

Master Data Management - Business Case for Banking Industry



Applies to:

SAP MDM

Summary

This article presents the problems faced in banking industry with respect to master data and how SAP MDM can help them to overcome those challenges to run their business processes seamlessly across their landscape and portfolio.

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Author Bio



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Introduction

The key asset of financial organizations is the data collected from various banking systems. As this data is generally scattered across various business units, many enterprises want a single Unified view of the scattered data for better functional, operational and analytical capabilities. Master Data Management is the approach of assisting enterprises to attain a competitive advantage by understanding their core business entities through a single integrated view of master data across various business processes.

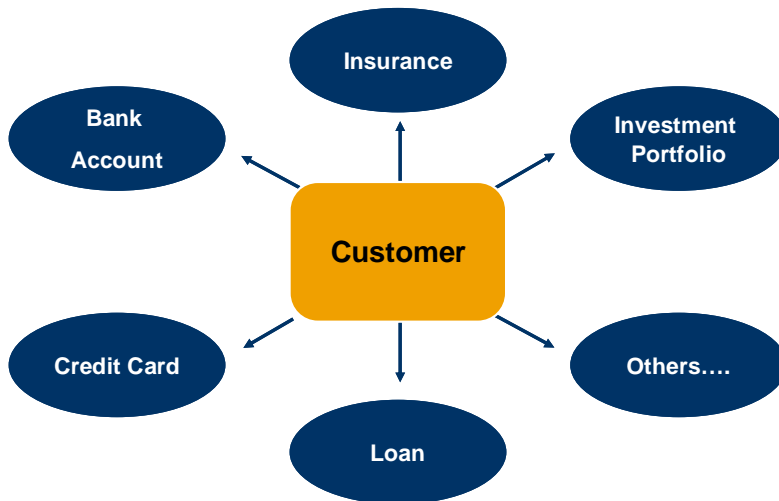
To obtain right information and accomplish operational excellence from such information, the enterprise data should be correct, consistent and complete. This objective can be achieved by implementing Master Data Management (MDM) framework in the organization. MDM solution offers an Integrated, centralized, robust data management and governance framework, which then helps the enterprise in accurate reporting, conformance and auditing, data synchronization, consolidation after merger and acquisition and in automating business processes. This also helps to achieve operation excellence across the enterprise by means of transparency in the business processes, single version of the data, increased efficiency, reduced consolidation efforts, reduced costs etc.,

Business Requirements

A good bank manages relationships along with transactions. The most critical asset for any Industry is their Customers, and in terms of IT its Customers data. To sustain current world's competition, it is critical business requirement to know and have complete view of the Customers. Banks must simultaneously increase efficiency in order to lower costs while mastering the complexities of product differentiation to stand out from competitors and attract customers.

It is a well known fact that master data management is nothing new in most organizations, and that they try to manage it with their experience and knowledge of inbuilt systems and tools. 'Try' is the right word to use because while organizations make an effort to solve the symptoms of master data problems they are unable to solve the root cause problem. Moreover, as the impact of Master Data problems faced by companies are intangible; generally they obstruct the transactions or quality of process but do not cause the breakdown of business. The business requirements for MDM may be broadly explained as below:

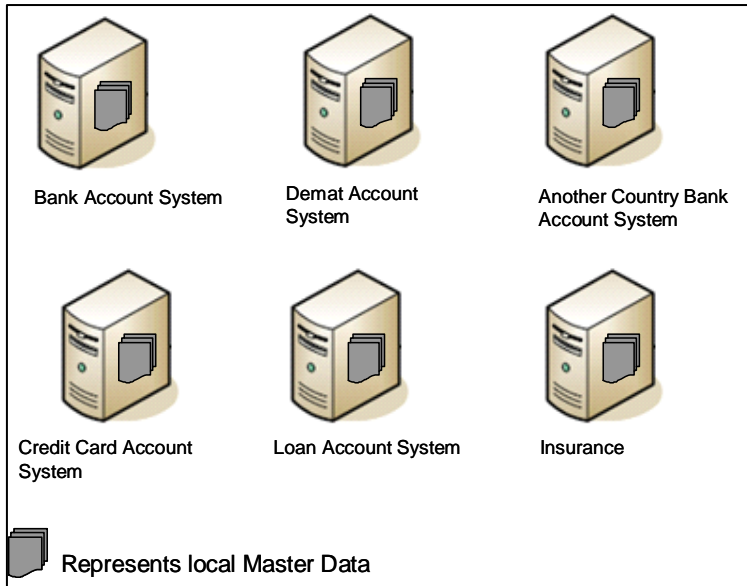
- Accelerates revenue growth via more intelligent cross-sell and up-sell (various Investment, Insurance options) enabled by complete understanding of customer (profile, accounts and interactions) to leverage bundling opportunities.
- Drives fundamental operational savings and efficiencies - e.g., "once and done" enterprise-wide services for key customer processes such as account changes (name, address).
- MDM catalyzes market leadership and dominance
- Protects brand integrity by increasing customer satisfaction due to more focused marketing and service campaigns - e.g., "blended agent" capability to provide customer service across multiple touch points/contact channels.
- Actualizes consistent customer treatment by blending channels to deliver common customer interactions/experiences across all touch points.
- Enables self-directed customer experience for sales and service.
- Automates customer transactions that flow across systems.
- Enables contingency planning for future technologies - e.g., biometrics, smartcards, etc.
- MDM enables compliance and regulatory reporting
- Enables regulatory reporting compliance- i.e., large customers' material events (SOX, BASEL II).
- Identify Fraud and other preventive measures by blocking defaulters across businesses.



<p>Customer Requirements:</p> <ol style="list-style-type: none"> 1. Can have multiple product portfolios 2. Can have multiple Interaction modes 3. Changes in profile 4. Require better, faster, and cheaper services 5. I am Unique 	<p>Customer Issues:</p> <ol style="list-style-type: none"> 1. We are customers for a bank account, but the bank ask us for papers again for a credit card 2. If I change my address in the credit card, I expect the same to be done automatically for the bank account. This however is not happening 3. Even though I am their credit card customer, I get regular calls from their marketing department to get their credit card 4. Companies take orders and payment without verifying stock. Later we undergo delay in getting money back or delayed product delivery
<p>Business Malfunction:</p> <ol style="list-style-type: none"> 1. Loss of Customer 2. Lose contact with Customer 3. Delay in getting payments 4. Waste of Postage casts 5. Waste of marketing efforts 6. Exposure to extended relationships with fraudulent customers 7. Mistreat customer based on inaccurate calculation of customer value 8. Frauds 	<p>Regulatory Compliance Issues:</p> <ol style="list-style-type: none"> 1. Transactions done overseas by the customer need to be tracked for Govt/regulatory compliance 2. Bank provides Personal Loan though he is in the blocked list of Credit Card 3. Stephen is a blocked Customer for Credit card in one country/state; however the same bank gives him a credit card in another country.

Fig: Business Requirements Matrix

Current Landscape



Due to the distinctive nature of banking products such as Banking Accounts, Credit Cards, Loans (home, personal, education etc), Share Accounts, Insurance, Financial Services etc, customers are maintained in each system separately. Primarily Master Data is created in every system according to the new account opening procedure. This leads to Silos of the customer's Master Data, catering to several of the same customer's services. The result of this is that banks don't have a complete 360 ° view of their most critical asset namely, the customer.

Fig: Current Landscape

In order to tackle data fragmentation issues, industries try to build a data sharing channel for seamless and faster data access, but even if all these systems share

their data, it will still be impossible to have a single version of complete and accurate information of their customers.

To-Be Landscape

While there are many options for the To-Be landscape, as per best practices, the most common and recommended way is **introducing a MDM system to manage the complete master data.**

To- be- landscape can comprise:

1. **SAP Master Data Repository:** This is the central repository which stores the master entities. SAP Master Data store has a very flexible and scalable data model for better enrichment of the MDM solution. Various dimensions for a particular record such as item, customer, location, organization, trading partner, data, address etc., and all the relations among these dimensions are maintained in the Master Data Store.

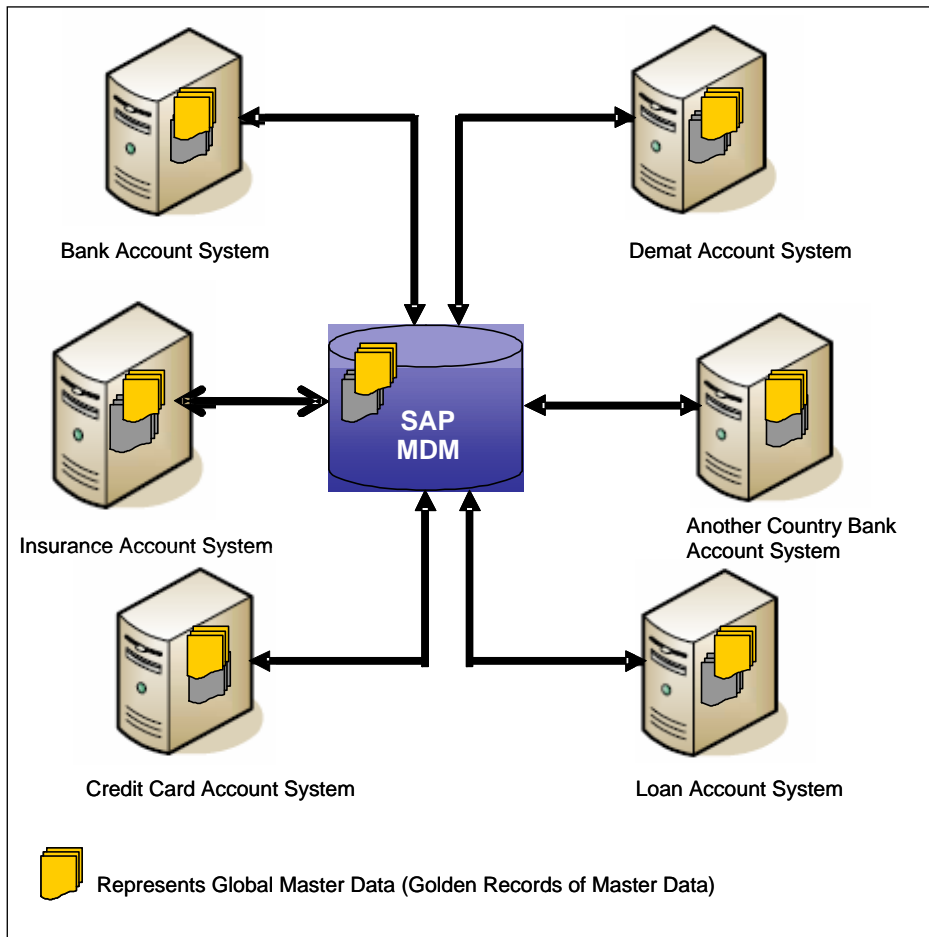


Fig: To-Be Landscape 1

- Service Oriented Architecture:** Quality of master data determines and it's crucial for the quality and successful business processes execution and enterprise analytics on the basis of an enterprise SOA. Foundation of consistent master data is essential for Enterprise service-oriented architectures (enterprise SOA).

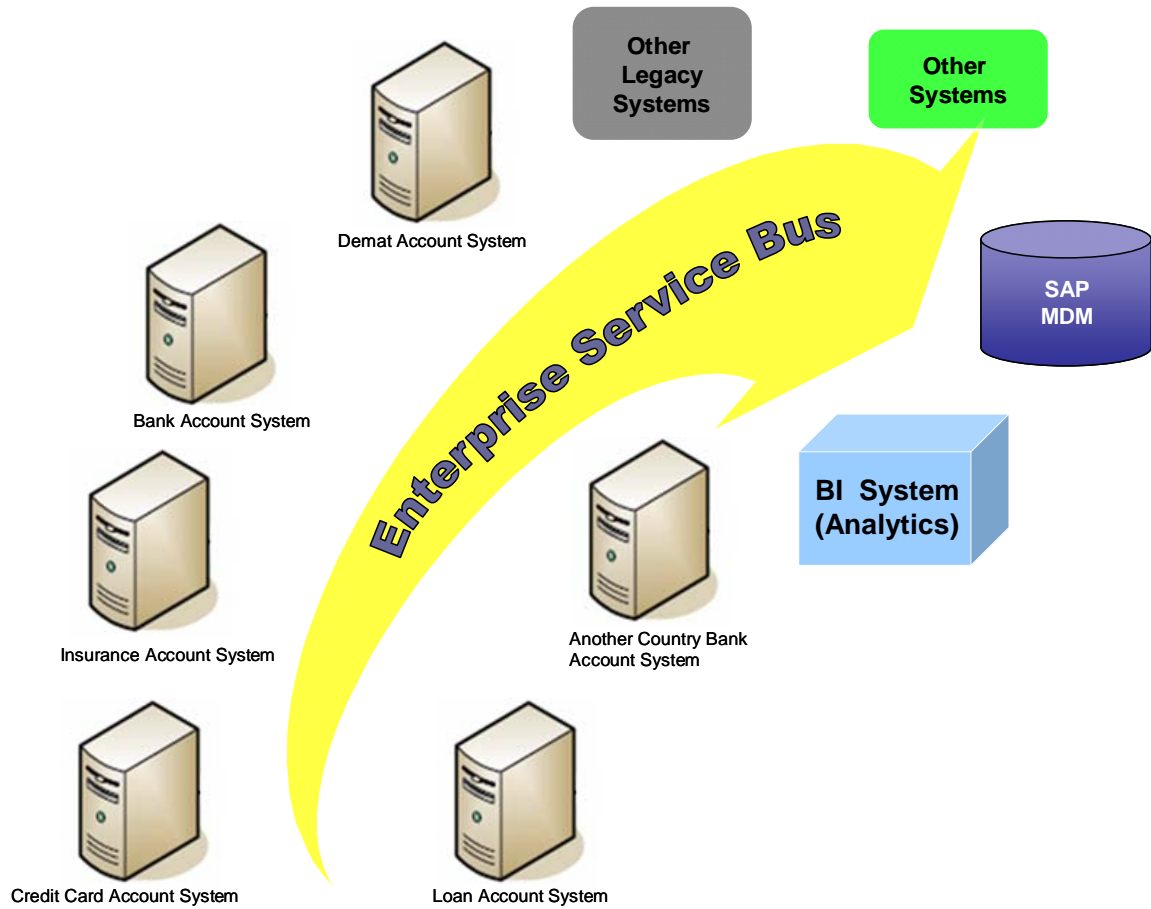


Fig: To-Be Landscape 2

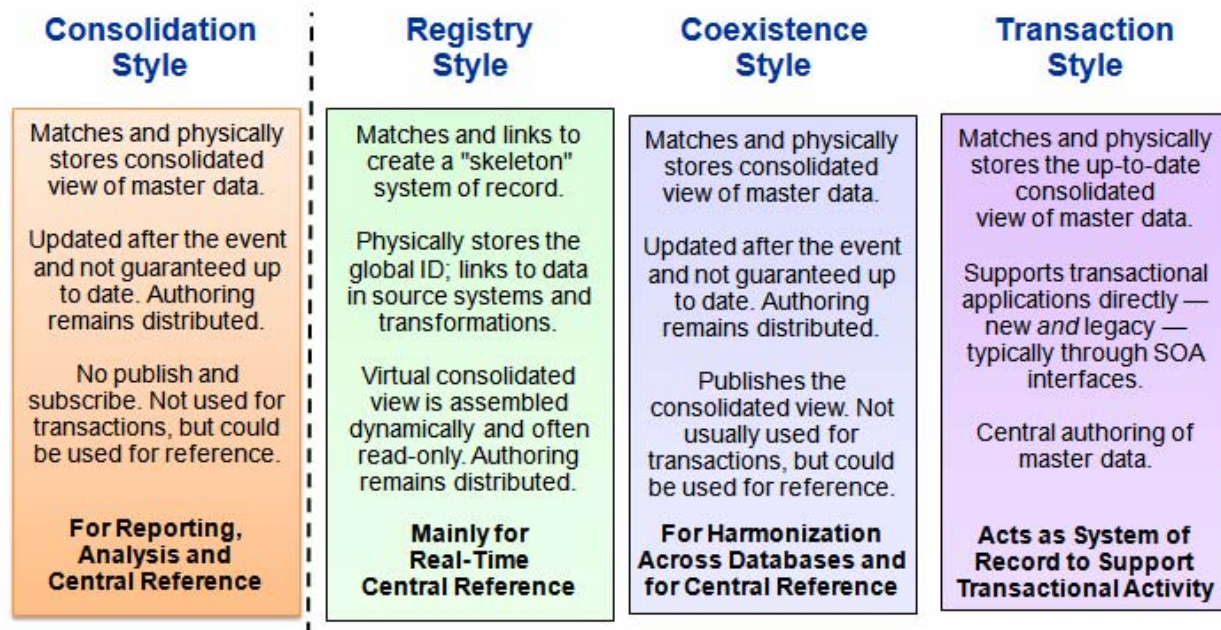
Implementation Strategy

MDM is not a one - time project but a program. These are the various steps required to achieve complete control over Master data (Master Data Management).

1. Identifying the Data across systems
2. Data Profiling
3. Consolidation
4. Data Enrichment
5. Maintain and sustain through Data Governance

Since we are handling the master data of an organization, the introduction of the MDM system should not be disruptive to other systems and business. As per the best practices, small steps approach is a recommended approach as a master data management system in organizations. However an organization can go for any approach bearing in mind factors of disturbances to the existing landscape and readiness and adaptability. A strong governance mechanism has to be firmly in place for CMDM.

The Architectural Styles in MDM have been defined by Gartner as below:



These Styles are defined in SAP MDM as

- Consolidation (Consolidation Style)
- Harmonization (Coexistence Style)
- CMDM - Central Master Data Management (Transaction Style)

Consolidation (Consolidation Style)

This is the very first and basic step for master data management. In this style, SAP MDM will collect master data from several systems, and then consolidation or cleaning up duplicate and identical objects will be done. After this global and local object keys (key mapping) for cross-system communication will be created. Once master data is consolidated, we can search for customer master data across linked systems to identify identical customer across systems and functionalities

The main advantages for this Consolidation (registry style) are:

1. Derive immediate benefits from Consolidated master data through BI reports
2. Mitigated risk of using MDM in the Transactional landscape

Harmonization (Coexistence Style)

This should be considered as the second step. This style is an enhancement of the previous style. Once the Customer master data is consolidated, the consolidated master data information will be sent to all connected systems, thus creating unified, high-quality customer master data. With Harmonization, the global customer master data will be synchronized across the landscape. For example, you can assign the same address to all occurrences of a particular customer. After synchronization, the locally relevant data can be enriched by local systems.

The main advantages for this Harmonization (coexistence style) are:

1. Immediate benefit by control on Master Data of newly Merged and Acquired Companies.
2. Ensuring data integrity across Transactional landscape
3. Leveraging consolidated data for re-use via distribution

CMDM - Central Master Data Management (Transaction Style)

Once the organization have consolidated master data, they can move forward to the end state i.e. CMDM. In this style the globally relevant customer master data is created in MDM and distributed to all systems.

The main advantages for this CMDM (transaction style) are:

1. Single System Ownership for Master Data Creation and Maintenance.
2. Centralized Governance
3. Data is consistent across the enterprises. Changes made to data are propagated across the landscape.

Repository Design

While the Repository design may vary it is primarily composed of the central repository. I am able to perceive this that the central repository may consist of the global fields of the Customers (which are common across the systems landscape) and then linked with the local fields of all the systems. These fields will be linked to the Global ID of the Customer which will be harmonized across systems to identify and maintain the single version of truth of Customers across systems and organization.

Global Fields – The global fields may be customer name, address, email, phones, age, marital status, photo, identification etc

Local Fields - Credit card local fields may be credit card limit, track record status (premium/regular/blocked)

Local Fields - Loan account local fields may be loan type (home, personal, car etc), loan amount, duration, track record status (regular payer/defaulted/blocked)

Local Fields - Insurance local fields may be Insurance policy number, policy type, duration, premium, term, due date etc.

The repository design could vary with SAP MDM 7.1 since we can maintain multiple main tables. Thus we will be able to maintain multiple/separate main tables for multiple bank accounts, credit card, loan, Demat, Insurance accounts.

MDM Customer Global Data Fields
Global ID
...
...
...
...
...
Bank Account ID
Bank Account Local Fields
...
...
Credit Card ID
Credit Card Local Fields
...
...
Demat Account ID
Demat Account Local Fields
...
...
Loan Account ID
Loan Account Local Fields
...
...
Insurance Account ID
Insurance Account Local Fields
...
...

Business Benefits

The business benefits offered by MDM can be defined as

Customer-centric operational processing	Consolidate customer data across account-centric systems. Create the ability to identify customers during operational processes – such as opening a new account, etc. Create a system of record for customer data.
Improve customer service – multi-channel integration	Integrate customer data from back office systems and provide a unified customer view to one or more customer-facing channels (call centers, web self-service). CDI is not necessarily the system of record; customer data change still occurs in separate back office systems and is synchronized with the CDI hub.
Improve data quality	Utilize data integration and data quality tools in conjunction with a CDI hub to improve data quality of customer data. Extra benefit of a CDI hub in addition to data quality tools – persistence of customer data, data stewardship functionality, SOA to provide cleansed customer data to applications.
Privacy and preference management	Manage enterprise privacy data (opt in/out, etc.) for customer across all lines of business.
Operationalize marketing insight	Integrate with data warehouse to (a) provide a single location to publish marketing insight (campaigns sent, customer value, household data, etc.) and make that data available to customer service and operational systems, and (b) provide more accurate and timely customer data to the data warehouse – trigger analysis based on data events (e.g., a customer moves).
Risk and compliance	Integrate with data warehouse/reporting to provide more accurate and complete customer-centric data for compliance reporting (e.g. Basel II)
IT System rationalization	Replacement of outdated Customer Information Files (CIF) – often the driver is flexibility, cost of maintenance, and SOA. Rationalization of back office systems – ability to more easily migrate from systems once customer data is centralized, or to re-build systems or a back office architecture around a customer-centric hub.

Q & A

Q How this will improve my Business?

Well, we have already discussed business requirements and causes. However as per your business requirements and underlying functionalities we should take up a due-diligence study and suggest the Master Data Management strategy.

We will be able to find the issues in your organization pertaining to master data and how it affects your business. This will help us to define the strategy to tackle and solve it.

Q Why Should I buy SAP MDM for Managing Master Data and not develop my own method according to my requirements?

Yes, it is possible and most of the organizations did that in past and are also doing it today by developing their own solutions and methods. However we know that this is not the right approach. While this gives some relief the root cause of the problem is not addressed. The industry has realized this problem and has come with specialized solution for it. These specialized solutions are developed and matured according to industry requirements with experience from various similar organizations.

Q How much this will cost me?

The cost will be definitely less than developing your own solution which will not be able to solve all problems including the root cause of problems. Also in terms of ROI, you will be able to keep your most valuable asset of Customers.

This depends on the understanding the underlying business problems and complexity.

However one entity solution can be completed in a maximum of six months.

Q Define my ROI for MDM Solution?

Business will be able to reap the benefits from their master data management program from first phase of implementation itself (MDM should be implemented in small steps as per best practices (Please have a look on this link [*Small Steps \(Phases\) ~ Best Practice for SAP MDM Implementation*](#)).

Q Who will monitor it and Cost associated with it?

We suggest a strong Governance mechanism in place. They should be able to take full responsibility of the MDM Solution across the organization. There are various approaches available for Governance according to organization readiness and adaptability.

Related Content

[MDM and Enterprise SOA](#)

[SAP-MDM can play a role in non-SAP landscapes](#)

[We are Customer Master Data](#)

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