

American Express takes aim at PayPal with Revolution

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The [financial services](#) giant announced plans Wednesday to buy the Web payments firm started in 2005 by Internet firm AOL founder Steve Case, with the purchase price set at 300 million dollars.

Analysts say AmEx is most interested in the so-called peer-to-peer services of Revolution, which enables low-cost money transfers among individuals and businesses.

"I think it's a challenge to [PayPal](#), but it's more than that," said Ed Kountz, an analyst who follows financial technologies at Forrester Research.

"AmEx is positioning themselves for more effective innovation, and for the next generation customer."

Kountz said a variety of new technologies are emerging for person-to-person and alternative payments, but that few companies have been able to get the critical mass with both consumers and merchants to gain a foothold.

PayPal, a unit of [eBay](#), has been able to dominate in this area but [Google Checkout](#) has struggled, say analysts.

Kountz said the market is growing with younger customers looking for convenient ways to make person-to-person transactions without cash, and with credit card usage hurt by the financial crisis.

"People are feeling greater comfort with cashless transactions," said Kountz.

Revolution also aims to compete against traditional credit card firms by handling payments at a lower fee.

Joe Weisenthal at the online analysis site Business Insider said Revolution is "frequently described as a PayPal killer," but has been unable to grow during the financial crisis.

The action by AmEx comes with PayPal expanding its offerings with new ways to transfer money using mobile phones or social networks like Facebook.

Revolution "offers a unique card that seems to blend the idea of traditional credit and debit cards with Internet-based payments along the lines of PayPal and Google's service," said Jim Kim of the financial technology website FierceFinanceIT. "We'll see how the other big boys react."

Kountz said AmEx and Revolution "looks like a good marriage, but the proof will be in the delivery."

Florida-based Revolution Money sprung from the venture capital group led by Case, with the mission "to drive transformative change by shifting power to consumers," according to the group.

American Express hopes to close the deal in early 2010 subject to regulatory approval.

"New payments products and platforms are evolving rapidly and it's important for us to keep identifying cutting edge technologies that can extend our leadership beyond the traditional payments arena," said Kenneth Chenault, chairman and chief executive officer of American Express in announcing the deal.

"While Revolution Money is a young and relatively small company, we believe it has big potential," Chenault said.

"This is a smart, nimble business. It's run by an accomplished management team who have quickly developed some cutting edge e-payment offerings," he said. "Joining with American Express will help unlock their potential, while allowing us to deliver competitive online [payment](#) products more rapidly and efficiently."

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