decision about whether or not to pursue market segmentation.

Market segmentation is an essential aspect of marketing strategy, as it allows businesses to identify and target specific groups of customers with distinct needs and preferences. In this documentation, we will discuss the market segmentation analysis of McDonald's, one of the world's largest fast-food chains. We will cover the ten steps involved in market segmentation analysis and how McDonald's has implemented these steps to develop a successful marketing strategy.

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

The first step in market segmentation analysis is to decide whether or not to segment the market. McDonald's, being a global brand, has decided to segment its market to cater to the diverse needs and preferences of its customers.

# Flow Of Presentation



By segmenting its market, McDonald's can identify and target specific customer groups with tailor-made products and services. However, committing to market segmentation also has implications and implementation barriers that need to be considered.

## Implications of Committing to Market Segmentation

One of the main implications of market segmentation is the additional costs involved in creating and marketing different products and services for each customer group. McDonald's has overcome this challenge by creating a core menu that is globally recognized, while also introducing localized products to cater to specific customer preferences. This approach has allowed McDonald's to maintain consistency while also adapting to local markets.

## Implementation Barriers

Implementation barriers can include the lack of data and resources, resistance from stakeholders, and difficulty in creating an effective segmentation strategy. To overcome these barriers, McDonald's has invested in data analysis and market research to gain a better understanding of its customers' needs and preferences. Additionally, McDonald's has implemented a structured process for market segmentation analysis, which we will discuss in the following steps.

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

The second step in market segmentation analysis is to specify the ideal target segment for the business. This involves evaluating various segment criteria, including segment size, profitability, accessibility, and compatibility with the company's resources and capabilities.

### **Segment Evaluation Criteria**

McDonald's evaluates segment criteria based on three main factors: demographics, psychographics, and behavior. Demographic criteria include age, income, education, and occupation. Psychographic criteria include personality, lifestyle, values, and attitudes. Behavioral criteria include usage rate, loyalty, and benefits sought.

### **Knock-Out Criteria**

McDonald's uses knock-out criteria to eliminate customer segments that are not viable for the business. For example, McDonald's may eliminate a segment that is too small or not profitable enough to justify the cost of creating and marketing products for that segment.

### **Attractiveness Criteria**

McDonald's also evaluates segment attractiveness based on factors such as growth potential, competition, and compatibility with the company's capabilities. For example, McDonald's may choose to target a segment with high growth potential and low competition, where the company can leverage its core competencies.

### **Implementing a Structured Process**

McDonald's has implemented a structured process for market segmentation analysis that involves several stages. Firstly, the company conducts market research to identify customer needs and preferences. Secondly, the company evaluates segment criteria based on demographic, psychographic, and behavioral factors. Thirdly, the company applies knock-out criteria to eliminate unviable segments. Finally, the company evaluates the remaining segments based on attractiveness criteria to identify the ideal target segment.

### Step 3: Collecting Data

The third step in market segmentation analysis is to collect data that will be used to identify customer segments. McDonald's collects data from various sources, including survey studies, internal sources, and experimental studies.

#### Segmentation Criteria

McDonald's uses four main segmentation criteria: geographic, socio-demographic, psychographic, and behavioral. Geographic segmentation involves dividing the market based on geographic location, such as country or region. Socio-demographic segmentation involves dividing the market based on demographic factors such as age, income, and occupation. Psychographic

**Geographic Segmentation:** This involves dividing the market into different geographical units, such as nations, regions, states, cities, or neighborhoods. McDonald's could use this criterion to target specific locations where their products have a higher demand. For instance, they could identify areas with higher foot traffic or places with a higher concentration of potential customers, such as college campuses or business districts.

Type of segmentation	Segmentation criteria	McDonald's target segment
Geographic	Region	Domestic/international
	Density	Urban/rural

**Socio-Demographic Segmentation:** This criterion segments the market based on various demographic factors, such as age, gender, income, education, occupation, and family size. McDonald's could use this criterion to identify the demographics that are more likely to be interested in their products. For example, they could target families with kids by offering kids' meals, or college students by providing student discounts.

**Psychographic Segmentation:** This criterion divides the market based on lifestyle, personality traits, values, and interests. McDonald's could use this criterion to target customers who share a particular lifestyle or value system. For example, they could target health-conscious customers by offering salads and grilled options, or eco-friendly customers by promoting their sustainable practices.

Type of segmentation	Segmentation criteria	McDonald's target segment
Psychographic	Social class	Lower, working
	Lifestyle	NA

**Behavioral Segmentation:** This criterion segments the market based on the customers' behavior towards the product or service. This includes factors such as their usage rate, loyalty, attitude towards the brand, and response to marketing messages. McDonald's could use this criterion to target customers who frequently purchase their products or those who have a higher loyalty towards their brand. For instance, they could offer loyalty programs or special discounts to frequent customers.

Type of segmentation	Segmentation criteria	McDonald's target segment
Behavioral	Degree of loyalty	“Hard core loyals” / “Switchers”
	Benefits sought	Cost benefits, time efficiency

**Data from Survey Studies:** Survey studies involve collecting primary data from customers through questionnaires, interviews, or focus groups. McDonald's could use survey studies to gather information about customer preferences, attitudes, and behaviors towards their products. For example, they could conduct surveys to understand customers' perceptions of their brand or to identify the most popular menu items.

**Choice of Variables:** The choice of variables in a survey study determines the types of information collected from customers. McDonald's could choose variables such as menu preferences, pricing, service quality, or branding, depending on the research objectives.

**Response Options:** Response options refer to the different ways customers can respond to survey questions, such as multiple-choice, rating scales, or open-ended questions. McDonald's could use different response options depending on the type of information they want to collect. For example, they could use rating scales to understand customers' satisfaction levels or open-ended questions to gather detailed feedback on their products.

**Response Styles:** Response styles refer to the ways in which customers respond to survey questions, such as socially desirable responses or acquiescence bias. McDonald's could use techniques to minimize response styles to obtain accurate information from customers.

**Sample Size:** The sample size refers to the number of customers included in the survey study. McDonald's would need to determine the appropriate sample size based on the level of accuracy required and the research budget.

**Data from Internal Sources:** Internal sources of data include information gathered from the company's internal databases, such as sales reports, customer feedback, or employee surveys. McDonald's could use this data to understand customers' behavior and preferences towards their products.

**Data from Experimental Studies:** Experimental studies involve collecting primary data through controlled experiments, such as A/B testing or product trials. McDonald's could use experimental studies to test new products or marketing strategies before launching them to the market.

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

The first step in market segmentation is to identify the target market, or the specific group of consumers that the company will focus on. At McDonald's, the target market has traditionally been families with children, teenagers, and young adults. These groups represent a large portion of McDonald's customer base, and the company has tailored its products and marketing strategies to appeal to these groups.

However, in recent years, McDonald's has also been targeting health-conscious consumers and people who are looking for healthier options. This shift is reflected in McDonald's menu offerings, which now include salads, fruit smoothies, and grilled chicken sandwiches.



To identify target segments, McDonald's uses a variety of methods, including customer surveys, focus groups, and data analysis. By gathering data on customers' preferences, behaviors, and demographics, McDonald's can identify segments that have high potential for growth and develop marketing strategies tailored to those segments.

## **The Targeting Decision**

Once the target segments have been identified, McDonald's must decide which segments to target and how to allocate resources to reach those segments. This decision is based on a variety of factors, including market size, growth potential, competition, and the company's resources.

Machine learning can be an invaluable tool in this decision-making process. By analyzing large amounts of data, machine learning algorithms can identify patterns and relationships that are not immediately apparent to human analysts. For example, machine learning can help McDonald's identify which segments are most likely to respond to certain marketing messages or promotions, and can help the company allocate its resources more effectively to reach those segments.

## **Market Segment Evaluation**

Finally, McDonald's must continually evaluate its market segments to ensure that they are still relevant and profitable. This evaluation involves analyzing customer data, monitoring market trends, and identifying changes in consumer behavior.

Machine learning can be particularly useful in this evaluation process. By analyzing large amounts of customer data, machine learning algorithms can identify changes in consumer behavior and preferences, as well as emerging trends in the market. This information can help McDonald's

## **Step 9 : Customising the Marketing Mix**

Customizing the marketing mix is a crucial step in creating a successful marketing strategy for any business, including McDonald's. The marketing mix refers to the four Ps: product, price, place, and promotion. By customizing each of these elements to meet the specific needs and preferences of its target market, McDonald's can effectively attract and retain customers.

Product, Price, Place, and Promotion, also known as the 4 Ps of marketing, are the fundamental pillars of any marketing strategy. McDonald's, one of the world's largest fast-food chains, has effectively utilized these marketing principles to build a strong brand identity and dominate the fast-food industry.



### **Product:**

The first P in McDonald's marketing strategy is Product. McDonald's has always been known for its fast-food menu that includes burgers, fries, and soft drinks. However, in recent years, the company has started to focus more on diversifying its menu by adding healthier options such as salads, fruit, and wraps. The company also offers breakfast, which has become a popular meal among its customers. McDonald's has also introduced limited-time offers and seasonal products to keep its menu fresh and exciting for customers.

**Price:**

The second P in McDonald's marketing strategy is Price. McDonald's has implemented a pricing strategy that focuses on providing affordable and value-oriented meal options to its customers. The company offers a wide range of meal deals and combo meals that provide good value for money. McDonald's also uses dynamic pricing strategies such as surge pricing during peak hours and location-based pricing based on the cost of living in the region.

**Place:**

The third P in McDonald's marketing strategy is Place. McDonald's has an extensive network of locations around the world, with over 38,000 restaurants in 119 countries. The company has a strong presence in urban areas and also has locations in suburban and rural areas. The company has also started to focus on expanding its delivery services, partnering with third-party delivery companies to reach more customers.

**Promotion:**

The fourth P in McDonald's marketing strategy is Promotion. McDonald's has been a master of promotional marketing, utilizing a mix of traditional and digital marketing channels to reach its customers. The company has used mass media advertising such as TV commercials, billboards, and print ads to promote its products. McDonald's has also utilized digital marketing channels such as social media, email marketing, and mobile apps to engage with its customers and provide them with personalized offers and promotions.

McDonald's has also been innovative in its promotional strategies, launching campaigns such as the "I'm Lovin' It" jingle and the McRib sandwich limited-time offer. The company has also leveraged partnerships with popular movies and TV shows to promote its products, such as the collaboration with Disney's Frozen.

In addition to these four Ps, McDonald's has also started to leverage machine learning and artificial intelligence to improve its marketing strategies. The company has implemented

machine learning algorithms to analyze customer data and create personalized marketing campaigns for its customers. McDonald's has also used AI-powered chatbots to provide customer service and offer recommendations to customers.

In conclusion, McDonald's has effectively utilized the 4 Ps of marketing to build a strong brand identity and dominate the fast-food industry. The company has consistently focused on providing value-oriented meal options, expanding its locations and delivery services, and utilizing a mix of traditional and digital marketing channels to reach its customers. By incorporating machine learning and AI into its marketing strategies, McDonald's has demonstrated its commitment to staying ahead of the curve and continuing to provide innovative solutions to its customers.