Choose Between Customer Data Platforms and MDM Solutions for 360-Degree Customer Insights

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Initiatives: Data Management Solutions

Customer data platforms and master data management solutions both enable "360-degree" customer insights, but are optimized for different uses. Data and analytics leaders must evaluate the expected use cases and desired business outcomes of both.

Overview

Key Challenges

- Hype about customer data platforms (CDPs) as a panacea for customer-related problems is liable to confuse data and analytics leaders seeking to understand how CDPs compare with master data management (MDM) solutions for enabling 360-degree customer (C360) insights.

- Differing opinions about the trustworthiness and completeness of customer data within organizations make it difficult for data and analytics leaders to agree on requirements for C360 insights.

- Organizations that fail to understand their use cases, desired business outcomes and customer data governance requirements have difficulty choosing between CDPs and MDM solutions, because of overlapping capabilities.

Recommendations

Data and analytics leaders evaluating data management solutions — specifically the use of MDM and CDP technology to provide C360 insights — must:

- Take an outcome-centric approach to the definition of requirements by quantifying how customer data is expected to improve the customer experience (CX) and deliver business benefit.

- Require vendors to demonstrate how their solutions support each use case by providing customer references and meeting specific product demonstration and proof of concept (POC) acceptance criteria.

- Strike the optimal balance between the two vectors of C360 complexity, namely the required scope of customer data and the governance needed to fulfill a request for C360 insight. Requirements may justify the use of both a CDP and an MDM solution.

Introduction

Organizations need C360 insights for two mission-critical priorities: optimization of the CX and digital transformation. Over half (56%) of the respondents to the 2018 Gartner CRM Applications Survey said that MDM of customer data will be very important for their CRM/CX projects by 2020. [1] The same survey showed that 50% are using digital analytics or marketing analytics in their CRM/CX projects.

CDPs are marketing-managed tools designed for the creation, segmentation and activation of customer profiles. They are experiencing rapid growth and marketed as solutions to deliver C360 insights. Almost three-quarters (72%) of the respondents to another 2019 Gartner survey said they had fully deployed or were in the process of deploying a CDP. [2] These platforms have less governance functionality than MDM solutions and tend to focus on delivering a complete view through the amalgamation of data generated by digital customer interactions.

MDM solutions are more mature technology that also enable C360 insights by creating and managing a central, persisted system or index of record for master customer records. They enable governance and management of the core data that uniquely identifies one customer as distinct from another. They were built to support enterprisewide sources and applications of customer data.

Data and analytics leaders evaluating CDPs and MDM solutions for C360 insights who fail to understand their business requirements and the capabilities of these offerings risk selecting the wrong technology and the failure of their projects. How can they ensure they select the right technology for their requirements? They should take the best-practice approach described in this report. It focuses on developing a deep understanding of user requirements and expected business benefits, and on validating vendors' capabilities with structured product demos and POCs.

Analysis

CDPs and MDM Solutions Compared

CDPs are on the downward slope of the Peak of Inflated Expectations on Gartner's "Hype Cycle for Digital Marketing and Advertising, 2019." They are widely available, popular and the subject of growing interest — the number of inquiries received by Gartner from clients interested in CDPs rose by nearly 70% from 4Q17 to 3Q19. Gartner's "Market Guide for Customer Data Platforms for Marketing" tracks over 80 vendors that refer to their solutions as CDPs. Over 125 vendors were mentioned in connection with Gartner client inquiries about CDPs over the past year.

The abundance of solutions identified as CDPs, many including features that overlap with at least 10 adjacent technologies, is confusing the market about the nature of CDPs and their benefits. [3] In a recent Gartner survey, 51% of the respondents with a fully deployed CDP, when asked about the main way in which their CDP services their organization, stated that their CDP was their CRM system. [4] Confusion is also apparent when comparing MDM solutions with CDPs, with the websites of CDP vendors promoting MDM features by using terms like "golden record," "matching

and merging" and "a single source of customer data truth." [5] Data and analytics leaders who fail to read the fine print of CDP marketing materials could easily conclude that the capabilities required to deliver C360 insights are interchangeable between CDPs and MDM solutions.

Demand from marketers for the data quality capabilities of CDPs arises from a heightened focus on analytics, coupled with increasing frustration about the amount of time wasted integrating and formatting customer data. [6] The need for the capabilities of CDPs is so acute that these products were recently identified as the technology least likely to have spending postponed during an economic downturn. [7]

To fulfill Gartner's definition of a CDP, a product must feature a marketer-managed, web-based interface that enables data collection, profile unification, segmentation and activation. For more details about CDPs, see Figure 1 and "Use Customer Data Management Technologies to Deliver Better Customer Experiences."

Figure 1. Features of Customer Data Platforms
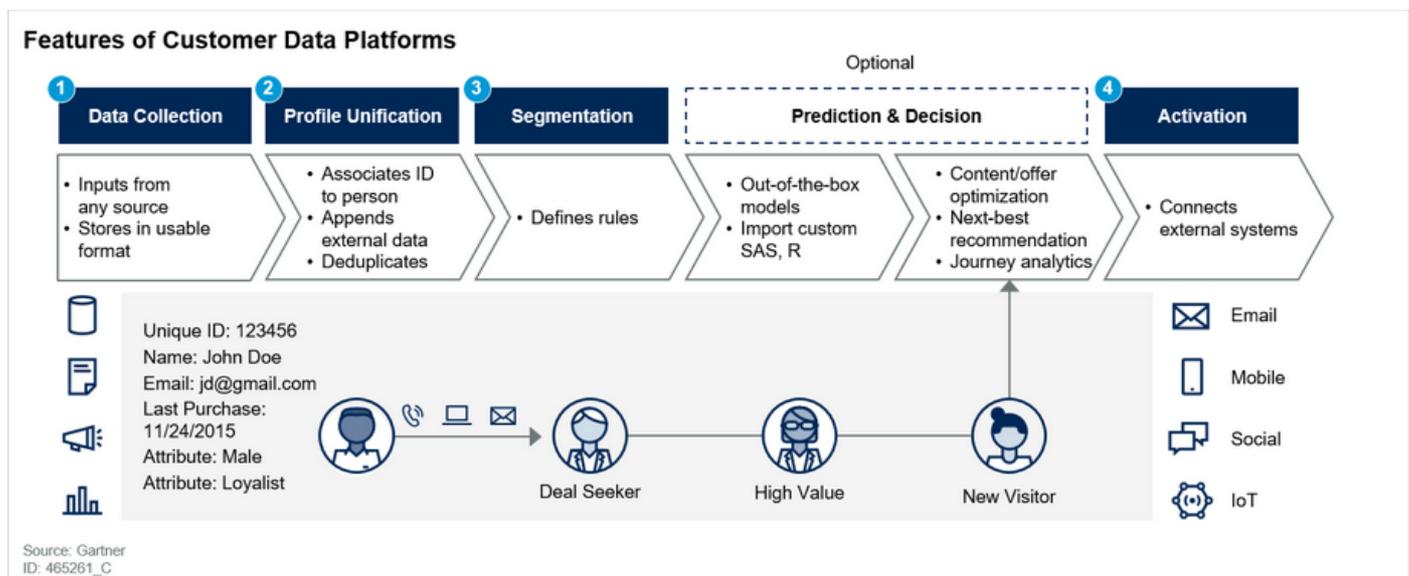
MDM solutions, which are approaching the Slope of Enlightenment in "Hype Cycle for Data Management," are more technologically mature than CDPs, and have well-documented capabilities and benefits. [8] Whereas CDPs support marketing-centric use cases, MDM solutions use superior data integration capabilities to create single customer views using customer data from a wider variety of internal systems, including ERP, manufacturing and fulfillment systems (among many others). The integrations are often "native," an MDM solution being provided by the same vendor as the downstream operational systems.
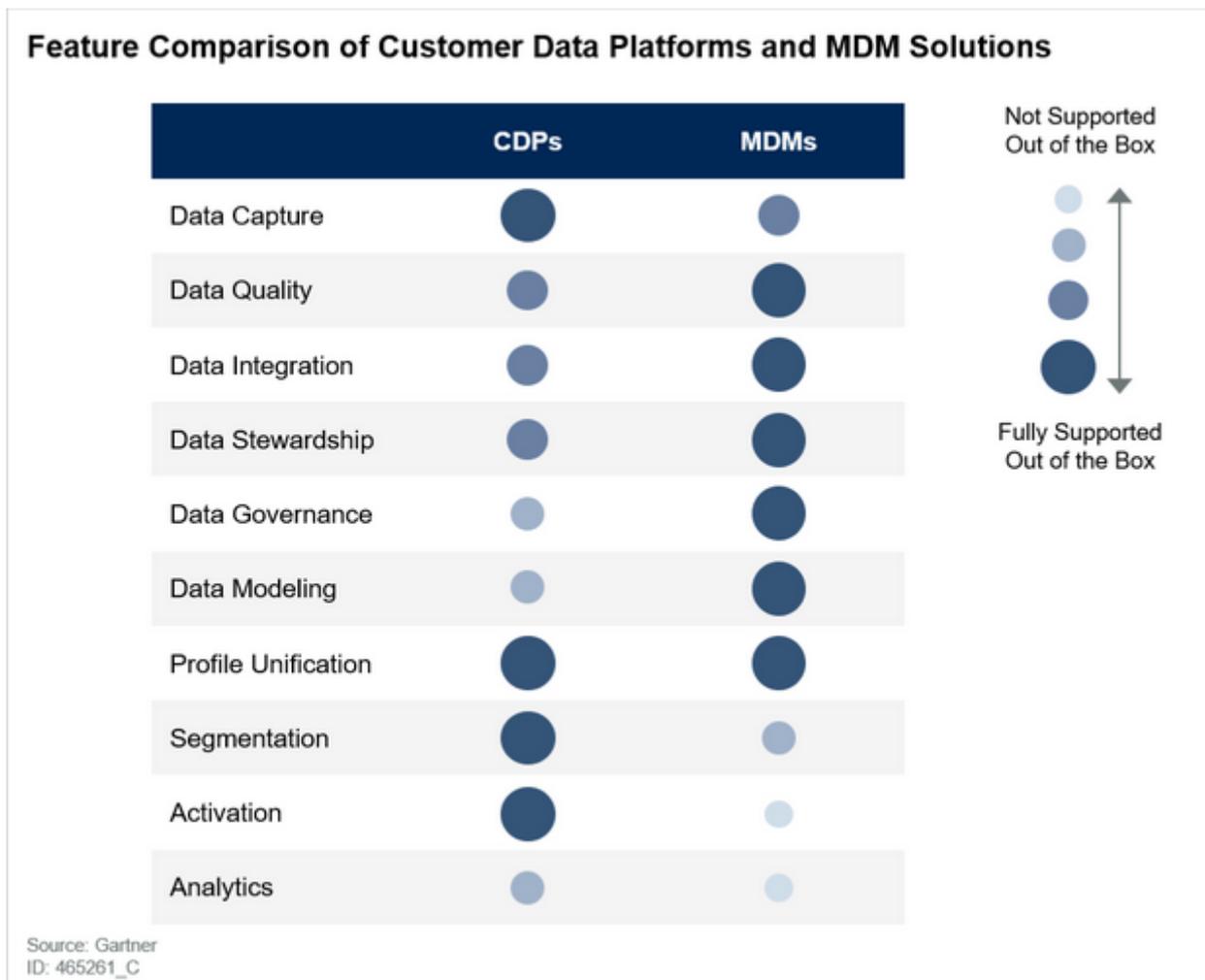
Whereas CDPs accumulate data to answer business questions about customers, MDM solutions aggregate customer data to determine a single view of customers. They also seek to ensure consistency of customer data across all applications and data stores in an enterprise, including CDPs.

Another defining feature of MDM solutions is their support for a variety of data governance and data quality policies, which can vary, depending on the source and use of customer data. The combination of integrated workflow capabilities and the ability to apply different governance rules to customer data for the creation or management of master records allows for greater flexibility in the use of that data. It enables, for example, users of a marketing system to view insights that may differ from those seen by users of a different application. This is an advantage of MDM solutions.

A final difference between these systems relates to complex customer data modeling. MDM systems are designed to model hierarchical relationships within and across customer entities, particularly in the business-to-business (B2B) realm. Understanding how business customers relate to each other through multiple types of relationships (customer, supplier, vendor, partner) is a critical capability of MDM systems. For example, MDM systems are well suited to the task of determining, for B2B companies, whether customers are themselves vendors, thus giving insight into the "balance of trade."

Figure 2 compares the features of CDPs and MDM solutions.

Figure 2. Feature Comparison of Customer Data Platforms and MDM Solutions

Feature Comparison of Customer Data Platforms and MDM Solutions

	CDPs	MDMs
Data Capture	●	●
Data Quality	●	●
Data Integration	●	●
Data Stewardship	●	●
Data Governance	●	●
Data Modeling	●	●
Profile Unification	●	●
Segmentation	●	●
Activation	●	●
Analytics	●	●

Not Supported Out of the Box

Fully Supported Out of the Box

Source: Gartner
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Gartner recommends that data and analytics leaders fully understand the capabilities and uses of CDPs and MDM solutions, especially their:

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- Data governance, stewardship and modeling capabilities.

- Capabilities for loading and syndicating customer data for sources or destinations beyond the marketing realm.

Define Users' C360 Requirements and Use Cases

A C360 view aggregates customer data in order to answer questions about the nature of one or more customer interactions.

Gartner's Definition of a 360-Degree Customer (C360) View

A 360-degree view of customers is made possible by a consolidated, integrated and exhaustive set of data relevant to a company's relationship with its customers. That dataset may need to include relevant information about customers' profiles, transactions, preferences and relationships with other suppliers. Companies typically seek to build such a view to improve, more effectively or efficiently, their CX, retention, wallet share or sales.

The data required for such a view typically resides on an array of internal and external applications and platforms, each storing customer data with differing degrees of trust and governance. It may have different identifiers, formatting and levels of quality, and may exist over prolonged periods. Consequently, successful deployment of technology to deliver C360 insight requires data and analytics leaders to enable:

1. Accurate association of transactional data with the correct customer(s)

2. Aggregation of enough customer data appropriate to a given use case

The first capability requires what MDM software vendors often call "entity resolution" and CDP vendors "profile unification." Whichever label is used, the outcome is the same: the creation of a single version of a customer record, with which data that describes the customer (relating to transactions, behaviors, attributes, devices and so on) can be aggregated. Generating a 360-degree view of every conceivable customer interaction or attribute is impossible, but the concept of "C360" is widely used and the term has been part of the business lexicon for well over a decade.

Confusion about the meaning of "C360" arises when IT leaders do not understand the desired scope of a stakeholder request, as C360 views exist across a multitude of use cases and customer interactions. This means that two users asking for "a C360" could require different outputs. The confusion is exacerbated when stakeholders have different definitions or quality expectations for the same customer record. Differing uses of C360 insights and different requirements for data quality define the two vectors of C360 complexity:

- **The scope of customer data required**: This ranges from a limited scope focused on digital interactions primarily within the marketing realm to a broader scope requiring customer data from a wide variety of sources outside marketing-controlled systems.

- **The data governance capabilities and maturity required**: This ranges from basic profile unification and entity resolution to flexible, use-case-specific business rules for multidomain data quality and governance.

Take an Outcome-Centric Approach to Defining Requirements

Striking the optimal balance between the vectors of C360 complexity requires data and analytics leaders to take an outcome-centric approach to defining C360 requirements. This, in turn, requires knowledge of how C360 insights will be used to deliver business value — via improved analytics, operational efficiencies, risk reduction or some combination of these. Gartner's research indicates that two-thirds of marketing technology teams' evaluation, selection and purchasing decisions are made after collaboration between IT and marketing. It is through this interaction that data and analytics leaders must quantify the intended business outcomes of C360 requests. Gartner's Business Value Pyramid and Business Value Model are powerful tools that data and analytics leaders can use to quantify the expected business outcomes of a C360 investment (see "Use Gartner's Value Pyramid to Connect Data and Analytics to Business Value" and "The Gartner Digital Business Value Model: A Framework for Measuring Business Performance").

Collaborations on C360 requirements are more effective when data and analytics leaders ensure all team members are familiar with the differences between the marketing and IT lexicons. Confusion between terms such as "profile unification" and "entity resolution," and even about the definition of a "360-degree view," can be mitigated by fostering deep knowledge of marketing users, workflows and tools. Gartner's "Effective Communications: Stakeholder Analysis" describes additional methods that data and analytics leaders can use to bridge communications gaps between users requesting C360 insights.

Differences in users' expectations for customer data quality can be resolved by using a data governance framework, such as that described in Gartner's "7 Must-Have Foundations for Modern Data and Analytics Governance." For companies with low overall data governance maturity, the need to understand differences in data quality requirements creates an additional layer of complexity that data and analytics leaders must account for during the process of defining requirements.

Gartner recommends applying this outcome-centric approach to the definition of C360 requirements before any detailed engagement with vendors. This will help data and analytics leaders avoid vendors' hype and maintain focus on desired end-user outcomes when providing vendors with evaluation/acceptance criteria for RFPs and POCs. We recommend using Gartner's "RFP Template for Master Data Management Solutions" to help shortlist vendors, and "Toolkit:

to identify the vendor(s) best suited to deliver your desired outcomes.

When to Select a CDP or an MDM Solution — or Both

When the scope of data needed extends beyond the marketing realm — for example, to data from customer service and support, commerce, ERP, fulfillment or other systems managed primarily by the IT organization — an MDM solution is typically the better choice. This is particularly true where a C360 requirement also demands consolidated views of other enterprise domains, such as "contract" and "product." If a company lacks a single product view, but a C360 request requires data to be consolidated across data domains, an MDM platform is the better fit.

CDPs are more suited to supporting C360 requirements when the scope of data on customer interactions is limited to marketing-centric systems or exclusively within the digital domain. They are also a good choice when creating C360 views that do not align well with customer definitions outside the realm of marketing. This includes customer views such as a "persona," "role" and "segment," where the views required are aggregations based on customer attributes governed at a marketing application level, not as master enterprisewide attributes.

Figure 3 offers a guide to whether to choose a CDP, an MDM solution or — as discussed below — both.

Figure 3. Guide to Choosing a Customer Data Platform, an MDM Solution or Both

Choosing Between a Customer Data Platform and an MDM Solution

Source: Gartner
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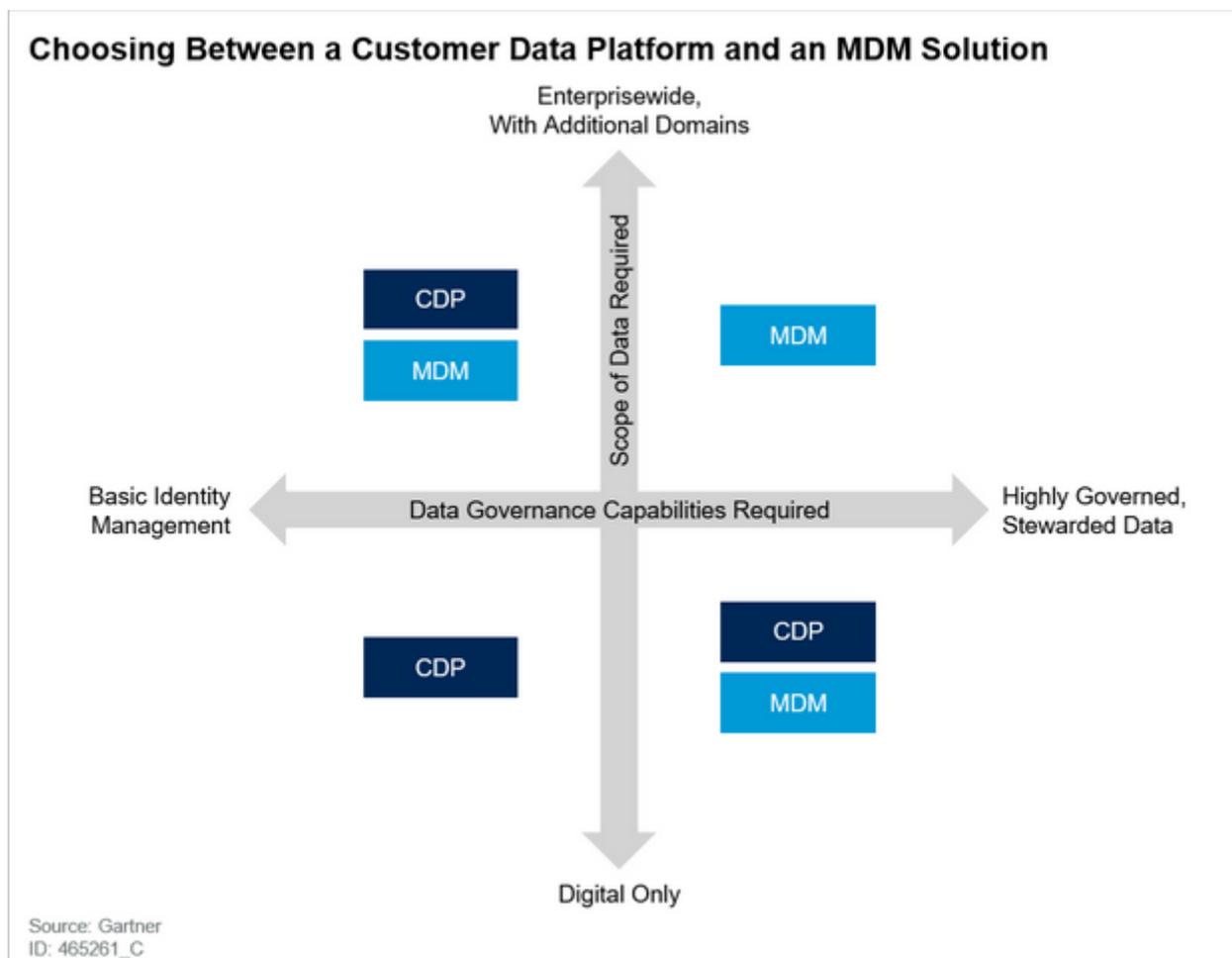
After taking an outcome-based approach to the definition of requirements and developing a thorough understanding of vendors' capabilities, data and analytics leaders may find that adopting both a CDP and an MDM solution is justified. This is often the case when C360 requirements are coupled with requirements for improved marketing campaign automation, predictive analytics and recommendations. The same is often true when a company has an incumbent MDM platform in which data for customer and other domains (product, asset, material) is already being mastered. The use of both technologies can provide a best-of-breed solution that accentuates the strengths of each technology and provides a great degree of future-proofing, should users' requirements expand (see Figure 4).

Figure 4. CDP and MDM Working Together to Deliver 360-Degree Customer Reporting

Source: Gartner
ID: 465261_C
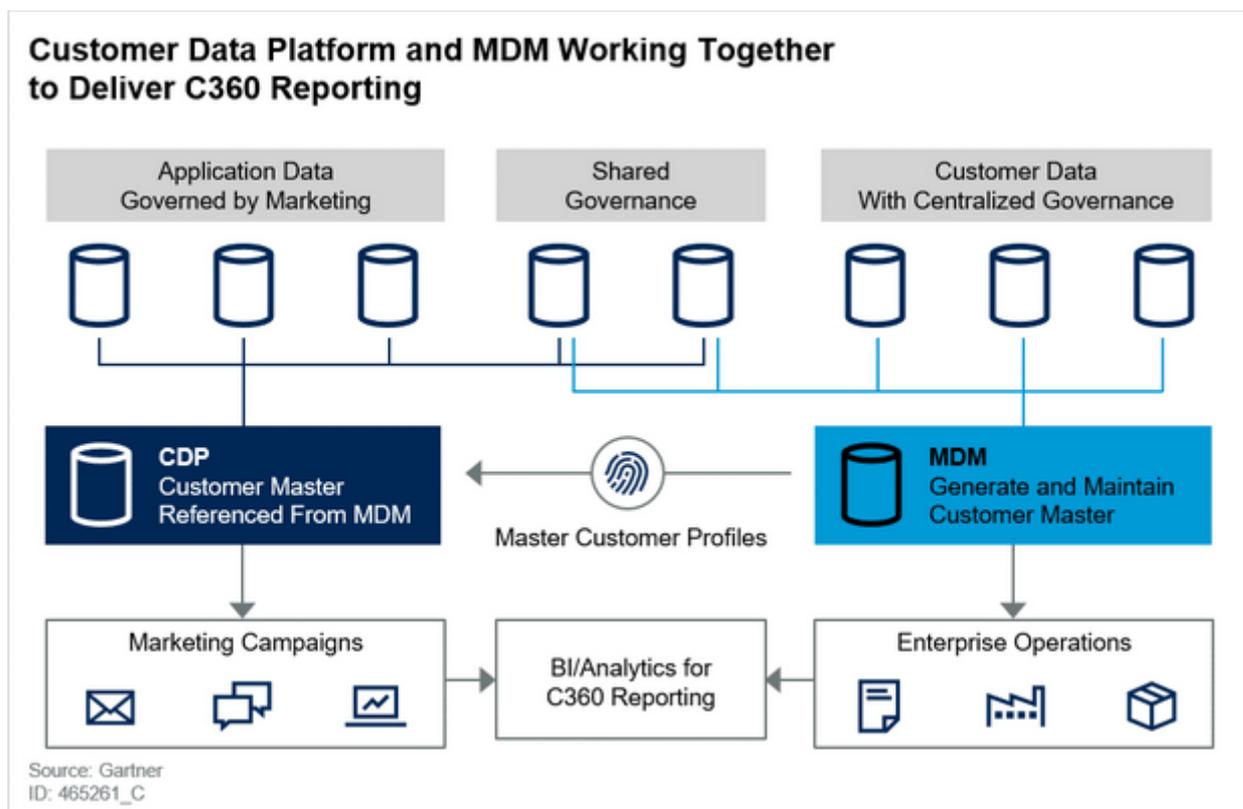
When both a CDP and an MDM solution are required to support a C360 request, Gartner recommends using the outcome-centric approach to identify potential opportunities to phase the deployment of each solution and understand any required governance dependencies. Gartner's Marketing Analytics Model and MDM Maturity Model are powerful tools to use when creating roadmaps to achieve C360 goals (see "Maturity Model for Marketing Analytics" and "Create a Master Data Roadmap With Gartner's MDM Maturity Model").

Evidence

[1] Gartner CRM Applications Survey:

- This survey was conducted online from 12 March through 24 March 2018 among Gartner Research Circle members — a Gartner-managed panel of IT or IT-business professionals — and

an external sample.

- In total, 205 respondents, from organizations using, piloting or planning to implement CRM applications by the end of 2019, participated (104 Research Circle members and 101 respondents from the external sample).

- Qualified participants included business end users with an IT or IT-business focus to their primary role.

- The survey was developed by a team of Gartner analysts, and was reviewed, tested and administered by Gartner's Research Data and Analytics team.

[2] See "Marketing Technology Survey 2019: Marketers Boost Martech Efficacy Through Disciplined Planning and Collaboration With IT."

[3] See "A Marketer's Guide to What Is — and Isn't — a Customer Data Platform."

[4] See "Survey Analysis: Distilling Marketer Adoption, Views and Misperceptions of Customer Data Platforms."

[5] RedPoint Global: "The customer data platform provides a set of advanced data quality and matching processes to create a *golden record*."

BlueVenn: "A single customer view is the process of collecting data from disparate offline and online sources, then *matching and merging* to form a single, accurate, record for each customer."

BlueConic: "… by building *a single source of customer data truth*."

[6] See "Marketing Data and Analytics Survey 2018: Messy Data and Mismatched Resources Undermine Marketing Teams." Eighty-one percent of the surveyed marketing leaders said their decisions would be data-driven by 2020. Seventy-six percent of those leaders said their decisions already are.

[7] Gartner Marketing Technology Survey, 2019.

[8] See "Critical Capabilities for Master Data Management Solutions."

Recommended by the Authors

Market Guide for Customer Data Platforms for Marketing

Critical Capabilities for Master Data Management Solutions

Use Customer Data Management Technologies to Deliver Better Customer Experiences

What Marketers Need to Know About Customer Data

MDM Is Critical to Maximizing CRM and Customer Experience

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What Marketers Need to Know About Managing Identity

Smart Hubs and Dumb Spokes — A New Approach to Multichannel Marketing

A Marketer's Guide to What Is — and Isn't — a Customer Data Platform

Formalize Marketing Technology Sourcing, Procurement and Vendor Management to Ensure Business Value

What Multichannel Marketers Need From Customer Data Platforms

Recommended For You

Magic Quadrant for Master Data Management Solutions

Critical Capabilities for Master Data Management Solutions

Magic Quadrant for Data Quality Solutions

Critical Capabilities for Data Quality Solutions

Gartner Peer Insights 'Voice of the Customer': Master Data Management Solutions