



Travelers Cheque (TC) & Gift Cheque (GC)

**Database - Direct Marketing Strategy:
Update on key learnings and next steps**

Background



- 30000 existing TC customers/100000 Amex CardMembers (CMs) prospects for TC/100000 Amex CMs Prospects for GC=>Mailing dropped on weeks 12/2 & 12/8
- Key strategies were:
 - ***Expand upon the potential of existing customers through a refinement/improvement of our profit scoring/ calculation***
 - Objective: Concentrate even more on the best customers & generate even more sales & profit/mailed customer
 - Approach: Test of a new CRM driven profit calculation for customer profitability on TC Direct Sales customers
 - ***Leveraging more systematically the Amex Card prospects potential (15 Million CMs) through the development of CRM driven Profit prediction and Response prediction models for TC & GC***
 - Objective: Ability to identify key demographic or Amex Card data that are statistically predictive respectively of Profit and Response in order to concentrate the solicitation of the highest profit potential and highest response potential Amex Card prospects for TC & GC
 - Approach: test new TC & GC profit & response models for TC & GC on Amex Card prospects

Background (cont.)



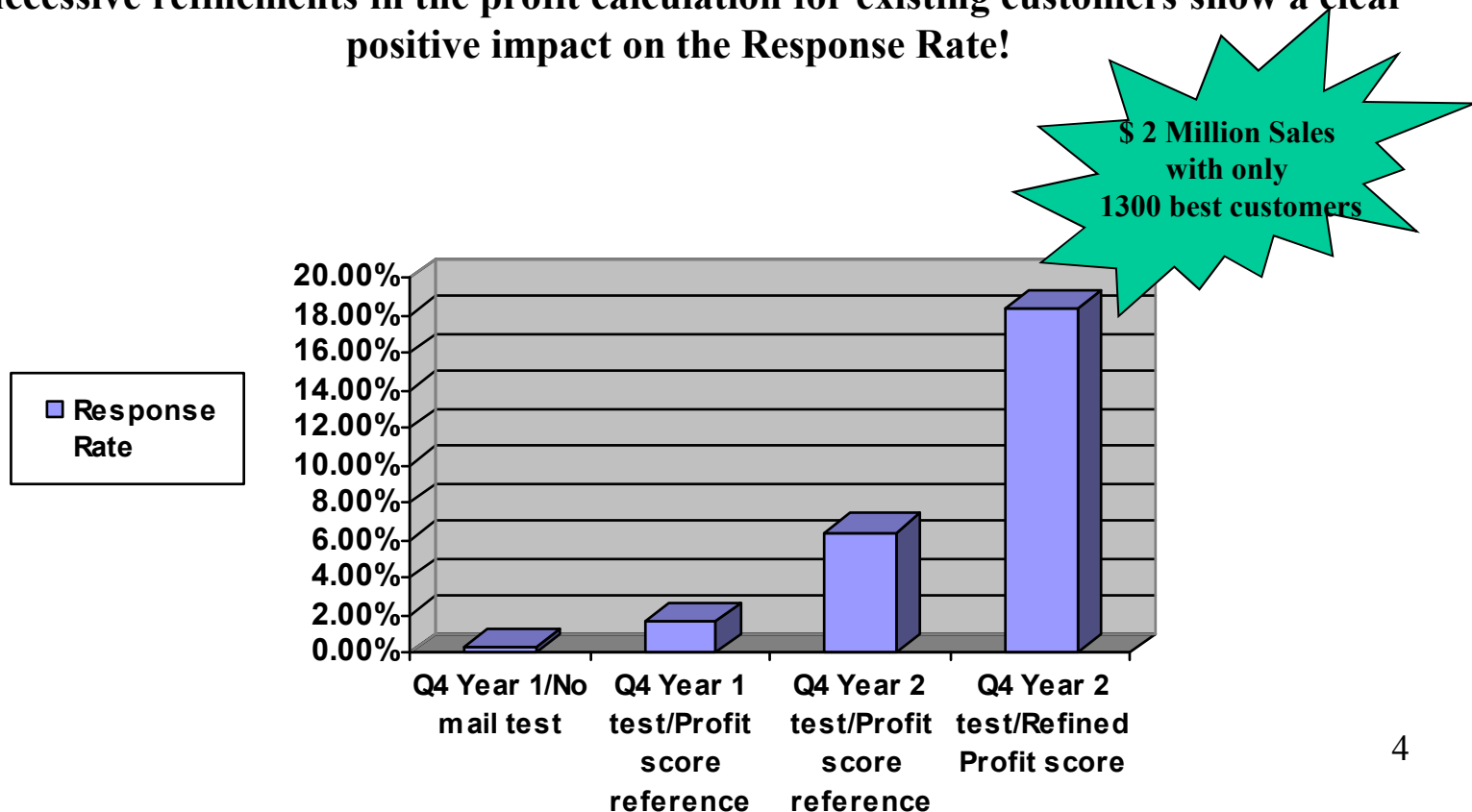
- *Start investigating new creative paths for GC*
 - Objective: test a message more in line with general positioning
 - Approach: Test a new Postcard against the Q4 postcard format

TC sales on Existing Customers/Results



Existing customers are our BEST target so far for Direct Marketing with continue performance improvement through a higher level of sophistication in our targeting & profit score

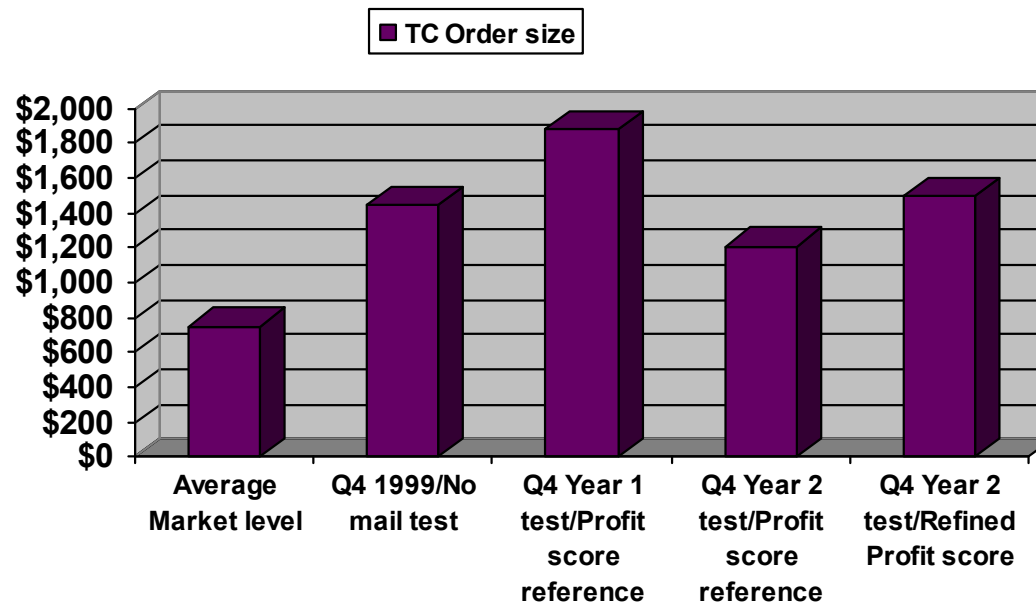
Our successive refinements in the profit calculation for existing customers show a clear positive impact on the Response Rate!



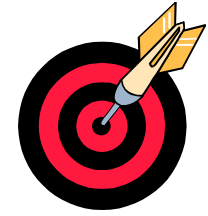
TC sales on Existing Customers/Results (cont.)



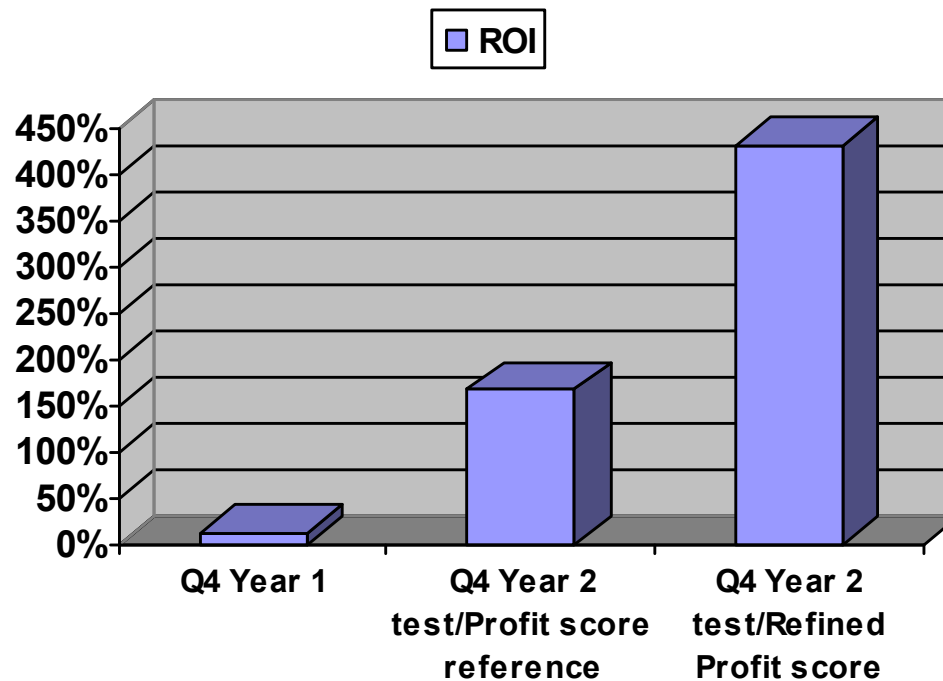
While we improved substantially the response rate, we were also able to maintain a high order size which is 140% above the average order size in the US.



TC sales on Existing Customers/Results (cont.)



In line with this evolution, DM on existing TC customers is able to deliver positive ROI



TC sales on Existing Customers/Results (cont.)



The treatment of the response through our phone center offers clear advantages with the X sell opportunities it provides

A Direct Sales Consumer buys 2 products
in average/order



Traveler Cheque Mystic (Trigger-Based) Pilot/ Key learnings & conclusions

Background (cont.)



- Mystic is an internal Amex Card database where among other data, airline tickets purchases with an Amex Card are stored with info on airport destination & departure date
- 12000 CMs mailed/ 12000 CMs not mailed as control
- Drops between July & December (Mailing in home 2-3 weeks before departure date)
- Our key strategies were:
 - ***Expand on past test results by refining the targeting on key profit variables in order to better leverage the natural response lift generated by a travel trigger***
 - Objective: Focus on key TC profitability variables in order to boost the response rate and the profit contribution and “over compensate” the additional costs generated by small successive DM waves implied by a trigger driven approach
 - Approach: Add & test an additional 55+ age selection criteria on the top of Domestic travel with 1000 miles distance at least & all international travel

Background (cont.)



- *Fine tune the best/most cost effective creative format*
 - Objective: Define what will be the most cost effective contact format
 - Approach: test letter vs postcard vs Email

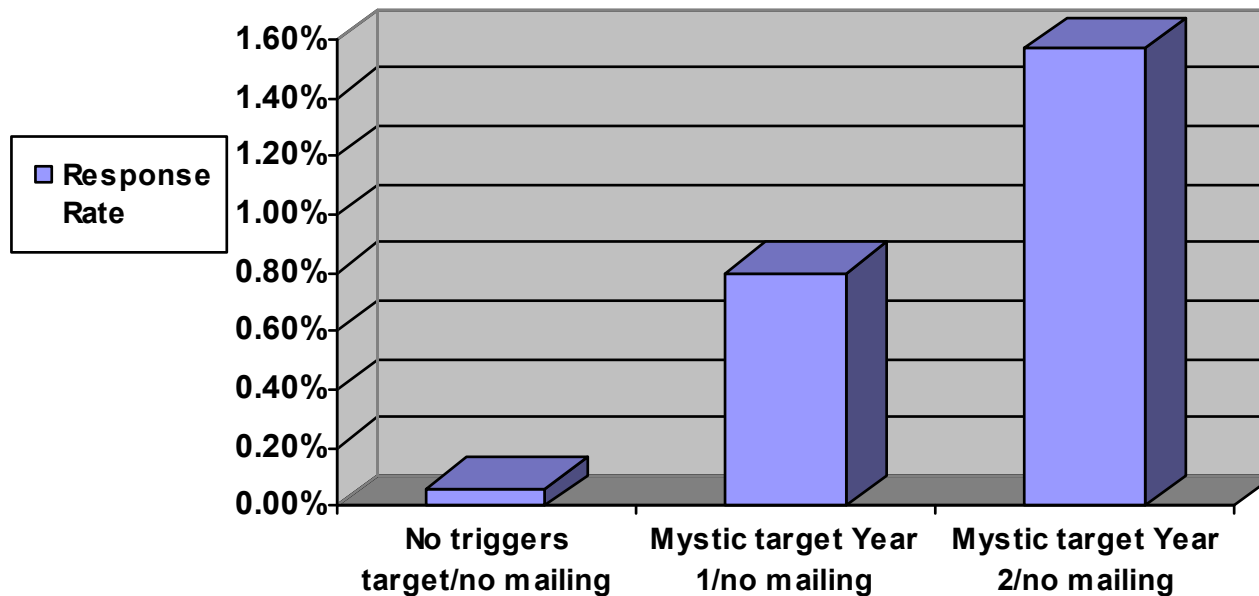
- *Start investigating additional offers*
 - Objective: Assess if an additional offer can boost the response rate sufficiently to generate additional profitable sales
 - Approach: test additional 55+ book offer vs no additional offer

Traveler Cheque Mystic Pilot/ Results



A travel trigger like Mystic is NATURALLY a very powerful response booster for Traveler Cheque

Our tests between Year 1 & Year 2 indicated that even with no mailing, the travel trigger incited more people to buy TC naturally!

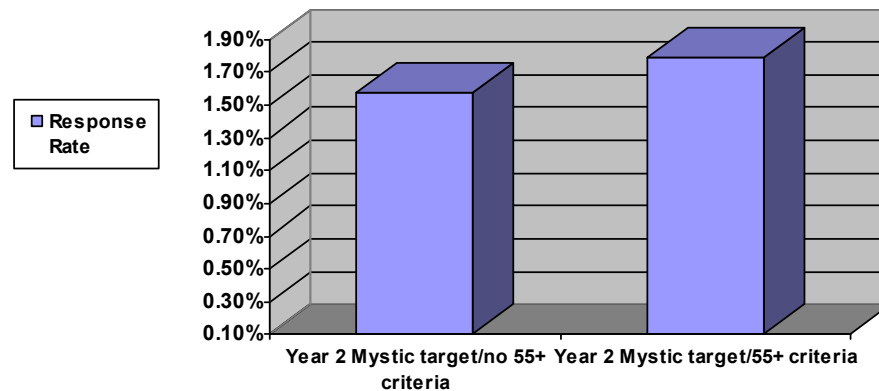


Traveler Cheque Mystic Pilot/ Results (cont.)



An 55+ additional selection criteria helps boost marginally the response rate and the order size indicating that the trigger effect is the main driver of response

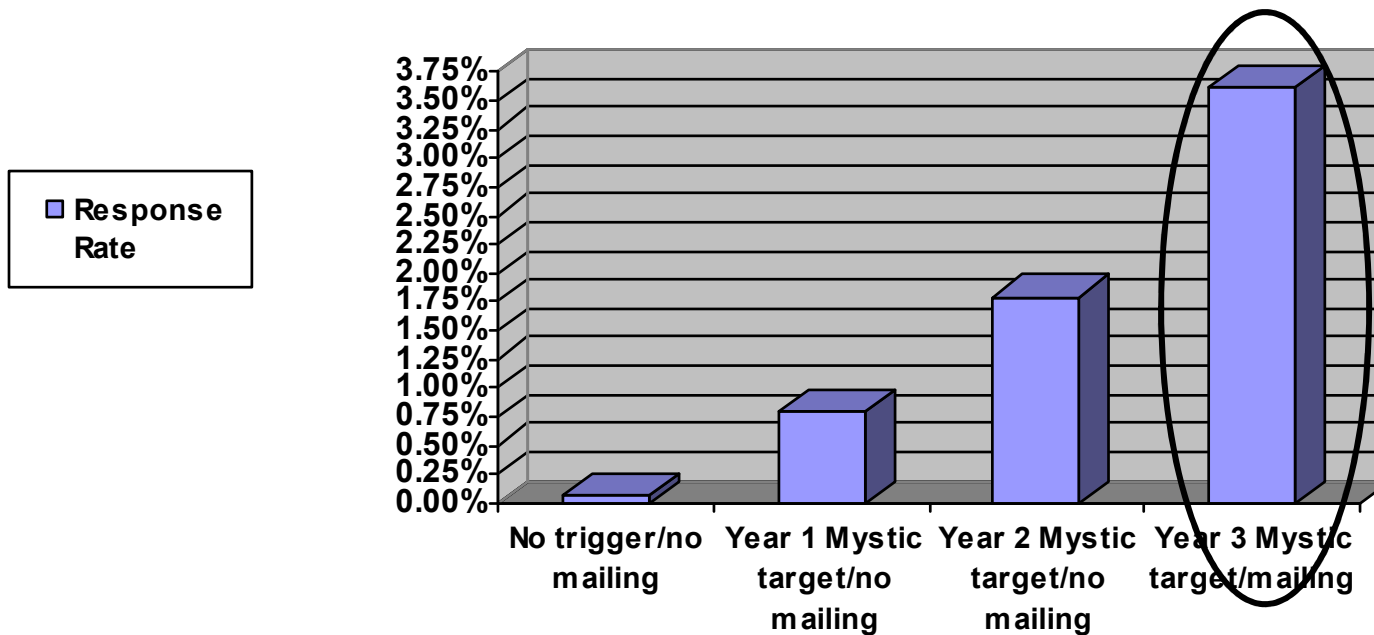
For the response rate , a 55+ age criteria achieves better results !



Traveler Cheque Mystic Pilot/ Results (cont.)



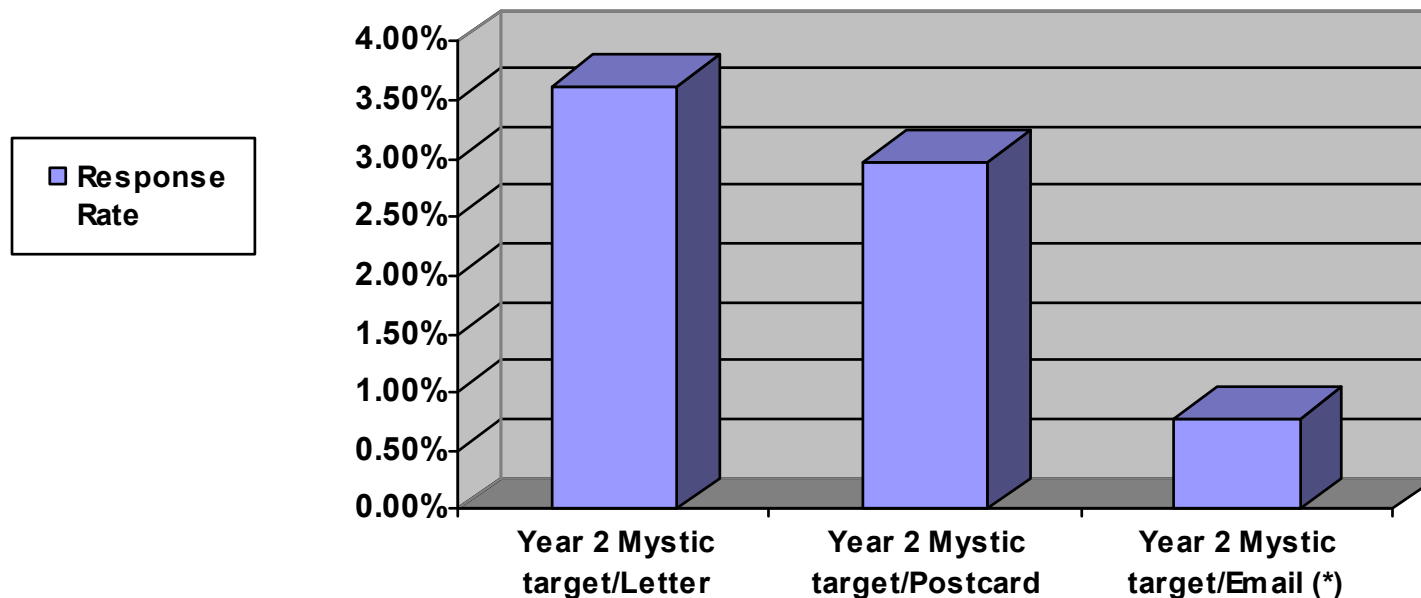
A mailing activity on a travel trigger list like Mystic effectively boosts even more the response rate for Traveler Cheque



Traveler Cheque Mystic Pilot/ Results (cont.)



While potentially more cost effective, a Post Card format loses 25% response efficiency and an Email format loses 61% response efficiency compared to a letter format

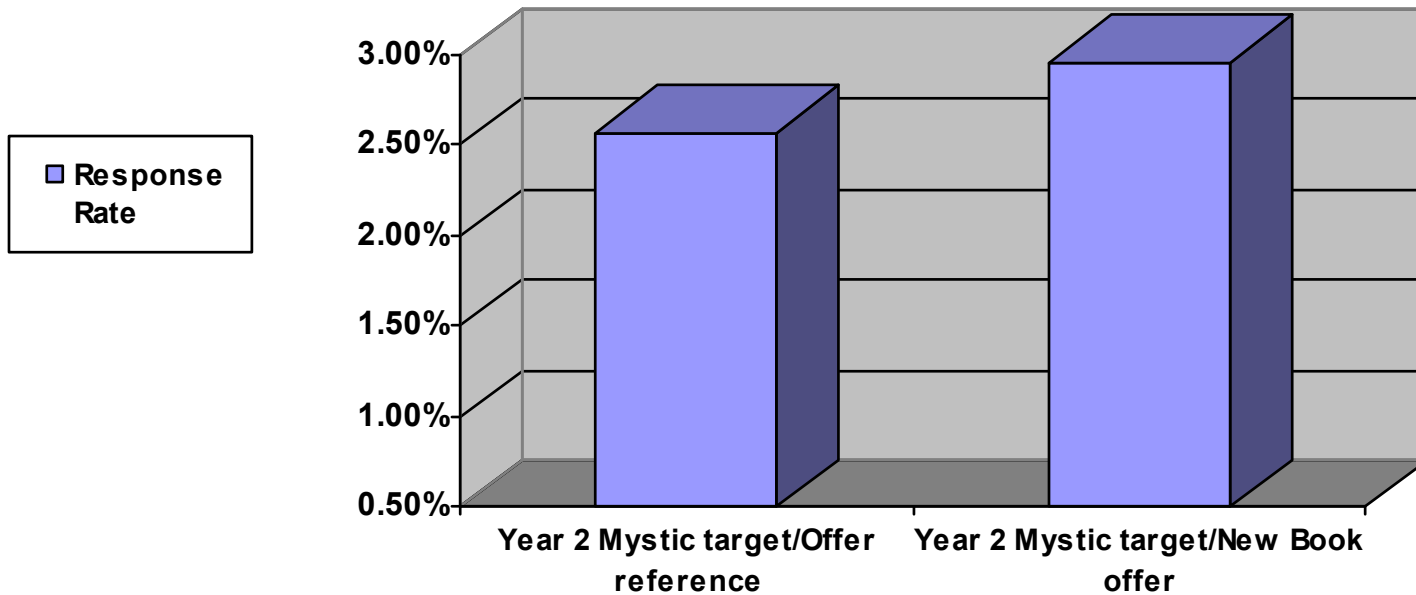


(*) Web Site was down after 1 month of activity

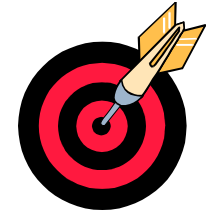
Traveler Cheque Mystic Pilot/ Results (cont.)



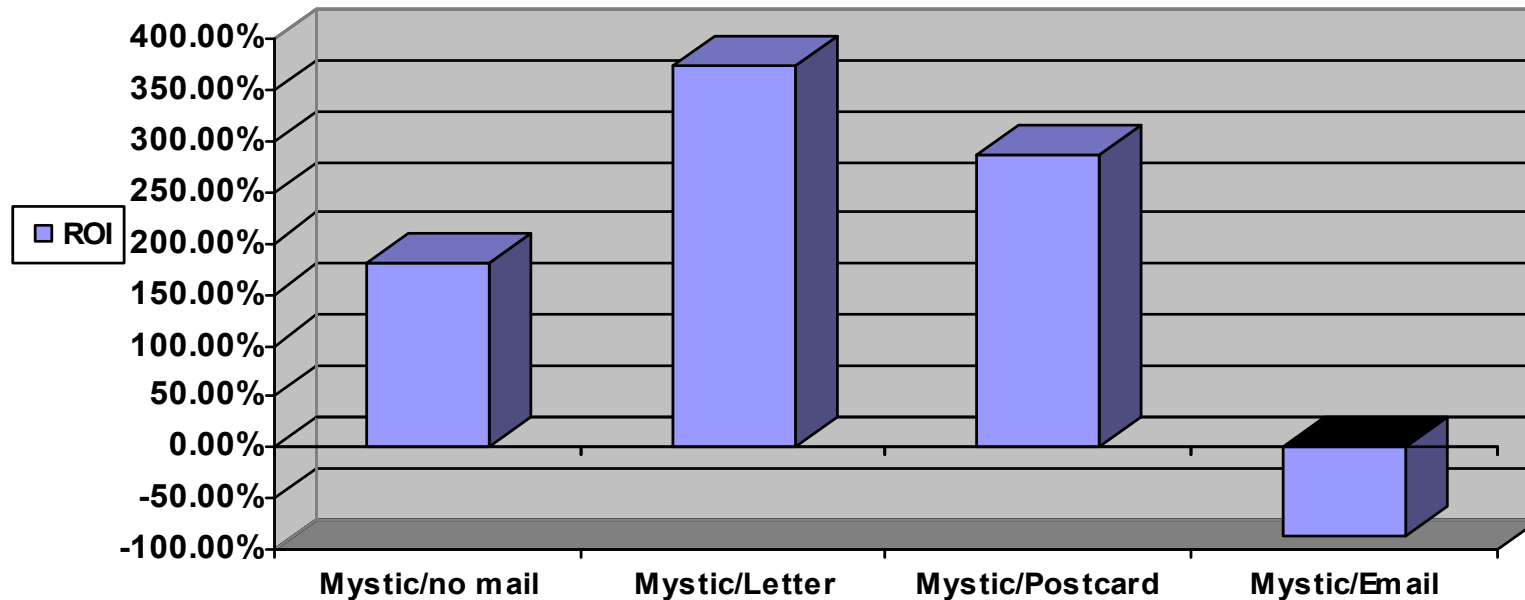
**The new Book offer seems to be working for Mystic on a 55+ target
but still in line with the “traditional” offer!**



Traveler Cheque Mystic Pilot/ Results (cont.)



By having a clear boost on the Response Rate, the mystic test was able to generate positive ROI on the letter & Post Card format

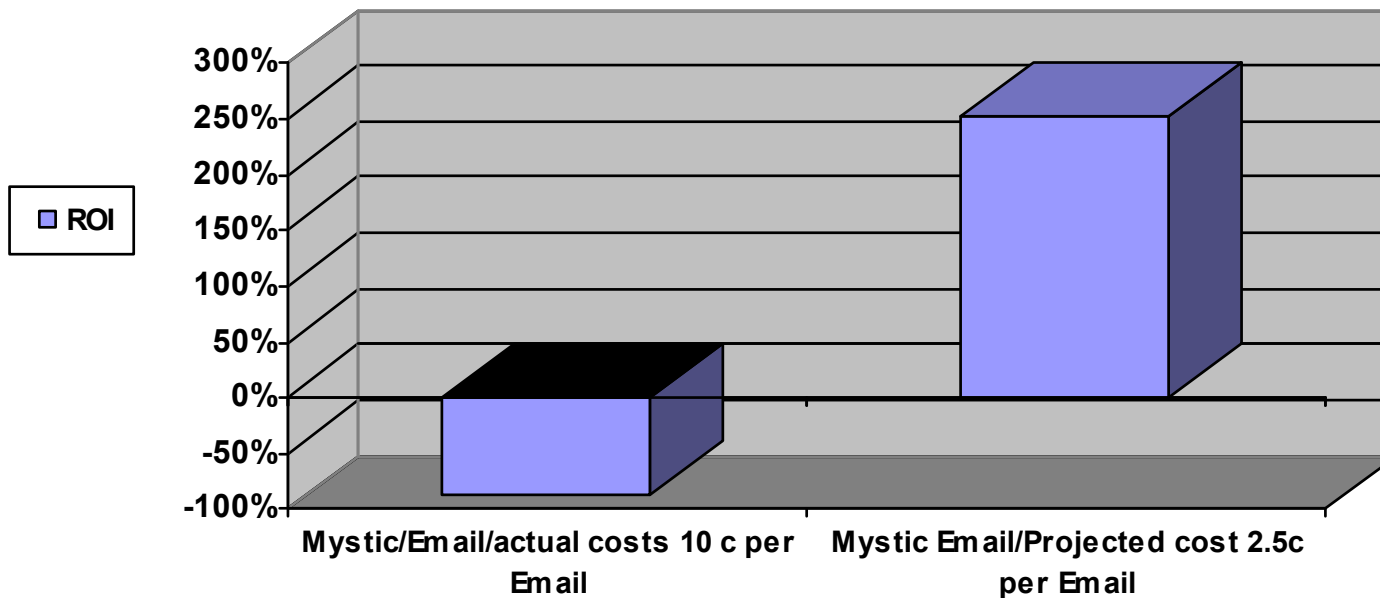


Note: ROI are roll out scenario based

Traveler Cheque Mystic Pilot/ Results (cont.)



E mail format could become profitable if we were able to leverage a better cost/ Email





New Profit & Response Models/Initial findings

TC models objective & methodology

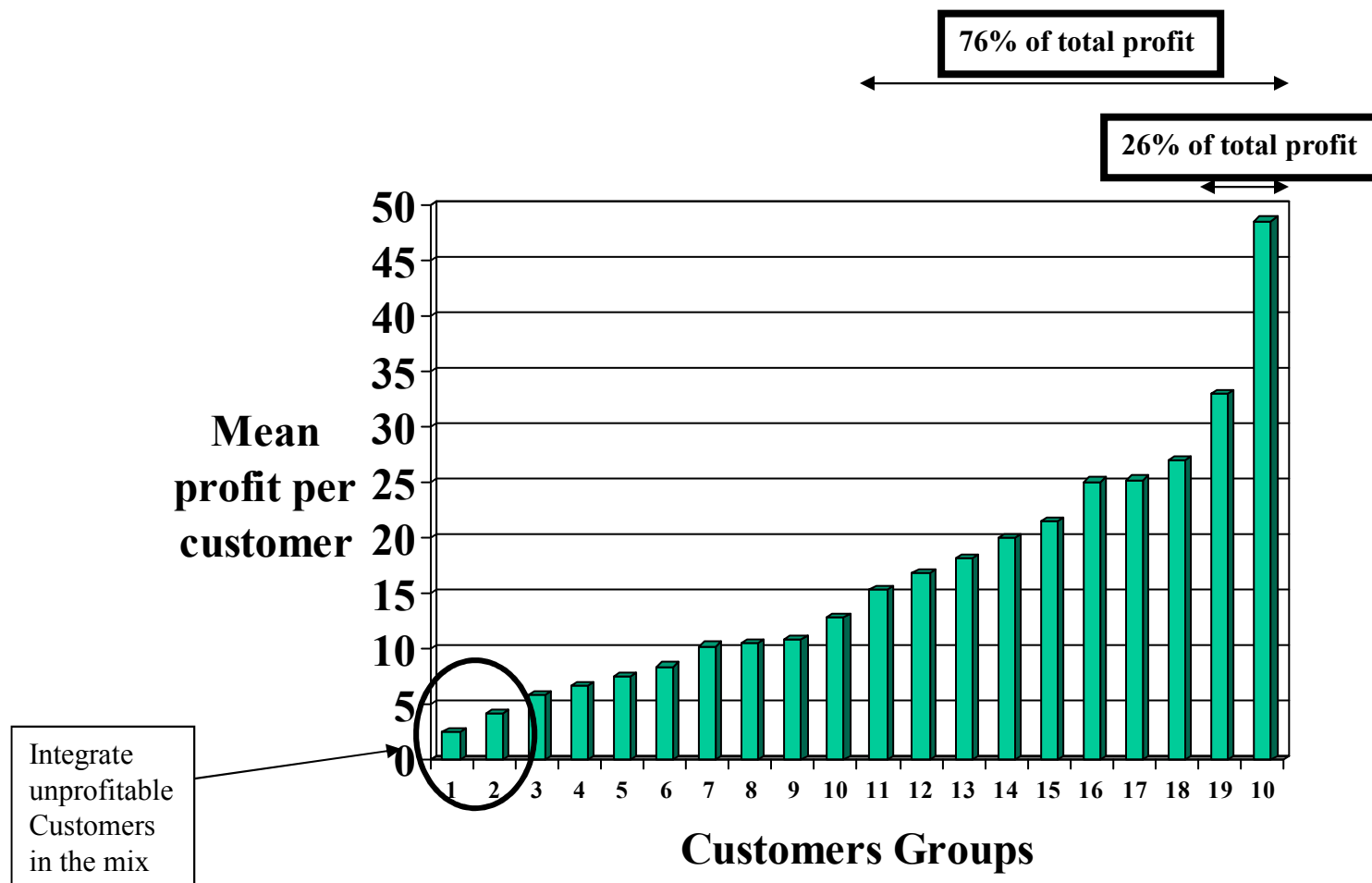


- Objective : utilize statistical methods to achieve a higher dollar yield on a marketing campaign for the Traveler Cheque product. By contacting fewer, but more profitable & responsive Amex CMs, the average PTI per dollar of acquisition cost should be significantly higher than contacting a random subset of the Amex Card base or a subset generated by rules of thumb.
- Methodology: the analysis driven by CIM was based on the Q4 pilot responders in order to extract the most significant variables from the Amex CM database that are explaining respectively profitability and response for TC purchase and then use those same variables to select who to contact for TC prospecting within the card base.



Is the new TC profit model working?

While Amex CMs purchasing TC at our Call Center are virtually always profitable, the new TC profit model “identifies” very effectively the best TC customers among CMs.



What are the database variables that are statistically predicting profit for TC?



- *1st: Foreign spending on the Card (the more ...the better)*
- *2nd: Age (the older ...the better)*
- *3rd: Platinum Card ownership*
- *4th: Gold Card ownership*
- *5th:*
 - *Number of charges on the Card on High level industries (the less ...the better)*
 - *Gender: Male is better than Female*
- *Credit score (the higher...the better)*

NB: New compared to Q4 2000 analysis

What is the average profile of the top 20% profitable TC purchaser?



- **High Foreign spending on the card (above \$4000/year)**
- **Age 55+**
- **Platinum or Gold CM**
- **Male**
- **Very High Credit score**
- **10+ Charges on the Card on (High level) industries**

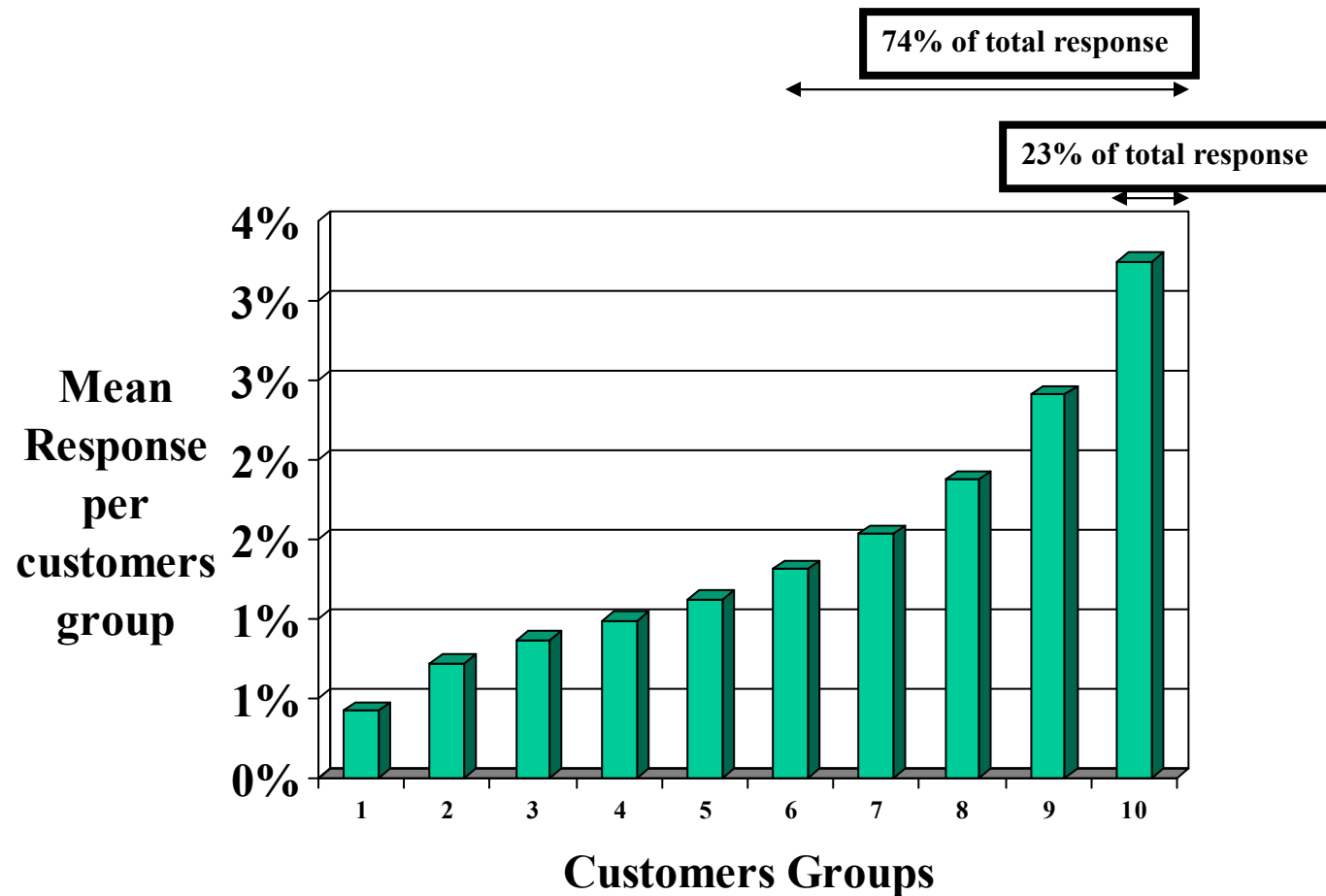
=> 3 Million CMs within target for Top 20%

=> 7.5 Million CMs within target for Top 50%

Is the new TC response model working?



The new TC response model “identifies” very effectively the best TC responders among CMs.



What are the database variables that are statistically predicting response?



- *1st: Credit Score (the more ...the better)*
- *2nd: Number of travel destinations over last 12 months(the more ...the better)*
- *3rd: Amex Fees amount (the less...the better)*
- *4th:*
 - *Number of charges on SE expansion (the less ...the better)*
 - *Enrolment in Amex Luggage Insurance protection*
- *5th: Restaurant spending on the Card (the less...the better)*
- *6th: Enrolment in Avis preferred program*
- *7th: Monthly mortgage payment (the higher...the better)*

NB: New compared to Q4 2000 analysis

What is the average profile of the top 20% profitable TC purchaser?



- **Very high Credit score**
- **At least 2.26 different international travel destinations/year**
- **Use less additional services from Amex**
- **High spender in SE expansion rocs**
- **Enrolled in Luggage Insurance**
- **Low spender in restaurant with Amex Card**
- **Enrolled in Avis Preferred pgm**
- **Higher monthly mortgage payment**

=> 3 Million CMs within target for Top 20%

=> 7.5 Million CMs within target for Top 50%