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External and Internal Environments

Name

Institutional Affiliation

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Company Biography

American Express has its headquarters in Manhattan, New York City. It specializes in credit card products besides offering travel-related services to millions of people across the globe. The firm established in 1850 as an express mail business, but has evolved to become a market leader in the financial industry providing multiple services to individuals and enterprises. The firm focuses on stabilizing its relations with clients, an element that has helped the business to deliver high levels of consumer satisfaction.

1. PESTEL Analysis

Various factors affect business operations, and enterprises make efforts to benefit from the positive ones while minimizing the negative impacts. These forces could either be political, economic, socio-cultural, technological, and legal. The factors that have impacted American Express the most include environmental and technological.

Environmental

In the modern era where the environment is at an increased risk of pollution, companies are under pressure from the public to embrace practices that reduce environmental pollution. American Express has played a big role in promoting a safe environment such as funding eco-friendly projects, an activity the business has participated in for many years, for instance, Wildlife Conservation Society. The Put Down Roots campaign under the New York Restoration Project, for example, has the objective of planting a million new trees in New York City for over ten years (Mother Nature Network, 2010). Moreover, the company helps hotels in setting standards for sustainability through its “Green Guidelines.”

One known source of environmental pollution is carbon footprint produced by companies in large quantities (Butaru et al., 2016). However, the fight against environmental pollution has

pushed these firms to reduce their negative impacts on the environment. Credit card companies do not have high levels of carbon footprint. However, the organization has confessed its significant use of natural resources besides being a large consumer of paper (Mother Nature Network, 2010). Therefore, the enterprise believes these factors could influence the environment negatively, and has made notable progress to reduce the impact on the surroundings. The estimated carbon emissions of American Express before 2012 was more than 300,000 metric tons. 70 percent of this emission was from the company's use of electricity. However, the organization made efforts to bring down its carbon emission by 10 percent in 2012 (Mother Nature Network, 2010).

American Express has approached the subject of promoting a friendly environment from different angles. Firstly, the firm has improved its products and operations as well as influencing their customers to be eco-friendly. Secondly, American Express partners with different environmental organizations across the globe in fighting environmental pollution. It advocates sustainable company operations that reduce their impact on the surroundings (Mother Nature Network, 2010). One of the recent environmental programs in the company is a reflection of the company's stance on promoting an eco-friendly environment. Its main objectives include reducing waste, conserving energy, and reserving natural resources.

American Express is on the forefront advocating for energy conservation, for example, the Sydney-based plant adopts the green building design. Further, the firm has cut down on its electrical usage by installing lighting and technology systems that are energy efficient.

Moreover, American Express has introduced controls aimed at reducing electrical usage in all its branches. American Express has also made efforts to encourage its clients to embrace eco-

friendly operations such as paperless statements (Mother Nature Network, 2010). The effort ensures the business keeps its paper consumption down.

American Express further adheres to a robust recycling program that helps minimize waste. Some of the green initiatives the company has introduced include the usage of fryer oils for biodiesel fuel. Moreover, the cafeterias in all the branches offer organic foods as well as sustainable seafood. The business has also embraced the use of bulk condiments in its cafeterias (Mother Nature Network, 2010). The organization has as well paid attention to conserving natural resources such as land, fuel, and water. As a result, it ensures it does not interfere with these resources in its activities such as building new structures.

The company has an Office of Environmental Responsibility under the leadership and management of the firm's senior executives. Moreover, the vendors have to adhere to the enterprise's environmental policies, and noncompliance could attract severe consequences such as cancellation of the contract. American Express periodically reviews the impact of its supply chains actions on the environment and holds the suppliers responsible for any inconveniences caused (Mother Nature Network, 2010).

Technological

In the modern era of technological advancement, businesses have shifted from the traditional methods of doing business. American Express has made significant developments which have attracted more customers as well as increasing employee satisfaction. The company's Customer Success Platform keeps employees across the different locations in the world connected. As a result, the workforce can share ideas and solve customer problems easily. Moreover, the company has replaced desktop PCs with portable tablet computers which facilitates the operations of the Salesforce.

The salespeople have thus increased their engagements with customers in the field and therefore have adequate and accurate information about the views of the consumer which they present during review meetings. The company can thus tailor make its products and service to meet the needs of the clients. The smartphone apps have further necessitated business travel. As a result, customers can make travel arrangements online which saves them time and money than having to walk to a physical office. These technological inventions have helped American Express to connect to a large clientele base especially the generations that have embraced the use of technology in their daily activities.

2. Forces of Competition

Companies face various threats in their operations such as competition from similar entities in the industry and entry of new entities into the market which causes overcrowding and a reduction in market share. The most significant forces of competition that confront American Express include industry rivalry and threat of new entrants.

Industrial Rivalry

The biggest rivals of American Express include Visa, Inc., MasterCard Worldwide, and Discover Financial Services. Although American Express has enjoyed significant market share than its competitors in the past, the rivals have embraced other strategies such as lower annual payments that threaten to push American Express out of the market (Butaru et al., 2016). The firm introduced the Platinum Card with various benefits with the hope of attracting more clients to the company than their competitors. The platinum cardholders earned 40,000 bonus points if they make purchases worth \$3,000 in the first three months. The points were worth \$400 in travel (Bulletin, 2017).

The offer, however, could not compare to the bonus points awarded by other competitors, for example, the Chase Sapphire Reserve cardholders earn 100,000 points for expenses worth \$4,000 in the first three months. The points are redeemable for \$1,500 worth of travel. American Express feared the loss of customers to their competitors and upgraded the platinum card to include more benefits, for example, high-end platinum card members are subject to a \$200 credit on Uber but will have to pay higher annual fees (The Detroit News, 2017). Besides the Uber benefit, clients can earn five points for every dollar spent in a restaurant.

The company also polished the design of the platinum card by moving both the account number and date of expiry to the back side (Bulletin, 2017). As a result, there were more space to accommodate the “member since” logo in the front side of the card. Besides, the logo increased in size thus making it more visible. On the same note, American Express upgraded the card’s material from plastic to stainless steel (Bulletin, 2017). The strategy aimed at attracting the millennial generation.

The threat from Sapphire Reserve moved American Express to make further upgrades on the platinum card such as increasing points from one to five for every dollar spent (Bulletin, 2017). By the close of 2016, American Express realized an increase in the number of platinum cardholders. Moreover, the company has conducted various market surveys and observed that consumers would prefer concierge services and airport lounge access over benefits such as travel credits or points program. In response, the business looks forward to opening two airport lounges in 2017 in Hong Kong and Philadelphia respectively.

Threat of New Entrants

Profit margins go down when many businesses crowd the industry while the number of existing clients remain constant. American Express already faces competition from various

companies offering credit card services such as MasterCard and Visa. However, following the prevailing market conditions, there are few entrants willing to invest in the industry. The industry is yet to recover from a severe economic blow besides growing at a slow pace. As a result, it remains unattractive to anyone looking forward to start an investment (Butaru et al., 2016).

American Express thus have the opportunity to explore other continents where it is yet to penetrate such as Hong Kong and Philadelphia and win a significant market share before the industry stabilizes to attract new entrants. Moreover, the company has embraced product differentiation which allows consumers to access multiple products and services under one roof (Fineberg, 2013). As a result, American Express customers are unlikely to get tempted to try the services of the competitor. When the current service provider has a wide range of products and services on offer, it reduces the consumer's shopping time of moving from one store to the next (Griffin, 2007). On the same note, American Express has embraced e-commerce thus targeting a big number of clients who prefer conducting their activities online. As a result, the firm leaves new entrants with nothing new to offer to the consumers.

3. Potential Future Responses to Industrial Rivalry and Threat of New Entrants

In future, American Express is likely to lower its prices to appeal to the price-sensitive customers. Moreover, the company will improve its logistics distribution system. As a result, consumers would access services in different parts of the globe (Griffin, 2007). The firm will bar new entrants into the market by introducing industry rules that discourage more investors in the industry. Credit card companies will establish a regulation office that will clear new entrants before they venture into the industry. Some of the fees they will impose include membership charges which will be high to discourage others from investing in the business.

4. Opportunities and Threats

Opportunities

American Express has various opportunities it can explore such as room for expansion. The company is yet to enjoy a strong global presence, and it can utilize this space by penetrating into other markets. Secondly, American Express has the room to leverage its financial brand equity. The company is already a brand in the financial industry and would attract more clients by introducing more products (Bhasin, 2016). Thirdly, there is room for the company to raise its debit card usage since the emerging economies comprise of a high number of debit card users who use it for withdrawing cash (Fineberg, 2013).

Threats

The company has multiple threats as well such as a high number of rivals. There are many market leaders in the industry making efforts to increase their shares. Bad debts also pose a threat to American Express especially due to the type of high profile clients in the company. A single bad debt will thus translate to high losses for the firm (Bhasin, 2016). The nature of the business is also a major threat due to the unpredictable economic shifts. On the same note, the government regulates the business by putting barriers on most activities which leads to credit card companies having challenges in reaping high profits (Butaru et al., 2016).

Suggestions for Managing the Threats and Opportunities

The company can confront its biggest threat which includes industrial rivals by differentiating its products, maintaining an online presence, and lowering its prices (Butaru et al., 2016). The greatest opportunity the company has is raising its debit card usage. Consumers have embraced the use of debit cards to withdraw cash. American Express can appeal to many more consumers by tapping into this technology.

5. Strengths and Weaknesses

Strengths

American Express has many strengths such as a strong brand identity. It is a household name among many Americans and ranked 59 in the list of the most recognized brands worldwide. As a result, the firm experiences a welcome of its new initiatives easily among its existing clients. Moreover, the business enjoys employee strength. It has employed more than 60,000 workers, and interviews with the workforce reveal the staff members have a high level of satisfaction in their jobs (Bhasin, 2016). Further, American Express credit cards are safe to use across the globe, making it ideal for clients travelling internationally. Possessing American Express credit card is an indication of wealth. It thus attracts high profile clients, and the company can use this advantage to increase transaction rates since the target market is not price-sensitive.

Weaknesses

Some of the weaknesses of American Express is the lack of debit cards to complement the credit cards (Bhasin, 2016). Moreover, the company specializes in limited products. It can, however, combat this weakness by implementing cross selling which would attract more customers who value accessing all their products and services under one roof.

6. Resources, Capabilities, and Core Competencies

American Express has various core competencies such as an Audit and Risk Committee responsible for assisting the Board in functions such as financial reporting processes. The members of the committee are non-employees, which helps the company get external opinions on its financial progress. There is thus no room for sugar coating to impress the Board. Further, the company has an Innovation and Technology Committee to help the business in embracing new technologies to better its processes. The Compensation and Benefits Committee ensures the

workforce receives fair compensation and rewards thus motivating them to work harder and stay longer in the organization.

7. Improving the Value Chain Using Resources, Capabilities, and Core Competencies

The company can use research and development to conduct market surveys and understand the needs of the customer and tailor make products to suit the needs of the client. On the same note, the use of technology in the company can facilitate the production of high-quality products. Further, the firm can use different reward systems to motivate employees. In the long run, the company will realize high-quality goods and a motivated workforce to push sales.

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