

# AMERICAN EXPRESS CEO KENNETH CHENAULT TALKS OF PASSION, INTEGRITY, LEADERSHIP — AND A DIGITAL FUTURE

**Kenneth I. Chenault**  
**Chairman and Chief Executive Officer**  
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**April 15, 2013**

## **Excerpts from Mr. Chenault's Remarks**

**What about the U.S. economy?** Consumer confidence has held up pretty well....Economic recovery is going to be relatively slow....What we've got to hope for is that it will stay stable.

**How do you make your money?** Two principle ways. The discount rate that we charge merchants, which generally averages around 2.5 percent on the purchase....Fees to be a member and to have a card.

**Future of your business?** We are the most diversified payments company in the world. That's very important in that we are a one-stop-shop. What's also critical in the way the world is going, is that we have data and information on both sides of the street, and the ability, in fact, to use that data is going to position us very well for the digital transformation that's taking place.

**What kind of card do you have?** All the cards. I really believe you've got to eat what you cook.

**Do you have a bank credit card?** I really don't. But I analyze the competition extensively.

**Do you sell a lot of traveler's checks?** We are the leader by far in the traveler's check business. But it's not a growth market.... So what we've done is, we've taken the infrastructure that we've used with the traveler's check business and we're entering an opportunity that I think is fantastic, which is reloadable prepaid, which is increasingly an alternative for cash, checks, and debit. You're talking about a multiple of trillion-dollar marketplace.

And that's going to be an incredible growth opportunity, because according to the FDIC, you've got 10 million households in the U.S. that are unbanked and 24 million households that are under-banked. And the reality is, when you look at the costs that these people are paying, it is incredible – \$11 to send an \$80 money order to someone.

You pay to get your paycheck cashed. You've got to pay....So it is really expensive to be poor in financial services. We think we've got a product construct that is going to work very well.

**You bought Revolution Money – what is it and why did you buy it?** It's both a payments platform and it's a commerce platform. And in the whole area of alternative payments and digital, there is an unbelievable transformation that is taking place. In the convergence of online and offline, the digital world and the physical world are in fact coming together....The way commerce will evolve is changing dramatically. We wanted to be at the forefront.

**Do you think about retiring?** I'm happy to keep doing this for a period of time. My view of life and jobs is you shouldn't do a job that you can't be passionate about. And I'm really excited about the opportunities that we have as a company, what our future is. And I'm in good health.

**What would like to see as your legacy?** What I certainly would like people to think is that I was really focused on transforming the company. I was focused on growth, that I had a real commitment to developing a culture that would sustain itself for a long period of time.

And part of that culture is from an integrity standpoint. That's something that is core to our company that I believe in strongly. And I think I'm going to be judged by the leadership that I've put in place. But I also believe that there are strategies that we are putting in place in the company that will make a difference, I hope, for several decades.

**Did you see evidence of discrimination against you because you're African-American?**

You know, there were different situations where people would say it's hard for me to imagine a black person in this position. I, frankly, didn't focus on that at all. And fortunately, I had two parents who really had the view that we should be able to do whatever we wanted to do. And I think they really inculcated that in their children. And my view is, if there was an obstacle, we would jump over it.

And you know, my perspective, David, is, I didn't come to the company to be CEO. I would say around 10 or 12 years before I became CEO there, enough people said to me, you know, we think you could be CEO one day. But I think it's about opportunity. And I was fortunate that I had a number of mentors who helped me. But where I was also very fortunate – and this is something that I say when I talk to a range of groups – is, you always want to put yourself in a situation where you can perform.

And so what I tried to make sure in my career is that people were able to keep score, where you can perform and people can see that. What I don't want, frankly, is people who will interpret my performance. That's where you get into problems. And where you can really shine the light on who's doing the job, you're going to have progress.

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DAVID RUBENSTEIN: [Sounds gavel.] Welcome, members and guests of The Economic Club of Washington, welcome to the ninth event of our 26<sup>th</sup> season, which is this luncheon here at the Ronald Reagan Building and International Trade Center in Washington, DC. I'm David Rubenstein, president of the Economic Club, and I welcome all of you today.

We're very pleased today to have the CEO and chairman of American Express, Kenneth Chenault, as our special guest. American Express was started in 1850, actually as a freight company and evolved into what it is today. It's now a company with \$33 billion of annual revenues, a market capitalization of \$72 billion, and 66,000 employees and it operates in 130 countries and has over 100 million cardholders. So I think it was last year, about \$888 billion was charged on American Express cards, which is a lot of money.

Ken himself came to the company from a legal and consulting background. Ken is a graduate of Bowdoin and Harvard Law School. And following Harvard Law School he practiced law in New York at Rogers and Wells and then went back to Boston at Bain and Company, a consulting firm. And then he joined American Express, working then for a person who is actually at my firm now, Lou Gerstner, and he worked his way up. And in 2001, he became the chairman and CEO, and he's held that title now for about a dozen-plus years and is one of the most respected figures in the American business community.

He's obviously involved in not only leading that company but in a number of other companies – on the board of IBM – but also very involved as the vice chairman of the Business Roundtable, vice chairman of the Business Council, and deeply involved in a lot of important philanthropic activities.

So my first question to you, Ken, is, you must see the numbers coming in from credit card sales all the time. Is the U.S. economy, based on what you see, in reasonably good shape? And how would you compare the U.S. economy based on what you see with Asia and Europe?

KENNETH CHENAULT: I'm going to have to start off my answer with a caveat because we're announcing earnings on Wednesday. So I'm going to have to be careful how I comment about the current performance.

But I'll give you a little bit of color if you'll just imagine that we're still focused in the fourth quarter. So I'm not going to have any forward projections. But I would say a few key things. Number one, I think the consumer has really demonstrated incredible resilience in a very challenging economic environment. The question for all of us is how long will that last?

But the consumer has held up relatively well. I think you also see that in spending. You see that in the credit performance, where the write-off rates have substantially come down. And for the industry overall, they're at close to historical lows. We're performing 50 percent better than the major bank card issuers. So I think that that demonstrates some view that the consumer health is pretty decent.

Consumer confidence has held up pretty well. But frankly, David, I've really been of the view, not surprisingly, that the economic recovery, if I look at it in the broad scale, is going to be relatively slow. And I don't have a great deal of confidence that there's going to be any turnaround in the near term. And I think what we've got to hope for is that it will stay stable. So that's my view.

MR. RUBENSTEIN: OK. You have, I think I said 104 million cardholders. Maybe that's somewhere close to being right. But of those 104 million, how many are outside the United States would you say?

MR. CHENAULT: We really have around 70 percent of our business still in the U.S. Thirty percent is international.

MR. RUBENSTEIN: So of the 30 percent overseas, do you see any trends in Europe or Asia that make you nervous or make you feel good about the economies there?

MR. CHENAULT: If we go around the world, let's start with Europe, what you certainly see is Northern Europe is that doing substantially better than Southern Europe. And obviously Southern Europe is dealing with a lot of economic issues and debt issues. And that's been pretty consistent. Asia continues for us to perform pretty well. And China, despite the fact that their growth slowed down, as was announced this week, it's still a 7.7 percent growth rate, which is pretty significant.

So we frankly think China remains a strong opportunity. Mexico, Brazil have held up, and particularly Mexico has held up very well. And in my conversations with a number of CEOs at other companies, a number of them would point to that region as actually being a fairly attractive region, with Mexico leading the way.

MR. RUBENSTEIN: Now when people use their credit cards, they're often – not in your case, always – borrowing money. And some people say when consumers are borrowing too much money, that's not a good thing; too much debt. Do you agree with, when people use credit cards, is that a good sign for the economy or does it make you nervous if people are borrowing too much money?

MR. CHENAULT: Well, I think it depends, again, how they're using them. I think what you've got to focus on is billings, meaning are they spending on the card. Spending is good. That demonstrates that we have a healthy economy. That is a good thing. Borrowing has to be done in a responsible way. And I think clearly, as we go back to the financial crisis, there were a number of customers, both affluent customers and non-affluent customers, that really were living beyond their means.

And the reality is that the savings rate did need to increase. I think we're in a situation now, if you look at the credit card industry, where the deleveraging that is taking place is still going on. We, however, are in a fundamentally different place than our competitors. So if you look at a major bank card issuer, 70 to 85 percent of their revenues are driven from the interest income spread.

In our model, 12 to 15 percent of our revenues are driven by spread. So we actually like people to spend and pay us back. So often people will say to me, you know, I pay you back every month. I'm really not one of your good customers. You're one of our best customers, one of our best customers. We love you. We want you to spend and pay us back in 30 days. That represents a terrific opportunity.

MR. RUBENSTEIN: Well, to some people who may not be an American Express cardholder, explain the business model. Let me see if I can set it up a bit. With a bank credit card company, you're borrowing money typically and they want you to borrow money. And they have an interest rate that they're charging you and they make money spread on that, so-called.

In your case, you charge an upfront fee for your card and you want people to pay all the time, on time. You don't really want to make so much money on the spread. Where do you make your money, because if I buy something in a store tomorrow, you have to pay that merchant in two or three days. Where do you make your money on that business? You're not making any money from me on the interest. So how do you make your money?

MR. CHENAULT: So there are two principle ways. One is what we call the discount rate that we charge merchants, which generally averages around 2.5 percent on the purchase. Now, what I would add is that our card members spend three to four times the level of the average Visa/MasterCard member, so we make substantial revenues from the discount rate.

Second significant area for us is fees to be a member and to have a card. And the reality is that that's a revenue stream that is very difficult for banks to replicate. Some now are trying with premium customers to go after customers who will pay a fee.

And I think what's very important is, during the financial crisis, as I looked at triggers, what would really concern me, what I looked at were customers trading down from higher priced – our products – to lower priced or no-fee products. And we saw no trade downs. So that was a really good sign, despite the craziness that was happening in the marketplace. So I think what's important about our model is that it's a fully integrated model.

And David, one point that I would make is that we are the most diversified payments company in the world. And let me just tell you what that means. Visa and MasterCard don't acquire customers. They don't have any customers. They operate a network and what happens is they process transactions. They don't acquire the merchants. That's very important in that we are a one-stop-shop.

But what's also critical in the way the world is going, is we have the data and information on both sides of the street, and the ability, in fact, to use that data, I think is going to position us very well for the digital transformation that's taking place.

MR. RUBENSTEIN: Let me see if I understand. Why would somebody want to pay an upfront fee? And I have done it. [Laughter.] So why am I paying an upfront fee for a card? You must have done something to make your brand so valuable that people say, I'm going to pay an upfront fee when I could get a bank credit card for nothing. Why do they do that?

MR. CHENAULT: I think there are two simple reasons. First, we have been able to match the right value proposition against the customer segment and address what their needs are. And second, one of the things that we do – and I've said this very publicly and I would say this competitively – is we've invested heavily in service, because we know the impact that it has on the economics of our business.

We know the impact it has on customer satisfaction. And most of our competitors will not in fact engage in a long-term investment on service. But we know the data is incredibly compelling that if you have a positive service interaction, the customer is going to be more loyal and is going to spend more. And we actually have figured out what interactions will generate the level of performance that we want.

MR. RUBENSTEIN: So what kind of card do you have? You have a green card, a gold card? You have all of – [laughter].

MR. CHENAULT: I have – I have all the cards. I really believe you've got to eat what you cook. And it's very helpful. And I really do use all of our card products all the time. And it keeps me very in touch with the business and what's going on, what needs to be improved, what needs to be focused on.

MR. RUBENSTEIN: But when you see your card, has your credit ever been denied? You've never had that problem? [Laughter.]

MR. CHENAULT: It has not been. But let me tell you, which I changed when I started running the card business, it used to be that we had an override for some of our top management people,

and I stopped that. I was the most unpopular person. But it was to me absurd that you would be treated differently from the customer. And I wanted to know what was going on. But fortunately, I haven't been stopped.

MR. RUBENSTEIN: And to keep familiar with the competition, do you have a bank credit card to see how they're doing, or don't you use those?

MR. CHENAULT: I try not to. I really don't. But I do analyze the competition extensively.

MR. RUBENSTEIN: So what is the best card that you can get? What is the best card that American Express has?

MR. CHENAULT: You know, the way I would answer that, David, is it really depends what your needs are. And the reality is that we offer hundreds of different card products to different customer segments. So if you go on price, our Centurion card – some people call it the black card – is our highest priced product. But the reality is that I want our customers to make a choice and I want to be able to meet what their needs are.

And so, I take a very strong position that our job is in fact to find the right product for the right segment. And where the company ran into trouble in the '90s was, it took a single product – the green card – and they stretched it and they stretched it and they stretched it. And the reality is, I think you've got to make sure that you're developing a range of products that meet different customer segment needs.

MR. RUBENSTEIN: Now, when I graduated from college, I took a trip around the world. And I couldn't get a credit card then. I don't think they would have given me one. So I got traveler's checks and I, you know, kept them very close to my chest to make sure I didn't lose them because if I lost them, I would be broke. Do you sell a lot of traveler's checks? Why do people need traveler's checks anymore with credit cards so freely available?

MR. CHENAULT: The reality is that we are the leader by far in the traveler's check business. But it's not a growth market. It's not a growth opportunity. It is an attractive business for us and you see it in a number of emerging countries. Wherever there is uncertainty, people know that they have a company that's going to stand behind the product. And people are still using the product. But what's important is the innovation that we have brought to that whole area.

So what we've done is, we've taken the infrastructure that we've used with the traveler's check business and we're entering an opportunity that I think is fantastic. And we've been there for a few years, which is reloadable prepaid, which is increasingly an alternative for cash, checks, and debit. And there you're talking about a multiple of trillion-dollar marketplace. And we just came out with a product in October with Walmart, which is a reloadable prepaid card that is off to a great start. Eighty-five percent of the customers are new to our franchise and 50 percent of the customers coming in are under 35.

And the economics are attractive – different from the card business. And that's going to be an incredible growth opportunity, because according to the FDIC, you've got 10 million

households in the U.S. that are unbanked and 24 million households that are under-banked. And the reality is, when you look at the cost that these people are paying, it is incredible – \$11 to send an \$80 money order to someone.

You pay to get your paycheck cashed. You've got to pay. And for all these fees you're paying, you're waiting online for 20 to 30 minutes. So it is really expensive to be poor in financial services. And so we think we've got a product construct that is going to work very well.

MR. RUBENSTEIN: And today, when your average customer in the United States – historically American Express was known for being high-end travel, hotel, airfare, and so forth – have you positioned the card so it's used for more retail purchases, not travel, and how did you do that?

MR. CHENAULT: I think what is important when you got the card, David, you said in '75?

MR. RUBENSTEIN: '75.

MR. CHENAULT: Good. And you were happy when you got the card?

MR. RUBENSTEIN: I was delighted.

MR. CHENAULT: Good.

MR. RUBENSTEIN: I thought they were going to take it away. [Laughter.]

MR. CHENAULT: Terrific. Terrific. Well, I think we had a good bet. We had this model that predicted your success. [Laughter.] But in all seriousness, what we changed is, we first looked at where the card was accepted. So when I joined the company in 1981, people were very proud that we really served the T&E sector, and substantial margins, terrific opportunity. My concern was that you needed to have products that met all the spending needs of the segments that you were going after.

So literally two-thirds of the spending was T&E in the '70s, in the '80s. And what we started to do in the late '80s and early '90s was to focus more on retail spending, more on everyday spending. And now, close to two-thirds of our spending is retail, everyday spend. One-third is T&E. We still have a good leadership position in T&E. But if we had not done that, it would have been very challenging for this company to continue to grow.

And the reality is, from a competitive standpoint, it took away an avenue into our franchise or made it more difficult. I actually had people in the company in the '80s who said, we're fine having the retail spending going to the bank cards.

MR. RUBENSTEIN: But when you did that, your discount rate was higher than, let's say, the bank card discount rate. And some vendors or retailers said, I don't want to use American Express. They charge too much of a discount rate. How did you deal with that problem? And is

that a problem today? Are there many places where you can't use an American Express card today?

MR. CHENAULT: In the U.S., we have a very strong coverage. And in Europe, less so in some markets. It really varies. And the key thing is, it's a chicken-and-egg situation. And I can't tell you exactly who's the chicken and who's the egg. You need more customers to drive relevance to get more merchant coverage. You need more merchant coverage to have relevance for the customer. So you've got to do both.

And in the U.S., what our focus was was to go after different categories. So in the retail side, what we did was really data-driven, is we went to retailers like Walmart, Kmart, and others and said, our customers in fact spend more. And anyone who has negotiated with Walmart – and they are a terrific partner – knows that they're focused on the data. So our issue, frankly, was not with large merchants. We could prove that we were adding more value, and that was important.

Our issue, frankly, was with small merchants. And the issue was less price. The issue was more relevance. Do we see this card often enough? Because what we were unable to do is in fact to sit down with millions of small merchants and take them through the data. That was more challenging. What we've done is, we've increasingly used third parties to help us sell in what are the advantages of accepting our card. And that has gotten some real traction for us.

MR. RUBENSTEIN: Now, your name of your company since 1850 has been American Express. But only 30 percent of your business is outside. Have you ever considered using another name other than America outside, or does that hurt outside to call it American Express or does it make a difference?

MR. CHENAULT: It has been considered a number of times. And it's a question, you can imagine, that is asked often. And the reality is that our brand is as strong or stronger in markets around the world. It has, in fact, a positive impact, not a negative impact.

And the theory – and I would say it's only a theory – is because of our historical role in travel, I think people really see us more as a global company than just a U.S.-only company. But we have periodically done research on this, and hands-down we like our name and fortunately our prospects and customers like the name also.

MR. RUBENSTEIN: So you bought a company that was started in Washington, started by Ted Leonsis, called Revolution Money. What does that company do and why did you buy it?

MR. CHENAULT: Aside from Ted's charm and salesmanship, we were really thrilled about being able to acquire that company. One, we got Ted. And Ted, as you may know, is on our board. But what was more important to me is that the platform that Ted and his team created is really a digital commerce platform.

It's both a payments platform and it's a commerce platform. And in the whole area of alternative payments and digital, there is an unbelievable transformation that is taking place. In



the convergence of online and offline, the digital world and the physical world are in fact coming together.

Ten years ago, people used to talk about the Internet over here and offline over here. And you even had digital companies saying, I don't really want to deal with the offline world. Everybody has to deal with the offline world. But the way you operate in the offline world, the way commerce will evolve, is changing dramatically. And we wanted to be at the forefront.

And the platform that Ted and his team created gives us the opportunity to do that. And we, in fact, not only have our own digital wallet product – Serve – but we also used this platform to launch Bluebird. So you had the oldest product, and we were using capabilities that we were developing for the traveler's check. But we were also able to leverage the tremendous benefits that we had using this platform.

MR. RUBENSTEIN: Right. On traveler's checks, some of the ones I had in 1975, I didn't actually cash in. If I come --

MR. CHENAULT: You are a great customer, David. [Laughter.]

MR. RUBENSTEIN: So can I still get them cashed in? What about a company called Square? Does it bypass you or do you have an equivalent product?

MR. CHENAULT: No, this is what's important in the world we live in today. We spend a lot of time around the world with digital companies. And we have partnerships with a range of companies. And part of what I do and part of what my team does is we've taken these companies through here are the capabilities that we have. Don't look at us as a card company. Look at the range of our capabilities. We bring buyers and sellers together.

So Jack Dorsey we've been working with for a while. Jack talked to us before he even started up Square. And we have a terrific partnership because here's what's happened with Square. It's empowering a segment of people by allowing them to go into business. And our company, we are the largest provider to small business in terms of billing. So there are more billings with small businesses than on any other card product. And so the reality is our partnership is, Jack actually acquires merchants for us.

MR. RUBENSTEIN: I see.

MR. CHENAULT: That is great. That benefits our business. Now, in other cases – PayPal, for example – PayPal we compete with and we partner with. And we, in fact, by the way have \$152 billion that grew in 2012, 15 percent, which is more than PayPal. All right? So we have more spending online than PayPal. But we partner with PayPal and we compete with PayPal. And that's, frankly, what the marketplace is all about.

MR. RUBENSTEIN: Now, you were trained as a lawyer. And you practiced for a while. And like me, you decided to get out of the practice of law. In my case, I wasn't a very good lawyer. You're probably a better lawyer. Why did you decide to get out of the practice of law?

MR. CHENAULT: You know, at the end of the day, I've always been someone who really gets energized by working with really bright people and to really be involved with change. And so I wish I could tell you, David, I had this all figured out. I didn't. I was working at a law firm. I was fine. And fortunately I had a friend who said, you know, you seem to me like someone who should always be in business. Why don't you come up and talk to Bain.

And Bain was just starting off. I think they had been in their Boston office maybe five years. And I just felt a level of energy and excitement. I knew nothing about business. But I knew these people were really smart. And I sensed a level of energy. And it was terrific. I really had a great experience there.

MR. RUBENSTEIN: But, like, my parents sent me to law school thinking you'll be a nice professional lawyer your whole life and so forth. When you said, I'm leaving the practice of law, what did your parents say?

MR. CHENAULT: I think both, particularly my father, thought I was crazy because, you know, he was a very straightforward person. And he said, so tell me, who are some of their clients? And I said, I can't say. They can't tell me. So what are you going to do because you've not had any business training? I said, well they're going to give me books and, you know, I'll read them at night and study them.

And he said, it doesn't sound like a great idea. You don't know who their clients are. You're going to learn this on the fly. And you're going to have a full-time job. But it obviously worked out all right.

MR. RUBENSTEIN: It did. Now, you were at Bain for a number of years. And then somebody must have heard about you. How did you get recruited to go to American Express? And what was it like working for somebody who was at my firm, Lou Gerstner?

MR. CHENAULT: So I actually worked at Bain for two-and-a-half years. And again, I didn't have any desire to leave. I wasn't smart enough to say, here's this opportunity. But I was contacted, and Lou Gerstner was creating a planning group. And what was exciting to me at the time is a joint venture that we were involved in with Warner Cable.

And this goes back. So this was 1981. So I'm really dating myself. But I thought cable was an incredible opportunity. And there was a program called Cube that started up a lot of cable channels, but also was selling products and services through the TV set. And I thought that was really neat.

So Lou asked me to come down – and this was not for a senior job. So this was a relatively junior job. But it was a group that was going to be five or six people. And I remember to this day Lou's words, as he said, I want a few catalytic agents of change. And that to me was really compelling.

And what was exciting about coming was the fact that another point that Lou made was he said this is a place where you can go from idea to marketplace in a relatively short period of time. And for my temperament, I found that really exciting. Now, Lou, as you know, David, is a tough guy, demanding, incredibly strategic. But certainly at that point – and I would say for life in general – I really enjoyed working for him, because you knew it was all about performance. There was nothing else that mattered. And that to me was terrific.

MR. RUBENSTEIN: So when did you realize you actually were pretty good at business and you had the potential to rise up? And did you ever think early on that you could be the CEO of that company?

MR. CHENAULT: I frankly didn't have any interest when I first came to the company. And in fact, in the process, what I'd said to Lou and sort of the deal was, I thought I wanted to start up my own business. That's really what turned me on. And Lou said, why don't you come and if you're any good and you still want to do that, I will help you. And so, I worked in planning for two-and-a-half years, and then we had this merchandise business that sold merchandise through the mail. And we sold jewelry, fur coats, stereos, all these products.

And it had around a \$100 million in sales. And Lou was going to close it. And I said, you know, I'd really like to have a chance at being in that business. So I first ran marketing, and then six or eight months later they put me as head of the business. And it was a tremendous opportunity. In three years we went from a \$100 to \$700 million in sales.

And for a young kid to be able to build a team with buyers, working on systems, traveling around the world buying products was a fantastic experience. And then in fact I tried to buy the business from the company, and I remember to this day Lou having me come up to the dining room. And I knew I was in for some trouble when he sat at one end of the table and my place was all the way at the other end. It was a long table.

And he said, you're going into the card business. And I said, Lou, I love this business, what I'm doing. I have this vision. I'm going to create this direct marketing business. We're going to get involved in all these things. He said, I really think you should go into the card business. I was furious. I was absolutely furious.

And almost – I did think about leaving the company. That lasted around 48 hours because Lou called me the next day and said, I didn't really like your reaction. You didn't seem like you were very excited. And I said, yeah. I said I didn't want the job. But it was obviously the best move. And it was terrific that he did that.

MR. RUBENSTEIN: So now you've been the CEO for a dozen years. And you took over in 2001. And that was – 9/11 occurred before or after, right around?

MR. CHENAULT: It really happened towards the end of my first year.

MR. RUBENSTEIN: So your offices, your headquarters were near there. So what happened to your headquarter offices and were you affected by 9/11 directly?

MR. CHENAULT: We were definitely affected. We lost 11 employees who perished. We had to shut down our headquarters building for over nine months. We were spread out in seven or eight different places in the Tri-State area. The impact on the travel business and on the card business was severe. So we saw a drop in spending. It was a very challenging time and what I also recognized was that the travel business was going to change forever.

And we had to make some changes in our cost structure and to decide, in fact, to lay off a substantial number of people, which was obviously difficult. And I felt we had to act quickly but to do it in a compassionate way. But I always don't say get compassion confused with action. You can be compassionate and you can take action right away.

MR. RUBENSTEIN: And now that you've been doing it for a dozen years, you and I are both older than Lou Gerstner was when he retired from IBM. So have you ever thought about retiring or are you happy to keep doing it for a period of time or what are your plans?

MR. CHENAULT: I'm happy to keep doing this for a period of time. My view of life and jobs is you shouldn't do a job that you can't be passionate about. And I'm really excited about the opportunities that we have as a company, what our future is. And I'm in good health.

MR. RUBENSTEIN: So when you do retire at some point – it may be 10 years from now, 15 years, who knows – what would you like to see as your legacy? What would you like people to say, this is what he did for American Express or American business?

MR. CHENAULT: I think what's important as you think about legacies is a lot of times people focus on what happens after two or three years. I think your legacy is really what happens after decades after you've left. And so what I certainly would like people to think is that I was really focused on transforming the company. I was focused on growth, that I had a real commitment to developing a culture that would sustain itself for a long period of time.

And part of that culture is from an integrity standpoint. That's something that is core to our company that I believe in strongly. And I think I'm going to be judged by the leadership that I've put in place. But I also believe that there are strategies that we are putting in place in the company that will make a difference, I hope, for several decades.

MR. RUBENSTEIN: Now, on the outside, you are involved in a lot of philanthropic activities. Let me just mention one. You are on the advisory board of the African-American History and Culture Museum. And you're leading their capital campaign. How is that going?

MR. CHENAULT: I think the campaign is going well. What I would tell you is, I think this museum is very important for this country. I think the black experience is really an experience that defines who we are as a country. I think everyone has benefited from that. And to have this museum on the Mall is incredibly powerful.

And I think what is exciting to me is, this is not a museum that's devoted just to black people. This is a museum that's devoted to this country and what has made this country great.

And I think that the story that will be told will have an impact around the world, and I think will make us a greater country, because what's important is to understand how unique this country is. And this country has dealt with a range of challenges. But the values of this country, I think, will come out in this museum very strongly.

MR. RUBENSTEIN: Now, in your career, as you were rising up, did you see evidence of discrimination against you because you're African-American or was it too subtle? You didn't see it, or did you feel discrimination in your career?

MR. CHENAULT: You know, there were different situations where people would say it's hard for me to imagine a black person in this position. I, frankly, didn't focus on that at all. And fortunately, I had two parents who really had the view that we should be able to do whatever we wanted to do. And I think they really inculcated that in their children. And my view is, if there was an obstacle, we would jump over it.

And you know, my perspective, David, is, as I said, I didn't come to the company to be CEO. I would say around 10 or 12 years before I became CEO there, enough people said to me, you know, we think you could be CEO one day. But I think it's about opportunity. And I was fortunate that I had a number of mentors who helped me. But where I was also very fortunate – and this is something that I say when I talk to a range of groups – is, you always want to put yourself in a situation where you can perform.

And so what I tried to make sure in my career is that people were able to keep score, where you can perform and people can see that. What I don't want, frankly, is people who will interpret my performance. That's where you get into problems. And where you can really shine the light on who's doing the job, you're going to have progress.

MR. RUBENSTEIN: So do your friends call you from time to time and say their American Express card was not properly validated, and do you ever get any of that or nobody bothers you on that?

MR. CHENAULT: You know, the reality is, once in a while but very rarely, because we literally authorize every single transaction. And as you know, on our charge cards it's no preset spending limit. So it's not like a bank card where you have a credit limit. That does not happen very often. It does happen in cases of fraud. But I do get calls almost every day from people who want a Centurion card. [Laughter.]

MR. RUBENSTEIN: Really?

MR. CHENAULT: And I often say no. [Laughter.]

MR. RUBENSTEIN: And what's the most expensive thing somebody's bought on an American Express card? Do people go out and buy just to get points, like they buy planes or other things?

MR. CHENAULT: They buy a range of things. I mean, frankly, the most recent one over the past few months was \$8.8 million. And, you know, the reality is, people understand that with us

that they can get most anything they want. And fortunately, some people take advantage of that opportunity.

MR. RUBENSTEIN: Ken, thank you very much for a great interview.

MR. CHENAULT: Thank you. [Applause.]

MR. RUBENSTEIN: I'm going to give you a gift. It's a copy of the first map of the District of Columbia.

MR. CHENAULT: Thanks a lot, David.

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### **Kenneth I. Chenault**

Kenneth I. Chenault is chairman and chief executive officer of American Express Company. Mr. Chenault joined the company in September 1981 as Director of Strategic Planning. He was named president of the Consumer Card Group in 1989, and in 1993 he became president of Travel Related Services (TRS), which encompassed all American Express card and travel businesses in the United States. In 1995, he assumed additional responsibility for the company's worldwide card and travel businesses and also was named vice chairman of American Express. Mr. Chenault became president and chief operating officer in February 1997. He assumed his current responsibilities as CEO on January 1, 2001, and as chairman on April 23 of that year.

Before he came to American Express, Mr. Chenault was a management consultant with Bain & Co. from 1979 to 1981, and an attorney with Rogers & Wells from 1977 to 1979. Mr. Chenault serves on the boards of American Express and several other corporate and nonprofit organizations, including IBM, The Procter & Gamble Company, the Arthur Ashe Institute for Urban Health, the National Center on Addiction & Substance Abuse at Columbia University, the Smithsonian Institution's Advisory Council for the National Museum of African American History & Culture, the World Trade Center Memorial Foundation, and the Bloomberg Family Foundation. He also is a member of the Business Council and serves on the Executive Committee of the Business Roundtable.

A wide variety of civic, social service and community organizations have recognized Mr. Chenault for his public service leadership. He has received the Phoenix House Public Service Award, the Corporate Responsibility Award from the International Rescue Committee, the Wall Street Rising Leadership Award, and the Hadrian Award from the World Monuments Fund, among others. In addition, he is a Fellow of the American Academy of Arts and Sciences.

Mr. Chenault holds a JD from Harvard Law School and a BA in history from Bowdoin College, and has received honorary degrees from several universities. He and his wife, Kathryn, live in New York with their two children.