

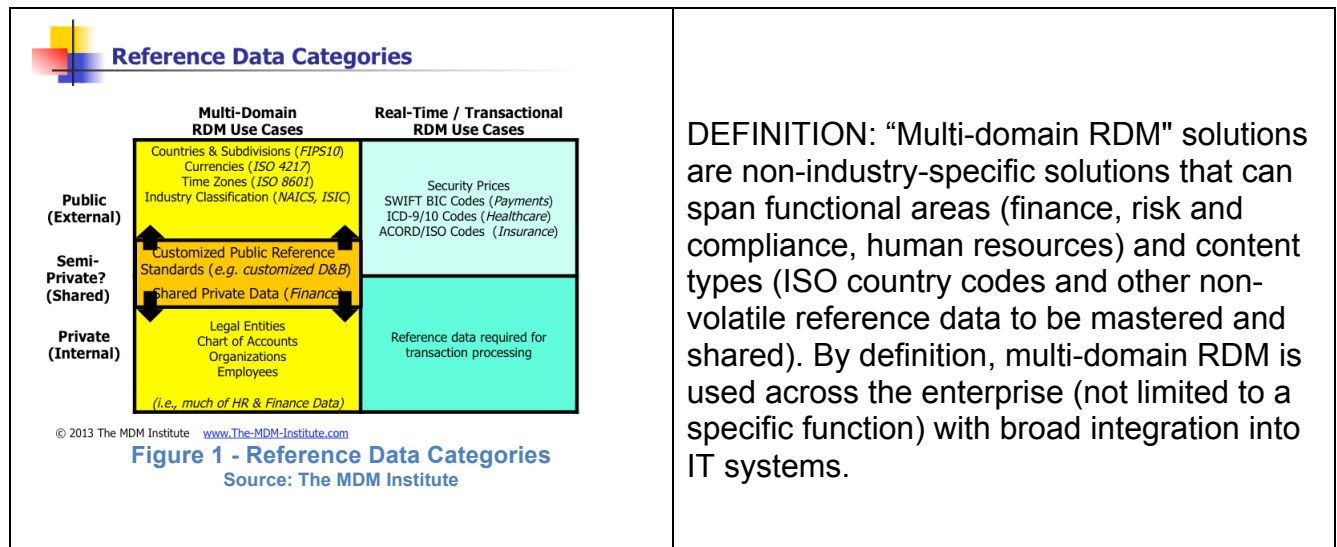
2014 Reference Data Management Survey

Executive Summary

Introduction

The MDM Institute meets with its advisory council on a periodic basis to set its research priorities. This is why the MDM Institute has historically focused on crucial areas in Master Data Management (MDM), including customer and product data management and data governance. Helping to shape the annual research agenda is one of the main benefits afforded to members of the MDM Institute’s customer advisory council.

Over the past eighteen months, the customer advisory council requested the MDM Institute to explore the field of Reference Data Management (RDM), especially as it manifests itself as a unique and distinct domain of MDM separate from customer and product MDM.



DEFINITION: “Multi-domain RDM” solutions are non-industry-specific solutions that can span functional areas (finance, risk and compliance, human resources) and content types (ISO country codes and other non-volatile reference data to be mastered and shared). By definition, multi-domain RDM is used across the enterprise (not limited to a specific function) with broad integration into IT systems.

The field of enterprise RDM is quite broad, spanning multi-domain and real-time/transactional use cases, as highlighted in figure 1. When polled, the advisory council recommended that the MDM Institute focus on the multi-domain portion of the MDM market which was deemed to have more universal appeal to the membership.

Based on surveys and interviews of the approximately 2,000+ annual attendees of the MDM Institute’s MDM & Data Governance Summit series, the market size for the multi-

domain portion of the RDM market is believed to have been US\$165 million during 2013 and it is expected to exceed US\$350 million by 2015.

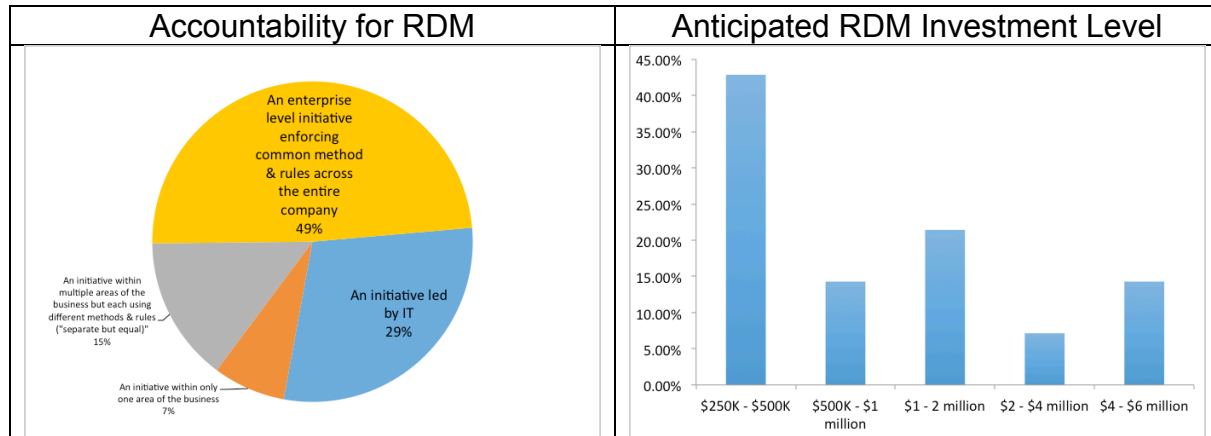
The market is quite diverse, spanning traditional and multi-domain MDM vendors, RDM-specific offerings, Data Governance vendors with “RDM-lite” offerings, “private RDM” (e.g., Finance MDM/RDM) vendors, and real-time RDM vendors (e.g., security master products from the likes of AssetControl, Eagle and GoldenSource) who are now expanding into generalized RDM.

For the 2014 RDM survey, the advisory council requested that focus be on the more frequently deployed MDM and RDM-specific offerings. The survey results highlighted below are based on Enterprise RDM initiatives, excluding function-specific RDM, RDM-Lite, and real-time RDM.

Highlight of 2014 Survey Findings

Respondents to the survey came from multiple industries, mostly large companies, and held roles largely in the business or in enterprise IT. Not surprisingly, large financial services organizations were heavily represented, as a growing number are embarking on reference data management programs for risk management and regulatory compliance. Other businesses that rely on public standards (logistics, transportation, pharma) were also well represented.

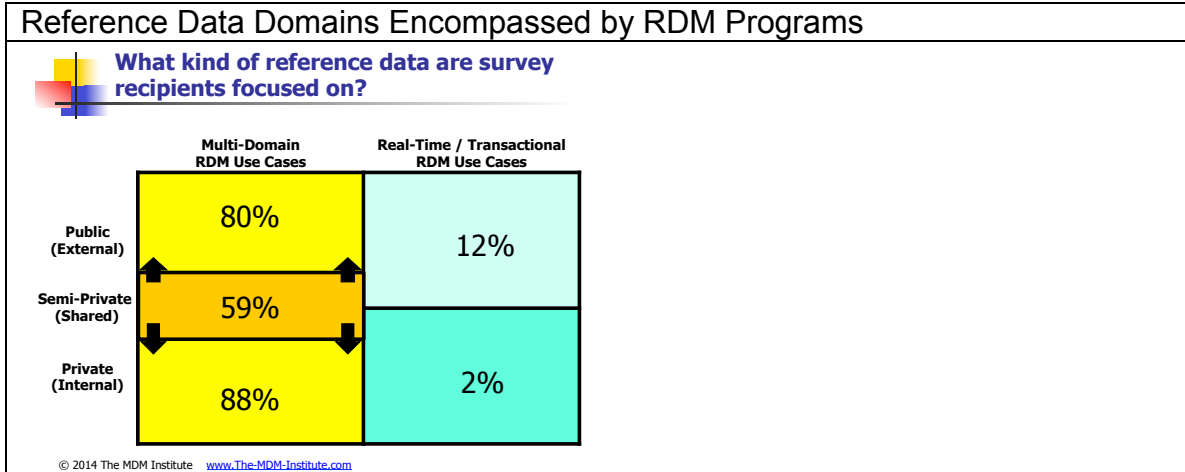
“Multi-domain RDM is increasingly an enterprise initiative with correspondingly enterprise-sized budgets.”



When the MDM Institute began exploring RDM within the advisory council community, several prominent MDM vendors, especially those focused on the customer and product MDM space, were mystified by our interest. Their perception was that RDM projects were insignificant and often relegated to non-core functions in the business. The 2014 survey data indicates that this is not the case. “Accountability for RDM” is often at the enterprise level— even at the Chief Data Officer level in a few cases— and on average organizations are spending US\$1.1 million on RDM software with many initial projects in the US\$250K-US\$500K range.

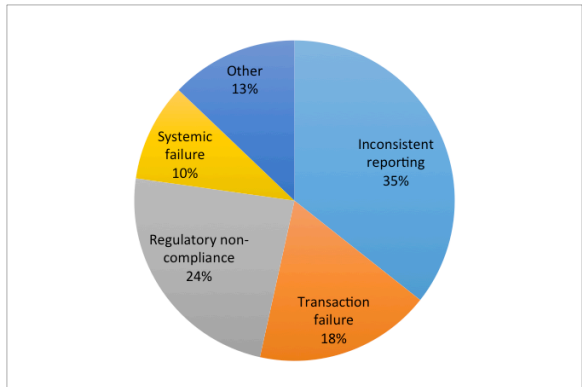
Our survey respondents also highlighted the fact that RDM is pivotal for any master data management program. Governance of public and private reference data and its relationships with master data (product or customer) is a “must-have”. Therefore, the MDM Institute sees RDM as becoming a key building block in large multi-domain MDM initiatives. In some cases, organization that have already deployed a first MDM hub for managing customer data are now looking at RDM to complement/augment their platform with hierarchy management and governance capabilities.

“Most organizations are focused on both private and public multi-domain reference data.”



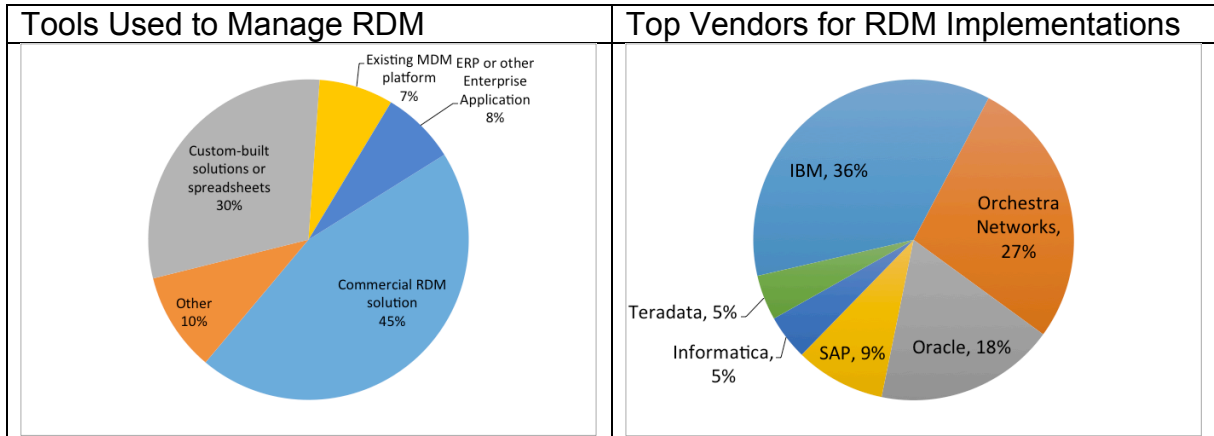
While many MDM vendors have assumed that reference data represents only publicly shared values such as the ISO-3166 standard for country codes or postal codes, the 2014 RDM survey found that organizations are including and integrating “private reference data”— e.g., reference data from corporate functions and shared services such as Finance, HR, GRC, and legal— with “public reference data”.

“Organizations are realizing that poor RDM practices (especially those with primarily private RDM-centric programs) have a widespread impact—negatively affecting transaction processing, enterprise application integration and business intelligence.”

Top Business Drivers	“Top 3” IT Drivers												
 <table border="1"> <caption>Top Business Drivers Data</caption> <thead> <tr> <th>Driver</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Inconsistent reporting</td> <td>35%</td> </tr> <tr> <td>Transaction failure</td> <td>18%</td> </tr> <tr> <td>Regulatory non-compliance</td> <td>24%</td> </tr> <tr> <td>Systemic failure</td> <td>10%</td> </tr> <tr> <td>Other</td> <td>13%</td> </tr> </tbody> </table>	Driver	Percentage	Inconsistent reporting	35%	Transaction failure	18%	Regulatory non-compliance	24%	Systemic failure	10%	Other	13%	<ol style="list-style-type: none"> 1. Developing standard metadata management to support enterprise application integration — e.g., common, standard data domain definitions 2. Providing common reporting dimensions to support analytics across departments/LOBs, application systems, data marts, data warehouses 3. Providing common RDM support services to support transactional application integration
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The 2014 RDM survey also found that many organizations are pursuing RDM because inconsistent reference data is all too often the root cause of failures in reporting and transaction processing. Thus, organizations believe they can address their main business and IT issues by governing reference data (and its many versions) more effectively and also integrating the RDM-governed data with ERP, CRM and BI/Big Data initiatives.

“Large enterprises are using a wide range of tools to meet the RDM challenge; MDM vendors IBM, Orchestra Networks and Oracle lead the market for Enterprise RDM implementations.”



While spreadsheets remain troublingly popular, over three quarters of the survey respondents indicated that they had implemented their RDM program using software from MDM vendors—specifically IBM, Orchestra Networks, and Oracle—as the more common RDM solutions. We believe that the RDM-focused components of these vendors, especially the components for both public and private forms of reference data, have enabled these vendors to participate more effectively in the multi-domain RDM market. In discussions with advisory board members and survey respondents, a common complaint was that other MDM vendors lack effective RDM features, require extensive customization of their domain-specific hubs, and data integration for synchronization.

FINAL THOUGHTS

The impact of poor or non-existent reference data management (RDM) is profound. Errors in reference data ripple outwards affecting quality of master data in each domain, which in turn affects quality in all dependent transactional and analytical systems. Because reference data is used to drive key business processes and application logic, errors in reference data can have a major negative and multiplicative business impact. Mismatches in reference data impact on data quality and affect the integrity of business intelligence reports and also are a common source of application integration failure. Clearly, lack of an enterprise RDM capability will become an ever greater legal and financial liability for those large businesses that do not formalize their reference data processes.

Given the substantial investment enterprises undertake with RDM programs, they should seek out multi-domain RDM solution providers that understand and have experience addressing complexity of reference data.

Due to the strategic nature of RDM programs and difficulty to build/maintain custom RDM capabilities, savvy IT organizations and Finance departments are increasingly opting to “buy, not build” RDM solutions. A full vendor analysis will be available in the RDM Market Study, to be released in the coming weeks along with detailed survey results.

About the MDM Institute

The MDM Institute is the world's leading research and advisory consultancy exclusively focused on master data management (MDM). As chief research officer, Aaron Zornes delivers the technology-related insight necessary for its clients to make the right decisions in their use of MDM, customer data integration (CDI), reference data management (RDM) and data governance solutions to achieve their customer-centric business goals. The MDM Institute provides authoritative, independent and relevant consulting advice to senior IT leaders in corporations and government agencies, to business leaders in high-tech enterprises and professional services firms, and to technology investors. The MDM Institute delivers its research and advice to more than 60,000 clients in 10,500 distinct enterprises via Twitter, Linked In, Xing, Google+ and email newsletters. Additionally, each year more than 2,000 paid delegates attend its MDM & Data Governance Summit conference series held in London, New York City, San Francisco, Singapore, Sydney, Tokyo and Toronto (now in its ninth year). Founded in 2004, the MDM Institute is headquartered in San Francisco and has clients primarily in North America, Europe and Asia-Pacific.

For more information, visit www.the-mdm-institute.com.