

Memorandum

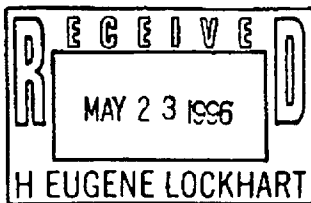
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To
SMG

MasterCard
International



From
Bob Selander



Date
May 22, 1996

Subject
Our June 4 Conversations on American Express

Copies to

While I am still polling various regional board members, I did have the opportunity of discussing this with some Canadian members as well as the entire MEA Board at our last meeting. As a result, I have a few thoughts regarding American Express, on what our objectives should be and a potential recommendation for how to proceed. I have attached these for your review.

Please feel free to call me if you want to discuss further prior to June 4.

Regards.

Bob

*done ✓
5/24/96
PWS - very very useful*

J

GOVERNMENT
DEPOSITION
EXHIBIT
1141

P-0274

HIGHLY CONFIDENTIAL
SUBJECT TO
PROTECTIVE ORDER

MC 6299

Thoughts on American Express

- They are really boxed in on the consumer payments front and see the costs of acceptance and globally competing as competitive disadvantages:
 - 2.9% 1Q96 revenue growth, only 12% charge volume growth versus 15% or so for MCI and Visa
- Their strong corporate area is coming under pressure due to MC and Visa member entries in the purchasing, corporate and other services (travel, etc.) businesses.
- They will use a focused, differentiated strategy to get a limited number of key players to support issuing and acquiring
 - this threatens MCI's current strategic thinking which also narrows focus to fewer members and is premised on bottoms up member partnerships
 - they have no standard deal or framework but rather have decided on a tailored approach. This is not an open, level playing field like MCI
- We should get a loyal member to vet the Amex deal for us.

MCI Objectives

- Keep Amex at bay
- Differentiate ourselves from Visa consistent with our strategy
- Understand the value Amex offers banks so that we can either replicate or allow them to access it through an MCI product
 - perceived extraordinary service
 - upscale T&E - no preset spending limit
 - some processing excellence, but limited acceptance
 - high merchant discount and fee \Rightarrow no revolving revenues

Recommendation

1. Take a recommendation to the Global Board which; A) supports a 'do not allow' position; B) authorizes regional Boards to decide; C) authorizes staff to draft consistent rules for all potential competitors (e.g. Discover/Novus, JCB, Diners) and defines when they become such competitors in any region.
2. Non-dual markets or any exclusives should be amended to reflect all other (not just Visa) current/potential competitors.
3. Initiate a member communication and education program on why Amex, et al. are different from MCI (and Visa?) and how their structures could, over time, become major competitors to our members' disadvantage.
4. Define key advantages of a possible affiliation with Amex (et al.) and identify MCI alternatives or actions to pre-empt.