The Advantages of a Golden Record in Customer Master Data Management

The term master data describes all of the components that make up a company. This includes customers, dealers, partners, products, service providers, suppliers, employees and equipment. In other words, it is everything that is owned by the company and important for a company to do business. Master data should be consistent, complete, up-to-date and correct, so that the goals of the company can be achieved. All companies want to deliver the right quantity of the right product to the right customer at the right price at the right location, and with the right invoice. This requirement may seem almost trivial, but is actually quite the opposite. Let us take a look at the situation in a hypothetical company.

For our example, business procedures are supported by applications such as Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), Supply Chain Management (SCM), Product Lifecycle Management (PLM), a data warehouse, and various other applications. In some cases, there can be 50 or more applications supporting the business processes of a company. And because each application uses its own data, fragmentation occurs. The data used by the various applications spread out and are replicated across the range of applications. Each application becomes its own environment, and master data management becomes a nightmare. Customer, product, or order numbers

from one application do not correspond with those in other applications.

It may seem a simple matter to employ translation tables, where the organization attempts to transfer data from one application to another. This is not an effective solution, because each time a new supplier, customer or product is added to a database, a translation table must be created or updated. Using translation tables or similar techniques ends up being slow, inaccurate and expensive. Storing redundant data increases data volume and leads to data of questionable quality.

Consequences of poor master data management

When redundant master data is acted upon by an application, an organization must use additional resources to validate, enhance, and correct the data. The greater the number of applications from which data is drawn, the more time must be spent ensuring the data is correct. Using resources in operative activities such as data validation and merge/ purge operations reduces the amount of resources available for business related activities. In other words, if salespeople are correcting data, they aren't selling, and the organization is losing money.

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Incorrect data can cause other problems. Business processes can be disrupted, leading to wrong production, wrong deliveries, wrong prices and wrong invoices. Deliveries are returned, orders are cancelled, and customers are dissatisfied. Issues such as these can add considerable extra costs for an organization.

Poor data can also cause interruptions in an organizations business processes. This means a loss of productivity, and the organization can incur considerable extra costs due to manual intervention in processes, loss of time, and possible contractual penalties.

Inadequate master data management can cause issues at the tactical and strategic level.

- Poor reporting leads to incorrect management conclusions

- Inaccurate data causes missed market opportunities.

- Inaccurate analyses cause flawed management decisions with unforeseeable negative consequences.

- Inaccurate data can lower the levels of customer satisfaction and customer loyalty due to mistakes, leading to medium-term and long-term losses.

Expert master data management is absolutely essential and pays for itself many times over. It provides a financial advantage by avoiding additional costs, increases the speed an organzaition reaches target markets, and raises company profits.
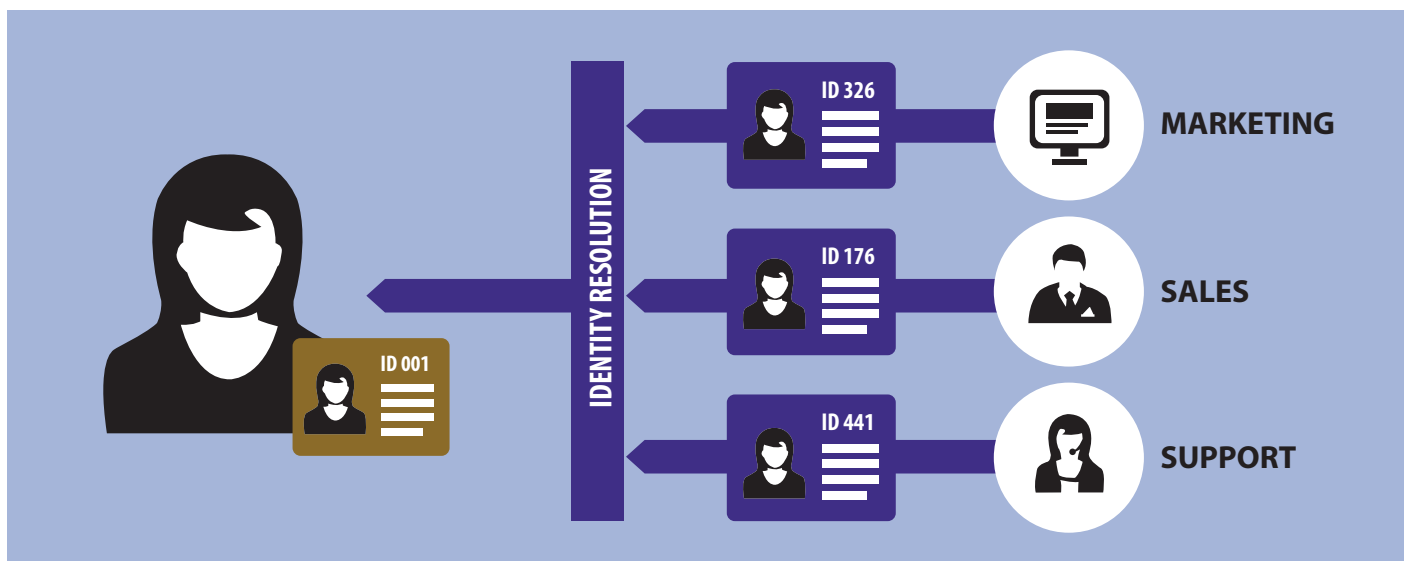
The "Golden Record" concept in master data management

The golden record is the heart of professional master data management. A golden record is a master data record uniting all relevant attributes from all available data sources. In other words it is a superset of all attributes from all data sources. It is administered in a central repository where data cleansing and matching guarantee quality of the data. Identity resolution correlates and arranges similar records from different sources into a single golden record. During this process, duplicates records are removed and the overall level of data quality is increased. This "super" data record also contains links to the data records in the different data sources where the attributes originate. This means that when an update is made to an attribute in a particular data source, the same update is made to all other relevant sources. All available data remains consistent throughout, and because it does not have to be physically moved, it is not stored redundantly.

The result is that all data silos across the company become synchronized, and fragmented data is a thing of the past. Individual rule sets enable the golden record to be automated, and whenever necessary, manually processed and enhanced.

Master data does not remain static. For example when organizations merge, new structures will be added to the organization's data. Every organizational change, every change of business
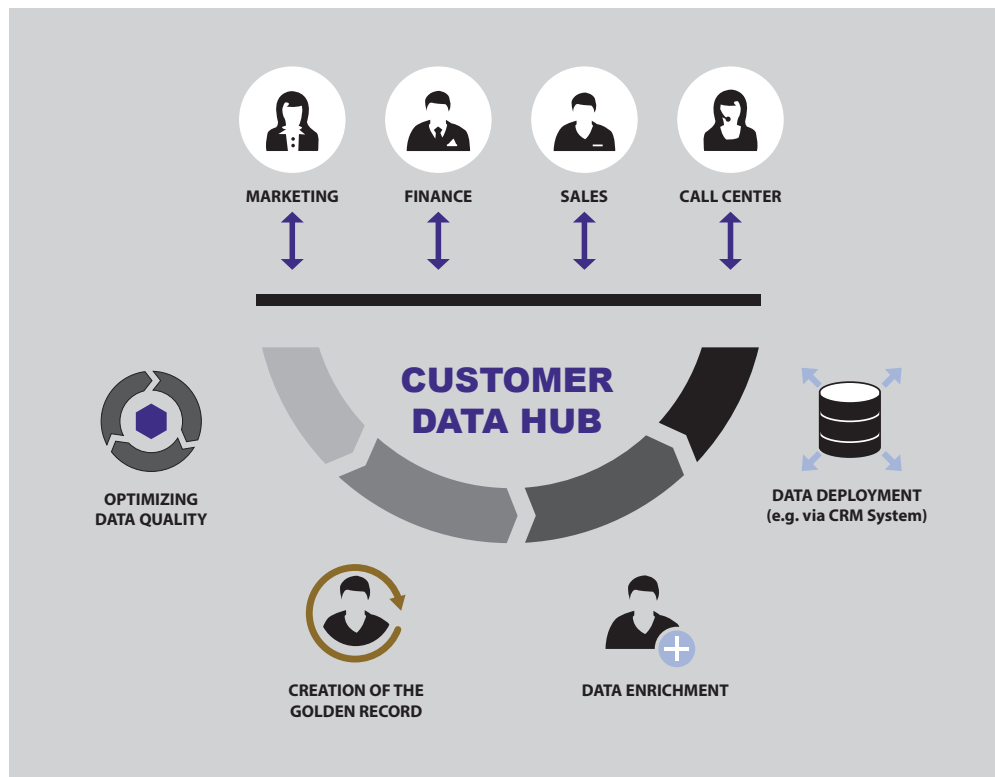
Fig. 1: Creating a golden record

Business cases for the "Golden Record" in customer master data management

Where does a golden record demonstrate its financial advantage in customer master data management? Let us take a look at some typical scenarios.

Marketing: A targeted customer approach based on a 360° customer view is used. The customer feels their needs are well understood. This leads to repeat business in the short term, and long-term customer satisfaction and loyalty.

Marketing: Improved campaigns. Detailed knowledge about the customer based on analytics using correct master data means that extremely precise customer segmentation is possible. Response and conversion rates can be improved significantly, thereby lowering marketing costs.

Marketing: Product introduction is faster and more economical. Time-to-market is reduced, giving the financial advantage of earlier and more returning customers. Business costs are lowered resulting in greater ROI.

Sales: All customer information is consistent, up-to date, correct and complete. Sales teams are able to offer the right products to the right customer at the right time. Transactions are completed faster, cost of sales is reduced, and ROI increases.

After-Sales Service: Customers can be identified immediately, and any claims or issues can be dealt with quickly. Service costs are reduced and customer loyalty is increased. Prompt and efficient after-sales service also enables additional cross- and up-selling.

Mergers and Acquisitions: With the aid of a golden record, customer records can be effectively and efficiently consolidated. This gives marketing and sales departments faster access to the new customers, and the advantages of mergers and acquisitions can be safely and rapidly transformed into revenue.

IT: Golden records reduce the costs for data availability, exchange and integration, as well as data migration. The system landscape can be trimmed down and the quantity of stored data reduced.

Regulatory Demands: Golden records are the prerequisite for compliance with national and international guidelines, norms and standards. They help avoid the risk of penalties and image damage.

Fig. 2 Process cycle in the Customer Data Hub (CDH):

Customer data is supplied from the different specialist departments.

The CDH optimises the data quality with Cleansing, Matching and Identity Resolution.

CDH creates the golden record, i.e. a central master dataset linking all relevant attributes from all data sources.

The CDH enhances data with additional components and makes it available again for various specialist department systems, such as marketing via CRM.

rules, and every market change, all require an update of the master data model. Simply having the most recently updated master data model in the repository is not sufficient. The entire master data life cycle must be available for company planning and typical analytical questions.

Conclusion:

Expert master data management pays for itself. Risks in business processes are avoided, because consistent, correct, and complete master data ensures that the right customer receives the right product, in the right quantity, at the right price, at the right location, and with the right invoice. High quality customer master data is particularly beneficial for marketing, sales and service, because its 360° customer view enables reliable and more precise customer and prospect analyses. High quality master data is the prerequisite for high quality processes, and when the consequences of poor master data can be expressed in monetary terms it can serve as a reference point for a master data management budget.

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