

Business Data Miners Optimizes Debit Daily Card Spending Limits for a Top 15 Bank and Saves \$3 Million Annually

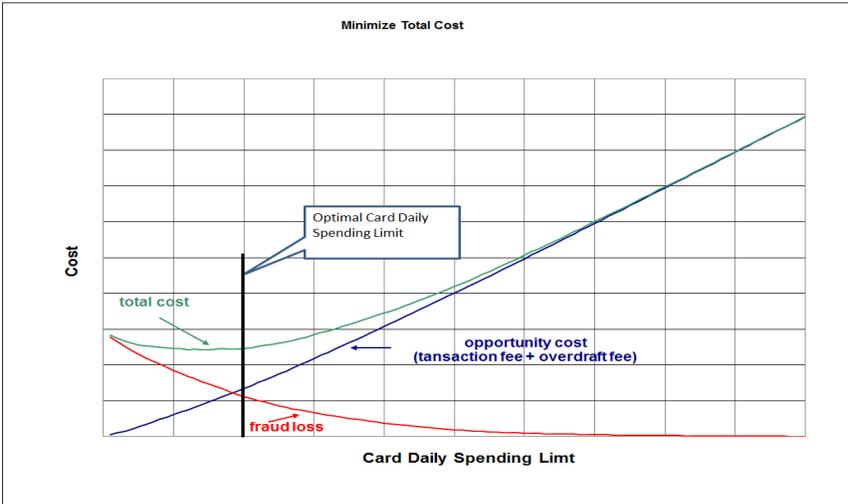
Customer Problem

A debit card transaction involves both opportunity and risk for a bank. On the one hand, a bank charges a transaction fee and, when the account balance is negative, an overdraft fee. On the other hand, a bank takes a loss when the transaction is fraudulent. Daily card spending limits affect transaction fees, overdraft fees, and fraud loss. For example, lowering the daily spending limit can reduce fraud loss. However, both transaction and overdraft fees will also be reduced as a result. Thus, daily card spending limits can have a huge impact on the bottom line. In many banks, daily card spending limits are not optimally set. Banks are limiting their revenue opportunities.

Customer Solution

Business Data Miners believes that daily card spending limits should be optimally set to improve the business bottom line, i.e., maximize revenue associated with transaction and overdraft fees, but minimize fraud loss. Our process starts by collecting historical debit card authorizations and settlements, overdraft fees and fraud data from the bank. Using fuzzy matching, we merge this data to create a holistic view of all the costs involved in debit card transactions. Business Data Miners is able to pinpoint the optimal daily card limits that increase the bottom line. Our solution saves \$3 million annually for the bank.

The graph shows how we optimize daily card spending limits by creating a model that combines the effects of lost opportunity costs (turning away good customers) and fraud loss (fraudulent transactions).



For More Information about this Case

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