

The SME Commune Portal - Networking Adds Value !

Concept Overview

Concept Description: Presenting the SME Commune from AMEX OPEN, a simple way to derive more value our transactions. The SME Commune Portal allows you to network effectively with your business partners. You, as an AME can form your own personalized business commune. What's more, you get rewarded handsomely for not only the tr but also for the transactions of your commune members. Visit the SME Commune Portal for cost savings as never OPEN way!

Target Market: Small & Medium-Scale Enterprises that are comfortable with online transactions and are looking forw in their business transactions.

Reason to Believe: After logging into your secured AMEX OPEN account, you can add your business partners (nor AMEX non-OPEN customers as well as AMEX OPEN customers) to your business commune under the industry vertical commune starts transacting through the AMEX OPEN card, you save in two ways. On one hand, you earn loyalty p transactions within the commune. As an icing to the cake, you also receive a slab-based cash payback percentage value of the AMEX OPEN card-holders in your commune whom you have a POS with. It's a win-win situation for you addition to the regular benefits you receive on your favorite card, customized to the credit needs of your business vert

Dramatic Difference: AMEX knows that you know your business best. Therefore, it lets you design the way yo business transactions. The process doesn't just allow you to transact efficiently, it enables you to organize your tran as to achieve substantial cost savings as a commune. After all, we know you best.

Value Proposition

What do SMEs need? SMEs work in close communes, irrespective of whether they are conscious of it or not. It is c of their regular business purchases/sales are repeated. SMEs harness their business relationships to derive transact brings them substantial savings and that in turn motivates them to continue with their existing sourcing con articulated or otherwise, SMEs desire enhanced efficiencies and cost benefits in their transaction communes.

Value Proposition To the Customer:

- Convenience of being able to construct one's customized transaction network enlisting all business partners
- Convenience of making all business transactions on the secured AMEX portal
- Transaction Cost Savings from *Primary Group*
- Earning Loyalty Points owing to an expanding *Secondary Group*

To AMEX:

- As the SME commune grows, the transaction volumes through AMEX OPEN business card increases
- Value Added Benefit to customers as they can manage their entire gamut of business transactions online in a and speedy way
- Enhanced Customer Loyalty

Bottom-Line Results

Based on the figures in the case and on our assumptions we have designed a model (See Exhibit 1 & 2 above). We as capture 5% market which is still untapped in the first year. Against a figure of \$22k we have assumed \$17k. Rest of th available in the table. (Note here credit spread means the difference in the borrowing and lending interest rate). This : based on our understanding of the US market that we have got from secondary data. These assumptions might just re that.....assumptions but we have examined sensitivity in the Risk Section to give a clearer view as to the viability of th

The Finance Model Forecasting Possible Outcomes

	1	2	3	4	5
Number of Cards	103000	113300	124630	137093	150802
Credit Spend	\$17,000	\$17,000	\$17,000	\$17,000	\$17,000
Credit Card T/o Mn	\$1,751	\$1,926	\$2,119	\$2,331	\$2,564
Spread Component	\$175	\$193	\$212	\$233	\$256
Bad Debt etc @ 5%	\$9	\$10	\$11	\$12	\$13

Model Assumptions

Market (Given)	10,300,000	Cr Card Avg :
Currently Catered (A)	80%	Sales Growth
Untapped	2,060,000	Credit Spreac
Intention (Our Target)	5.0000%	Bad Debt exp
1st Year target	103,000	AMC
WACC (A)	16%	Terminal gro

	\$166	\$183	\$201	\$221	\$244
AMC Charges		\$31	\$34	\$37	\$41
Profits	\$166	\$214	\$235	\$259	\$285
Terminal Value					\$2,717
	\$166	\$214	\$235	\$259	\$3,002
NPV	\$2,025.30				

Competitive Advantage

Competitive Advantage: - None of AMEX’s competitors have a plan that’s similar. SME commune through the AMEX give the customers a sense of exclusivity.

- **First Mover Advantage:** The plan, by its nature, is extremely contagious especially for the business commune company to come out with a customized plan like ours, the company will enjoy first mover advantage. Even if competitors replicate it, customers are likely to still associate the benefits with the AMEX OPEN brand.
- **Unique Customer Experience:** Customers have a chance of creating a network that suits them the best. This over their transaction costs, provides convenience and offers opportunities to expand their business economically find it extremely difficult to attract AMEX customers once they get habituated. The model infuses a sense of belonging
- **Switching Cost to the Customers:** An SME customer enjoys a lot of benefits by transacting within the commune decide to switch over to competitors, in order to enjoy similar benefits it would have to convince the entire commune

Feasibility

Risk :- The table below shows the changes in the viability of the project given the changes in our assumptions

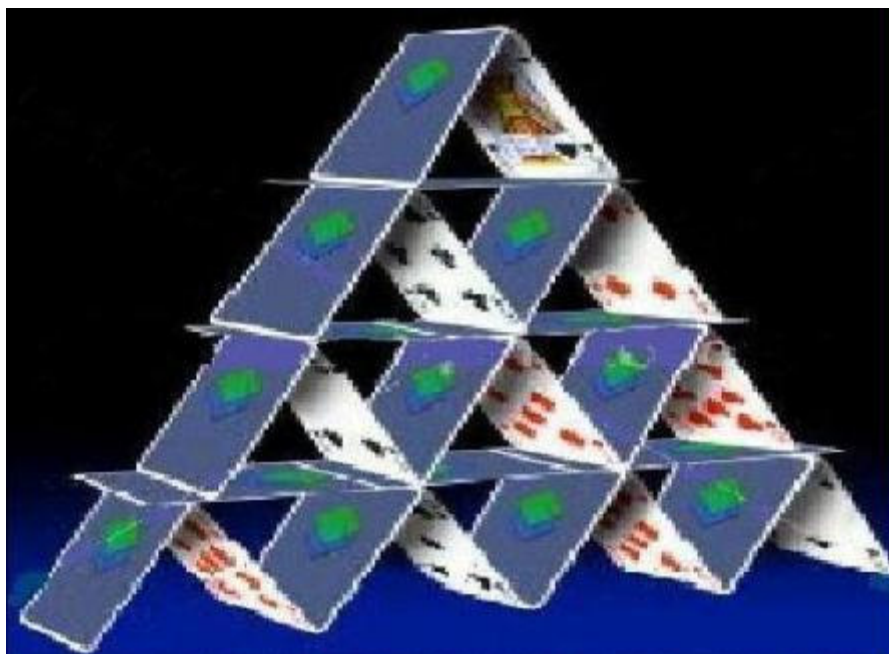
		Market Penetration assumptions						
		\$2,025.30	2%	3%	4%	5%	6%	7%
Credit Spread	3%		319.2	478.7	638.3	797.9	957.5	1117.1
	4%		389.3	584.0	778.6	973.3	1167.9	1362.6
	5%		459.4	689.2	918.9	1148.6	1378.3	1608.0
	6%		529.6	794.4	1059.1	1323.9	1588.7	1853.5
	7%		599.7	899.6	1199.4	1499.3	1799.1	2099.0
	8%		669.8	1004.8	1339.7	1674.6	2009.5	2344.5
	9%		740.0	1110.0	1480.0	1850.0	2220.0	2589.9
	10%		810.1	1215.2	1620.2	2025.3	2430.4	2835.4

Implementation: AMEX is already presently ranked second for its online services according to the 2004 Competi Study. Therefore, AMEX is in surely in a position to support the concept of creating a unique portal for its SME cl software will let SMEs interface with their immediate transaction partners.

Privacy issues arising in the course of online transaction may be addressed by giving all the members in the commune They would have customized access privileges so that they can only view commune information for which they are c for. All online transactions will take place using secured payment gateway technology.

Technology Background once implemented will need to be customized as per industry verticals. In the initial pl business earning verticals need to be targeted with basic features. In the subsequent phases, scale could be extend verticals with extended features. A pointer to the next generation features could be a combined offering of Deb Services, Card-less card transactions through mobiles etc.

Concept Illustration



Ever wondered if you could attain cost saving by working closely with your own business associates? American Express SME Commune gives you this unique opportunity of building your own value castle. Come, Join ONE, Join ALL !!!

"Networking Adds Value"

Being a member of the value castle you have an opportunity to grab!

AMEX Open lets you earn Loyalty Points on your transactions with the succeeding layer in the commune.

What's more ? You also stand to receive a percentage of the transaction volumes of the succeeding layer (AMEX Open card holders)



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