Customer Data: The Missing Link To Strategic Success

Harness The Power Of Every Organization’s Most Strategic Asset

By R “Ray” Wang
Principal Analyst & CEO

April 15, 2011
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Purpose and Intent

This technology trends document addresses why organizations must embrace data as an asset for success. Readers should gain an understanding of the organizational, process, and technology requirements to achieve strategic success.

Executive Summary

Organizations seeking to grow and differentiate their businesses can no longer afford to mistreat their customer data. In fact, as customers have evolved and in many cases moved on, new strategies require customer data as the foundation to engage and influence customers. Information governance and master data management emerge as key competencies in an organization’s successful customer facing strategies. Organizations must master eight critical steps across the information supply chain including: classify, transform, augment, master, secure, deliver, refresh, archive, and retire.

Those leaders who fail to act on a customer data strategy face lost revenue, decreased customer satisfaction, lower levels of retention, and increased costs in customer acquisition. Organizations can take immediate action by applying Constellation’s seven-step framework for customer data strategy to achieve business value.
Customers Have Evolved... Has Your Organization?

Right now customers and prospects ignore an organization’s marketing messages because mass marketing campaigns no longer relate to customers. Right now most customers answer each other’s questions because customer service and support agents lack the authority or knowledge to resolve issues. Right now prospects ask each other what they think about a company’s product or service because most organization’s sales professionals lack credibility. Consequently, organizations face immense challenges in influencing prospects and customers as three forces drive the changing dynamics in customer engagement (see Figure 1).

1. **Failure of CRM efforts to engage and influence.** Traditional CRM focused on management versus engagement. CRM initiatives barely addressed customers and mostly ignored relationships. Projects focused on manager convenience instead of employee empowerment. More importantly, systems supported transactions not relationships.

2. **Trust, not financial performance is the new social currency.** Trust drives influence, engagement, and relationships. People and organizations must earn trust through their actions across their relationships. Trust can be expended to gain influence, create engagement, and foster relationships. Trust can be taken away through lack of credibility, bad behavior, and dishonesty.

3. **Increase in social media adoption moves beyond fad.** Social media adoption is a cultural shift not a fad. The growing preference for engagement through social channels drives new relationship models. Social has moved beyond the tipping point. The key question is “How will social evolves and permeate our?”

Figure 1. Three Forces Drive The Changing Dynamics In Customer Engagement
The Problem Will Get Worse Before It Gets Better

Despite recognizing a shift in customer behavior, leaders realize that they face significant organizational, business process, and technology impediments in addressing these impending business challenges. With social CRM and voice of the customer programs taking center stage, four factors play a key role in exacerbating the issue:

1. **Existing models outdated for today’s requirements.** B2B and B2C no longer describe today’s relationship models. Individuals and organizations conduct social business through peer to peer (P2P) relationships. Attempts to stove pipe individuals into forced-fit, artificial categories fail because each individual represents multiple roles in a relationship.

2. **Organizations no longer in control of the message.** Leaders and management teams must get over the fact that they have lost control. Customers and prospects have each other’s trust and the social mediums to drive the message. Proliferation of channels and connection points result in low signal to noise ratios. Organizations must regain trust to influence and deliver credible messages.

3. **Volume of requests increasing.** An increasing numbers of customers and prospects adopting and utilizing social channels will create untenable and supportable situations for organizations caught off guard. Data deluge will kill the business if not managed and automated. Success will require a sustainable strategy.

4. **Data not valued as a strategic asset.** Most organizations do not value their data. In fact, the lack of data governance processes, shoe-string budget funding for data quality, and basic tools to build insights into customer data often hamper strategic initiatives in sales, marketing, and service. Business and IT alignment requires proper investment in master data management, the ability to acquire, manage, and deliver a consistent view of company data assets.

Organizations Must Address Their Data Challenges To Gain A Strategic Advantage

Success requires organizations to answer basic business questions at each interaction point such as the individual’s identity, apparent and potential relationships, sentiment, product and services purchased, considered or returned credit risks, and pricing plans and entitlements. Organizations often cannot address key customer questions because of:

- **Data siloes.** Customer insight is often locked up in competing and fiercely independent systems. Finance systems do not talk to customer data systems that do not talk to warehouse systems. Organizations often find customer data scattered in as many systems as there are acquisitions and departments.
• **Lack of trustworthy data.** Poor information governance processes impact data quality. Multiple systems often lead to multiple reporting results. Data is often duplicated, inconsistent, and incomplete. In fact, updates from one department can override clean data feeds in another system. Most organizations lack confidence in the validity of their business information.

• **Patchwork of point to point integrations.** A complex network of point to point integrations limit the ability for data to be reused and remixed across heterogeneous systems. Data lock-in among systems prevents a full picture of each customer from being crafted on the fly.

• **Proliferation of unstructured data.** Feeds from social data sources, ad-hoc comments and notes, and sentiment cloud existing systems designed to support structured data. Lack of tools and techniques to address unstructured data mask key insights and opportunities.

• **Self service challenges.** Existing systems remain complex and cumbersome to use. Business leaders seek the ability to modify reports, change algorithms, and apply new visualization techniques without requiring technical expertise. Most systems fail to provide even the most basic self-service capabilities to identify correlations and deliver business insight.

**Information Governance And Master Data Management Provide A Key Foundation For Success**

Data challenges will require a holistic approach such as Master Data Management (MDM) to break through data challenges and achieve success. On the organizational side, information governance provides a framework and process roadmap. A key part of the process roadmap involves the interaction of upstream data sources and downstream data consumption in the information supply chain (see Figure 2). The information supply chain comprises nine sub processes including:

1. **Classify.** Classification schemes tie relationships back to structured and unstructured data. A common approach includes data types such as customer, product, account, employee, or location. Classifications could include subjects, location, individuals, organizations, relationships, and other metadata.

2. **Transform.** Data from multiple source systems require transformation into a compatible format for the destination system. Techniques include translating coded values, sorting, joining, transposing, splitting, disaggregation, etc. Maintaining source system lineage enables the ability to revert or undo changes.
3. **Augment.** Augmentation enables users to provide additional information to the data. Examples include third party data from commercial sources, government agencies, and market research firms.

4. **Master.** Users must easily acquire, distribute, and update data throughout an organization. Publish and subscribe mechanisms should persist in a natural state.

5. **Secure.** Data privacy and security should map back to existing policies. In some cases, data should be masked or encrypted. Simple security could include classifications for public, private, and restricted. Most systems will map back to role-based security systems.

6. **Deliver.** Delivery should include both automated and manual techniques. Subscribing systems could trigger requests based on rules and policies in complex event processing engines or simple thresholds. Manual delivery mechanisms should log back to interaction engines.

7. **Refresh.** The half-life of cleansed data can range as little as 10 seconds for location-based status updates to 3 months for addresses for a transient college student. Information supply chains must continually refresh information to stay relevant.

8. **Archive.** Unused data can drive down performance times, create regulatory compliance nightmares, and expose legal risks. By moving inactive data from production systems to backups, organizations can leave important and necessary data indexed and accessible without stymying existing systems.
9. **Retire.** Organizations can rid themselves of older data that is no longer required for compliance or is irrelevant. Data can be encrypted and stored offsite or even hard erased.

**Automation With MDM Reduces Complexity And Ensures Accuracy**

Integrated approaches deliver a business foundation that encompasses data quality to information governance (See Figure 3). Master data management plays a key role in delivering information governance. Common processes include acquisition, cleansing, de-duplication, hierarchy and relationship management, reference data management, integration and synchronization, event management, data model management, data governance and stewardship, and security and privacy.

**Figure 3. Master Data Management Delivers A Business Foundation**

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Recommendations: Follow These Seven Steps To Success

Successful customer data strategies often begin with solid planning. The following seven steps reflect the best practices and critical success factors from over 50 early adopters.

1. **Begin with the end in mind.** Design systems for how people work. Determine which business outcomes required for improvement. Take that famous Coveyism and plan for regulatory compliance, operational efficiency, revenue growth, strategic differentiation, or brand development.

2. **Identify your targets.** Measure the metrics that matter. Some examples include improving revenue per transaction, reducing call abandonment, growing cross-sell and up-sell revenue, increasing customer satisfaction, and decreasing sales cycle time.

3. **Design for change management and future state processes.** Identify the end users and apply design-thinking principles. Secure executive buy-in and build monetary and non-monetary incentives to drive new behaviors.

4. **Align back to existing CRM processes.** Treat master data management as the brains behind the delivery of data. Take the metrics that matter and align them with CRM processes. Consider the impact of upstream and downstream information supply chain processes.

5. **Optimize master data for the information supply chain.** Leverage the information supply chain to ensure the maximum benefit from existing data. Classification, transformation, mastering, and augmentation of data provide an excellent opportunity to associate new information and create new correlations.

6. **Focus on data quality and collaboration.** Successful projects start with data quality and information governance. Customer data strategies require strong executive buy-in between business and IT. More importantly, business processes must be supported across functional fiefdoms.

7. **Test. Refine. Repeat.** Successful strategies incorporate a process for understanding failure analysis and critical success factors. Apply a life cycle methodology to allow for iterations and modifications that go beyond the usual lessons learned.
The Bottom Line: Treat Information As A Strategic Asset

Organizations have spent the past 20 years collecting customer data. Mismanagement and poor stewardship has led to fractured views of the customer and a data deluge of useless information. Master data management provides a set of tools that can help automate and harness customer information for strategic value. However, executives and business leaders must value their information supply chain as much as they value their physical supply chains in order to change the organizational culture, business processes, and internal prioritization of customer information. Support for good information management practices must come from the top and be executed from the bottom.

Related Research


March 15, 2010 Blog Post: “Monday’s Musings: Avoiding Failure In Social CRM Projects Requires Ecosystem Coordination”


Disclosures

Our client’s trust is important to us. Constellation produces independent and objective research to help buy-side clients.

In addition, Constellation Research provides open and transparent information regarding our financial relationships. With our clients’ permission, we plan to publish a list of our client base on our website in 2011.
Analyst Bios: R “Ray” Wang

Enterprise Strategist and Disruptive Technologies Expert

R "Ray" Wang currently is a Principal Analyst and CEO at Constellation Research Group and the author of the popular enterprise software blog "A Software Insider’s Point of View". He previously was a founding partner and research analyst for enterprise strategy at Altimeter Group. With viewership in the millions of page views a year, his blog provides insight into how disruptive technologies and new business models impact the enterprise. A background in emerging business and technology trends, enterprise apps strategy, technology selection, and contract negotiations enables Ray to provide clients and readers with the bridge between business leadership and technology adoption.

Buyers seek Ray’s research in disruptive technologies and their impact on business processes, business models, and organizational design. Business topics focus on harnessing innovation, creating next-generation business and IT leadership, and applying the new rules of business. Technology topics include SaaS/Cloud solutions, Social CRM, Next Gen ERP and apps, business process transformation, Project Based Solutions, Order Management, Master Data Management, and middleware technologies.

For technology sellers, Ray provides strategic guidance in go-to-market strategies; reviews and designs software licensing, pricing, support, and maintenance policies; delivers competitive assessments; evaluates software partner ecosystems, and researches business processes such as the perfect order and customer experience for the enterprise and SMB markets.

Media Influence

Ray blogs at Forbes CIO Central and for Harvard Business Review. News organizations such as The Wall Street Journal, Bloomberg, Business Week, Fortune, Inc., The Associated Press, CIO Magazine, Information Week, ComputerWorld, Financial Times, eWeek, CRM Magazine, IDG News, ZDNet, TechTarget, and Managing Automation frequently seek his point of view. Ray is an energetic and passionate keynote speaker, and has also been featured on major TV news outlets such as CNBC.

Industry Recognition

In both 2008 and 2009, Ray was recognized by the prestigious Institute of Industry Analyst Relations (IIAR) as the Analyst of the Year, and in 2009 he was recognized as one of the most important analysts for Enterprise, SMB, and Software. In 2009, A Software Insider’s POV was listed in the top 20 of Jonny Bentwood’s Technobabble 2.0 Top Industry Analyst Blogs. In 2010, Ray was listed as one of the Top 5 Analyst Tweeters in Edelman’s TweetLevel Index, recorded as part of the ARInsights Power 100 List Of Industry Analysts, and named one of the top Influential Leaders in the CRM Magazine 2010 Market Awards.
About Constellation Research

We are a next-generation research and advisory firm helping clients deliver impact on emerging and disruptive technologies. Our analysts bring real-world experience, independence and objectivity to our clients.

In a world of fluffy and trendy buzzwords, our clients seek our advice in achieving sustainable and pragmatic innovation. Clients expect our research agendas to span cross-role, cross-functional, and cross-industry points of view.

We serve the needs of buyers and end users who seek insight, guidance and advice in dealing with a dizzying array of disruptive business models and technologies. We provide the bridge between legacy optimization and future innovation. We help sellers understand the buyer’s point-of-view and how to deliver value to their customers.

Our technologies team covers hardware to middleware to software to services. We advise the entire ecosystem of buyers, partners, solution providers, and vendor clients.

We look forward to building a partnership with you. You and your organization’s success is our mission.

Warmest regards,

R “Ray” Wang
Principal Analyst & CEO

Website: www.ConstellationRG.com
Twitter: @ConstellationRG.com
Contact: info@ConstellationRG.com
Sales: sales@ConstellationRG.com