How to Estimate ROI on Your Master Data Management Initiative

Communicating the value of master data management (MDM) to executive stakeholders is a challenge. You may be competing with multiple IT initiatives, which makes it crucial for you to clearly define your business case to increase the chances of the organization embarking on the MDM journey.

With this in mind, one of the most frequently asked questions related to MDM is how to demonstrate quantifiable benefits that can be delivered to your business.

Business leaders today care less about data and more about how data can impact the bottom line. They want to know how it can make a financial difference to their business.

You can begin estimating the ROI of an enterprise-wide MDM program by applying some simple best practices. Here are some recommendations on how to do just that.

1 Determine scope

Knowing what the exact scope of your MDM initiative is in terms of enterprise entities, geographic spread, IT systems and more, is essential to define future benefits and returns. In other words, which pains does the organization expect MDM to address and eliminate?

MDM implementation projects can be initiated by different business units or functional departments of an organization or by corporate IT. Generally speaking, projects initiated by a business unit or department are most often focused around certain specific problems, so they tend to have a pretty clear scope.

Those initiated by corporate IT are normally more complex. Large enterprise-wide MDM implementations typically require deep commitment from many parts of an organization.

That said, while a more expansive, ambitious solution may make good sense, it is often advisable to use the "crawl, walk and run" approach because it enables enterprises to establish a quick, stable foundation from which their implementation can rapidly expand as more data is integrated and employees become more comfortable using it.

2 Identify benefits

Generating measurable economic benefits from data is also called data monetization. Applied to the MDM world, there are three potential financial outcomes:

1. **Opportunity**. MDM enables growth and other positive outcomes like increasing revenue and profit, providing better customer experiences and conversion rates, enabling faster time to market, reducing product returns, moving efficiently to new business models, etc.

2. **Cost**. MDM keeps costs under control by optimizing data quality and end-to-end processes, so less manual and/or repetitive work is required, increasing efficiency and reducing costs.

3. **Risk**. MDM helps manage legal, financial and reputational risks associated with regulations such as GDPR.

The three financial outcomes are measured using:

1. **Financial metrics**: Revenue, profits, EPS, etc.

2. **Strategic metrics**: Customer satisfaction, retention, etc.

3. **Process metrics**: Customer onboarding, new product introduction, product workflows, etc.

4. **Operational metrics**: Data quality, etc.

While the full value of many MDM benefits are hard to assess, you can include both strategic and process-driven metrics to paint a complete picture for your management team. To do this, include everyone involved in the process of building your business case; for example, both IT and finance. Ask what their challenges are and how their metrics would be in order to measure improved performance.

Next, involve finance to do the math for what it would actually mean if these pains were to diminish or disappear. For instance, what would it financially mean if the time it takes to onboard new products went from two months to two weeks?

3 Assess costs

Estimating return on investment requires you to know the price tag of your MDM solution. Given their scalable nature, the cost of MDM solutions can be highly variable and can be split into three different categories:

1. **Setup costs** include costs for licensing, integration and customization, hardware and user training.

2. **Operational costs** include costs related to data maintenance, i.e. the time spent by end users, data governance teams and others to keep the MDM solution operational. Of course, these need to be held up against any time saved due to the optimized processes.

3. **Cost of delay**, i.e. what would happen to your business if you do not begin using MDM. If competitors bring new products to market faster than you because you are not using MDM, what would that potentially do to your market share?

4 Be patient

It takes time for users to begin leveraging the benefits, and optimizing the value of, clean, enriched and single-sourced data.

Thus, master data management projects typically take a few quarters after implementation before they start to generate positive cash flows.

Realizing the full potential takes even longer because it requires an adequate number of systems and sources and users to be connected to the MDM solution.

It's kind of like change management which needs adequate time to seep all the way through the organizational levels of a business before the true effects really start kicking in.

In return, for those who have the perseverance to remain focused on the end goal, the reward and return on investment can be even more substantial than anyone might have ever expected.

Partnering up to prove the value

Estimating return on investment on MDM is not just about facts and figures. As this brief illustrates, the success of any MDM initiative also rests on the organization's ability to set the scope of the initiative. Once you know what you're aiming for, you can begin digging into the potential returns on each of those individual objectives.

That's exactly our approach at Stibo Systems. We're dedicated to bringing our extensive experience in implementing successful MDM solutions to good use for our customers by putting their business objectives and needs first in everything we do.

If you're not sure how to proceed and want to learn more about how to demonstrate the value of an MDM program to your organization, there is a good chance we can help. Find out more at **stibosystems.com**.