

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

**Excerpts from the Signature Event featuring Kenneth I. Chenault, Chief Executive Officer
and Chairman, The American Express Company**

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“ . . . I’ve laid out two aspirations for our employees. I’ve told them that I want American Express to be one of the most financially successful companies in the world, regardless of industry, and I’ve set out specific objectives to make this happen. But I’ve also told them that I want us to be one of the most respected and admired companies. Having financial success is not enough. How you achieve that success is just as important. It has to be done honorably. It has to be done through the fair and just treatment of our people. It has to be done with consideration to our social responsibilities as a company. This last point – social responsibility – is becoming an ever greater part of corporate reputations. More and more companies are recognizing that they have a covenant with society. They exist because society allows them to exist and, in return, it’s expected that they will give back to society. If we break that faith, then companies lose the right to exist. Now, sometime this responsibility is fulfilled by writing checks. But more and more often it’s about the time and effort of employees. It’s about their community service, as supported by the company. At American Express, we describe this ethic as ‘Service to our customers. Service to our communities.’ It is a message that resonates with our employees, with our customers and with the communities in which we’re located around the world.”

. . . a real brand is more than just a logo. A logo is a design you use in advertising or on promotional materials. A brand is a cluster of values, a cluster of values essentially agreed upon by a company and consumers. From the consumer’s perspective, a brand creates an expectation. From the company’s perspective it creates a promise. . . . The strongest brands, the ones that resonate most with consumers, are those that stand for something; that have personal meaning for a consumer; and that reflect a commitment consistently fulfilled over time.

From our very founding, the business practice was established that if or when something unfortunate happened to our customers’ shipments – be it error, accident or armed bandits -- American Express would make good on the loss. Period. This was the Company’s commitment – a commitment to integrity, a commitment to customers. This commitment dictated our earliest business practices and established our reputation as a company that could be trusted to do the right thing. It led to our reputation for service and customer advocacy.

When you take a step back and think about it, it actually seems a little surprising: that the behaviors needed to run a freight company in 1850 actually established the attributes of a payment brand that is relevant in 2007. But that is how strong brands are built. They are built steadily through day to day actions. They are built by consistently meeting a customer’s expectation.

People are made aware of a brand through advertising. People set expectations about brands through advertising. But brand value is really only built by the actual performance of the product, by the delivery of the service, by the ultimate experience of the customer.

Think about some of the most recognized consumer brands of today – Starbuck’s, Amazon, Virgin, Costco. They’re all well known companies. They all evoke a strong image in our minds. . . . Yet each of these companies does little or no advertising. You don’t see commercials for Costco or billboards for Amazon, and yet each of these brands resonates with us as consumers. Each of these companies has built their brands the hard way, the right way, the only way –

through personal experience, and by building and keeping the customer's faith, day in and day out.

. . . If customer expectations aren't met over time, if customer experiences aren't satisfying, then a brand is weakened. But, if you have a strong brand, customers will often times give you the benefit of the doubt. They'll give your brand some breathing room, and give you another chance.

at American Express back in the late 80's and early 90's. . . . our brand had gained a reputation as being prestigious, elitist and expensive. And for years we reveled in those attributes. We took our prestige so seriously that, as a company, we too became elitist and arrogant. We were so proud of what the company stood for that we tried to protect it by freezing it in time. We assumed a brand name, particularly our brand name, mattered more than the product itself. But we were wrong. Very wrong. Our customers' expectations had changed. They wanted value, not just image. They wanted flexibility and relevance, not just prestige. We forgot who was in charge and, as a result, we almost missed the boat. But, because of their historical relationship with our brand, our customers gave us time. They kept us afloat as we recovered – as we improved our products, expanded our merchant base and provided more choice. And we ultimately found that, instead of being damaged by all of this, our brand actually strengthened. It remains a premium brand, an aspirational brand, but it's now viewed as less elitist. It is relevant to more people, and therefore more valuable. Since that time we've learned not to take our brand for granted.

The logic went that consumers would use the internet to find the lowest prices on whatever they wanted to buy. Since branded products tended to charge more, they would end up the losers, defeated by the generic, low price players. Sounds like a powerful theory. But reality played out differently. Yes, consumers had broader choice because of the internet, but it turned out to be overwhelming choice, unfiltered choice. Go online, Google “diamond ring”, and you're presented with over 5 million entries. Yes, you have the choice of buying an engagement ring at Tiffany's or “find hot jewelry.com”, but are you going to take a chance? Or health insurance. 224 million entries. Do you go with Aetna or with “cheap health insurance.biz”? In a flood of choices a brand stands out as clearly and as strongly as ever. Because it's known. Because it's trusted. Because it stands for consistency. . . . Companies invest in their brands on a daily basis. But the ultimate returns are difficult to know. There are tangible returns, such as stock price, but there are also intangible returns. For example, I believe we attract more talented people and have greater customer loyalty because of our brand. This clearly adds value, but not the kind you can really put dollars and cents against.

Protecting this value is one of my primary responsibilities as CEO, because even robust brands can be destroyed by poor judgment. Making sure that only deposits are made into what I call our brand bank and not withdrawals, is a principle we've inculcated across our company. I also want employees at every level of our company to feel they are stewards of the brand, with personal accountability of their own. Because there is a strong understanding of our brand across our employee base, we're able to have a principles-based management process rather than a rules-based process.

One reason I'm so protective of the American Express brand is because it stands not only for our products and services, but for the very reputation of the company. In the service business, your

brand becomes your corporate identity. In the manufacturing sector as long as you build a high quality product, customers aren't overly concerned with how you run your company. But in the service business your reputation truly is everything. You're not offering a tangible product like a car. You're offering a promise to make good on a service. And, as with any promise, this implies trust.