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Strategic Analysis of American Express

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Introduction

This report seeks to analyse and assess American Express's success and competitiveness. American Express is a prominent financial services company with a century-long history(American Express, 2022a). The primary objective is to thoroughly examine the market position of the company, including its mission, objectives, and strategic decisions. Using PESTEL, the Industry Life Cycle, and Porter's Five Forces, the report endeavours to gain insight into American Express's competitive position and the key drivers of its sustained profitability.

In addition, the study intends to evaluate the company's strengths and weaknesses by analysing its strategic resources and capabilities to identify its competitive advantages. The purpose of executing a VRIO analysis and examining the value chain is to determine American Express's unique resources and competencies(Lynch, 2018). In addition, a SWOT analysis will offer a thorough understanding of the company's internal and external factors, including its strengths, weaknesses, opportunities, and threats.

This report intends to examine not only American Express's competitive advantage strategies and efforts for growth and innovation, but also its environmental and corporate social responsibility policies, highlighting its commitment to sustainability. This report seeks to provide a comprehensive overview of American Express's position in the financial industry, as well as its strategies for sustainable growth and responsible business practises(American Express, 2022c), by providing a concise examination of these aspects..

Background

American Express Company, also known as Amex or American Express, is a well-known global financial services corporation headquartered in New York City, United

States (MarketLine, 2018). The company has more than a century of experience in the financial sector, as its history dates back to 1850. Beginning in the first quarter of 2023, American Express will be publicly traded on the New York Stock Exchange (NYSE) under the symbol "AXP." (American Express, 2022a).

American Express reported outstanding financial results in the first quarter of 2023. The company's quarterly net income was $1.8 billion, resulting in earnings per share (EPS) of $2.40. This was a decrease compared to the prior year's net income of $2.1 billion and earnings per share of $2.73 (American Express, 2022a).

American Express provides financial services to individuals, enterprises, and merchants in numerous countries on a global scale(American Express, 2022a). The company has a global presence and serves a diverse clientele on multiple continents. Its services include payment solutions, credit cards, debit cards, traveler's checks, and a variety of financial instruments designed to meet the specific requirements of various markets.

Notably, the company's International Card Services segment encountered remarkable growth during the first quarter of 2023, increasing by 29% on an FX-adjusted basis. During the same period, the company's Travel and Entertainment expenditures increased by 39% when adjusted for currency fluctuations (American Express, 2022a).

American Express remains committed to implementing its growth strategy, with a focus on boosting Card Member spending and engagement with premium products. The company's first-quarter results aligned with its full-year 2023 guidance, which includes revenue growth between 15% and 17% and EPS between $11.00 and $11.40 (American Express, 2022a).

During the first quarter, the company was successful in acquiring new consumers, adding 3.4 million new cards. Strong demand from Millennial and Gen Z consumers, who account for over 60 percent of new consumer account acquisitions, is a key driver of this expansion. In comparison to the previous year, the expenditures of these youthful consumers have increased by 28% (American Express, 2022a).

Mission and Objectives

American Express aspires to be acknowledged as the world's most esteemed service brand by consistently exceeding customers' expectations. The company strives to deliver exceptional products, services, and experiences that define excellence in the financial services industry (American Express, 2022b).

American Express' mission is to become an indispensable companion to its customers by understanding their diverse aspirations and empowering them to achieve their financial goals(American Express, 2022b). Through continuous innovation and individualised services, the company seeks to establish itself as a dependable partner in the financial journeys of its customers.

- Customer-Focused: American Express places a premium on customer gratification and strives to deliver consistently exceptional experiences that exceed customer expectations(American Express, 2022b). The company seeks to cultivate long-lasting relationships with its distinguished clientele.
- Innovation and Differentiation: As a leading provider of financial services, American Express prioritises innovation to continuously improve its product and service offerings, differentiating itself from competitors by introducing creative and individualised solutions tailored to meet the diverse needs of its customers(American Express, 2022b).
- Operational Excellence: American Express is committed to sustaining operational excellence across its global network, providing customers and partners with a seamless and superior experience(American Express, 2022b).
- Financial Growth: As a public company, American Express aims to accomplish sustainable financial growth while preserving profitability and shareholder value(American Express, 2022c). The organisation actively pursues opportunities for revenue growth and cost reduction.

Macro-Environment Analysis

Companies must conduct a macroenvironment analysis to obtain a comprehensive understanding of the external forces influencing their industry and business environment. This analysis considers factors beyond the organization's immediate control, including economic, social, technological, political, environmental, and legal

factors (Wheelen et al., 2017). The purpose of conducting a macroenvironment analysis is to identify opportunities and hazards arising from these external factors so that the organisation can make informed strategic decisions and adapt proactively to changes in the business environment(De Sousa & Castañeda-Ayarza, 2022).

In the section that follows, we will analyse the macroenvironment using the PESTEL framework. PESTEL stands for Political, Economic, Social, Technological, Environmental, and Legal factors, and it provides a structured method for analysing the external forces influencing American Express' operations and future prospects in the financial services industry.

PESTEL Analysis

The PESTEL framework is a potent analytical instrument used to evaluate the macroenvironmental factors that can influence the business landscape and affect the performance of companies. In this section, we will conduct a thorough macro-environment analysis for American Express, focusing on the following key dimensions:

- Political Factors: Political factors include the impact of government policies, regulations, and stability on the financial services sector. Changes in taxation, trade policies, and geopolitical events can have a substantial impact on the operations and cross-border transactions of American Express(Whittington, 2019). Moreover, government interventions in financial regulations and consumer protection laws can affect the product offerings and customer relationships of a business.
- Economic Factors: Economic factors are broader economic conditions and trends that can influence consumer purchasing, business investments, and overall financial health(Boddy, 2016). Credit card usage, lending practises, and the demand for financial services can be affected by fluctuations in interest rates, inflation, exchange rates, and economic growth. American Express must closely monitor these economic indicators in order to effectively respond to shifting market dynamics.
- Social Factors: Social factors include cultural, demographic, and societal tendencies that impact consumer behaviour and preferences(Boddy, 2016). American Express' target market and marketing strategies may be affected by

changes in consumer lifestyles, attitudes towards finances, and generational shifts. The company must adapt its products and services to meet the evolving requirements and expectations of its customers.

- Technological Factors: Technological advances have altered the landscape of financial services, influencing payment methods, data security, and consumer interactions(Boddy, 2016). Innovations in digital payments, mobile banking, and artificial intelligence impact consumers' financial management and interactions with financial institutions. American Express must remain on the cutting edge of technological advancements in order to enhance its offerings and maintain a competitive advantage.
- Environmental Factors: Environmental factors pertain to the influence of ecological and sustainability considerations on the financial services industry(Whittington, 2019). Increasing awareness of environmental issues and climate change can affect consumer investment decisions. The commitment of American Express to corporate social responsibility and environmentally responsible practises(American Express, 2022c) can influence the company's brand image and consumer loyalty.
- Legal Factors: Legal factors include the regulatory framework and legal restrictions that govern the financial services industry(Boddy, 2016). Compliance with financial regulations, data protection laws, and anti-money laundering measures is essential for the operations of American Express. Changes in legal requirements may affect the company's operational procedures and necessitate modifications to its business strategies.

Micro-Environment Analysis

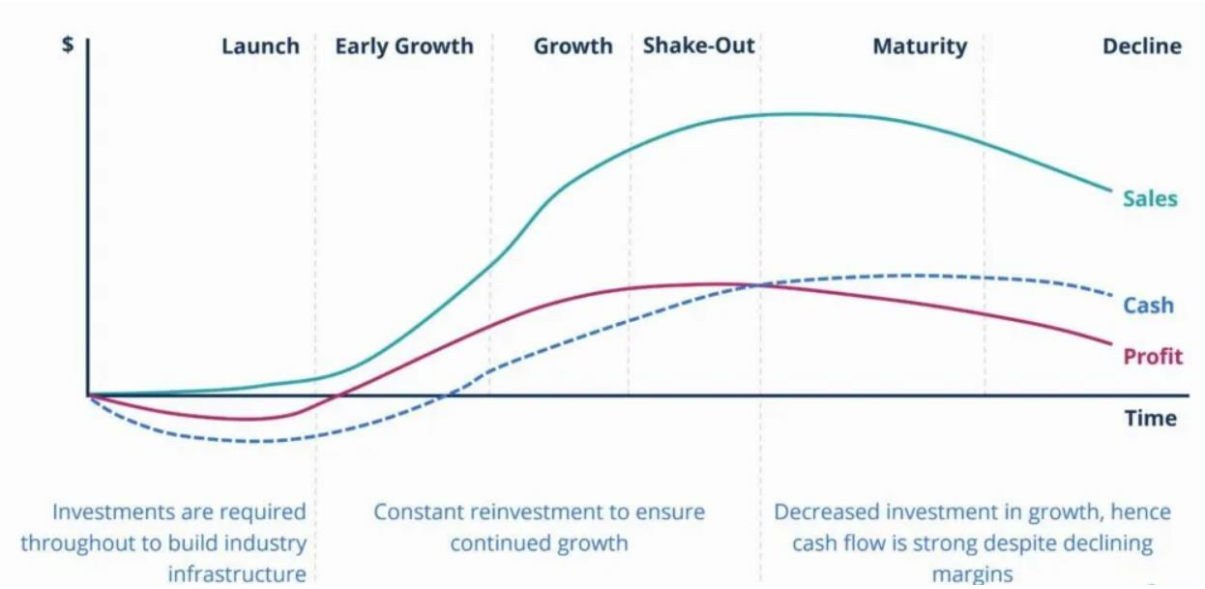
The micro-environment analysis is a crucial element of strategic analysis that concentrates on the specific industry and market factors that directly influence the operations and competitive positioning of a company (Luck, 2010). In contrast to the macro-environment analysis, which examines external factors on a broader scale, the micro-environment analysis focuses on the organization's immediate competitive landscape and industry dynamics (Grant, 2016). This analysis takes industry structure, competitors, customers, suppliers, and other stakeholders into account.

Within the context of the industry, the analysis assists in identifying the company's assets, weaknesses, opportunities, and threats. In addition, it enables the company to develop targeted strategies to capitalise on opportunities, mitigate threats, and maintain a competitive advantage in the financial services industry(Luck, 2010).

In the following sections, we will analyse American Express's microenvironment using Porter's Five Forces and the Industry Life Cycle models.

Industry Life Cycle

The Industry Life Cycle model is an indispensable instrument for evaluating the maturity and development of a specific industry. In this section, we will utilise the Industry Life Cycle model to conduct a thorough analysis of American Express, a global leader in financial services. By analysing the life cycle phase of the financial services industry and its implications on American Express' strategic priorities, market position, and growth prospects, we hope to obtain valuable insights into the company's competitive landscape and adaptability within the industry's dynamic environment (Whittington, 2019). Through this analysis, we will identify key opportunities and challenges that American Express may face at various phases of the industry's life cycle, allowing the company to position itself proactively for long-term success. The following image shows the model:



Source: (Peterdy, 2023)

The financial services industry, with its ever-changing landscape and diverse client requirements, experiences a dynamic life cycle comprised of distinct growth and maturity phases(MarketLine, 2023). It is essential, when analysing American Express's position within this industry, to comprehend the various phases of the industry life cycle and their implications for the company's strategic decision-making.

In the introduction stage, new financial products and services are introduced to the market, frequently in response to emerging technologies and fashions(Lynch, 2018). This stage may entail the introduction of new credit card offerings or digital payment solutions by American Express. As an established player, the company actively shapes the direction of the industry, capitalising on its strong brand reputation and customer base to gain a competitive advantage (American Express, 2022b). However, the company must manage risks and investments carefully during this phase to ensure that its new offerings meet market demands.

During the growth stage, the financial services industry expands rapidly as new market segments emerge and consumer adoption of innovative solutions rises(Lynch, 2018). This phase entails enlarging American Express' customer base, penetrating new markets, and capitalising on the increasing demand for premium financial services. During this phase, strategic acquisitions and partnerships may also play a significant role in driving growth.

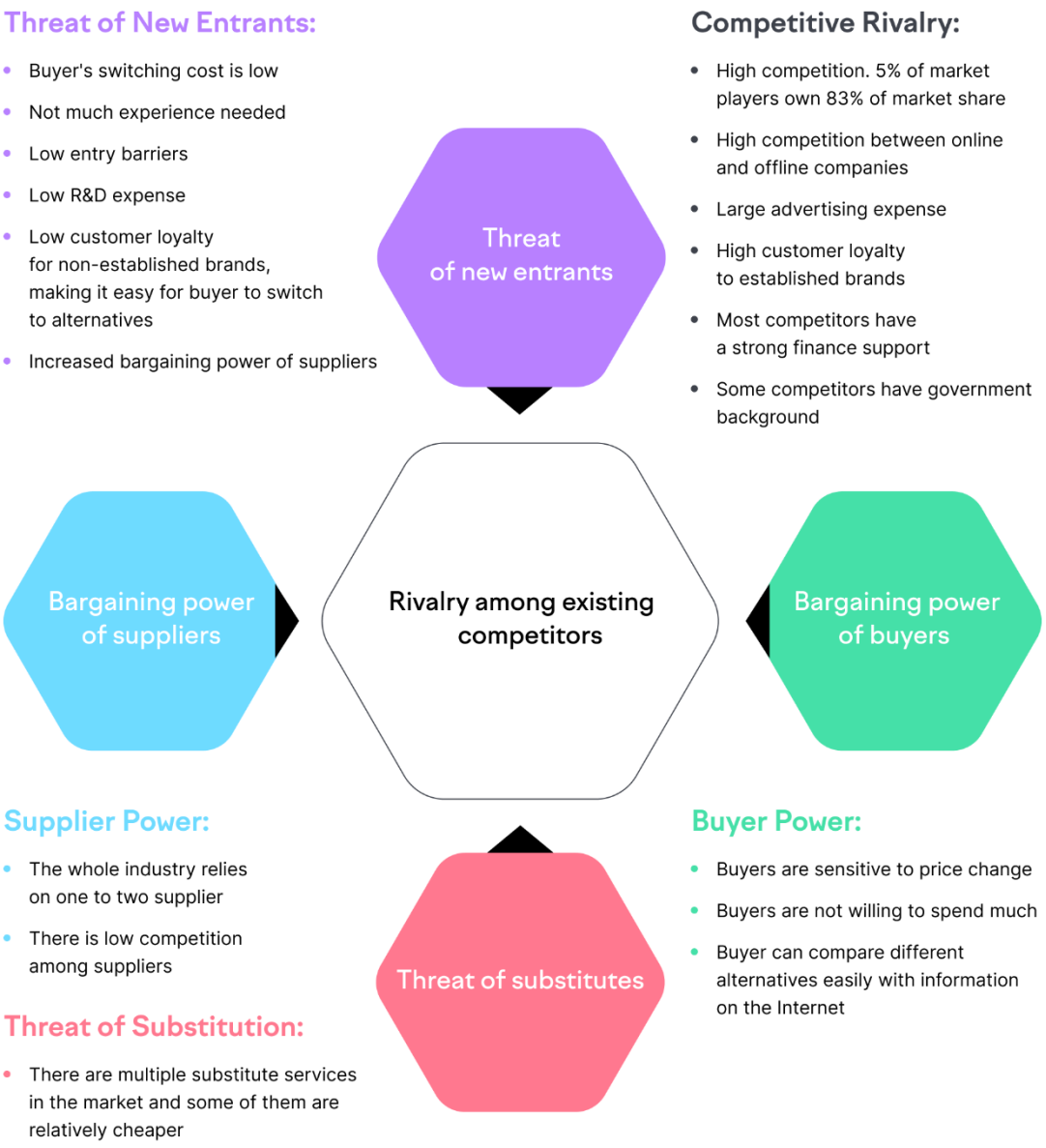
The maturity stage represents a period of slower but more stable growth, during which certain segments of the financial services industry attain saturation(Lynch, 2018). During this phase, American Express concentrates on consolidating its market position, optimising operational efficiency, and enhancing consumer loyalty. To distinguish itself from competitors, the business may engage in product diversification and additional enhancements(Lynch, 2018).

The decline stage is characterised by a decrease in industry growth, typically due to market saturation, shifting consumer preferences, or disruptive technological innovation(Lynch, 2018). This stage requires careful adaptation by American Express to emergent trends and innovative disruptions in the financial services industry. To combat industry decline, the company may contemplate strategic repositioning, entering new markets, or focusing on niche segments(Lynch, 2018).

Porter's Industry Five Forces

Porter's Five Forces Analysis is a fundamental framework used to evaluate the competitive landscape and industry dynamics of companies in the financial services industry. In this section, we will use Porter's Five Forces (Magretta, 2012) to undertake a thorough analysis of American Express, a prominent global financial services corporation. By analysing the five key forces that shape the company's competitive environment, we hope to obtain valuable insights regarding its market position, competitive advantage, and potential weaknesses(Dobbs, 2014).

The following image shows the model:



Source: Zhukova (2021)

The analysis will identify strategic implications and recommendations for American Express in order to strengthen its position and capitalise on opportunities in the fiercely competitive financial services industry.

1. Threat of New Entrants: The financial services industry is characterised by substantial barriers to entry, which reduces the prospect of new competitors entering the market and threatening American Express's position(MarketLine, 2023). Potential new entrants are discouraged by high capital requirements, stringent regulatory compliance, and the need for an established reputation and customer trust. Furthermore, American Express's strong brand recognition and customer loyalty strengthen its competitive advantage against new competitors(American Express, 2022b). While the threat from new entrants remains relatively low, the company must maintain vigilance and continue to innovate in order to defend its market position.
2. Bargaining Power of Buyers Buyers in the financial services industry have differing degrees of bargaining power, including individual cardholders, businesses, and merchants(MarketLine, 2023). Due to limited alternatives for premium credit card services, customers in the B2C segment may have relatively low bargaining power. However, in the B2B segment, corporate clients typically have greater negotiating leverage, particularly when it comes to negotiating fees and credit terms. American Express's excellent customer service, exclusive benefits, and rewards programmes (American Express, 2022b) contribute to customer loyalty, thereby mitigating the impact of consumer bargaining power on pricing and revenue.
3. Bargaining Power of Suppliers: Suppliers in the financial services industry are entities that provide essential resources, technologies, and services. American Express utilises a variety of suppliers, such as technology providers, payment processors, and financial institutions. While some suppliers may have strong market positions and considerable bargaining power, the company's size and industry influence enable it to negotiate favourable terms and maintain efficient supplier relationships(MarketLine, 2023). The company's comprehensive supplier management practises mitigate potential supplier power-related risks(American Express, 2022b).

4. Threat of Substitutes: The financial services industry provides a vast array of products and services that may serve as substitutes for American Express's offerings(MarketLine, 2023). These alternatives consist of traditional financial services, other credit card issuers, and emerging fintech companies that provide innovative payment solutions. However, American Express's brand reputation, strong customer relationships, and unique benefits, such as its Membership Rewards programme (American Express, 2022b) and exclusive access to events, create product differentiation that discourages customer transferring. To combat the threat of substitutes, the company must continue to innovate and differentiate its products.
5. Competitive Rivalry: The financial services industry is extremely competitive, with numerous competitors contending for market share(MarketLine, 2023). American Express faces competition from other main credit card issuers, such as Visa, Mastercard, and Discover, as well as banks and fintech companies that are entering the payment market. American Express's focus on premium services, personalised customer experiences, and strong merchant relationships distinguishes it from its competitors, despite the intensity of the competition(American Express, 2022b). Innovative product offerings, such as credit cards and travel services, contribute to the company's competitive advantage.

Internal Analysis

The internal analysis examines the company's distinctive advantages, strategic resources, and fundamental competencies that set it apart from competitors in the financial services industry (Lynch, 2018). This analysis provides essential insights into the company's capacity to deliver value to customers, maintain competitive advantage, and accomplish its mission and objectives (White, 2004). By identifying and evaluating its internal resources and capabilities, American Express is able to capitalise on its assets and address its weaknesses in order to maintain market agility and responsiveness.

Strategic Resources and Capabilities

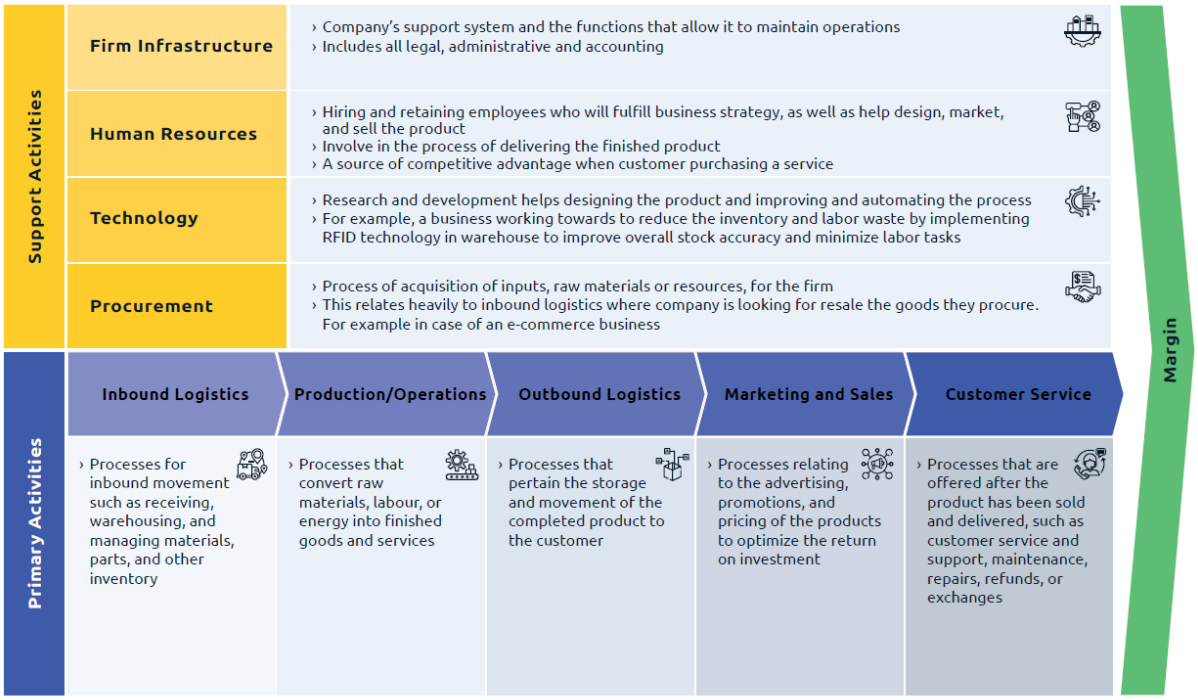
American Express's success in the financial services industry is supported by a variety of strategic resources and competencies. The company's extensive network of cardholders and merchant associates is a key strategic asset (American Express, 2022b). American Express enjoys a significant competitive advantage, nurturing a robust ecosystem that facilitates seamless transactions and improves customer experiences, due to its large and loyal customer base.

The brand reputation and recognition that American Express has cultivated over the years is another crucial strategic asset (American Express, 2022b). The American Express brand is synonymous with reliability, exclusivity, and superior customer service, attracting affluent clients in search of customised financial solutions (American Express, 2022b). This brand equity enables the company to charge premium prices and set itself apart from competitors.

The core competencies of American Express are data analytics and technological prowess (American Express, 2022b). The organisation employs sophisticated data analytics to comprehend customer preferences, purchasing patterns, and market trends, thereby enabling targeted marketing and personalised product offerings. In addition, American Express continually invests in cutting-edge technology to improve its digital capabilities (American Express, 2022b), ensuring that its customers enjoy seamless online and mobile banking.

Value Chain Analysis

Value Chain Analysis is a powerful instrument used to assess the contribution of a company's activities to the creation of value for customers and other stakeholders (De Mozota, 2010). A comprehensive value chain analysis for American Express exposes how various primary and secondary activities (shown below) collaborate to provide exceptional financial services and customer experiences:



Source: (Dieffenbacher, 2023)

Primary Activities

Primary activities within the American Express value chain are the fundamental operational functions that directly contribute to the creation and delivery of its esteemed financial services. These activities include inbound logistics, operations, outbound logistics, marketing and sales, and service, each of which plays an essential role in enhancing customer experiences and advancing the company's competitive advantage in the financial services industry(De Mozota, 2010).

1. Inbound Logistics: American Express's primary activities involve obtaining partnerships with financial institutions and merchants in order to expand its network and product offerings(American Express, 2022b). Collaborations with global institutions and merchants allow the business to expand its services and attract a variety of customers.
2. Operations: American Express triumphs in the efficient processing of transactions, credit approvals, and customer service, which are all crucial operations(American Express, 2022b). Customer satisfaction is increased by the company's robust technological infrastructure, which ensures fast and secure transactions.

3. Outbound Logistics: In this phase, American Express provides value to its cardholders through timely and accurate invoicing, statement delivery, and customer service(American Express, 2022b). Effective outbound logistics contribute to the retention and loyalty of customers.
4. Marketing and Sales: Targeting high-income individuals and businesses, American Express's marketing campaigns emphasise its premium services, exclusive benefits, and rewards programmes(American Express, 2022b). The sales team works to acquire new consumers and increase the company's market share.
5. Service: Exceptional customer service is a fundamental component of American Express's value chain. High customer contentment and loyalty are ensured by the company's availability of customer service around-the-clock, personalised assistance, and prompt dispute resolution(American Express, 2022b).

Secondary Activities

Secondary activities within American Express's value chain consist of essential support functions that enable and improve the efficacy of the company's core operations. All of these auxiliary activities, including procurement, human resource management, technology development, and firm infrastructure, contribute to the company's overall success and viability in the dynamic financial services market(De Mozota, 2010).

1. Procurement: American Express acquires financial resources, technologies, and partnerships strategically to strengthen its market position and deliver innovative products and services(American Express, 2022b).
2. Human Resource Management: Skilled and knowledgeable employees are essential for the success of American Express. To retain top talent, the company invests in talent development, promotes a diverse and inclusive workplace, and rewards high performance(American Express, 2022b).
3. Technology Development: The dedication of American Express to technological development propels its innovation and strengthens its digital capabilities(American Express, 2022b). The company invests in research and

development to remain at the vanguard of financial services industry technological advancements.

4. Firm Infrastructure: American Express, a multinational corporation, maintains a robust organisational structure and corporate governance to effectively support its global operations(American Express, 2022b).

VRIO Analysis of Distinctive Resources and Capabilities

VRIO analysis is a framework for evaluating a company's internal resources and capabilities to determine if they can provide a sustainable competitive advantage. (Barney & Hesterly, 2018) VRIO represents Valuable, Rare, Imitable, and Organised. Each factor represents a crucial aspect of assessing a company's strengths: whether its resources create value, are scarce or distinct, are difficult for competitors to replicate, and are utilised effectively within the organisation. By conducting a VRIO analysis, businesses can identify their fundamental competencies and comprehend how to capitalise on them for long-term market success(Lynch, 2018). The following is a comprehensive VRIO analysis of the main factors contributing to Amex's competitive advantage:

- Valuable: Amex possesses a number of valuable resources and competencies that allow it to exploit market opportunities and counteract market threats. Its powerful brand image and reputation are valuable assets that attract wealthy customers in search of exclusive benefits and superior customer service (American Express, 2022b). The membership rewards programme provides cardholders with distinct benefits and personalised experiences, thereby enhancing their value. In addition, Amex's extensive global merchant network ensures widespread acceptance, thereby enhancing the consumer experience.
- Rare: Numerous Amex assets are relatively uncommon in the financial services industry. Its brand image, which caters to affluent customers, distinguishes it from rivals who target a broader market. The closed-loop business model, in which Amex issues cards and acquires merchants (American Express, 2022b), is an uncommon capability that gives the company a competitive advantage by allowing it to control the entire transaction ecosystem.

- Inimitable: Amex's resources and capabilities are difficult for competitors to duplicate. It is difficult to replicate in a short amount of time the decades-long work that has been put into establishing this company's solid brand reputation (American Express, 2022b). The integrated closed-loop model necessitates substantial infrastructure and partnership investments, making it challenging for other actors to establish a comparable system. In addition, the complexity of their loyalty and rewards programme, as well as their long-term partnerships with numerous brands, gives this aspect of their business an element of uniqueness.
- Organised: Amex is effectively organised to maximise its resources and capabilities. It emphasises exceptional customer service as part of its customer-centric strategy, which correlates with its premium brand image. The company makes substantial investments in data analytics and technology (American Express, 2022b), allowing it to effectively analyse consumer behaviour, detect fraud, and provide personalised services. In addition, Amex's financial strength allows it to engage in growth initiatives and withstand economic downturns.

SWOT Analysis

Strengths:

1. Operational Performance: American Express's card business has demonstrated excellent operational performance. The company reported an increase in the total number of cards in circulation, including proprietary cards, as well as an increase in average cardholder expenditure. This resulted in a significant 25% increase in net revenue in FY2022 (American Express, 2022a).
2. Spend-Centric Business Model and Revenue Mix(Kapoor and Kulshrestha, 2014): Amex's "spend-centric" business model is a significant virtue. The company prioritises card spending to generate revenue, which generates consumer loyalty and increases the volume of transactions (American Express, 2022a; American Express, 2022b). This strategy enables American Express to offer its consumers and merchants attractive loyalty programmes and rewards.

3. Cost Efficiency(Berger and DeYoung, 1997): The company has improved its cost efficacy, resulting in an increase in profitability. American Express effectively managed its expenses while attaining significant revenue growth with a 77.74% efficiency ratio in FY2022 (American Express, 2022a).
4. Capital Adequacy: American Express maintains a solid capital base, ensuring capital sufficiency to support both organic and inorganic growth. The firm's capital adequacy, tier 1 capital, common equity tier 1 ratio (CET1), and leverage ratios exceed Basel III requirements(American Express, 2022a).

Weaknesses:

1. Penalty: American Express National Bank (AENB), an Amex subsidiary, was punished for violating Foreign Narcotics Kingpin Sanctions (Office of Foreign Assets Control, 2022). This incident could affect customer confidence and must be handled with care.
2. Limited Physical Presence: In comparison to some of its rivals, American Express has a limited tangible presence, particularly in certain regions or countries(American Express, 2022b). This could reduce accessibility for prospective consumers and impede market penetration in specific geographic regions.
3. Higher Fees and Interest Rates: American Express is renowned for its premium products and services(American Express, 2022b), which are frequently accompanied by higher fees and interest rates than those of other payment service providers. This could discourage price-sensitive consumers from selecting Amex's products and services, leading to potential customer churn.
4. Dependence on Premium Customers(Mohammed, 2018): The company's business model is highly dependent on attracting and retaining premium consumers who are more likely to purchase and utilise its higher-margin products and services. Its ability to reach into broader market segments and diversify its customer base could be compromised if it relies too heavily on this segment.

Opportunities:

1. Strategic Initiatives: American Express has been actively pursuing strategic initiatives to offer up new growth opportunities(American Express, 2022b). It is anticipated that partnerships with companies such as Boom Supersonic, Vanguard, Singapore Airlines, and Malayan Banking Bhd will provide its card members with exclusive experiences and financial advice services.
2. Business Expansion: The company's business expansion initiatives, such as its partnerships with Stripe and Nayax, provide opportunities to improve its services and market presence(American Express, 2022b).
3. Expanding Market for Payment Channels(PricewaterhouseCoopers, 2023): The US payment market is expanding, presenting opportunities for American Express to capitalise on the rise of debit card transactions, mobile wallets, and e-commerce(American Express, 2022b).
4. Strategic Expansion in Emerging Markets(Bang, Joshi and Singh, 2015): American Express has the opportunity to strategically expand its presence in emerging markets where the demand for financial services and payment solutions is expanding. By entering these markets with customised offerings, the company could reach new consumer segments and realise substantial growth potential.

Threats:

1. Risks Related to Online Identity Theft and Hacking(Milne, Rohm and Bahl, 2004): American Express's reliance on information technology for card business operations exposes it to risks of online identity theft and hacking, which could have a negative impact on its finances and reputation.
2. Competition: American Express operates in a highly competitive global market for cards and payments(American Express, 2022b). Numerous domestic and international payment services providers pose competition for the business, necessitating constant innovation to maintain a competitive edge.
3. Rapid Technological Change: The financial services sector is undergoing accelerated technological development(MarketLine, 2023). Existing offerings could become obsolete or unmarketable if they fail to adapt to emergent technologies or introduce innovative products and services.
4. Regulatory Changes and Compliance Complexity(Interligi, 2010): The financial services industry is subject to frequent regulatory changes, and

compliance requirements can become increasingly complex(MarketLine, 2023). American Express faces the risk of navigating changing regulations and ensuring strict compliance, which could necessitate additional resources and increase operational expenses. Failure to comply with regulations may result in fines and reputational harm.

Strategies to Sustain Competitive Advantage

The Generic Strategies of Michael E. Porter provide a framework for achieving competitive advantage and maintaining market position (Weber & Polo, 2010).

Target/Market Scope	*Advantage*	
	Low Cost	*Product/Service Uniqueness*
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

Source: (Sohn, 2019)

These Michael Porter-proposed strategies are three distinct approaches a company can take to obtain a competitive advantage in its industry(Gamble, Thompson and Peteraf, 2020).

Cost Leadership Strategy

Amex can implement a cost leadership strategy(Valentin, 2014) by emphasising the delivery of financial products and services at lower prices than its competitors. This will attract price-conscious consumers and give Amex a competitive edge on the market.

- Rapid Cycle Time: Amex can implement rapid cycle time practises to optimise its operations and reduce expenses. By efficiently processing transactions and delivering services promptly, Amex is able to reduce expenses and offer customers competitive pricing.
- Value Chain Analysis: Conducting a thorough value chain analysis(Valentin, 2014) will help Amex identify areas where cost savings can be achieved. By optimizing its supply chain, distribution channels, and internal operations, Amex can drive down costs and offer cost-effective solutions to its customers.

Differentiation Strategy

Amex can pursue a differentiation strategy by emphasising the provision of distinctive and premium financial products and services that stand out in the marketplace(Valentin, 2014). This will establish a powerful brand identity and attract consumers willing to pay a premium for the unique value they receive.

- Co-Creation: By engaging customers and involving them in the product development process, Amex will be better able to comprehend their unique requirements and preferences. This will result in the development of differentiated offerings that meet the specific needs of each consumer.
- Business Model Innovation: Amex can innovate its business model in order to provide new and innovative financial service delivery methods. Amex can differentiate itself from traditional financial institutions and attract tech-savvy consumers by introducing disruptive business models.

Focus Strategy

Amex can employ a focus strategy by concentrating on specific market segments or niche markets in which it can excel and meet the specific needs of customers(Hill, Jones and Schilling, 2014).

- Customer Experience Management: By prioritising customer experience, Amex is able to concentrate on comprehending the specific needs of its target market and delivering customised services that correspond to their preferences.

- Open Innovation: Amex will be able to access new ideas and technologies that meet the requirements of its targeted customer segments by collaborating with innovative startups or companies in specific niche markets.
- Bottom of the Pyramid: Targeting marginalised or low-income market segments with cost-effective financial solutions can assist Amex in entering new markets and gaining a competitive advantage in these areas.

Growth Strategies

American Express can expand its presence and reach new markets through a variety of growth strategies:

1. Strategic Alliances and Partnerships: Amex can form strategic alliances and partnerships with local financial institutions, technology companies, and other businesses in the target markets in order to accelerate growth and gain access to new consumer segments(Valentin, 2014). These alliances can enable Amex to expand its market reach by leveraging the partner's existing consumer base, distribution networks, or technological expertise.
2. Mergers and Acquisitions (M&A): To rapidly expand its business and acquire new capabilities or technologies, Amex may contemplate mergers and acquisitions(Valentin, 2014). Acquiring successful fintech firms or established financial institutions in target markets can give Amex a competitive advantage and facilitate its entry into those markets. Amex also gains access to new consumer segments and intellectual property through mergers and acquisitions.
3. Franchising and Licencing: In markets where Amex may encounter regulatory obstacles or cultural differences, franchising and licencing can be an effective entry mode strategy. Through franchising, Amex can form partnerships with local business owners who will operate under its brand and guidelines. Licencing enables Amex to grant local entities permission to utilise its technology, brand, or products, thereby facilitating rapid market entry(Valentin, 2014).
4. Joint Ventures: Amex can engage into joint ventures with established players in regions where local knowledge and expertise are crucial to success(Valentin, 2014). Amex can share risks and costs through joint

ventures, while benefiting from the partner's local market knowledge and customer base. It is crucial to select partners who share Amex's values and long-term growth objectives.

5. Online and Digital Expansion: Amex can invest in expanding its online and digital presence in target markets to capitalise on the increasing digital and mobile market trends(Valentin, 2014). This may involve the advent of regionally-specific websites, mobile applications, and digital payment solutions.

Green Strategy and CSR

American Express is committed to minimising its impact on the environment and advancing climate solutions to facilitate the transition to a low-carbon economy. The green strategy is based on the following pillars:

1. Net-Zero Emissions Commitment: In accordance with the Science Based Targets initiative (SBTi), Amex aims to attain net-zero emissions by 2035(American Express, 2022c). This involves reducing the company's carbon footprint across its operations, supply chains, and business activities.
2. Management of Climate-Related Risks and Opportunities: Amex recognises the significance of managing climate-related risks and opportunities across its business. This includes evaluating and addressing potential climate change impacts on its operations, investments, and customers(American Express, 2022c).
3. Low-Carbon Product Innovations: Amex is testing low-carbon product innovations, such as carbon tracking and offset solutions, in order to provide its consumers with sustainable financial products and services(American Express, 2022c).
4. Green Investments: From 2021 to 2025, the company will provide at least $10 million in support of initiatives, partnerships, and programmes that mitigate the negative effects of climate change and pollution on communities(American Express, 2022c). This involves investing in climate-resilient and environmentally sustainable projects.
5. Green2Together Programme: Through the Green2Together programme, Amex actively engages its employees in sustainability initiatives(American

Express, 2022c). This programme promotes employee participation in eco-friendly activities, waste reduction initiatives, and volunteer opportunities with nonprofit partners.

Corporate Social Responsibility (CSR)

Amex's CSR goals are designed to align with its core values and business objectives while contributing positively to society. In addition to the specific climate-related objectives mentioned above, Amex has the following broader CSR objectives:

1. Financial Well-being: Through its products, services, tools, and education, Amex endeavours to empower individuals to build and maintain their financial well-being. From 2021 to 2025, the company is committed to providing credit to at least 4 million individuals from underrepresented populations(American Express, 2022c).
2. Economic Empowerment: Amex endeavours to enhance the financial security and money management capabilities of small businesses through a variety of products, services, campaigns, and initiatives. The company also intends to support small businesses by achieving $100 billion in consumer spending on Small Business Saturday and other Shop Small campaigns between 2021 and 2025(American Express, 2022c).
3. Diversity, Equity, and Inclusion: Amex is committed to increasing diverse representation, equal opportunity, and an inclusive corporate culture at all levels of the organisation. This includes maintaining 100% pay equity across genders globally and across races and ethnicities in the United States, as well as doubling the annual spend with underrepresented-owned suppliers in the United States from a 2019 baseline to $750 million by the end of 2024, including increasing the annual spend with Black-owned suppliers to at least $100 million(American Express, 2022c).
4. Social Justice and Community Support: Amex seeks to promote ethnic equality and social justice in its local communities. From late 2020 to 2024, the company intends to provide access to capital and financial education to at least 250,000 underrepresented small and medium-sized enterprises in the United States(American Express, 2022c). In addition, between late 2020 and 2024, Amex will provide $50 million in grants to organisations confronting

inequality and promoting social justice, including those led by members of underrepresented groups.

Conclusion

This report examined numerous facets of American Express, in order to develop strategic recommendations for sustainable growth and corporate social responsibility. Through a comprehensive analysis of the company's financial performance, market position, competitive landscape, and growth strategies, valuable insights were gained to guide its future initiatives. The analysis emphasised the importance of prioritising digital transformation, geographic expansion, customer segmentation, and data security in order to improve customer experience, increase market penetration, and diversify revenue streams. American Express can strengthen its position as a prominent provider of financial services while delivering personalised and innovative solutions to its diverse customer base by adopting a customer-centric strategy and implementing data analytics.

Recommendations

This section presents strategic recommendations for American Express based on the analysis of its internal resources and capabilities. By implementing them, Amex can navigate emerging challenges and capitalize on opportunities to solidify its position as a premier provider of premium financial solutions.

1. **Strengthen Digital Presence and Customer Experience:**

    - Enhance Mobile Banking Capabilities: Invest in mobile app development in order to provide a seamless and user-friendly mobile banking experience, including mobile payments, real-time notifications, and digital wallets(American Express, 2022b; Mellahi et al., 2021).
    - Customise the Customer Experience: Utilise customer data and AI-powered analytics to personalise offers, rewards, and communications based on individual preferences and spending habits(American Express, 2022b; Mellahi et al., 2021).

2. **Expand Geographical Presence and Market Penetration:**

- Enter Emerging Markets: Identify and enter high-growth potential markets in developing economies where financial services are underserved, while adapting products and services to meet local requirements(American Express, 2022b; Mellahi et al., 2021).
- Target Underserved Regions: Concentrate on regions with unrealized market potential, offering financial services to underserved communities and promoting financial inclusion(American Express, 2022b; Mellahi et al., 2021).

3. **Focus on Customer Segmentation and Personalization:**

- Use Customer Data for Targeted Marketing: Utilise data analytics to identify customer segments and design personalised marketing campaigns to effectively attract and retain diverse customer profiles(American Express, 2022b; Mellahi et al., 2021).
- Cater to Millennials and Individuals with High Net Worth: Develop products and benefits that cater to the specific requirements and preferences of millennials as well as wealthy and high-net-worth customers(American Express, 2022b; Mellahi et al., 2021).

4. **Emphasize Data Security and Fraud Prevention:**

- Invest in Cybersecurity Measures: Enhance data protection systems, implement encryption technologies, and conduct routine security audits to protect customer data from cyber threats(American Express, 2022b; Mellahi et al., 2021).
- Inform Customers Regarding Cybersecurity: Launch educational campaigns to increase customer awareness of common cyber threats and best practises for protecting their financial data(American Express, 2022b; Mellahi et al., 2021).

5. **Diversify Revenue Streams and Offerings:**

- Introduce wealth management services and financial advisory solutions to serve affluent clients seeking investment and financial planning assistance(American Express, 2022b; Mellahi et al., 2021).
- Integrate sustainability-focused investment options, green loans, and environmentally conscious financial products to attract socially responsible consumers(American Express, 2022b; Mellahi et al., 2021).

6. **Implement a Sustainable Growth Strategy:**

- Commit to Net-Zero Emissions: Establish specific goals and timelines to achieve net-zero emissions, in accordance with the Science-Based Targets initiative (SBTi) to combat climate change(American Express, 2022c; Mellahi et al., 2021).
- Support Climate-Resilient Communities: Allocate resources to initiatives and partnerships that promote climate resilience and address the negative effects of climate change on communities(American Express, 2022c; Mellahi et al., 2021).

7. **Strengthen CSR Initiatives and Social Impact:**

- Promote Diversity, Equity, and Inclusion: Increase diversity in leadership roles, implement inclusive employment practises, and cultivate a work environment that values and respects all employees(American Express, 2022c; Mellahi et al., 2021).
- Collaborate with Nonprofits: Collaborate with nonprofits to provide financial education programmes, support underrepresented communities, and address social inequality(American Express, 2022c; Mellahi et al., 2021).

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Appendix

Corporate Governance Structure

1. Chairman and Chief Executive Officer (CEO): Stephen J. Squeri

2. Vice Chairman: Doug Buckminster

3. President, Global Network Services: Mohammed Badi

4. Vice Chairman and Chief Financial Officer: Jeff Campbell

5. Chief Strategy Officer: Alex Drummond

6. American Express Chief Credit Officer and Executive Committee Member: Andres Espinosa

7. Executive Vice President, Chief Audit Executive Internal Audit Group: Alan Gallo

8. President, U.S. Consumer Services: Howard Grosfield

9. Chief Colleague Experience Officer: Monique R. Herena

10. Group President, Global Merchant and Network Services: Raymond Joabar

11. President, International Card Services: Rafael Marquez

12. Group President, Global Commercial Services and Credit & Fraud Risk: Anna Marrs

13. President, Enterprise Strategic Partnerships: Glenda McNeal

14. Chief Risk Officer, American Express: David Nigro

15. Chief Operating Officer, American Express National Bank: Rick Petrino

16. President, Global Services Group: Denise Pickett

17. Executive Vice President and Chief Information Officer: Ravi Radhakrishnan

18. Chief Marketing Officer: Elizabeth Rutledge

19. Chief Legal Officer: Laureen E. Seeger

20. Chief Corporate Affairs Officer: Jennifer Skyler

Year Ended December 31 *(Millions, except per share amounts)*	**2022**	2021	2020
Revenues			
Non-interest revenues			
Discount revenue	**$ 30,739**	$ 24,563	$ 19,435
Net card fees	**6,070**	5,195	4,664
Service fees and other revenue	**4,521**	3,316	2,702
Processed revenue	**1,637**	1,556	1,301
Total non-interest revenues	**42,967**	34,630	28,102
Interest income			
Interest on loans	**11,967**	8,850	9,779
Interest and dividends on investment securities	**96**	83	127
Deposits with banks and other	**595**	100	177
Total interest income	**12,658**	9,033	10,083
Interest expense			
Deposits	**1,527**	458	943
Long-term debt and other	**1,236**	825	1,155
Total interest expense	**2,763**	1,283	2,098
Net interest income	**9,895**	7,750	7,985
Total revenues net of interest expense	**52,862**	42,380	36,087
Provisions for credit losses			
Card Member receivables	**627**	(73)	1,015
Card Member loans	**1,514**	(1,155)	3,453
Other	**41**	(191)	262
Total provisions for credit losses	**2,182**	(1,419)	4,730
Total revenues net of interest expense after provisions for credit losses	**50,680**	43,799	31,357
Expenses			
Card Member rewards	**14,002**	11,007	8,041
Business development	**4,943**	3,762	3,051

Card Member services	**2,959**	1,993	1,230
Marketing	**5,458**	5,291	3,696
Salaries and employee benefits	**7,252**	6,240	5,718
Other, net	**6,481**	4,817	5,325
Total expenses	**41,095**	33,110	27,061
Pretax income	**9,585**	10,689	4,296
Income tax provision	**2,071**	2,629	1,161
Net income	**$ 7,514**	$ 8,060	$ 3,135
Earnings per Common Share — (Note 21)[(a)]			
Basic	**$ 9.86**	$ 10.04	$ 3.77
Diluted	**$ 9.85**	$ 10.02	$ 3.77
Average common shares outstanding for earnings per common share:			
Basic	**751**	789	805
Diluted	**752**	790	806

Consolidated Financial Statements

(a) Represents net income less (i) earnings allocated to participating share awards of $57 million, $56 million and $20 million for the years ended December 31, 2022, 2021 and 2020, respectively, (ii) dividends on preferred shares of $57 million, $71 million and $79 million for the years ended December 31, 2022, 2021 and 2020, respectively, and (iii) equity-related adjustments of $16 million related to the redemption of preferred shares for the year ended December 31, 2021.

Source: American Express Annual Report 2022