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Gartner Says Master Data Management Is Critical to CRM Optimisation

Analysts to Discuss Trends in Master Data Management at Gartner Enterprise Information & Master Data Management Summit 2014, 12-14 March in London

STAMFORD, Conn., February 20, 2014 — Master data management (MDM) is a critical success factor in constructing optimal customer relationship management (CRM) processes, according to Gartner, Inc. Gartner said that through 2017, CRM leaders who avoid MDM will derive erroneous results that annoy customers, resulting in a 25 per cent reduction in potential revenue gains.

"Over the last several years, CRM software sales have outstripped overall IT spending," said Bill O'Kane, research director at Gartner. "CRM leaders must understand the benefits of the MDM discipline to CRM and make it part of their CRM strategy. MDM is critical to enabling CRM leaders to create the 360-degree view of the customer required for an optimised customer experience."

Mr O'Kane said that organisations are moving to a more integrated CRM approach that focuses on the customer experience through improved customer engagement, across marketing, sales, customer service, e-commerce and all other customer-facing channels. This approach requires an understanding of the customer's entire relationship and interactions with the company at any point during the customer journey.

"This single or '360-degree' view of the customer requires that all the operational master data pertaining to the customer — and often to product and service as well — be combined from all of the data silos where it currently resides," said Mr O'Kane. "This data is then checked and cleansed for duplicates while selecting the highest quality values across all data sources for each master data attribute. The result is a 'single version of the truth' for the master data that can then be integrated in different ways with those remaining data elements specific to transactions and interactions in the operational systems."

In organisations applying best practices, this integration is most often done in a real-time service-oriented architecture environment, with the MDM hub acting as a peer to the other mission-critical operational systems (such as CRM and ERP). This typically results in a virtual (federated), rather than a physical 360-degree view of the underlying data. A typical use case in this scenario is for the operational systems (typically including one or more CRM systems) that create or maintain customer master data to check the MDM hub for current instances of the customer data being entered or changed, and to alert the end user (as appropriate) to prevent the creation of duplicate customers or erroneous master data values. This process proactively protects the quality of the customer master data, enabling a 360-degree view.

Once this holistic, multichannel view of the customer's activity within the organisation has been accurately assembled, then the only limit to its usage is the imagination and creativity of business and IT management working as a team. For example, buying patterns can be accurately aggregated across product types to enable creative cross-selling and up-selling. Identification of customers more likely to cease doing business with the organisation in the near term is facilitated, so that they can be engaged earlier for retention purposes.

"In this scenario, customer segmentation becomes far easier and more accurate, giving organisations a better understanding of their customers and their likely patterns of behaviour," said Kimberly Collins, research vice president at Gartner. "Moreover, the MDM hub can be used to support these operations during real-time customer interactions, as well as to accurately populate analytics platforms — such as data warehouses or data marts — to support larger scale customer analysis efforts."

MDM also provides new opportunities for CRM leaders to effectively utilise big data sources — such as social networks — and external data enrichment providers. Organisations have long made use of commercial data enrichment providers for applications such as customer segmentation, customer acquisition and prospecting. However, in the past this usage has most often occurred within a single system silo or business function such as marketing or sales, with no coordinated reuse across the organisation.

"Companies are using social data to help them understand customer sentiment and behaviours, either in aggregate, for areas such as customer segmentation or issue resolution, or at the individual level to personalise campaigns and offers," said Ms Collins. "As interest in the corporate use of big data sources like social network data has increased, so issues with master data of suboptimal quality are being raised that are virtually identical to those previously described with commercial data enrichment, and similar benefits are being achieved by those organisations that implement MDM to resolve those issues. Without MDM, attempting to identify a customer will result in the same issues of inaccuracy and expense as those using the more traditional commercial data providers with fragmented or unmanaged master data."

A further emerging area of MDM-driven enhancement to CRM is business operations. As the pertinent master data in an organisation is identified and integrated under the MDM umbrella, it often becomes clear to organisations that they have an opportunity to both consolidate and substantially improve the scope of responsibility within their CRM-related business functions such as customer service, sales, marketing and e-commerce. An MDM approach across these functions can provide a 360-degree customer view to the entire organisation, ensuring consistency of the customer experience.

Marketing, particularly in B2C organisations, is taking more ownership of the consolidated or 360-degree view of the customer, to help drive better customer engagement and ultimately develop improved customer experience by reducing the amount of time customer-facing staff has to spend determining the next-best action to take with a customer. MDM makes these changes feasible by providing a single point of entry for this data, which is then published automatically to the appropriate operational systems' data stores.

A few organisation have actually reported relieving their sales force of the responsibility for selling low-margin maintenance items, and instead providing their customer service teams with sales training to enable them to sell these items, both during service interactions and (in some cases) active phone and email campaigns. This has allowed the more cost-intensive sales teams to concentrate on higher margin sales to new and existing clients, resulting in significant increases in revenue and higher morale for both the sales and service teams. Another customer service enhancement enabled by the "360-degree view" is the enablement of cross-selling and up-selling based on marketing techniques such as segmentation based on static data values, as well as providing incentives to purchase new items based on previous purchase sequences.

More detailed analysis is available in the report "MDM Is Critical to CRM Optimization." The report is available on Gartner's web site at <http://www.gartner.com/doc/2663817>.

Gartner analysts will share additional information on MDM use in CRM at the Gartner Enterprise Information & Master Data Management Summit 2014 being held 12-14 March in London and the Gartner Customer Strategies & Technologies Summit 2014, on 28-29 April, in London.

Additional details on the Gartner Enterprise Information & Master Data Management Summit 2014 in London are available at <http://www.gartner.com/technology/summits/emea/data-management/>. Members of the media can register for this event by contacting Laurence Goasduff at laurence.goasduff@gartner.com.

Information from the Gartner Enterprise Information & Master Data Management Summit 2014 in London will be shared on Twitter at http://twitter.com/Gartner_inc using #GartnerMDM. The hashtag for the Gartner Customer Strategies & Technologies Summit 2014 is #GartnerCRM.

About Gartner Enterprise Information & Master Data Management Summit 2014

In a global economy information is becoming a huge competitive asset and weapon to drive business advantage, and is a very important competency that organisations need to manage. At the Summit delegates will learn how to modernise their information management infrastructure, amplify the value of information management programmes they have running, and will get insight on what is new and innovative in the technology landscape for information management.

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