The Benefits of Customer MDM for Retail Loyalty Programs

By George Scarlatis

It can be fairly argued that there are two types of people in this world — those who love to exercise their purchasing power ("I'll take one in every color!"), and all the rest, who are "Just looking, thanks." The rapidly growing field of behavioral economics is built around the psychology of what influences people's buying decisions, in particular the factors that successfully persuade the more tentative shoppers among us to part with our hard-earned money.

One of the most successful psychological strategies to date is commonly known as the retail loyalty program. The concept of sellers encouraging continued patronage by their customers has been around for ages, going back to the days when a farmer would give his best customers an apple or extra tomato when they made their purchases to encourage them to come back to that stand or market. The current scenario typically involves a "points" system, in which a retailer offers customers an opportunity to amass points earned from current purchases and then redeem them on future purchases at their store. This method allows retailers to gather and analyze valuable data on customer purchases, patterns and preferences, leveraging their loyalty programs to continually encourage customer loyalty and grow market share.

What makes an effective Loyalty Program?

Description: http://cdn.information-management.com/media/newspics/shopping-people204x195.jpgCustomer master data management is one of the most effective means by which retailers can build a lasting relationship with their customers. Customer MDM provides access to the data businesses need to identify their most loyal and profitable customers, and allows them to make informed decisions that are better targeted to customers' buying preferences. In the past, loyalty programs were viewed as a reward to thank customers for their continued loyalty. In reality, however, loyalty programs are not really about rewarding the customer. These programs are all about the retailer collecting and accurately analyzing valuable data to identify the behavior patterns of its best customers, and

then replicating that pattern across larger sections of its core customer base. The objectives of any effective loyalty program should always include the following strategies:

- Retain your most profitable ("best") customers and identify their buying characteristics.
- Attain new customers who show the same characteristics of your "best" customers.
- Identify gaps or opportunities to convert the "good" customers into "best" customers.
- Reconnect with the "browsers," those lapsed customers who haven't purchased for a period of time.

The big question for most retailers is, "How do I identify a single customer across all my channels and systems to take advantage of the data I currently have and identify my best customer?" The answer is an integrated customer master data solution that is fed by various input sources and is integrated with the data warehouse, loyalty and campaign management systems.

How Can Retail Enterprises Improve Their Customer Data Management Systems?

Cultivating the customer information a retailer needs to identify "best" customers is challenging. The data often resides across multiple systems and is prone to duplication, creating problems in generating complete, accurate and up-to-date views of its customers. Customer MDM solutions solve this problem by offering the retailer a single version of the truth for any customer, by implementing rules and processes to merge information from sales, marketing, customer service and operational systems. MDM enables the tracking of key attributes and resolution of data conflicts between back-end systems — this provides the retailer with a single source of truth for every customer. Key attributes of a solid customer MDM solution include:

- A view of a single "golden record" for each customer, eliminating duplicates;
- Customer profile information, including communication preferences, products owned, preferred retail channels and household relationships to other customers;
- Enhanced data elements to further identify key characteristics of a given retailer's "best" customers.

Customer MDM is essential in bringing the information into a single, centralized source and bridging the information gap that exists with many multichannel retailers. Once this information is aggregated and validated, it becomes available for consumption by downstream systems to establish marketing strategies and execute marketing campaigns.

Do You Know Where Your Data Is?

As the name suggests, the key to a customer master data solution is the customer data that's available. Once a retailer decides to undertake a customer MDM implementation, the MDM process will most likely include the following steps.

Identify all the available customer data sources.

Many times as organizations go through this process, they identify data sources that IT didn't even know existed in the first place. Organizations may also be unaware of another key source of new data that may be processed and/or maintained by a third party vendor. In many instances, vendors have additional data that an organization may have not requested access to in the past — it's important to gain access to all of this pertinent information.

Identify data producers and consumers.

Identify the systems that create or capture the data and any customer update processes that need to filter it back to them. Identify the systems that will consume the customer data in the future.

Create your master data metadata.

Identify the attributes and entities needed for customer MDM.

Choose an MDM toolset solution.

Enterprises have the option to build their own custom tools, but many tools that can create, transform, cleanse, merge and maintain the master data already exist for purchasers.

Find data SMEs and appoint data stewards.

Identify people in the organization who understand the data from the various input sources. They should know not just the data elements themselves, but also how the data is currently used in any downstream systems. Preferably, they should also know something about the sourcing systems and any transformations currently being executed.

Define and implement a data governance process/team.

The DG team must have the authority and knowledge to make critical decisions on how the master data is maintained, how changes to that data are tracked, and what the data contains. If the DG team cannot resolve future disagreements in a timely and effective manner, the project will suffer delays and could eventually fail.

Create and design the infrastructure.

In addition to building the MDM infrastructure, organizations will also need to design how this data will be accessed from existing systems within its environment.

Modify the consuming systems to accept the MDM data.

Retailers may need to modify existing systems that will ultimately consume the customer master data. Depending on the number of systems consuming this data, this may be a large and complex undertaking, requiring a great amount of regression testing and validation.

Implement a customer MDM maintenance process.

Ensure tools and processes are available for the data stewards to maintain and manage the data.

Training.

Ensure training plans are in place for the data stewards to use their new tools, as well as the maintenance teams who support the customer MDM.

While a customer MDM solution does involve technology, it's the corresponding changes to the business processes and procedures that matter most. These changes will ensure that a retailer's master data is 1) maintained accurately and 2) will provide the necessary insight a business needs to make shrewder marketing decisions that only the single version of the truth can provide. And, truth be told, retail loyalty programs help make it more psychologically palatable for more reticent consumers to let go of our shopping skepticism and relax those budgetary reins a bit. "I'll take one in every color!"

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