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OUTSIDE COUNSEL ONLY - HIGHLY CONFIDENTIAL SUBJECT TO PROTECTIVE ORDER

VU 0259051



GLOBAL COMPETITIVE ASSESSMENT AND RESPONSE

Visa International Board
4 March, 1996

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GOVERNMENT
DEPOSITION
EXHIBIT
302

P-0705

GOVERNMENT
DEPOSITION
EXHIBIT
265



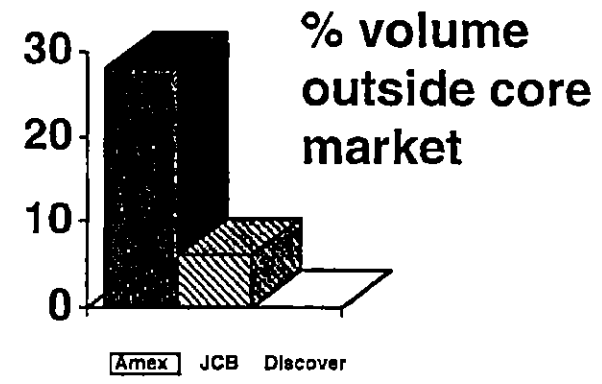
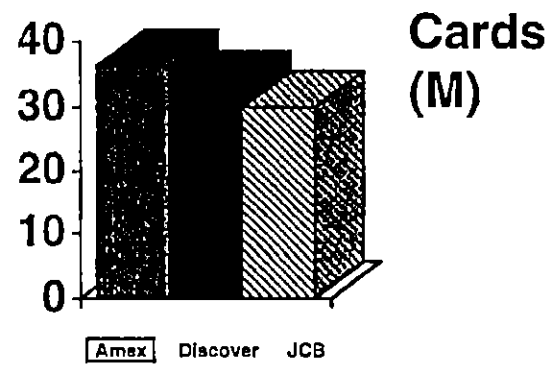
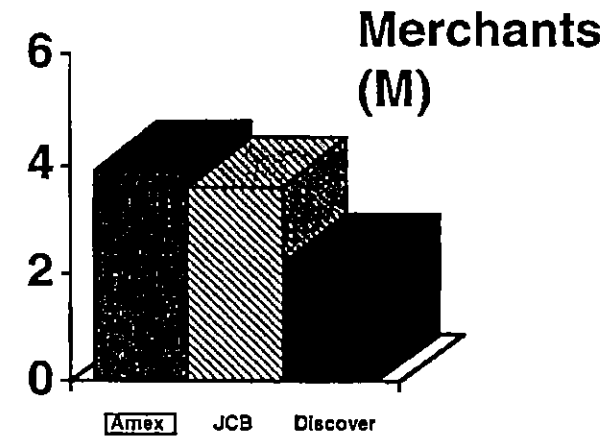
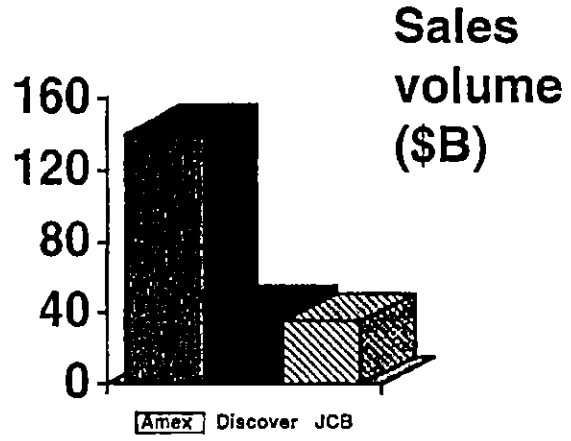
GLOBAL COMPETITIVE ASSESSMENT AND RESPONSE

P-0705

Visa International Board
4 March, 1996

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Comparison of Global Competitors



American Express is the largest and most global competitor

Note: 1994 data
Source: Nilson reports
DH.2/96.Int'lBd



Global Competitive Assessment and Response

**The American Express Competitive Challenge
is Immediate and Significant**

- **Strongest Global Brand**
- **Broadest product line/rapid expansion**
- **Aggressively growing merchant base via Members**
- **Competing in financial services - launch of Direct and Virtual Banks**



American Express Assessment

“If they’re not successful in the next 12 to 24 months, they won’t ever catch their competitors. And they won’t have a second chance, either. This is it. They’re fighting for the company’s future right now.”

Salomon Brothers

July 1995



American Express 1994+

Acceptance Strategy

U.S.A.

- Eliminate competitor acceptance advantage
- Use agents
- Price retail and petrol merchants at margin

Non-U.S.A.

- Quickly expand Merchant acceptance
- Exclusive issuing/merchant franchise in under-developed markets
- Gain merchant locations
- Exclusive bank merchant agents in developed markets

American Express Acceptance Growth Is A Leading Indicator



American Express Has Invested Heavily In Acceptance

- **American Express Claims**
 - **“Current Merchant network accommodates 87% cardholder needs in US” - Harvey Gollub 2/96**
 - **Signing 7,500 new merchants per month**

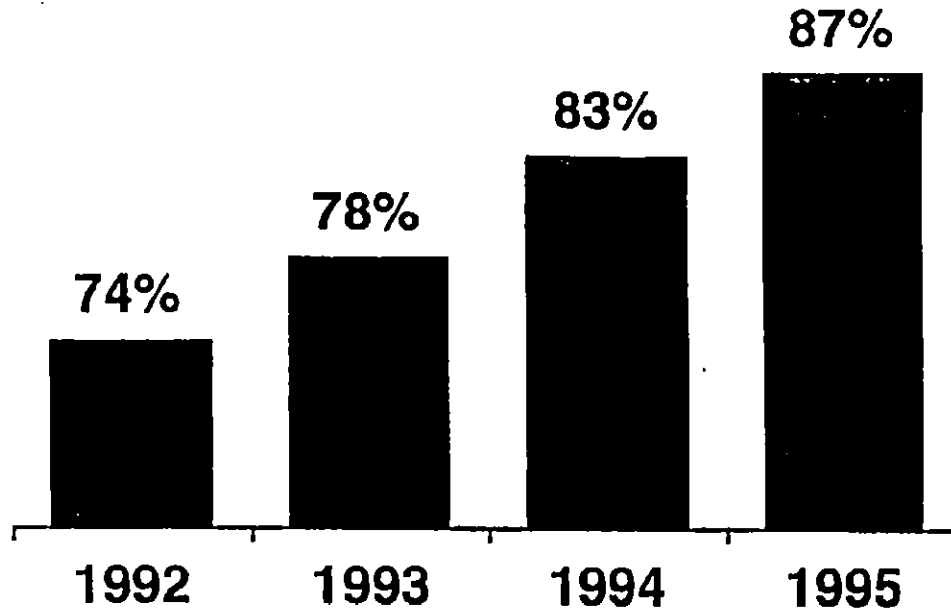
- **Significant Acceptance Growth**
 - **Worldwide Merchants over 4.3 million.**
 - **Worldwide 141,000 ATMs.**

53% annual growth rate



Merchant Coverage

U.S. Cardmember Spending Coverage



Source: American Express Presentation to Financial Community Meeting 2/96



Merchant Coverage

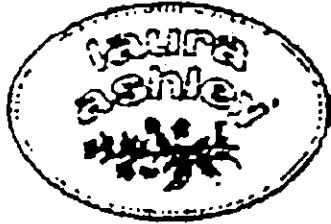
Recent U.S. Signings





Merchant Coverage

Recent International Signings



TONLIN

NORTE



Carlson
Wagonlit
Travel

NACIONAL



SOGO
INCORPORATED

WAL*MART

Source: American Express Presentation to Financial Community Meeting 2/96



American Express - Partnerships

Partnership Objective

“The overall goal of our banking partnerships is to build a strong American Express branded global card network with broad merchant coverage.”

**Jürgen Aumüller
President, American Express Europe**

2/96 Financial Community Meeting

“We expect several new partnerships during 1996 in smaller markets and larger ones as well.”

**Harvey Golub
Chairman and CEO American Express**

8/95 Financial Community Meeting



American Express - Partnerships/Investments

Recent Exclusive Bank and Merchant Agreements for Increased American Express Card Acceptance and Issuance

- 12/95 Sovac/France - Promotion and merchant acceptance, co-branded issuance agreement
- Exclusive • 7/95 DeutscheBank/Italy- Acquiring and merchant acceptance agreement
- Exclusive • 6/95 Dong Yang Corporation/Korea - Acquiring and merchant acceptance agreement
- Exclusive • 5/95 Alpha Credit Bank/Greece - Issuance of Green and Gold charge card and merchant acceptance agreement
- Exclusive • 2/95 Bank Hapoalim/Israel - Issuance of bank/Amex credit card and merchant acceptance agreement
- Exclusive • 1/95 Banco Commercial Portugues/Portugal - Issuance of Green, Gold credit cards and merchant acceptance agreement



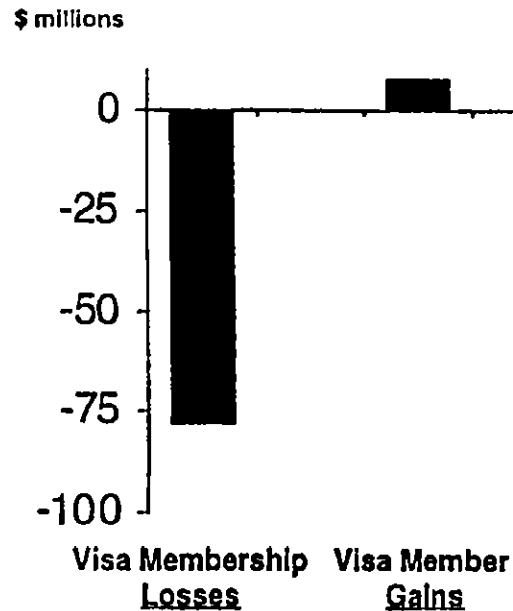
Franchise Agreements

Example: Exclusive Merchant Sign-Up (Non-US Market)

Damage to Visa Member Revenue

	<u>Visa Members</u>	<u>Bank</u>
# Merchants signed for Amex	100,000	100,000
Amex Volume/Merchant	\$23,000	
Commission/Merchant		\$75 one time
Total Volume	\$2.3 Billion/yr	
Volume Lost to Visa Member (50%)	\$1.15 Billion/yr	
Income Lost (1% of Volume)	\$11.5 Million/yr	
10 Year NPV at 10%	\$78 Million	\$7.5 Million

Financial Impact



One Member gains \$7.5 million, Visa Membership loses \$78 million



What Amex Says and What Amex Means



What Amex Says:

- “Sometimes a bank takes over all aspects of American Express issuance in a particular country. This approach keeps American Express relevant to merchants and consumers”

Jürgen Aumüller

President, American Express Europe
Presentation Lufferty Conference
2/6/96

What Amex Means:

- “These alliances allow us to quickly achieve parity coverage with bank cards.”

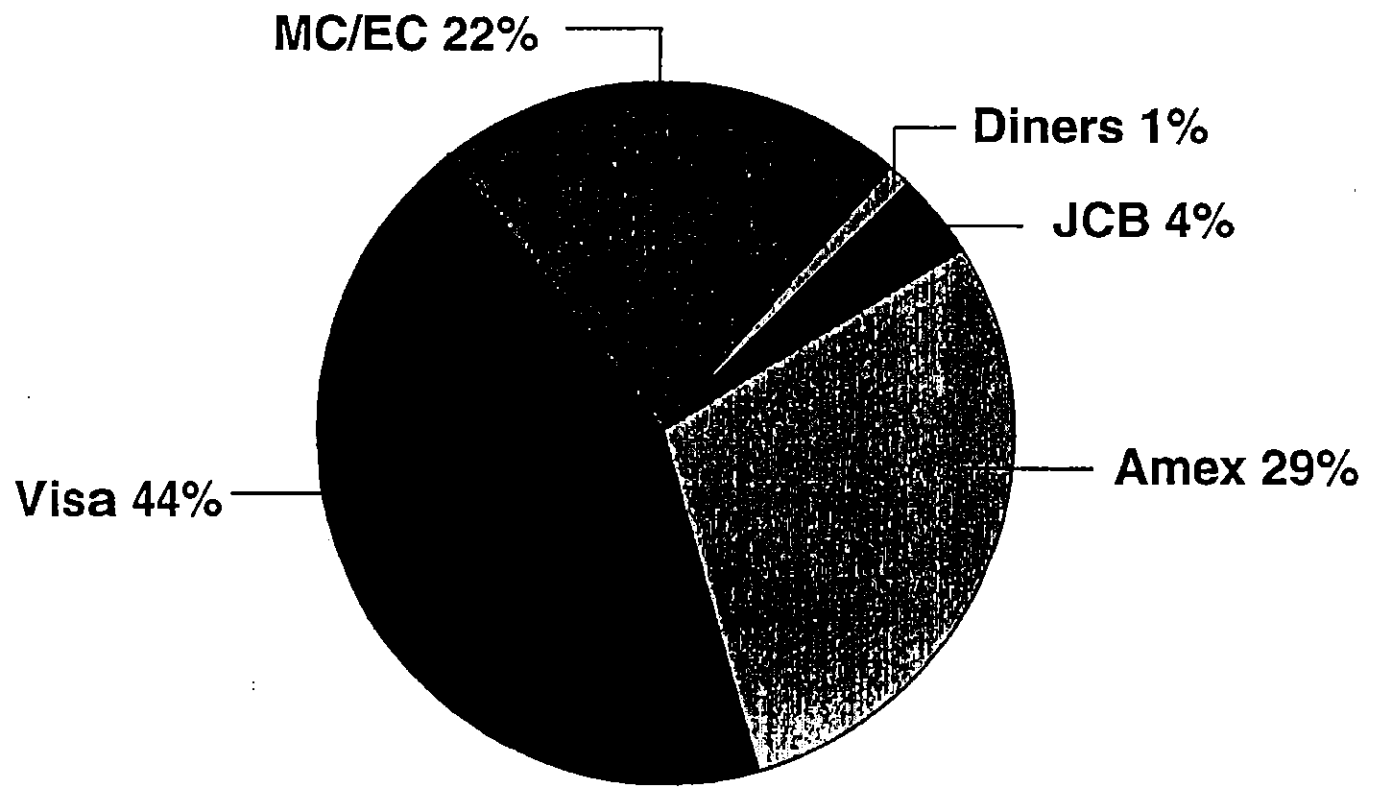
Harvey Gollub

Chairman and CEO, American Express
Presentation to Financial Community
2/7/96



American Express - Premium Market Share

American Express Holds a 29% Share of Premium Market Volume Worldwide



American Express Has Aggressively Extended Its Product Line



1980's

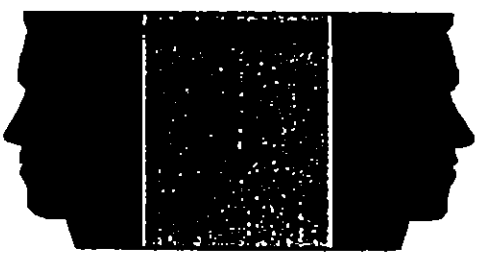
- Green Card
- Gold Card
- Platinum Card
- Corporate Card
- Optima

1990's

- Green Card
- Gold Card
- Platinum Card
- Corporate Card
- Optima
- Optima Co-Brand
- Optima True Grace
- Green Credit Card
- Senior Charge Card
- Personal Choice
- Purchasing Card
- Small Business Card
- Platinum Corporate Card



What Amex Says and What Amex Means



What Amex Says:

- “There a renewed focus and excitement about the strategic importance of banks to American Express.”

Jürgen Aumüller
 President, American Express Europe
 Presentation Lufferty Conference
 2/6/96

What Amex Means:

- “We envision many types of these agreements with banks because of their role as a distribution channel for our products.”

Harvey Gollub
 Chairman and CEO, American Express
 Presentation to Financial Community
 2/7/96



Reengineering

**“American Express Has Realized \$900 Million
In Reengineering Savings 1994-1995”**

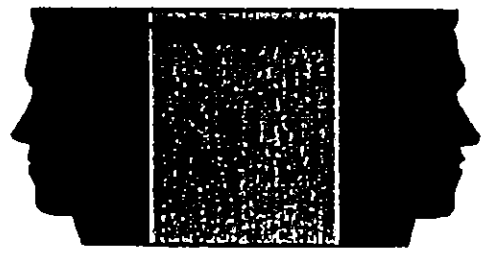
Harvey Gollub, American Express
Presentation to Financial Community Meeting 2/96

Savings Reinvested In:

- Price reductions to merchants
- Improved value propositions
- Rewards programs
- New products and businesses
- Technology enhancements



What Amex Says and What Amex Means



What Amex Says:

- “Any discussion of owning customer databases is passé.”

What Amex Means:

- “We endeavor to deepen, broaden, strengthen our relationship with our customers. We have built and continue to pioneer information and communications systems - to take full advantage of our closed loop data network.”

Jürgen Aumüller
 President, American Express Europe
 Presentation Lafferty Conference
 2/6/96

Harvey Gollub
 Chairman and CEO, American Express
 Presentation to Financial Community
 2/7/96



Travelers Cheque Revenue

American Express Travelers Cheque Strategy

- Dominate category - maintain "cash cow"
- Leverage travel attributes for Brand
- ➔ • "Own" electronic cheque category
- ➔ • Expand stored value to key segments:
 - Amex Campus Funds
 - First Class PhoneCard

"This business will be the launching pad for entering some very profitable new markets; Our focus is on stored value products which we believe will be the future of this industry."

Chuck Farr Vice Chairman, American Express 8/95



American Express Competitive Advantages

- **Single Acquirer (closed loop) merchant network**
 - **Transaction data gathering: MIS**
 - **Global price management**
 - **Authorization performance**
- **Platinum Card**
- **Free Ride: Visa/MasterCard/Europay**
 - **Chip standards**
 - **Terminal acceptance**
 - **Regulatory/legislative gains**
 - **VisaNet end-point**
- **American Express Financial Advisors**
 - **Broad customer financial relationship**



American Express Strategy

American Express Dominates the Corporate Market

“We have 10 times the Corporate Card base of the number two competitor (Visa Issuer) and 25 times the Corporate Card base of Diner’s Club”

**Chuck Farr
Vice Chairman, American Express**

American Express Presentation to Financial Community Meeting 8/95



Multinational Score Card

Multi-Country Commercial Contracts Signed:

	<u>American Express</u>	<u>Visa Members</u>
1994	25*	0
1995	60*	0

* Per Judith Gardner, Amex VP Multinational Accounts



Visa Response to American Express Strategy

Summary

<u>American Express Strategy</u>	<u>Visa Response</u>	<u>Plan Date</u>
<ul style="list-style-type: none"> • Acceptance 	<ul style="list-style-type: none"> • Increase Acceptance Advantage <ul style="list-style-type: none"> • Prohibit signing merchants for competitors • ATM incentive plan • Increase share at key merchants • Develop new categories of merchants 	<u>6/96</u>
<ul style="list-style-type: none"> • Grow Cardholder Profitability 	<ul style="list-style-type: none"> • Prohibit issuing competitor brand • Focus on Visa Gold 	<u>6/96</u>
<ul style="list-style-type: none"> • Expense Reduction 	<ul style="list-style-type: none"> • Close gateways/charge rational fees 	<u>6/96</u>
<ul style="list-style-type: none"> • Travelers Cheque 	<ul style="list-style-type: none"> • Continue existing strategy/strengthen VTM 	<u>Ongoing</u>
<ul style="list-style-type: none"> • Commercial Card Dominance 	<ul style="list-style-type: none"> • Corporate and Purchasing Card <ul style="list-style-type: none"> • Compete for multinational segment • Separate/ Increase IRF 	<u>6/96</u> <u>3/96</u>



Global Competitive Response

Global Competitive Response

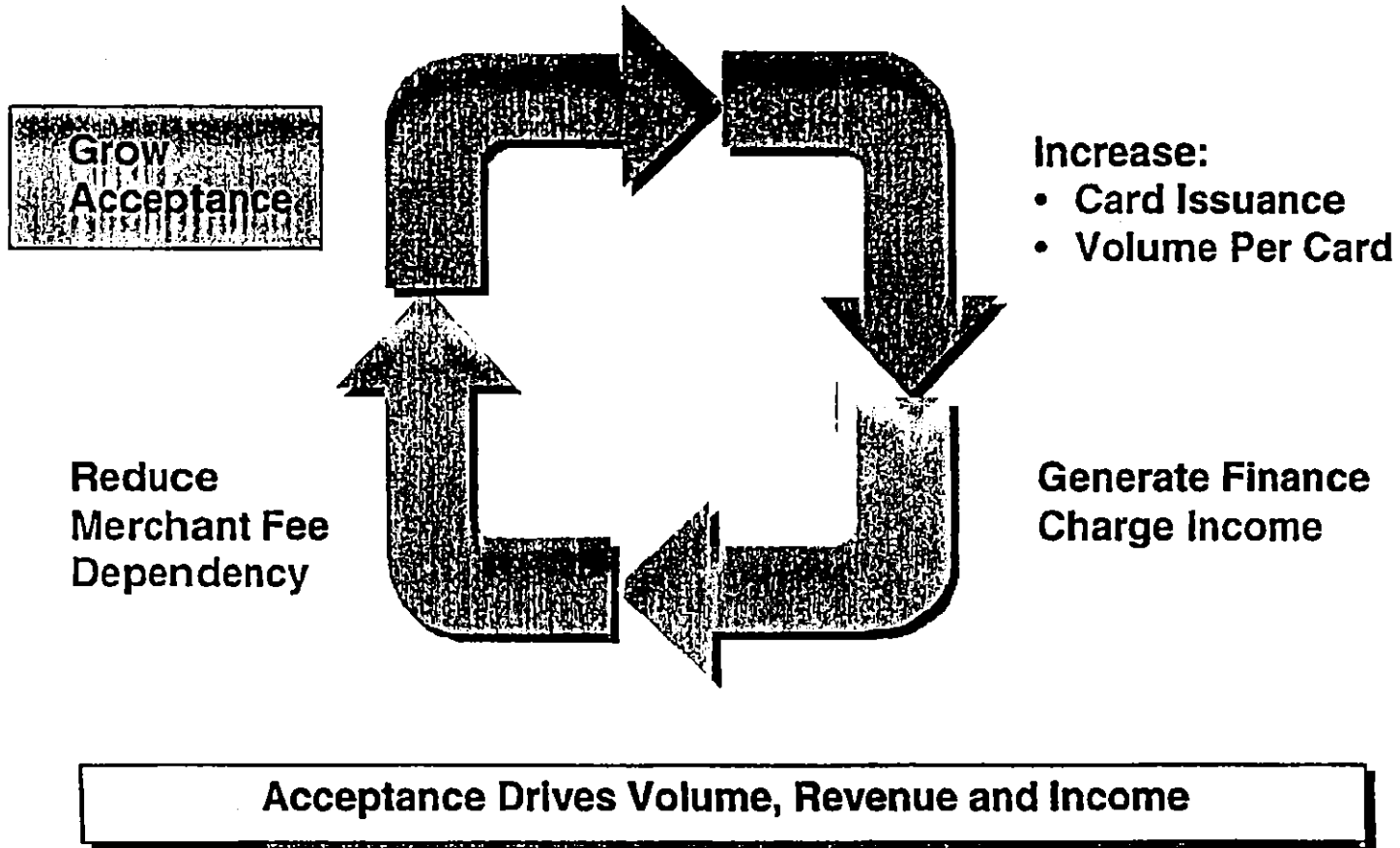
American Express Strengths



Financial Resources	1995 <ul style="list-style-type: none"> • Revenues \$15.8 Billion +11% • After tax income \$1.6 Billion +13% • Market value \$24 Billion +50%
Powerful Global Brand	<ul style="list-style-type: none"> • " One of ten best managed global brands" - Fortune • Objective: World's most respected service brand
Single Acquirer (closed loop) Merchant Network	<ul style="list-style-type: none"> • Merchant/Brand Marketing: Information • Global price management • Authorization performance/Card service
Free Ride: Visa/MasterCard/Europay	<ul style="list-style-type: none"> • Chip standards • Terminal acceptance/VisaNet end-point • Member capability • Regulatory/legislative gains
Broad Financial Services	<ul style="list-style-type: none"> • Customer financial relationship • Financial planning/Investments • Unlimited geography

Global Competitive Response

Acceptance Remains Central to Amex Strategy



Global Competitive Response

American Express Acceptance Objective



Harvey Golub
Chairman and CEO, American Express
Letter to Shareholders Annual Report 2/26/96

"Our objective is virtual parity with bankcard networks. To achieve this, we have expanded the team of external sales agents who sell both American Express Cards and bankcards to merchants. In fact, this year several major bank partners agreed to acquire merchants for us, despite the fact that they issue competing cards as well. It clearly makes economic sense for them to do so."

Global Competitive Response



Aggressively Expand Acceptance

■ Performance Measures

- 4.3 million merchants; up 400,000 in '95
- > 50% growth non-US (franchise agreements)
- 150,000 ATMs; +50% annual growth
- Suppression down 68% since 1992

Global Competitive Response

Aggressively Expand Acceptance



■ Recent Initiatives

- Signed franchise agreement with Akbank in Turkey - April 1996
- Open invitation to Member banks
- Public support from Discover (Novus)

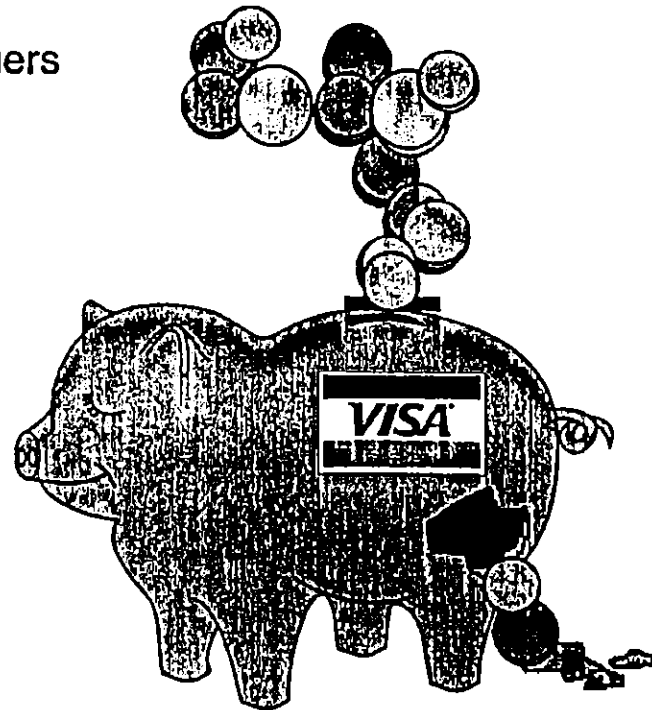
Global Competitive Response

Franchise Agreement Impact



Individual Visa Issuers
Investing in Visa

- Products
- Brand
- Marketing
- Network



Visa Membership Brand Equity

Franchise Agreements:
Individual Banks Reduce
Value of Membership's
Brand Position



Global Competitive Response

What If Amex Achieved Acceptance Parity?



Current acceptance: Visa 12 million,
Amex 4.3 million,
Visa advantage 7.7 million

	<u>Total: 7.7 MM</u>	<u>Partial (50%): 3.9MM</u>
Reduction in gap		
Amex volume/new merchant	\$20 M	\$20 M
Volume shift to Amex: all brands	\$154 B	\$78 B
Visa Members volume loss (50% market share)	\$77 B	\$39 B
Visa Members income loss (1% return on sales)	\$770 MM/year	\$390 MM/year
Visa Member market share loss	5.0%	2.5%

Global Competitive Response

Grow Cardholder Profit



■ Recent Initiatives

– Credit Card

- Launched in Canada, Hong Kong - April '96
- Pilots in Argentina, Australia, Germany - ongoing from '95

■ Co-branding: Peugeot, ITT Sheraton, Citroen, Accor, Hilton Hotels, Delta Airlines

■ Relationship Statement roll-out

■ American Express Financial Direct

- Core retail banking product; gold card + checking
- Launch of no-load mutual fund

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Global Competitive Response

Maintain Travelers Cheque Revenue



■ Recent Initiatives

- American Express Special Teams - Prepaid card issued at 220 U.S. + Canadian Colleges
- American Express Telecom - Prepaid calling card test at U.S. Post Offices
- New Business Ventures - Prepaid incentive card; military per diem card, corporate ID cards



Global Competitive Response

American Express Strategy

<u>Strategy</u>	<u>Objective</u>	<u>Tactics</u>
Aggressively expand acceptance	Virtual Parity with Bankcards	<ul style="list-style-type: none"> • Use agents/franchise agreements • Expand beyond T&E
Grow cardholder profit	Capture 100% of Cardmember plastic spending	<ul style="list-style-type: none"> • Segment market/broaden product line • Add channels/ partners
Maintain travelers cheque revenue	Grow dominant market share	<ul style="list-style-type: none"> • Expand key selling relationships • Develop stored value capabilities/products

Dominate Commercial Markets	Monopolize corporate card "take no prisoners"	<ul style="list-style-type: none"> • Product enhancements: MIS • Business extensions: purchasing card, small business
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Global Competitive Response

Dominate Commercial Market



- Performance Measurement
 - 9.1 million cardholders
 - \$47 billion in sales volume (estimate)
 - Dominant market share

Global Competitive Response



American Express Sales Proposal to Visa Membership

"On behalf of American Express, I ask that you consider joining us in issuing consumer and business cards in the American Express network."

Harvey Golub
CEO and Chairman, American Express
Credit Card Forum 5/2/96

Global Competitive Response

Dominate Commercial Market

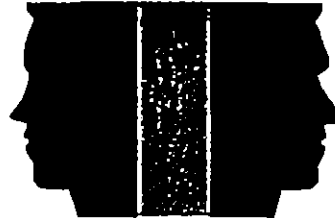


■ Recent Initiatives

- American Express Tax and Business Services - tax, financial and business consulting service (U.S.)
- Partnership with Bank to provide equipment leases to small businesses
- Testing pre-approved Bank line of credit for small business owners

Global Competitive Response

What's the Deal



Harvey Golub as Salesman: "Let's Make a Deal"

- "The business arrangement between us would be open to discussion and negotiation."
- "The cards could express a greater or lesser association with the American Express Brand."
- "The Cardmembers and information about them would be yours."

Credit Card Forum
May 2, 1996

Harvey Golub as Amex CEO: "Here's the Real Deal"

- "We focused the organization on increasing market share."
- "The American Express Brand is our most important corporate asset."
- "To execute our strategy, we must build deep, long lasting relationships with our customers, and leverage those assets that give us a competitive advantage - our brand our customers and related database."

Letter to Shareholders
February 26, 1996