

Report: State of CDM

Customer data management
survey insights of 2021

Customer data explained

Introduction and definitions

By conducting a survey among a wide variety of companies, we set out to find out more about how businesses today view, value and manage their customer data. Before we dive into the results and insights of the survey, we'll take you through a quick introduction to, and common definitions of customer data, CDM and data quality.

What is customer data and CDM?

Customer data is, simply put and unsurprisingly, data related to your customers. Customer data can include data in different categories, such as demographics and/or firmographics, behavioral data, attitudinal data and so on.

Each category contains various pieces of customer data, which can include everything from basic contact information and addresses, birth dates and company id's to purchase history, website visits and product usage information.

Customer data management - or CDM - is the process of acquiring, organizing, using and disposing of customer data. CDM encompasses the tools businesses use to collect and analyze customer data, the ethical framework of acquiring customer data, and the security measures involved with storing and accessing this data.

Why is customer data important?

Having correct, up-to-date information about your customers has been strongly linked to overall business performance. Incorrect or missing data, can negatively impact processes such as:

- Customer onboarding including customer experience, loyalty and retention
- Communication and marketing performance
- Regulatory compliance
- Cost efficiency

Marketing communication sent to the wrong address, misspelled names, tons of required input fields in customer onboarding processes and missing data that is required by law, are just some examples of how crucial data quality can be to your business performance.

Data quality

Data quality is a measure of the condition of data based on factors such as accuracy, completeness, consistency, reliability and whether it's up to date. Bad data is an inaccurate set of information, including missing data, wrong information, inappropriate data, non-conforming data, duplicate data and poor entries (misspells, typos, variations in spellings, format etc).



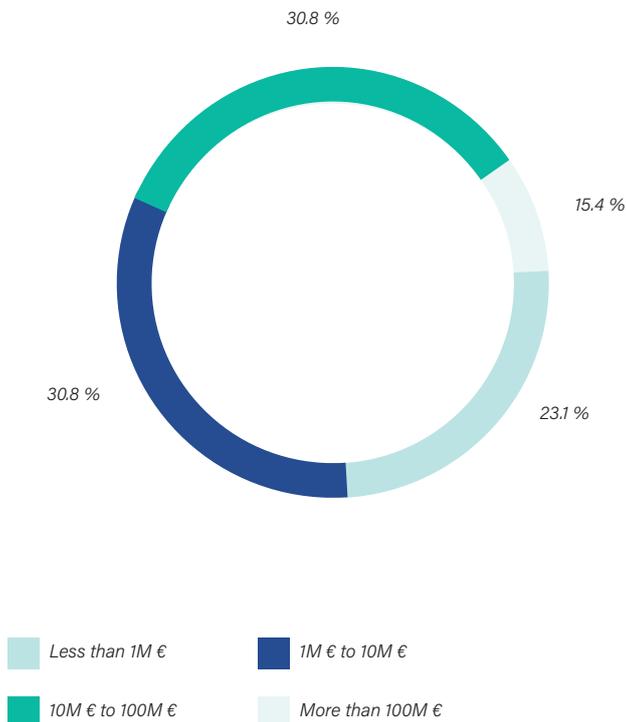
About the survey

The survey responses were mainly collected from companies in banking, insurance, financial services, technology and retail, with respondents working with customer data in one way or another. Respondents roles and job titles were not taken into account in the survey, and no limitations were set in the firmographics such as revenue, company size or industry.

Key figures regarding the firmographics of survey respondents included:

What's your company's annual revenue?

The two biggest categories of revenue were 1M € to 10M € and 10M € to 100M €



How many employees were currently employed at the company?

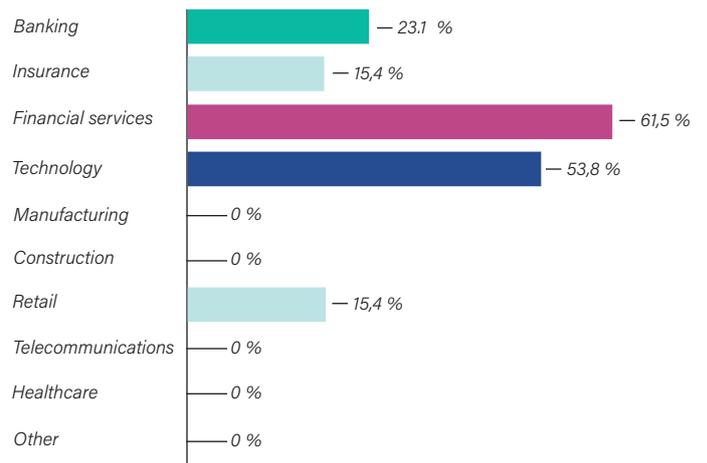
The majority of the respondents work in companies with 50-99 employees.



Other: 15.4 % in the range of 0-10 employees, 23.1% between 10-49 employees, 15.4 % between 100-499 employees and 7.7 % between 500-999 employees.

What industry/industries does your company operate within?

The question allowed for multiple answers. The two main industries were financial services and technology.



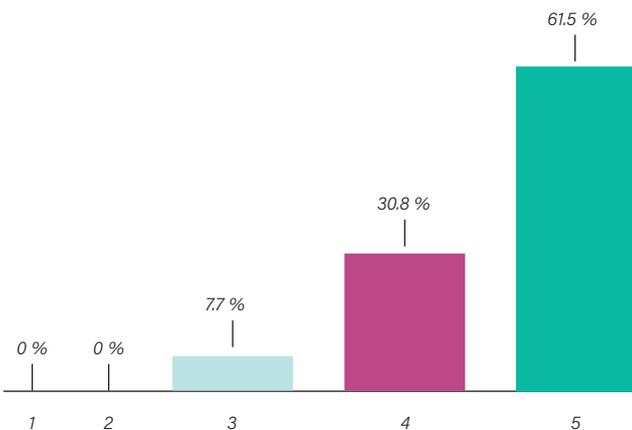
Customer data quality

As mentioned previously under the definitions section of this report, data quality can be a deciding factor in overall business performance.

This is shown to be the general perception of respondents as well, with more than 93% of responses grading the importance of data quality to business performance, a four (4) or five (5) on a 1-5 scale.

How important is customer data quality to your business performance?

Respondents were asked to map out the question on a scale from 1-5 (from left to right in the diagram below).

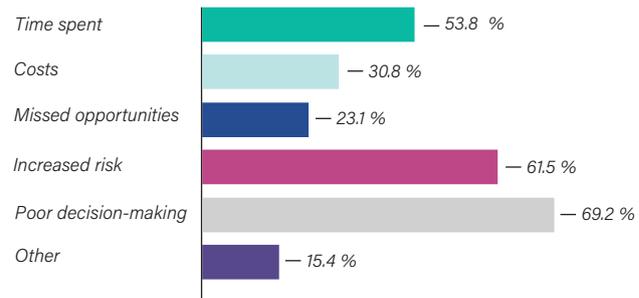


“Poor decision-making is the main negative impact of bad data in businesses today.”

Furthermore, bad quality customer data has various negative impacts on the respondent’s businesses. 69,2% of respondents chose ‘poor decision-making’ as the main result of poor data quality.

In what way does bad quality customer data have a negative impact on your business?

The diagram shows that the top two issues were ‘increased risk’ and ‘poor decision-making’.

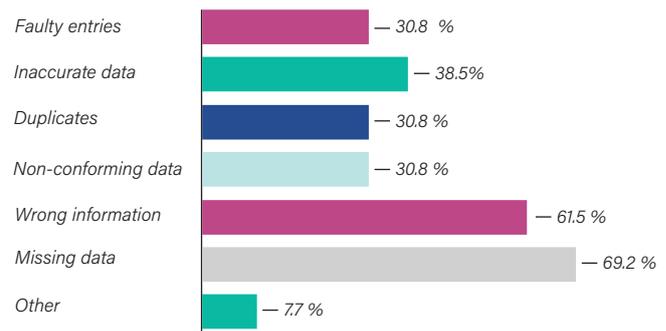


According to respondents, poor data quality can be attributed to different reasons. The main one in the survey was ‘missing data’, followed by ‘wrong information’.

Other reasons included ‘faulty entries’, ‘inaccurate data’, ‘duplicates’ and ‘non-conforming data’.

What’s the most common types of poor data quality/bad data in your business?

The main problem in data quality among respondents proved to be ‘missing data’, tightly followed by ‘wrong information’.

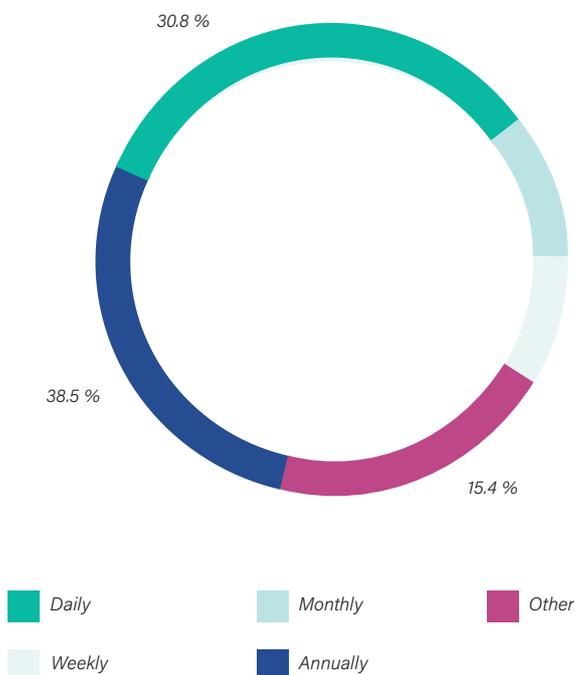


Keeping data up to date

Keeping customer data up to date and accurate over time, is the most prominent challenge respondent's companies face today, according to our survey.

This correlates well with the intervals which companies update their customer data according to the survey, where 38.5% of the respondent companies conduct 'annual updates.' Annual updates makes it difficult to know "data freshness" as updates are done with a frequency that is considered too low.

How often do you update your customer data?



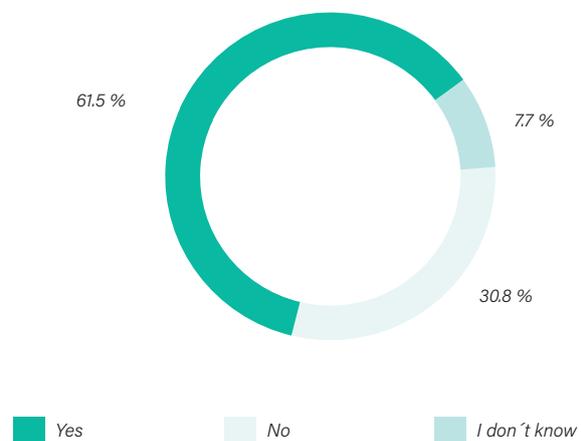
There is also an interesting gap to be found in this question, as the second most popular reply given was 'daily updates', with 30,8% of responses.

Meaning, there is a vast majority that either conduct CD (customer data) updates on a very frequent basis or with very long periods of time in between.

"The biggest challenge in our business is to keep up with changes in our customer data over time."

Interestingly enough, despite the respondents' consensus on the importance of customer data quality, 30,8% also replied that they don't have a strategy, policy or framework in place for their customer data management.

Do you have a general strategy, policy and/or framework for customer data management?



Number of changes per year

The companies number of data changes per year was given in intervals by respondents, with a wide spread of results, from 0-99 changes (30,8%) to 5000+ changes (15,4%).

Unsurprisingly, we found a clear correlation between company size and revenue, and their number of changes. Meaning, larger companies normally have more customers, which in turn equals more customer data and therefore data changes.

Management & Reliability

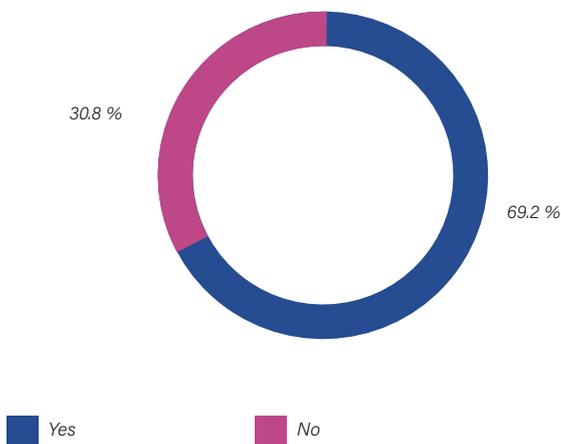
A cohesive customer database

In this context, cohesion refers to the degree to which the elements inside a companies platforms and tools for customer data management belong together and share the same information.

A cohesive database is crucial in ensuring data quality across an entire organization, and a way of enabling a complete overview of all your customers data.

More than 30% of respondents replied they do not have a cohesive customer database, which is interesting given that 92,3% trust their customer data to be reliable enough as a basis for decision-making.

Does your business have a cohesive customer database?



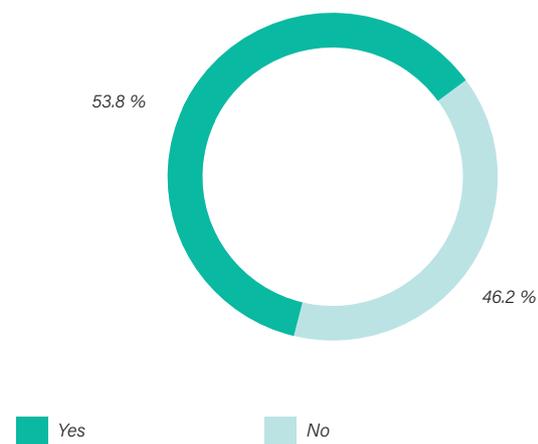
Legal requirements

Legal requirements are putting pressure on companies to know more about their customers. The majority (69.2 %) of respondents businesses are affected by legal requirements, such as anti-money laundering regulations. With more than 60% of respondents operating in financial services, this is no surprise.

What is more surprising, in relation to this fact, is that 53,8% of respondents hand over customer data to third parties. Since there are no technical obstacles to

customer data being managed without third party handovers, it is interesting to see as many companies entrusting vendors and platforms with their customer data, as it creates an obvious GDPR risk.

Do you hand over customer data to third parties?



"92,3% of respondents trust their customer data to be reliable enough as a basis for decision-making."

File deliveries

In addition to handing data over to third parties, we found that more than a third of respondents use file deliveries in their customer data management processes.

Platforms, systems and tools

84,6% of respondents use between one (1) and five (5) platforms, tools and systems for their CDM process, with custom built solutions and systems the most common one, followed by CRM's and ERP's.

Insights & Conclusions

The importance of customer data quality

Businesses are heavily reliant on high-quality customer data, in order to be successful. Having bad data in any way reduces business performance by increasing costs and risk, but most of all influencing decisions in a negative way, by providing incomplete or incorrect data as a basis for decision-making.

"When customer data quality is low, the risk of poor decision-making drastically increases."

When customer data quality is low, risks of poor decision-making drastically increases, which is something nearly 70% of respondents in our survey agrees with. Customer data quality must therefore be seen as one of the most important factors in business today.

Handing over customer data to third parties & GDPR

GDPR is a "hot potato" in customer data management. As companies are collecting an increasing amount of customer data, handling data in safe and secure ways, as well as having the adequate processes and routines in place, gets increasingly important.

In that sense, it is not the perfect situation in terms of GDPR requirements to hand over your customer data to third parties, in order to keep it up to date or monitored. Still, a lot of companies do that, thinking it is the only way of doing things.

The main challenge in CDM

With the importance of data quality and up-to-date accuracy over time established, it is no surprise that the most prominent challenge in our survey turned out to be; keeping data up to date.

More than 50% of respondents confirmed this in their free text replies, regardless of firmographics. This goes to show that it is not an issue limited to specific industries, annual revenue or company size, but instead a universal issue.

With more than a third of respondents relying on file deliveries, most of them annually, there is room for improvement in solving this issue for companies. With modern technical solutions such as webhooks, enabling push communication instead of pull, companies can easily steer clear of handing over data to third parties, relying on files to be delivered and have data pushed their way as soon as any changes occur.

In turn, this provides great comfort in the quality of the data and the process, while reducing administrative efforts and manual labour.