

Questions?



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# The American Express Card, Chinese Version

*"Trust. Integrity. Security. Quality. Customer service. These attributes are the hallmarks of American Express"*

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# *Agenda*

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- Background Information
- Problems
- Recommendation 1
- Recommendation 2
- Questions?

# *Background Information*

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- Highly competitive market
- The industry is changing
  - going from paper to electronic and card based
- Amex cannot offer their customers debit cards
- Amex is having trouble getting banks like JP Morgan to offer their card to customers
- American Express' customers
- Economic recession
  - consumers are spending less
  - housing was down, everything was going down

## *What's the Problem?*

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- How could you continue to grow while maintaining your premium brand?
- How can you provide high quality service for existing customers while growing with shareholder expectations?



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## Recommendation 1: Expansion into China

### Why China?

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- Rising middle class with increasing purchasing power
  - Rewards
- Least affected by the economic downturn
- In 2007, over 4.1 million Chinese travelers traveled overseas, up 18.6% compared to 2006
- Competitors' partnership with Union Pay and Chinese banks
- I.C.B.C partnership



### Merchant Incentives

- The average AMEX customer spends 129% more than other consumers
- Merchant fees will be, on average, 2.5%
  - Lower than other AMEX merchant fees
  - Competitive with VISA and Master Card
- 40% of credit card transactions of foreign travelers come from AMEX customers

### Potential Risks

- Cash is King
- Switching cost for Chinese consumers
- Governmental regulations on business



### Recommendation Thecasesolutions.com

- Expand the alliance with China Union Pay Network
- Partnership with major Chinese banks
  - China CITIC Bank
- Target upper middle class who are VIP customers
- Marketing campaign to build brand image in China



### Results

- Domestic revenue projection per year
  - \$1 billion
- Chinese traveling abroad:
  - Expected revenue of \$185 million in the first year
  - Revenue will grow by \$42 million each year after
- Expenses:
  - Marketing--> \$100 million
  - Miscellaneous expenses



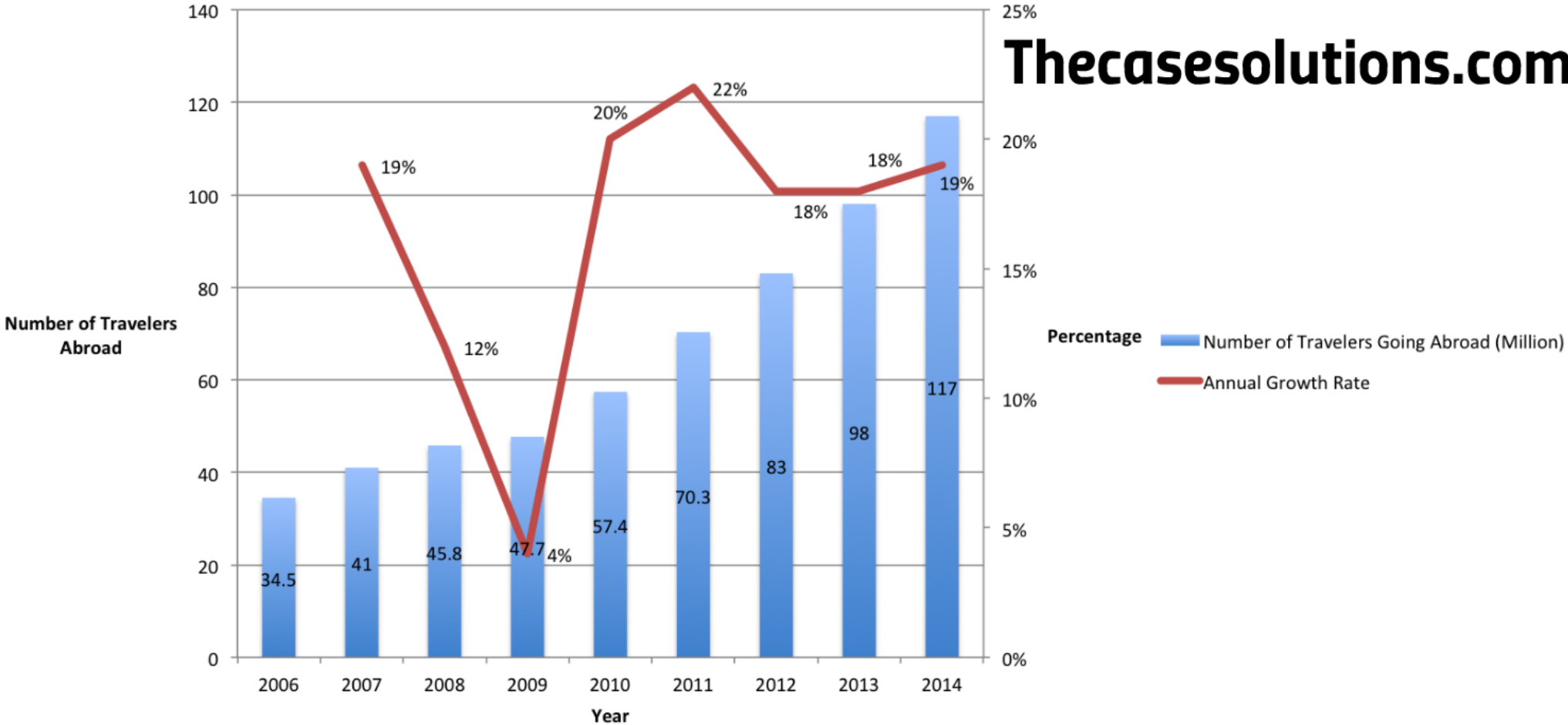
# Why China?

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- Rising middle class with increasing purchasing power
  - Rewards
- Least affected by the economic downturn
- In 2007, over 41 million Chinese travelers traveled overseas, up 18.6% compared to 2006
- Competitors' partnership with Union Pay and Chinese banks
- I.C.B.C partnership

# Chinese Traveling Abroad Growth Predictions

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# Recommendation

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- Expand the alliance with China Union Pay Network
- Partnership with major Chinese banks
  - China CITIC Bank
- Target upper middle class who are VIP customers
- Marketing campaign to build brand image in China

