

American Express checking accounts can check boxes for the company

Article

The news: Amex Rewards Checking is the issuer's first consumer checking account. The no-fee, digital-only account is available to eligible US cardholders and has four core features:

- A 0.50% annual percentage yield (APY)
- A debit card that lets users earn one rewards point per \$2 spent
- Purchase protection on eligible spending
- Integration into the existing American Express app

What it means: The new checking account helps Amex tap into three growing areas of the payments and digital banking ecosystem.

1. **Relationship rewards.** About 3 in 10 prospective credit card applicants are interested in rewards programs that benefit consumers who have multiple accounts with a bank, according to Insider Intelligence's cash-back and premium travel credit card Emerging Features Benchmark reports. By moving toward offering one, Amex can tighten its consumer relationships and help them consolidate their financial lives.
2. **Debit benefits.** Despite **80% debit penetration**, fewer than 1 in 5 US consumers have access to debit rewards, and only 8% can gain points or cash back on debit purchases, per PYMNTS. Offering debit rewards puts Amex in rare company, especially among major issuers. That may draw in users as the pandemic's long tail extends debit's popularity bump.
3. **Digital-only banking.** We forecast US digital-only bank account holders will grow at a 14.4% CAGR through 2025 to **compose nearly one-fifth of the population**. Amex's new account can help it tap into that growth while the opportunity is hot.

The bigger picture: Here's how the checking account can benefit Amex's credit card business, which lies at its core.

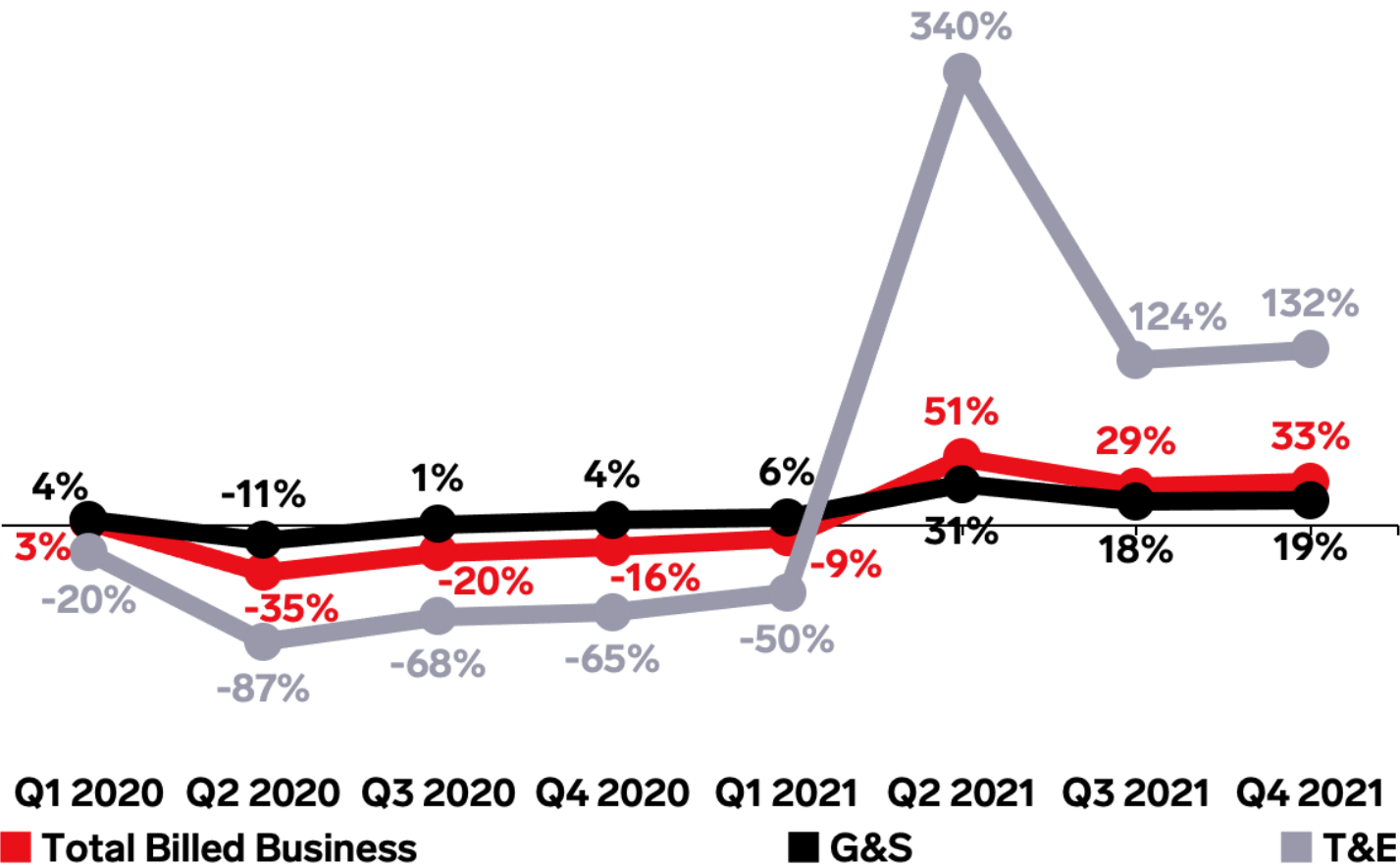
The new account can tighten customer relationships. In Q4 2021, Amex's US network volume reached \$256.2 billion—**up 31.3% annually**. The new account meets customer needs in ways that drive spend across the board among users looking to maximize benefits across Amex accounts. This can accelerate spending growth and help Amex diversify amid slow spending growth in travel and entertainment—a core sector of its business. It also offers the issuer a long-term engagement pipeline.

It can also help Amex attract younger users. Gen Zers and millennials accounted for **60% of new Amex accounts in Q4 2021**. This could signify an overall shift in card market demographics. But creating a digital bank account could cater to these users' preferences and give customers new to Amex more opportunity to take advantage of its offerings.

And it can improve Amex's competitive positioning. For years, the issuer has gone toe-to-toe with Chase's Sapphire program, which has offered a checking account since 2019. Rewards Checking creates more parity between the two programs as they compete for users.

Related content: Check out our [Banking Briefing](#) to learn how Rewards Checking can help Amex future-proof itself as variable recurring payment tech grows more prevalent.

American Express Proprietary Billed Business Annual Growth



Note: G&S stands for goods and services and T&E stands for travel and entertainment.
Source: American Express, 2022
Methodology: This data is from American Express's quarterly earnings presentations. Values cited are on a constant currency basis.

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