Market Segmentation Analysis Step 1, 2, 3

By

Tholia Priya PawanKumar

Date: 04th July, 2025

Step 1: Problem Definition

Purpose:
The first step in any market segmentation project is to define the problem clearly. This is the foundation on which every other step rests.

Key ideas:

- Market segmentation is not done for its own sake — it must solve a business problem.
- For McDonald's, the goal might be: How do different groups of consumers perceive McDonald's on various attributes?
- The company wants to find segments that differ in their attitudes and perceptions so it can target them with customized marketing strategies.

Why this matters:
Without a clear problem definition, the research may collect irrelevant data, choose wrong variables, or deliver segments that are not useful for marketing decisions.

A clear problem definition also helps in setting research objectives, choosing variables, and communicating the project to stakeholders.

Key questions the team should answer:

- What is the main purpose of segmentation? (Targeted advertising, product design, brand positioning, etc.)
- Who is the target population? (Adults, teenagers, families, etc.)
- What dimensions should be used for segmentation? (Behavioral, attitudinal, demographic, psychographic, etc.)
- What are the expected outcomes? (Better targeting, improved sales, repositioning.)

Example problem statement for this study:
"To identify consumer segments based on their perceptions of McDonald's attributes and understand how these segments differ by demographic factors such as age and gender."

Step 2: Planning the Research Design

Purpose:
Once the problem is defined, the next step is to plan how to collect the information needed to solve it.

Key components:

1. **Target Population**
   Define who will be surveyed — in this case, adult Australian consumers.
   Consider diversity: age ranges, gender balance, regional representation.

2. **Data to be Collected**
   Core Variables: Perceptions of McDonald's on attributes (YUMMY, FATTENING, FAST, CHEAP, HEALTHY, etc.).
   Background Variables: Age, gender — to help describe and interpret the segments.
   Ideally: Additional variables like dining frequency, spending habits, preferred channels for food information (ads, influencers, online reviews).

3. **Measurement Approach**
   Attributes were measured with simple YES/NO answers.
   This binary format keeps the survey short, easy to answer, and suitable for categorical analysis.
   Could also use Likert scales (Strongly Agree → Strongly Disagree) for more detail.

4. **Sampling Method**
   Must ensure the sample represents the target market.
   May use random sampling or quota sampling to match demographics (gender, age, location).
   Decide sample size — larger samples improve reliability. Here, 1453 is a solid number for segmentation.

5. **Pretesting**
   Before launching the full survey, conduct a small pilot to check question clarity, length, and respondent understanding.

6. **Ethical and Practical Considerations**
   Ensure respondent anonymity.
   Store data securely.
   Provide clear instructions to avoid bias.

Step 3: Collecting Data

Purpose:
Execute the plan and gather high-quality data.

How it was done in this study:

- Data collected through a survey.
- Respondents answered YES/NO for each of the 11 attributes.
- They provided demographic data: age and gender.
- Fieldwork done with proper sampling to cover a broad cross-section of the target population.

Best practices in data collection:

- Ensure respondents understand the questions.
- Avoid leading or biased questions.
- Monitor for response consistency.
- Replace missing or invalid responses when possible.

Potential challenges:

- Nonresponse: Some people may refuse to answer.
- Misinterpretation: Simple YES/NO can be ambiguous without clear definitions.
- Social desirability bias: Respondents may answer in a way they think looks good rather than what they truly feel.

Outcome:

A clean dataset with 1453 rows (one for each respondent) and columns for each attribute plus demographic variables.

Ideal enhancements:

For a richer segmentation model, the survey could also collect:

- Dining frequency (e.g., visits per month)
- Spending levels
- Preferences for competing brands
- Motivations (taste, convenience, price, health)
- Media habits (ads seen, social media)