A Journey to Adaptive MDM

What is Master Data? Why is it Important?
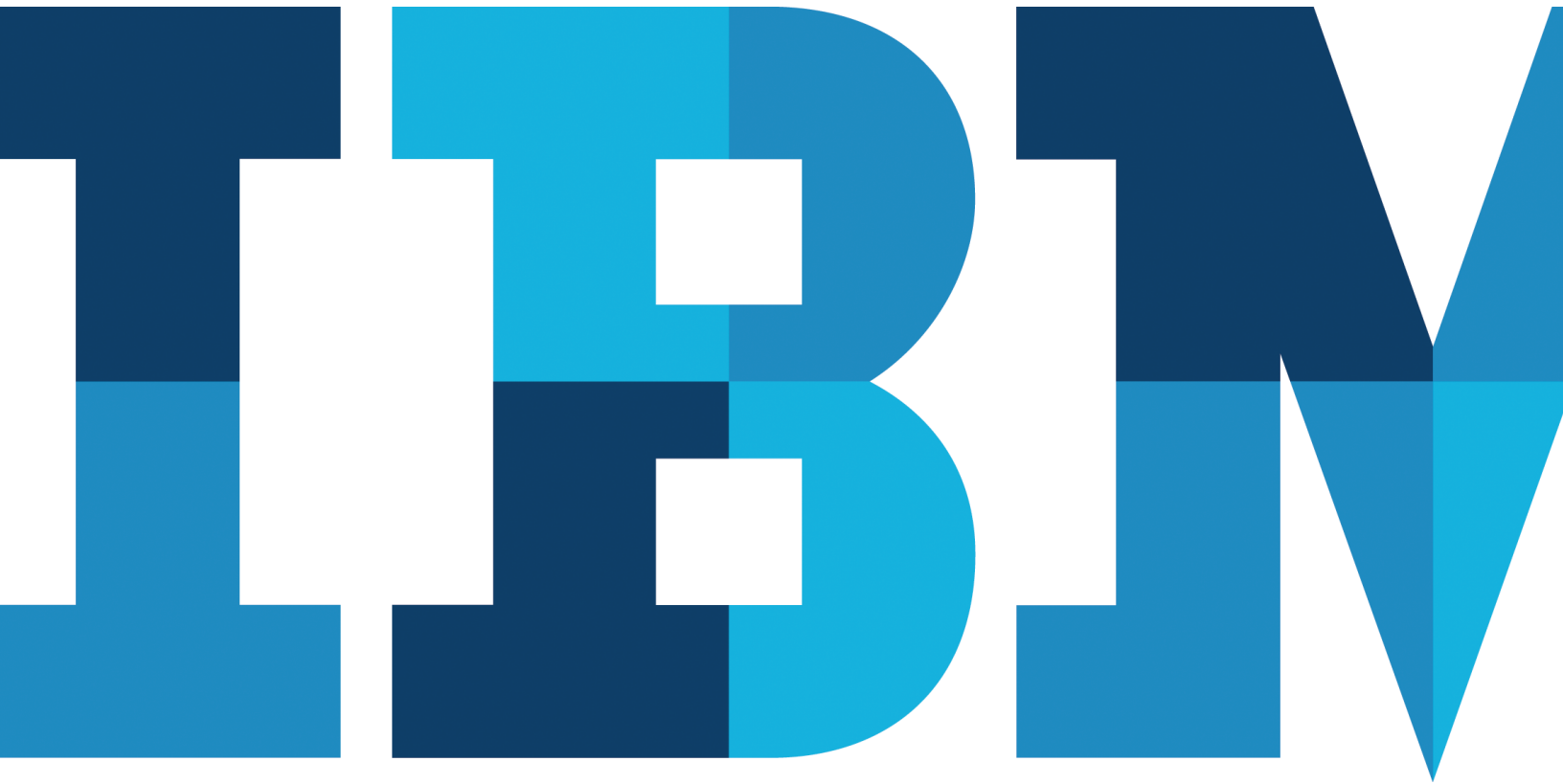
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Master data management (MDM) is a top priority for many organizations as they aim to deliver and leverage trusted business information. Master data – high-value information such as customer, supplier, partner, product, materials and employee data – is critical for addressing business problems and is at the heart of every business transaction, application and decision.

The problem is that these data are often incomplete, missing, duplicated, or inaccurate, are growing exponentially, and are typically scattered across the enterprise in heterogeneous application silos. The result is that many business processes are inefficient, ineffective and costly, increasing organizational risk. To make better business decisions, improve profitability, leverage relationships and reduce risk, companies need to provide an accurate trusted view of important data and make it available to all key business processes across the enterprise.

IBM is a market leader in delivering adaptive MDM solutions that support an organization's short and long-term strategic vision for solving business and IT challenges associated with poor quality master data. This white paper will discuss the business drivers and business value that can be derived through the master data management journey, describe the characteristics of an adaptive MDM solution, and provide an overview of the IBM MDM portfolio.

MDM Business Drivers and Business Value

An effective MDM strategy can assist organizations in responding quickly and easily to existing and changing business needs. Some of the most common business demands that MDM can assist with include:

- **Cross-sell and up-sell** – increasing wallet share and profitability of existing customers through better and more complete information about customers and their relationships.

- **Improving customer service and customer intimacy** – gleaning a better understanding of the breadth and depth of customer relationships and making that information readily available to help increase customer retention and loyalty.
- **Lowering operational costs** – improving operating efficiencies and reducing costs through better quality master data that enables optimized business processes.
- **Improving strategic decision making and business agility** – using single trusted views to improve the effectiveness of strategic decisions.
- **Entering new markets, introducing new products, gaining new customers** – providing single trusted views to the people, processes & applications that most affect revenue, profit and customer insight.
- **Complying with regulatory requirements and reducing risk** – using trusted master data to improve regulatory compliance processes that depend on accurate representations of data to function properly.

The business demands above and the business drivers for MDM in general span four key areas: revenue growth, cost efficiency, agility, and regulatory compliance or risk management.

MDM Increases Revenue Growth

MDM implementations provide better, cleaner, more accurate and complete data about customers and the products they purchase to help companies increase revenues in a number of ways.
- Enabling cross-sell and up-sell opportunities and lead-passing capabilities across channels and lines of business.
- Supporting new points of contact and channels and customer experience improvements by delivering consistent information and messages across channels from the web to mobile, call centers and storefronts.
- Enabling customized offers and experiences to customers based on their preferences, demographics or purchase history.
- Facilitating faster times to market than competitors for new products and services.
- Identifying high-value customers, households, relationships between customers, and hierarchies to reduce churn and ensure consistent levels of customer service across all channels.

MDM Improves Cost Efficiency

Reducing costs by automating business processes is a key business driver for MDM.

- Decreasing the number of multiple mailings sent to the same customer or household by better recognizing customers, who they are related to, and who they may share an address with, to allow organizations to implement targeted mailing strategies, reduce mailing costs and improve brand image and customer service.
- Ensuring mergers or acquisitions processes run smoothly by efficiently integrating legacy information systems and data from the acquired company, and analyzing and rationalizing data, so that they can be leveraged by all systems and operating units across the enterprise to make better business decisions.
- Streamlining the onboarding of new customers, products and suppliers into the systems already deployed by the acquiring company, so that customers and suppliers receive excellent ongoing customer service and support, and products and services are delivered efficiently by the newly combined organization.

MDM Enhances Business Agility

MDM increases the agility of IT systems to enable organizations to better meet the demands of new business channels.

- Responding to changing consumer preferences and methods of interacting such as using a smart phone to review bank statements or check in for a flight.
- Accommodating rapid business growth, and the large amounts of new data it creates, while eliminating or preventing manual processes, efficiently managing growing data volumes, and decreasing duplicate, incomplete or inaccurate data.
- Enabling existing systems to scale or new systems to be brought online quickly because they can already access accurate and complete data from a single location, obviating the need to build new interfaces to acquire or cleanse data.
- Providing organizations with valuable insight about why they are growing rapidly, whom their most important new customers are, and what products are delivering the greatest value, so that they can leverage that information to continue to grow while focusing limited resources on the highest profitability areas of the company.

A leading telecommunications company leveraged IBM MDM solutions to introduce products to market faster than its competitors and increase revenue – time to market was reduced by two weeks and potential revenue increased by more than $10M.

A leading software manufacturer deployed IBM MDM to increase customer retention – customer churn was reduced by 5% and cross-sell and up-sell revenue increased by 10%.

A leading electronics manufacturer decreased data entry errors from 5% to 0.1% with its IBM MDM deployment – realizing cost savings of €2 million per year and reducing the time to create and maintain product information by up to 50%.

A leading bank implemented IBM MDM to prevent duplicate customer records – identifying a 10% duplication rate in existing client data and reducing it to less than 1%, which resulted in millions of dollars in annual cost savings

A leading retailer deployed IBM MDM in two phases. Phase one improved customer experience by providing advanced customer and household recognition capabilities, and increased patient safety within its pharmacy operations by reducing errors related to inconsistencies and inaccuracies in patient data. Phase two enabled the retailer to market programs and point customers to locations that offer relevant services by mastering additional data domains (prescribers, products and locations) that resolve customers to prescribers, to products and services, and to locations.

A leading health insurance company initially deployed IBM MDM to reduce costs, by consolidating source systems, and improve service, by enabling provider self-service for checking status of claims and reducing the time and costs of manually auditing claims against a provider's negotiated contracts. The company's multi-year MDM strategy evolved over time and it added new goals to increase revenue opportunities by improving marketing and customer acquisition. The health insurer is now in the process of building an application on top of its MDM infrastructure to enable provider referrals. In the future it plans to expand MDM to include member data.

MDM Streamlines Regulatory Compliance

MDM can help organizations streamline the processes of complying with changing and evolving internal security policies, customer privacy preferences and government regulations such as Sarbanes Oxley, Health Information Privacy and Accountability Act (HIPAA), Gramm Leach Bliley (GLB), and Office of Foreign Asset Control (OFAC) watch lists.

MDM systems make it easy to:

- Add external data sources, such as the OFAC watch list.
- Introduce new data fields that indicate whether someone has opted in or out, to support GLB compliance or customer privacy preferences.
- Add a domain that provides access to information in a newly required code table.

MDM is a Journey

Entering new markets, and financial and legislative demands put increasing pressure on organizations. Many IBM customers are deploying enterprise-wide MDM solutions to help them meet these demands.

IBM customers that have already begun their MDM journey have realized some significant gains. Manufacturers are doing a better job managing their supply chains. Healthcare providers are delivering more accurate and comprehensive patient records. National, state and local governments are providing a more complete view of citizen information and serving their citizens better.

However, these organizations have also realized that MDM is not a destination but a journey. Organizations are not static. Environments and goals change over time due to changing technical and business requirements. As a result, many organizations will want to adapt their MDM deployments to:

- Address new and wider sets of business requirements.
- Enable different deployment and implementation architecture options.
- Expand beyond customer and product data into other data and relationships inherent across those data.
- Provide access to information rich systems for broader use.

Organizations need an adaptive MDM solution that supports their short- and long-term strategic visions for solving business and IT challenges resulting from poor data quality.

Characteristics of an Adaptive MDM Solution

Address a Wide Set of Business Requirements Within and Across Industries

To improve business processes and address common challenges, an organization must reduce its risk of having bad data. Thus, the most important characteristic of an adaptive MDM solution is to provide access to an accurate and complete view of data that ensures better business decisions. In addition, adaptive MDM solutions need to:

- Demonstrate value quickly – provide a way for organizations to master 2-3 systems across 1-2 data objects rapidly and immediately begin to demonstrate the business benefits of the initial deployment.
- Support enterprise standards – prevent the need to spend unnecessary time and incur expenses to build proprietary systems.
- Grow with the business – expand to meet changing functional and data needs, rather than requiring rebuilding or ripping and replacing.
- Understand and leverage relationships in data – identify customer and vendor management opportunities that weren't obvious before.
- Increase productivity of IT and business teams – enable teams to focus on strategic business decisions rather than on whether or not they have accurate data.
- Offer expertise across a broad range of industries – financial services, insurance, communications, government, healthcare, retail, hospitality, manufacturing, and energy and utilities.

Provide Flexible Deployment and Implementation Options

Business value drives MDM requirements and pace of adoption. As a result, adaptive MDM solutions should be based on an architecture that supports adding incremental value over time and enables an organization to begin its deployment with one architectural style and migrate to a different approach as business needs require.

To determine the best architectural style to meet its needs, an organization needs to answer the following questions:

1. Is the organization made up of a collection of highly independent business units or is it dominated by strong, centralized governance and decision-making?
2. Who or what systems own the data? Note that this may change over time and an MDM solution must adapt.
3. Are there political, security or privacy reasons that prohibit the centralization of data? Or, is centralization key to governance of the entire initiative?
4. Will the primary function of the MDM deployment be to assemble composite views and provide accurate identification, or to serve as a repository of operational and transactional applications? Or both?
5. Does the organization want to leverage MDM to improve existing processes or applications, or create new business-changing processes or applications?
6. Are there plans to add additional source systems over time or retire or consolidate source systems?

An organization's answers to all of these questions are likely to change over time due to changes in funding, ownership, governance and business processes. Therefore, an MDM solution must be flexible, scalable and enable multiple or hybrid deployment options. In addition, the MDM solution should be able to withstand any performance requirements, effectively handle growth and change, and successfully meet pressing business challenges and opportunities.

Enable Information-Rich Views of Data

Adaptive MDM solutions play a significant role in the lifecycle of data and its governance, and create a unique and complete version of the truth that no other system in the organization holds. However, MDM is only one piece of a broader enterprise information management solution that also includes business intelligence, information integration and content management. MDM solutions enable businesses to make better decisions because they not only provide access to complete rich views of master data, but also to additional information-rich content such as analytics, unstructured content and data warehouses. Given that 80% of an organization's data is unstructured, it is important that an MDM solution provides a clear understanding of unstructured data, as well as master data, and enables views into how they relate.

Adaptive MDM should provide:

- A pre-configured bridge that links unstructured data, such as images or documents, to their corresponding master records.
- Automatic updates as unstructured content changes or is manipulated.
- Information-rich views across multiple channels. For example, state or local governments may want to provide a way for all agencies to access an image of a citizen's birth certificate, so that the citizen only has to provide the information once and it is available to any agency that requires it.

Master Common, Unique and Industry-Specific Data Types

Most organizations start by mastering customer or product data, but, after seeing the benefits of their initial MDM deployment, soon realize there is value in mastering other unique and industry-specific data types. MDM solutions should enable easy and rapid development and deployment of the most common data types, such as customer, product and account, other general business types, such as location and transactions, and custom domains, for instance those needed to meet regulatory requirements, such as code tables. In addition, MDM must address specific industry needs and support industry standard data models: patients and providers in healthcare; ACORD in insurance (Association for Cooperative

Operations Research and Development); and persons, objects, locations and events (POLE) in government.

An adaptive MDM solution also needs to support multiple domains, understand cross-domain relationships of data and be able to link to additional content as needed.

IBM MDM Portfolio – An Adaptive MDM Solution

IBM is a recognized market leader in delivering MDM capabilities via the IBM Master Data Management portfolio. IBM offers an adaptive MDM solution that addresses a wide set of business requirements within and across industries, provides flexibility in deployment options and implementation styles, and supports the ability to migrate from one style to another during the MDM journey. With the IBM portfolio, customers can master the most common data types – customer and product data – and other types of unique and industry-specific data domains.

By delivering a single version of truth of an organization's critical data assets and their relationships, and by supporting a wide and varied set of business requirements, IBM MDM helps organizations produce better business outcomes and minimize cost and risk.

As MDM projects grow and evolve, the portfolio of IBM MDM technologies can be deployed separately or together to fulfill long-term strategic requirements and generate even greater business value. The IBM portfolio includes IBM® InfoSphere™ MDM Server, IBM® Initiate® Master Data Service™ and IBM® InfoSphere™ MDM Server for PIM.

IBM MDM Portfolio Highlights

- Pre-packaged solution offerings
- Multiple solutions to meet all business needs
- Cross-industry experience with MDM
- Application centric with a focus on business process
- Rapid time to value
- World's largest MDM customers and implementations

The full IBM MDM portfolio supports companies that have a mandate for rapid organizational growth by providing them with the fastest time to market, lowest total cost of ownership, and the ability to adapt and grow with their business environment. IBM MDM offerings have the broadest set of capabilities to ensure that organizations have what they need to define, maintain and deliver master data, and run, grow and transform their businesses.

About IBM MDM

The IBM MDM portfolio delivers a single, unified, trusted version of truth about an organization's critical entities – customer, supplier, product and more. Armed with this single, trusted view, organizations can make better decisions and improve business outcomes – higher revenue, better customer or citizen satisfaction, improved patient care, lower cost and risk. With IBM MDM, organizations can understand their core master data (customers, patients, products, etc.) at all touch points, improve cross and up-sell, optimize the value of ERP, CRM, analytics and warehouse systems, support governance initiatives and make business processes more effective.

For more information, visit:
www.ibm.com/software/data/master-data-management

IBM InfoSphere MDM Server

IBM InfoSphere MDM Server is a physical master repository that delivers a single version of truth of an organization's critical data entities – customer, product, supplier and more – helping them make better decisions and achieve better business outcomes. With InfoSphere MDM Server, organizations can easily centralize and manage multiple data domains, across a wide set of business requirements, wherever trusted data is required.

IBM Initiate Master Data Service

IBM Initiate Master Data Service is a virtual master registry that assembles a single view of master data and their relationships from across existing systems, and delivers these views whenever and wherever they are needed. By helping organizations unlock the value of their data assets and elevate the effectiveness of their most important business processes, IBM Initiate Master Data Service enables organizations to improve business processes and results, lower costs, reduce risk and meet current and future business needs.

IBM InfoSphere MDM Server for PIM

InfoSphere MDM Server for PIM allows companies to create a single, up-to-date repository of product and other core information that can be used throughout their organization for strategic business initiatives. Customers using MDM Server for PIM benefit from its flexible data model, workflow collaboration tools, data aggregation and syndication capabilities, and granular access privileges to represent their specific information needs and business objectives.

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