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## The Business Case for CDI-MDM in Manufacturing

Subtitle: Manufacturers suffering still from "master data déjà vu?"

Monday, April 10, 2006

(Note: If you have trouble accessing the hyperlinked articles, please go directly to [CDI Alerts](#))

This newsletter focuses on analysis of product strategies and best practices rather than the vendor press releases. The intent is to provide ongoing advice for enterprise data architects, data stewards, CIOs, CTOs and customer data integration (CDI) and master data management (MDM) project leads in helping develop their CDI-MDM strategies – via independent, authoritative, and relevant analysis.

- [What's New in "Master Data Management" for Manufacturing?](#)
- [Justification Strategies for CDI-MDM in Manufacturing](#)
- [Bottom Line \(Redux\)](#)
- [About the CDI Institute](#)

**SUMMARY: Earlier this month, the CDI Institute surveyed 25+ North American manufacturing enterprises. This CDI Alert summarizes the bottom line recommendations of that survey.**

Manufacturing industries have been going through tremendous change resulting in a fervent need for continuous innovation to remain competitive in increasingly globalized markets. Clearly, manufacturers are moving from basic discrete or process manufacturing to the more complex roles of supply chain integration as they subcontract out product development, manufacturing/assembly, marketing, sales, and service. Moreover, 21<sup>st</sup> century manufacturers must deal with globally-distributed and increasingly dynamic supply chains as well as multiple distribution channels. In summary, there are a number of basic and challenging realities that every manufacturer must relate to

- Multiple in-house ERP solutions – i2, JDE, Oracle, or SAP, etc.
- Product diversification and price pressures – from new and nimble globally distributed competition
- Outdated application package portfolios – each suffering from poor master data quality and lack of data synchronization

**Master data déjà vu? To make matters worse, over the past 5-10 years didn't we just create master parts lists, master pricing lists, master suppliers, etc. in our enterprise resource planning (ERP) and supply chain management (SCM) rollouts?**

**Bottom Line: During 2006-07, market-leading manufacturers must add master data management (MDM) capabilities to their list of strategic IT investments to create operational efficiencies – and, most importantly, to enable the next generation of information-enabled supply chains.**

“Heads up” from the CDI front lines,



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**The CDI Institute**  
*Independent. Authoritative. Relevant.*

## **The Business Case for CDI-MDM in Manufacturing**

**Subtitle: Manufacturers suffering still from “master data déjà vu?”**

**Monday, April 10, 2006**

### **What’s New in “Master Data Management” for Manufacturing?**

Earlier this month, the CDI Institute surveyed 25+ North American manufacturing enterprises. This CDI Alert summarizes the bottom line recommendations of that survey.

Highlights of this survey include:

- 49% were either testing a commercial CDI-MDM solution or were broadly evaluating
- 20% each were in production with either a custom-built solution or a commercial product
- Among manufacturing concerns evaluating CDI-MDM solutions, it is noteworthy that “customer” master data is weighted 33% more important than either “product” or “supplier” master data
- The top three business drivers for CDI-MDM in manufacturing are: (1) achieve competitive advantage; (2) coordinate sales & operations planning via common infrastructure & goals/metrics; and (3) systematize & share master data across B2B supply chain
- Composite or hybrid data hub architectural model is the preference of 50%+
- The top three technical objectives of their CDI-MDM initiatives are: (1) develop enterprise-wide customer data model; (2) manage federated master METADATA strategy allowing business line

autonomy; and (3) increase flexibility to add new processes via service-oriented architecture (SOA)

## **Business Justification for CDI-MDM in Manufacturing**

Clearly, there are certain factors common to the 21<sup>st</sup> century business environment which are battering the manufacturing industry as it continues to cut costs and turn out market-driven products while reacting to unrelenting global forces.

For example, B2B and B2B2C manufacturers benefit from master data management solutions just as their service and B2C counterparts do. This trend begs the question as to whether it is better to **invest in a master product hub that is evolving to support “customer” master data –or– turn to the CDI vendors as they add “master product data” capabilities?** Or possibly turn to yet another third party solution to integrate best-of-breed product and customer master hubs as needed?

**Just as service-oriented (B2C) enterprises eventually evolve from a customer-centric model to one that embraces pricing masters, product masters, and supplier masters, so too must manufacturing-oriented (B2B) enterprises evolve from a product-centric and supplier-centric model to one that embraces “customer” master data. This is increasingly vital as both discrete and process manufacturers look to create market demand for their brands and products despite being dis-intermediated from the B2B2C aspect of the supply chain.**

Moreover, **manufacturers don’t know enough about their end “customers” — large businesses, SMB, or consumers.** Or stated another way, **manufacturers have not been pushed on customer service issues because they historically have not needed to react as fast they do today for new product introduction on a compressed timescale.**

**Manufacturers must grapple with an increasingly complex business model.** A key historical reason is the tortuous evolution from a geographically-centralized model to highly-decentralized and information-enabled supply chain. These business drivers mandate ever closer attention to the synchronization and quality of master customer, product, supplier, and pricing data.

**The business case for manufacturer’s CDI-MDM capabilities is driven primarily by competitive market requirements** as industry leaders in manufacturing need to:

- Improve efficiency, quality and decision making by sharing and integrating master data within the extended supply chain
- Coordinate sales and operations planning via a common infrastructure and goals/metrics
- Beat the competition by improving time-to-market and increased product quality while concurrently reducing costs – both back-office and front-office
- Enhance customer service by integrating manufacturing, assembly, marketing, sales, and service
- Increase levels of regulatory compliance and financial transparency
- Forecast and increase customer retention despite an (often) dis-intermediated supply chain
- Increase customer and supply chain partner satisfaction via end-to-end business processes
- Deliver ROI on ERP, SCM and CRM initiatives
- Provide “infrastructure rationalization” to leverage existing IT investments
- Facilitate growth-by-M&A strategies and deliver on promised economies of scale

To summarize, the CDI Institute recommends that manufacturing enterprises:

- Evaluate the CDI-MDM vendor as a long-term strategic supplier
- Focus on the business processes provided as workflow accelerators

- Evaluate functionality and extensibility of data model and related hierarchy management capabilities
- Insist on an open-ended and future-proofed CDI-MDM solution based upon services-oriented architecture (SOA) principles
- Look for either: (a) strong integration of customer and product data hubs via the vendor's shared services, or (b) a multi-entity data model that supports customer, product, and supplier, etc.

Clearly, the synchronization and delivery of a master data to the diverse constituency within an extended supply chain is an on-going strategic investment. **The manufacturing industry must transform itself away from a slow-to-adapt business model towards a nimble “design anywhere, manufacture anywhere, service anywhere” business model. Contemporary commercial CDI-MDM solutions are well suited to enable the manufacturing enterprise to give their strategic sourcing partners actionable master information in real time – via customer, product and supplier data hubs.**

### **BOTTOM LINE REDUX:**

A manufacturer's master data must be the most accurate, up-to-the-minute source of product, customer, supplier, and pricing information and must feed internal ERP, SCM and CRM systems as well as strategic partners in the extended supply chains. **During 2006-07, market-leading manufacturers must add master data management (MDM) capabilities to their list of strategic IT investments to create operational efficiencies – and, most importantly, to enable the next generation of information-enabled supply chains.**

## About The CDI Institute

To provide feedback on our client's CDI initiatives we have two levels of sponsorship for IT organizations: (1) free membership (by invitation) in our CDI Advisory Council providing unlimited CDI consultation by phone, and (2) free membership in our CDI Business Council (survey base) which provides bi-weekly updates on key CDI trends and issues via an email newsletter.

- **CDI Advisory Council™** of fifty organizations who receive unlimited CDI advice to key individuals, e.g. CTOs, CIOs, and CDI project leads
- **CDI Business Council™** of 1,800+ Global 5000 IT organizations who receive a limited distribution, bi-weekly newsletter with CDI industry updates
- **CDI Alert™** bi-weekly newsletter provides IT organizations, CDI vendors, and investors hard-hitting insights into best practices as well as market observations derived from interactions with the CDI Advisory Council™ and the CDI Business Council™. Initially free to qualified individuals, the CDI Alert™ is expected to become a fee-based product 1H2006. The intended audience includes: CDI project managers, CIOs, CTOs, chief customer officers, chief privacy officers, data quality managers, data stewards, market analysts, metadata managers, and project teams responsible for CDI solutions and infrastructure, data quality, data warehousing, customer relationship management (CRM), enterprise resource planning (ERP), product data management (PDM), supply chain management (SCM), partner relationship management (PRM), and business intelligence.
- **CDI MarketPulse™** monthly survey results, e.g. budgets, success/failure rates, mindshare based on ongoing surveys of the CDI Advisory Council and the CDI Business Council
- **CDI Fast Track™** quarterly 1-day workshop -- fee-based and rotating through the major North American, European and Australian metropolitan areas

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