Integrating Dynamic Segmentation and Portfolio Theories to Achieve Better Customer Portfolio Performance

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Cite as:
VIVIANI Jean-Laurent, Komura Ayuko, Suzuki Kenichi (2020), Integrating Dynamic Segmentation and Portfolio Theories to Achieve Better Customer Portfolio Performance. *Proceedings of the European Marketing Academy*, 49th, (62897)

Paper from the 49th Annual EMAC Conference, Budapest, May 26-29, 2020.

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Abstract

The objective of this paper is to combine financial portfolio theory and dynamic customer segmentation in a coherent framework in order to propose optimal possible segmentations in term of risk and profitability and to define the steps toward better company segmentation and performance. The relevance of this approach is demonstrated on the case of a Japanese hotel chain. Our main findings are first that company should pay attention not only to the most valuable segments because lower segments could have a great interest in term of risk diversification and reduction. Second, optimal segments are often not implementable in practice, but thanks to the dynamic segmentation approach, we explore the methods than a company could use to find path toward a better segmentation (in terms of profitability and risk).

Keywords: *Segmentation; Dynamics; Optimization*

Track: Methods, Modelling & Marketing Analytics