

A REPORT BY HARVARD BUSINESS REVIEW ANALYTIC SERVICES

# Delivering on the Promise of Great Customer Experiences

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# Modern Data Management Is Vital to Delivering Great Customer Experiences

Business executives know that delivering a great customer experience is critical to a company's competitive advantage and bottom-line results. Yet, many organizations lack the modern data and analytics infrastructure needed to better understand and serve their customers and to maximize the value from all of the customer data exploding around us.

Organizations face a complex and growing challenge in establishing the data foundation required to deliver the very best customer experiences. In the age of the connected customer, data sources are no longer limited to in-person transactions, the phone, email, and other traditional channels. They now include the web, social media, mobile apps, and much more.

Customer data changes constantly and grows rapidly, impacting the accuracy of customer and product information and, ultimately, the customer experience. Organizations must manage the increasing volume, velocity, and variety of data, much of which originates outside the enterprise.

What's needed is a comprehensive, modern big data infrastructure, where all types of internal and external data can be aggregated, organized, analyzed, and applied at every customer touch point. That makes it possible to present precise, real-time offers based on an accurate understanding and predictions of customer behavior and ensure that the right products are available at the right time and place.

This unprecedented degree of dynamic personalization requires integrated processes, tools, and high-performance systems, and—this is key—a well-conceived plan for Master Data Management (MDM). MDM solutions are essential because they tie together all kinds of structured and unstructured data to create a 360-degree view of the customer. That way, businesses can deliver targeted promotions and recommendations for up-selling and cross-selling, thereby helping to increase revenue, reduce churn, and increase engagement.

Oracle's MDM product line is the most complete on the market, supporting all data types, including social and mobile, and giving businesses a comprehensive view of customer and other enterprise data. Oracle's MDM products reduce the complexity of maintaining clean, accurate data, so organizations can forge ahead with a trusted, central source of customer information. And, because Oracle's MDM and customer-experience (CX) solutions are tightly integrated, it's much easier to create the consistent, connected, personalized experiences that customers want.

Oracle is pleased to sponsor this white paper from Harvard Business Review Analytic Services. In the era of the empowered customer a well-executed CX strategy has become the primary differentiator and driver of business value. Oracle is committed to helping organizations succeed with their CX initiatives and capitalize on the promise of unsurpassed customer experiences.

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# Delivering on the Promise of Great Customer Experiences

**THE RAPID RISE** in the importance of providing a great customer experience is stunning. A market survey of 1,342 executives in February 2013 by O’Keeffe & Co. found that 93% declared improving customer experience (CX) is one of their top three priorities for the next two years. In addition, 97% stated that great CX is critical to business success and more than nine in ten want to be a CX leader in their industry.

They’re putting their money where their mouth is too. A large number are prepared to invest a significant amount of money to improve. **Figure 1** That makes sense, considering the bottom-line impact of CX: Survey respondents estimated revenue loss for not offering a positive, consistent, brand-relevant customer experience could be as high as 20% of annual revenue, or \$400 million for a \$2 billion firm.

Despite the top priority that companies are placing on improving the customer experience, many still struggle with siloed information systems and processes, which prevent them from delivering great personal experiences to their customers. Of course, siloed data has been a vexing problem for a long time. Companies have struggled to get a complete and accurate view of the customer data in their internal financial applications, inventory and CRM systems, and other data stores.

This issue is becoming even more acute now, as the number of touch points between buyers and sellers continues to rise due to consumers’ ubiquitous reliance on the Internet, mobile devices, and more. Com-

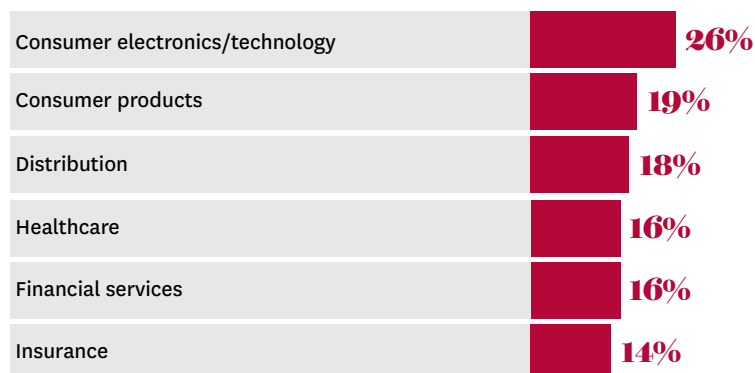
“When you use MDM for up-to-the-second information, you get so much more value.”

Figure 1

## Soaring Customer Experience Spending

What is the estimated increase in customer experience technology spending in the next two years?

Source: “Global Insights on Succeeding in the Customer Experience Era,” O’Keeffe & Co., February 2013  
<http://tinyurl.com/m4h6vj5>



panies now realize that siloed data and systems provide an inadequate view of customers, products, and other data at a time when customer expectations have never been higher. The problems that result when data and systems aren't in sync lead to customer experiences ranging from poor to terrible, as data coming in from multiple channels—in-person transactions, the web, social media, mobile devices, email, and phones—fail to provide complete and accurate information to a company's sales, support, and marketing teams, as well as to the customers themselves.

As companies strive to improve the customer experience, they learn that the crucial foundation for doing so is accurate and complete data about customers: their digital body language, preferences and attitudes, purchase history, order status, and other vital information.

However, achieving that goal is much more challenging than it was just a few years ago, for a number of reasons:

- **Data Explosion.** To understand customers and deliver a personalized experience, companies must collect and analyze massive amounts of data; even more challenging, they must collect and combine a wider variety of data than ever before.
- **Online User Activity.** Around the world, more people are connecting to the Internet every day via mobile devices, further fueling the data explosion. Over the next decade, there will be 5 billion new Internet users around the world, according to the book *The New Digital Age* by Eric Schmidt and Jared Cohen, 2013.
- **New Sources of Data.** Social media, mobile devices, and gamification have prompted companies to look beyond traditional data sources to understand their customers. Every day, innovators come up with ideas that generate new forms of data, providing a competitive advantage to companies that use that information to gain a greater understanding of their customers.
- **Identity Complexity.** When people go to web sites and social networks, they identify themselves in different ways. This variety of identities makes it difficult to get a complete view of the customer and connect social data with enterprise data.
- **Privacy Issues.** To effectively use customer data, companies must deal with complex privacy and preference rules that vary around the world. Understanding how to use customer data is no longer just a compliance or legal concern; it goes to the heart of the relationship a company creates with their customers. Customers welcome the use of their data, but only if it's done appropriately.

## How to Fix the Problems

When companies turn to their IT professionals for help in developing and delivering a great customer experience, there are a growing number of products and services that can help. An important foundation of a CX strategy is Master Data Management (MDM), which involves data integration and other technologies that are used to centralize and cleanse data and create a valuable “master” version of business data.

MDM is often thought of as an IT tool related to business intelligence and analytics implementations. It's actually much more than that. MDM spans IT and the various lines of a business, such as customer service, sales, and finance, providing a comprehensive, complete, and consistent view of customer names and addresses, product names, and inventory and other information. This master view enables companies to gain greater power from their business intelligence and analytics systems, because data is the fuel for those systems. MDM, in a sense, gives companies a higher grade of fuel, because it provides a more detailed and more accurate view of customers.

What’s more, MDM organizes information to avoid confusion over variations in the names or other data about customers, products, or suppliers. This is critical to a “single version of truth” approach that contributes to a great customer experience.

Most companies realize that a prerequisite to improving the customer experience is resolving the problems inherent with myriad systems tracking customers using different names, account numbers, addresses, and other key details. When systems use different product names or common carrier codes, it creates frustration for everyone because complete and accurate information about products and shipments is difficult to achieve. And keep in mind this isn’t just about internal systems. A company must also collect information from external sources such as social networks and integrate that data with its enterprise data. That’s an enormous challenge today, and the kind of challenge MDM is designed to resolve.

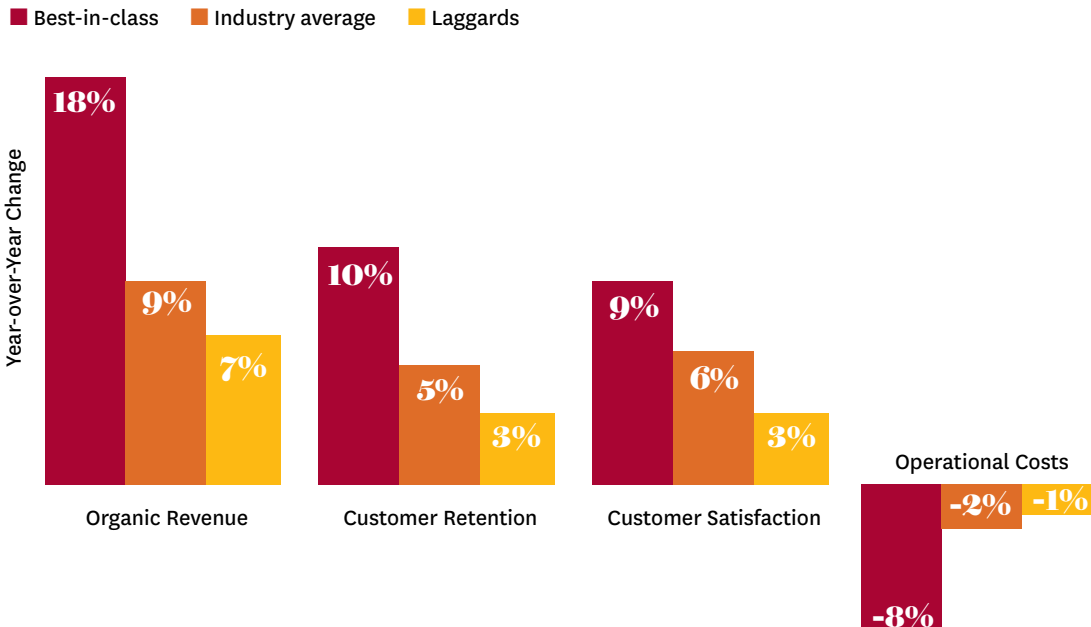
The evidence shows it does just that. An April 2013 study of 122 organizations by the Aberdeen Group found best-in-class MDM leaders enjoy impressive gains compared to the industry average, while MDM laggards suffer from substandard performance in many important metrics. For example, MDM standouts were twice as effective in customer retention as the industry average and three times as good as industry laggards. The marks for customer satisfaction and organic growth showed a similar pattern. [Figure 2](#)

Many companies view the outcomes of MDM implementations as having a direct and positive bottom-line impact. Royal Caribbean Cruises, the Norwegian and American cruise company, in mid-2013 launched a large effort to pull together and clean data from many siloed systems to provide an accurate and 360-degree view of its customers. “This is beyond a priority,” says J.P. Hurtado, director of information technology at the cruise line. “It’s part of a cultural shift to become more customer-centric and allow us to put the customer first and drive a good experience that creates profitability.”

Figure 2

## MDM Leaders Outperform Their Peers

Source: “Master Data Management in 2013: Bridging the Gap to Best-in-Class Performance,” Aberdeen Group, March 2013



## Customer Expectations Rising

Royal Caribbean and other MDM adopters say that they are responding to dramatically higher customer expectations. Today's customers are more knowledgeable, empowered, and difficult to satisfy. If a customer becomes dissatisfied with a company, he knows an alternative is a quick online search away. As choices grow, customers are more demanding and impatient; they expect a relevant, personalized experience every time they interact with a company, and in every channel. When they don't get it, they are quick to switch brands and, worse, broadcast their dissatisfaction on social media.

This puts even more pressure on companies to accelerate the process of getting data in good order. As Hurtado notes, cleaning the data and the silos is crucial.

As striking as the gaps are between MDM leaders and laggards in the Aberdeen survey, the figures may actually *understate* the impact of a poor customer experience. Contrasting the O'Keeffe survey with a survey conducted by Harris Interactive reveals a chasm between executives' assumptions about the impact of poor CX and what customers have reported: 49% of executives indicated customers will switch brands due to poor CX, but 89% of customers said they have switched because of this problem. [Figure 3](#)

Using MDM to improve CX depends on not just having accurate information about customers, but having enough of the right information. Interestingly, customers are willing to provide additional data to trusted suppliers in exchange for a better experience. Ryan Green, Southwest Airlines' director of customer loyalty and partnership marketing, says the relationship with customers is reflected in their attitude about data.


Figure 3

### Executives Underestimate the Risks of Poor Customer Experience

Sources: "Global Insights on Succeeding in the Customer Experience Era," O'Keeffe & Co., February 2013, and "2011 Customer Experience Impact Report: Getting to the Heart of the Consumer and Brand Relationship," Harris Interactive, 2011

<http://goo.gl/CFVto>





“The fact that customers entrust us to move them from point A to point B across the country makes them more willing to give us information,” Green says. “People will give us their cell phone number to update them on flights; they aren’t giving their cell phone number to apparel retailers.”

Since customers are so aware data is being collected on them, they expect the data to be used to provide a more accurate, personalized, and relevant experience. “The typical retailer uses data to make the right offer to the right customer at the right time,” Green says. “We use data in that way to sell more airline seats, but the traveler expects more from us. They want a personalized experience where we provide them contextual information about their destination in advance of their trip.”

One of the earliest lessons the airline learned about the value of MDM for CX was that personalized communications required data to be clean and accurate. For example, the airline mistakenly sent “we haven’t seen you in a while” pitches to customers who had flown only the week before, because the system didn’t discern between duplicate accounts. That issue was remedied long ago, but it clearly demonstrates MDM is not only a “nice-to-have,” but a key element in maintaining the implicit promise Southwest Airlines makes to customers when it collects their data, i.e., it will be used to improve their experience, not bombard them with unwanted solicitations.

“In the world of MDM, quality becomes more important,” says Ray Wang, principal analyst and CEO of Constellation Research. “Information a sales rep changes at a client site is many times more important than older data. Information a customer inputs is gold. That may seem like basic blocking and tackling, but it’s the subtle stuff that makes MDM a success—and makes customers happy.”

## Understanding and Showing Value

The use and benefits of MDM for CX now extend beyond the initial use of cleaning up inconsistent data. Many organizations find MDM helps them determine the value of customer relationships.

Credit Suisse, the Switzerland-based financial services holding company, launched an MDM project about eight years ago aimed at getting a more holistic view of its interactions with customers. Matt Lewisman, director of Credit Suisse Reference Data, says the company could have many different relationships with the same client around the globe and that information was siloed in multiple different databases. “Without an MDM approach, any consolidation effort would be extremely difficult,” he says. “We couldn’t easily understand how valuable a client is to the franchise.”

In a services-oriented industry, that view was key to determining such things as how to allocate the limited time analysts have to work with clients or how to allot the limited number of seats for educational conferences. As William Szilasi, Credit Suisse IT director, notes: “The MDM project allows us to have a better understanding of our relationship with clients, so we can know where to better target our resources.”

Credit Suisse’s MDM system enables them to monitor each customer relationship over time, so mid-course corrections can be made in resource allocations. “Only with an MDM infrastructure can we understand the lineage of our client relationships,” Lewisman explains. “For example, we could have a client who we assumed should receive a smaller service offering; however, when we consolidate all the client relationships together, by leveraging the MDM platform, this enables us to value and offer the client a larger service offering. We can easily ascertain they are a high-profile client, and we can further initiate discussions on further increasing their activity.”

Having that information collected in one place also allows Credit Suisse to clearly explain everything they are doing for a customer, which has tangible, bottom-line benefits.

“Many of our clients use a formal ranking process, which takes all that information into account,” Szilasi recalls. One year, Credit Suisse ranked eighth among institutions one particular client did business with. However, when Credit Suisse pulled together all the information about the services it provided, its ranking improved to third. That resulted in a significant increase in commissions from the client, since it partially allocated business based on the rankings. “An important thing to stress is we received a significant amount of new business without changing anything we did for them,” adds Szilasi. “The new revenues came from simply having the data to explain what we were already doing for them.”

Royal Caribbean might know, for example, that a particular travel agency brings in millions of dollars in revenues. However, the MDM effort will let the cruise company take that to the next level and identify premium agencies that are bringing in high-value guests that index higher on total spend. “We will be able to discern volume of bookings from value of bookings, which helps us understand which travel agencies are most valuable and where we should focus our attention,” Hurtado says.

As Credit Suisse and others noted, MDM solves the global business problem of resolving inconsistencies among a dozen or more siloed applications and data. And most organizations have begun deploying an MDM solution across the enterprise. A recent survey by the analyst firm The Information Difference of 130 organizations worldwide, most of which have more than \$1 billion in revenues, indicated a siloed approach to data no longer meets their needs. Only 9% of the MDM implementations were restricted to a single line of business or department. Almost six of ten implementations were enterprise-wide, demonstrating that the technology was moving beyond pilots. [Figure 4](#)

Other companies at the forefront of MDM are finding numerous revenue-enhancement benefits from eliminating the problems described above. “We can now piece together different parts of the experience,” says Green of Southwest Airlines. “If a customer who has flown with us before is shopping on the web site, we can piece together a more relevant offer based on actual behavior.”

Figure 4

## Majority Adopting Enterprise-wide MDM

Source: “MDM Market Research Survey 2012,” The Information Difference Company, July 2012

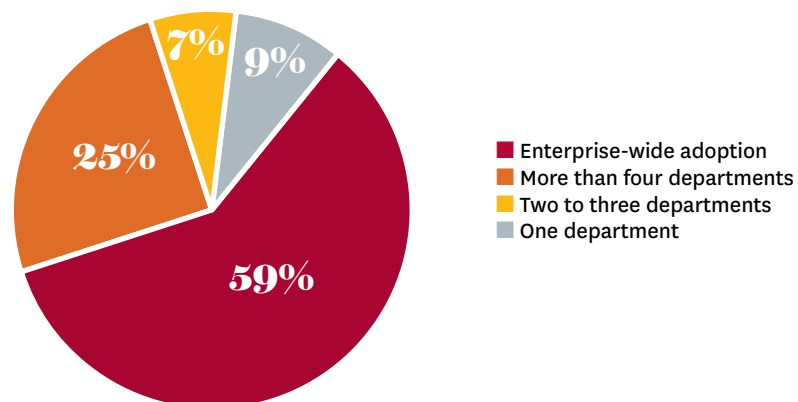


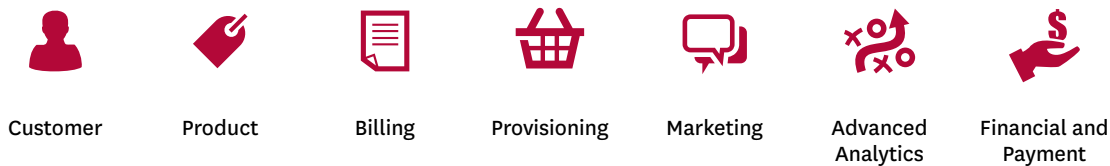


Figure 5

## MDM Synthesizes Information from 15 T-Mobile Enterprise Systems

A sampler of its systems using MDM

Source: T-Mobile



For example, Southwest might use its own data to determine the customer frequently flies to Phoenix, then purchase supplemental data to discover other information, such as the customer is a golfer. With MDM, the airline can combine internal and external information to make an offer on a golf vacation in Scottsdale. “By using third-party information, we can get a more well-rounded profile,” Green says. “You need to purchase some of these transactional data to find out how they spend their time, if they have children, if they are retired, which are all key things in the kind of travel experience they desire.”

In this fast-paced world, MDM also allows companies to respond to customer demand for speed. T-Mobile, the telecommunications giant, has many different service offerings, such as prepaid, post-paid, and Wi-Fi. Information on its customers and their data use of each service were in separate systems. T-Mobile is engaged in an MDM project to pull together information from 15 previously siloed systems. [Figure 5](#) The project combines operational and transactional data, which frontline personnel, such as sales reps, will be able to access in real time.

“When a customer rejects a service offer, we can store that in one central place,” says Kelly Mosher, senior manager, EIT, Customer Systems Development at T-Mobile US Inc. “The sales reps will have a better context so they can offer customers the most relevant offer instead of the same offer to the customer who rejected it yesterday.”

A customer rep will also be able to see a central view of customer activities, say, if a customer had multiple support inquiries across several of his accounts—something that was impossible to know before—so the rep can handle the situation differently. “A lot of MDM projects aren’t focused on supporting frontline applications in real time—they’re more focused on keeping the Golden Record,” Mosher says. “But when you use MDM for a 360-degree customer view with up-to-the-second information, you get so much more value.”

### More Intelligent Conversations

The information MDM provides enables organizations to have deeper interactions with customers, which can quickly turn to incremental cash. When a customer calls Royal Caribbean, the agent might see the customer is trying to book a lower-quality suite than on their previous trip. The agent can access the customer’s records and note he gave high marks to the kind of suite he used on his last trip, resulting in a \$5,000 upsell.

“We can drive a smarter conversation,” Hurtado says. “If we didn’t have that information, we wouldn’t be able to home in on those preferences, and they might have gone with a lower-revenue ocean view on another deck.”

The ability to exploit accurate and complete customer data has had far-reaching effects at Royal Caribbean. “We are switching from reactive to proactive,” Hurtado says. “And that also requires us to rethink the metrics by which we evaluate people. Call centers are traditionally measured on average handle time. It’s all about efficiency, and they can’t allow the conversation to drag. But if the conversation changes, and agents are able to dive into the information and have a deeper conversation, that might increase the handle time.”

## Far-Reaching Ramifications

The beneficial effects of MDM can ripple to every part of an organization. More than 70 million people use Sony PlayStation, and those players have generated about 1.8 billion records on a wide variety of customer activities, including help desk calls, warranty use, online and disc-based game play, and “trophies” received for game play.

“We are collecting data in all areas, but that data wasn’t always put in the right hands at the right time,” explains Sree Vaidyanathan, director of business applications for Sony.

For example, a player might call the contact center because they are stuck in a game. By centralizing information, Sony is able to handle calls more quickly—the average call duration dropped significantly. In addition to leaving customers more satisfied, because they can return to playing quicker, the reduction in manpower costs is significant.

Not surprisingly for an online gaming company, Sony is using MDM to boost its online presence. In the O’Keeffe & Co. study, 81% of executives agreed social media is critical for success, yet 35% don’t support social media for sales or service.

Sony, which has 20 million fans on Facebook, is looking to use its consolidated data stores to deepen customer relationships. “When you congratulate someone on Facebook for being a top champion, jaws drop, and we can only do that because we are connecting information on who people are with their gaming information,” Vaidyanathan says. “We have tons of online followers, and MDM gives us the opportunity to connect with them, go viral, and build the brand.”

As a manufacturer that is administering the games online for customers, Sony also is depending on data being collected in MDM to provide necessary insights on their gaming behavior, which in turn can be used for effective online offerings. “There is a shift from traditional brick-and-mortar to online sales, and we want to be part of that transformation,” adds Vaidyanathan.

The MDM effort enabled effective targeted campaigning by marrying data from retailers and distributors along with end user information to increase market and customer trends and refine offerings as well. That resulted in “huge” cost savings and additional sales. They can immediately determine if a campaign for one product is cannibalizing sales of another and shift accordingly. By linking this information together, Sony has also been able to predict demand in different parts of the country, reducing supply chain costs by a large amount. “We are sitting on a gold mine of data,” Vaidyanathan says.



## Conclusion

Properly implemented Master Data Management improves the quality and quantity of data so the right decision maker, clerical staff member, or even delivery van operator has access to the right information at the right time and can therefore provide a great customer experience.

“Our agents tell us they are having more intelligent conversations, and customers are using a different tone,” Hurtado says. “Before, customers would say, ‘You should have known this about me. Why do you have to transfer me to another department?’ We no longer have to transfer them to find out the information, and they like that we know more about them.”

Companies at the forefront of the MDM movement are enjoying many important benefits. They are becoming preferred vendors and boosting customer retention. They are experiencing one-call resolution in their contact centers and streamlining their supply chains. They are seeing early warning signs of issues, so they can change strategies on the fly. But most of all, they are seeing how customers may have received an inconsistent experience in the past and understanding how changes in process, culture, and technology can rapidly turn a red flag into revenue and profitability gains.

“When you look at the companies that implement MDM, all the metrics improve—the average deal size goes up, profit per channel goes up, customer satisfaction goes up,” Wang says. “The exact percentage varies depending on the industry, but the upward trend is consistent across the board.”



# Notes



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