Kenneth Chenault on Corporate Leadership and the Power of Brands

Kenneth I. Chenault
Chairman of the Board and CEO
American Express, Inc.
October 2, 2007

In the business universe of American Express, public confidence in the company is essential. In the service industry, reputation is truly everything. In the service business, your brand stands not only for you products and services, but also for the very reputation of the company: your brand *becomes* your corporate identity. At American Express, people trust that if they lose their card, we'll take care of it. If there's a mistake or a fraud on their statement, they'll be protected. If they're away from home and have an emergency, they will be helped. Over the years, the trust implied by our products has become associated with our brand, and ultimately with our company. As a result, our company's business practices have to live up the expectations of our brand. Our name is meaningful to people. When people hear our name, they think about trust and security. They don't just think about our product, they *feel* something about the brand. This is true not just of us, but of any strong brand. Coca Cola makes you think about refreshment. Disney makes you think about family entertainment. UPS makes you think about reliability. It takes a long time to establish what Warren Buffet calls this share of mind, but it is what ultimately separates a logo from a brand.

Vernon Jordan

In all of my years of service on corporate boards of directors, the most memorable, the most significant, the most moving moment for me took place on November 27th in the year 2000. On that day, the American Express Board elected Kenneth I. Chenault its Chief Executive Officer. That moment reminded me of Thurgood Marshall's appointment to the Supreme Court, of Andrew Berman's designation to the Federal Reserve Board, of Clifton Wharton's election of Michigan State University, of William T. Coleman Jr.'s appointment as Secretary of Transportation, of Franklin Thomas' election as President of the Ford Foundation.

I wrote Ken a note that day saying that I was so happy that I wanted to shout, but restrained myself so as not to violate boardroom decorum. My joy at his election was grounded in the fact that it was not about affirmative action, it was not about quotas, and it was not about the color of his skin. Indeed, like the others mentioned, Ken's election was about excellence, performance, leadership, vision, and commitment. Ken Chenault was chosen because he was the best. Whenever I speak with employees at American Express, I am struck by the bond they feel toward Ken. They are truly inspired by the man and his vision. Ken often tells them that he wants American Express to become one of the world's most successful and respected companies. I would say that is a realistic goal, because American Express is led by one of the business world's most successful and respected Chief Executives.

Under Ken's direction, the company has far out-paced its competitors, gaining market share, generating high returns for shareholders, and building a business model that is unique in the global payments industry. He has essentially transformed the company and made it a model for the industry. But, don't just take my word for it; after, all I am one of his Directors. Ask the editors of Barron's, who have named Ken one of the world's best CEO's for three years running. Ask Fortune magazine, which put Ken on the cover of the issue ranking the top companies for leaders. Or ask Warren Buffet, who named Ken Chenault as one of the business executives he most admires.

Ken is going to share his views with us about the power of brands. He knows what he is talking about. American Express ranks among the best known and most valuable corporate brands. And we as consumers of brands of all kinds are eager to hear his message.

Ladies and Gentlemen, my friend and my Chairman, Ken Chenault.

Ken Chenault:

Thank you, Vernon.

As Vernon mentioned, he is the Senior Director at American Express and has served our Company for 30 years.

Now, any speaker will tell you that a glowing introduction is a great way to start off a speech. But getting that introduction from one of your bosses is even better.
Now, I'm really not "managing up" here when I say that, as bosses go, Vernon is one of the best. He is fair; he is tough; and his business judgment is among the best I've ever known.

When I speak to American Express employees I always tell them that the easiest way to recognize great **leadership** is to look for great **followership**. Who are the people in the organization with visible supporters? Who are the ones who take the time and effort to develop other people? Which voices are listened to by employees at all levels?

It is hard to find a better example of this than Vernon Jordan. His is a voice that is listened to. He has helped build a generation of talent. His long list of followers includes global leaders, staff assistants, and CEOs. I am proud to count myself among them. And I am proud to call him a friend.

* * * * * * * * * * *

I am delighted to be here with you at the Economic Club this evening. Now, Vernon pretty much gave me a blank slate in terms of a topic today, so I opted to rely on a tried and true principle of speech making: stick with what you know.

So, given that I work for American Express, I've spent a lot a time over the years learning about brands. What defines a brand? What strengthens it? What damages it? How does a brand shape a company's culture?

American Express is a brand driven services company, so I received my first formal lessons on brands when I joined the company 26 years ago. Over that time, I've learned about the relevance of brands to consumers.
And I've also learned that the concept of brands is not limited to products. For example, universities have brands. Organizations have brands. Political campaigns have brands.

So I start this evening with a belief that brand concepts can and do have a direct relevance to many people here tonight.

Everyone here is a consumer. Everyone here is confronted with, and makes decisions about, brands on a daily basis. You may not be aware of it, or think you're consciously guided by it, but brands are almost always informing your choices. A brand, a real brand, represents a connection – a rational and emotional connection between a company, its products and a customer.

Now, just to clarify, 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. Without these mutually reinforcing perspectives, a company would start from zero each and every day. And that's no way to run a business.

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.

In the case of American Express we've been fulfilling that promise for 157 years. For those of you who don't know our history let me give you some quick background.
We were founded by Henry Wells, William Fargo and John Butterfield in 1850 as an express company, a freight company. We moved packages for people across states and across territories.

Now, if an express company wanted to stay in business there was one core trait it had to have: integrity. The very nature of the express business was based on trust.
American Express was entrusted with customers' assets.
We were paid to move them safely from point A to point B. If we didn't deliver on that trust – if people never saw their gold or currency or goods again – our company's life span would have ended long ago.

So, 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.

Now, you may notice what I **didn't** include on this list. I **didn't** say that brands are **built** by advertising. 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. When we think about Costco, for example, we think about value. We associate Starbuck's with a premium customer experience.

And 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.

I speak with many of our front line employees, and one message I consistently share is that the strength of the American Express brand, at its core, rests with each of them ……. with every telephone call they take, every letter or email they answer, every customer they help. Advertising may get people to try our products, but it is **their** commitment and **their** service that establishes and builds the loyalty of our customers.

Because another important point about the American Express brand, or any other brand for that matter, is to remember that a brand is not what I, as CEO, believe it to be …… a brand is what the customer believes it is. The power in this relationship rests in their hands, not mine. Customers ultimately define brands.

For example, Ritz Carlton is a brand that is all about service. They advertise it, promote it, they've incorporated it into their culture.
But if a customer walks into the Ritz in Boston and has a bad experience, then for that individual, the Ritz brand has just been redefined.

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.

This is a lesson learned the hard way at American Express back in the late 80's and early 90's. Leading up to this period 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.

Should we change our "pay in full" feature just because customers wanted the flexibility to revolve their balance and pay over time? No way.

Allow our card to be accepted at places customers wanted to spend, like gas stations, or supermarkets or discount stores? Please! Establishments like that were beneath us.

Give someone a reward for using our product? They should feel privileged to have our card in the first place.

After all – we were American Express. 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. We've learned that it has flexibility and depth, but only if we listen to our customers because they are the ones who ultimately control it.

* * * * * * * * * *

So, how is the value of a brand assessed? The answer to this question tends to run in cycles, some years bullish, some bearish.

A few years ago the perception of brands was at a nadir.
You may remember stories with titles like "The Death of Brands" or "Brands In A Bind".

These obituaries generally listed the same cause of death: the internet. The internet was giving the consumer ultimate powers: unlimited choice, comparative information, and instant access.

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.

Now, it's intuitive that this trust translates into financial value for a corporation. But it's a hard number to quantify, so you won't see brands reported on company balance sheets, even though they're an important asset.

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.

It's a difficult measurement problem, but each year Interbrand, a brand consulting firm, tries to solve it. Now, they use many assumptions in their assessment, and there really is no right or wrong answer. But they do apply a consistent methodology.

For 2007 they ranked Coca Cola as the most valuable brand in the world, with a dollar value of $65 billion.
The top 20, as you might expect, includes a roster of well known names, such as Microsoft, McDonald's, and Disney.

In 2007 American Express was ranked 15th on this list, with a brand value of almost $21 billion. To put this in perspective, this would say that our brand represents about one third of our total market cap of approximately $70 billion. You can debate the Interbrand methodology, but it's clear to me that well managed brands do have significant financial value and generate superior returns.

* * * * * * * *

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. While this may sound like too lofty of an aspiration, in fact many of our employees have taken up the challenge.

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. Here's an example of what I mean.

We all vividly recall the end of 2004 when news broke about the tragedy of the Asian tsunami. Rather than wait for calls to come in from customers and merchants, our employees, first in Asia and then from around the world, went to work.
They reviewed card and travel transactions for the impacted areas. And from these reports they identified approximately 10,000 cardmembers and clients who were likely to still be in the area.

Our customer reps placed calls to cardmembers at hotels, on cell phones, using emergency contact numbers. The goal was to see if our cardmembers were all right, to see if they needed help.
The response to most of the calls was "I'm fine, but I can't believe you called me just to see if I was OK." But sometimes the response was "Yes, I need help." So our reps replaced cards, waived fees, rebooked travel and tended to a wide array of cardmember needs.

To show you how firmly our service ethic is embedded across our organization, I'll also share this with you. The thousands of actions taken on behalf of our customers that day did not require a single order from me. Our service ethic is so much a part of our DNA that our people didn't need direction. They took action because service is one of the core values of our brand, because it is one of the core values of our company.

All of these actions, one customer at a time, contribute to what Warren Buffett has called the strong share of mind of the American Express brand. Our name is meaningful to people. When people hear our name, they think about trust and security. They don't just think about our product, they **feel** something about the brand.

This is true not just of us, but of any strong brand. Coca Cola makes you think about refreshment; Disney makes you think about family entertainment; UPS makes you think about reliability.

It takes a long time to establish this share of mind, but it is what ultimately separates a logo from a brand.

* * * * * * * * *

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.

If you think about it, 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.

In our case, at American Express, people trust that if they lose their card, we'll take care of it. If there's a mistake or a fraud on their statement, they'll be protected. If they're away from home and have an emergency, they will be helped.

Over the years the trust implied by our products has become associated with our brand, and ultimately with our company. As a result, our company's business practices have to live up to the expectations of our brand. People hold a view of what the American Express Company stands for, and they won't accept practices that are contrary to that belief. This results in our being held to a higher standard by all of our constituents – shareholders, customers and employees.

Here's an example, one that comes against the backdrop of Congress' recent review of card lending practices.

Like all lenders American Express is in the payments business to make money. But, because of our business model and because of our brand, we make deliberate choices about how we make that money – the fees we charge cardmembers, how often and how much.

Like any good competitor, we're always looking at the marketplace, at what the other guys are doing to their value propositions. What fees are they charging, how much, how often?

But we can't just blindly follow the marketplace, because certain practices just don't conform to our brand and our reputation for customer commitment.

Yes, we do charge late fees when customers don't pay us. We do charge fees when customers exceed their credit lines. But, because of our brand, certain practices don't make the cut.

For example, universal default. This is the practice of raising a cardmember's interest rate on your own product because they are delinquent in paying another lender. They are still current and creditworthy with you, but their rate gets increased nonetheless.

A number of our competitors implemented this practice, resulting in higher interest revenue. But, to us, it just didn't feel right. It didn't conform to what our brand is about.

Yes, we could have made more money, we could have followed the crowd but, because of our brand, I believe the ultimate price would have been too high.

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.

And, while we firmly believe it is the right thing to do, and we know it helps fulfill our responsibilities to society, it also helps to further enhance our brand and its attributes of service and trust.

So, as I said earlier, because of our brand we're held to a higher standard. Sure, it would be easier some days not to have a higher bar, but then American Express wouldn't be the company it is, and I likely wouldn't have been a part of it.

* * * * * * * * *

I said in my opening that brands have relevance to everyone here tonight. Now, you might have thought I meant that brands were relevant to you as consumers, but that is only part of the story.

As I said earlier, organizations have brands, political campaigns have brands …….. but, perhaps most importantly, we each have an **individual** brand.

The difference is that while companies take conscious actions to create their brands, individuals tend to develop their brands unconsciously. It happens over time as their words and actions ultimately shape the perceptions and views formed about them.

For individuals it usually starts with the superficial characterizations we all face growing up. People get labeled as a jock, as a smart kid. Over time, however, the labels fade and by the time we enter the real world, usually after college, our values and individuality have been solidified and our personal brand – the expectation that people have of us -- develops.

I spend time each year talking to graduate and undergraduate students and, as I tell them, whether they like it or not, their personal brand is being shaped everyday. People are forming judgments about them everyday.

My advice to them is that it's better to be aware of this than to just let it happen. That way you can take conscious action based on how you want your brand to be judged. That way you can aim for being a premium brand, rather than a nameless generic.

Now sometimes they'll push back and say they don't want the pressure of building an individual brand. Or you'll hear professional athletes or celebrities talk about how they don't want to be role models. They just want to play their games, or make their movies.

But it's clear they've forgotten an important brand principle: the CEO of a company, or you as an individual, can take actions to shape your brand, but you don't control how it is viewed. That right belongs to the customer.

It's the customer who weighs a person's behavior over time. It's the customer who decides what, if anything, a brand stands for; what, if anything, a person stands for.

In the case of individuals that customer can be your teammates, employees, fans, or voters. **They** choose who their role models will be; **they** select their leaders.
They decide if someone's individual brand is a brand they will follow.

My father never studied brands, but one of the principles he taught me is quite relevant to this topic. He told me when I was growing up that you cannot control other people's perceptions of you. But you can and **do** control your own actions, actions that can, over time, alter those perceptions. And, he might have added, actions that, over time, can and do shape your personal brand.

Thank you.

Questions and Answers

Vernon Jordan: *Does the American Express brand name ever pose problems in overseas markets where public opinion and politics can be fairly critical?*

Ken Chenault: *That is a very good question. Obviously, because of our name, I can see why you would ask that question. What is very interesting is that our brand is actually rated higher in a number of international markets than it is in this country. There have been a lot of theories inside and outside the company. My own personal theory is that we have been in the travel business historically, and part of travel breaks down geographical barriers, breaks down a range of barriers, and so people don't look at us as a U.S. company alone. They really do look at us as a global company. The other point I would make is that we are seeing very good growth in a range of markets around the world.*

Also we have developed a very substantial business in working with local banks that issue Amex branded cards. Why do they do that? They want to appeal to the affluent customers in their respective countries. That is the ultimate endorsement, when you get a major bank in a market that says I want to affiliate with you. We have been helped tremendously because of our historic presence in the travel business and our focus on service. We have not been harmed at all by our name, and in fact we have been aided by it, because it stands for something that is very important, and that is service and travel really connects people.

Vernon Jordan: *This is not a question this is a commercial. I want to thank you. Amex constantly adds services. Through Amex, I found a genealogist who helped me find my father's relatives in Germany. I thought you might like to hear that [laughter]. I'll show it to the Comp Committee [laughter].*

Ken Chenault: *I'll let you know if that happens [laughter].*

Vernon Jordan: *What are the key measures you look at to measure your customers' satisfaction with Amex?*

Ken Chenault: *We have a term called "net promoter score." At the end of the day, what that term is all about is, would you as a customer recommend that product to a friend? We are not the only company that uses that. But, what is very important is the personal experience that you need to have with a customer. The ultimate sign is if someone is going to recommend you. So, we have focused on that as a measurement device for our company. What we have seen is tremendous causality, that when that happens, the predictiveness of that is very substantial. It is challenging and it takes several years to get the organization to understand that power and to trust it.*

Very simply for me, I am an outcome-oriented person. We used to have these quality measurements where people would say satisfaction is unbelievable, it is going up each year, it is great. Excuse me, market share is down. Billings are not where they should be, so at the end of the day, if we are satisfying customers, they are either vacant or not aware of that or in fact we are measuring the wrong drivers of customer satisfaction. Net promoter score to me is a terrific measurement device, and it has had a major impact on our business. It is a measurement device that you can customize to a wide variety of customer segments.

Vernon Jordan: *Traditional wisdom was that it took a very long time to build up brand equity. Has the internet turned that thinking on its ear?*

Ken Chenault: *Absolutely. The internet has had a fundamental impact. I talked a lot about the unfiltered choice, but the segmentation capabilities of the internet and the ability to create a personal experience and continually feed into that experience can create a very strong brand. What Amazon has been able to do, what E-Bay has been able to do is to create a personality of that brand. But, what is important is to understand the focus of service that they have. They have been able to create an imagery that is based on the delivery of service. But the internet can enable that engagement to occur many times during the day with a single customer. That is a tremendous advantage and it is one of the reasons why we have dramatically shifted to acquiring more cards online than we do through the mail, a dramatic difference. Our service and our actions online are major. In fact, we have dramatically increased our service and our actions. The internet is the ultimate personal-service channel. You can really create a tremendous emotional connection with your customers through the internet. You can build a brand, focused in the right way, at warp speed, on a relative basis.*

Vernon Jordan: *You have opened up competition by overcoming the Visa and MasterCard rules prohibiting member banks from issuing cards by American Express and other rivals. What is your next biggest challenge?*

Ken Chenault: *There is a tremendous market and growth of plastic against cash and checks. So, here is how we look at our market. A lot of bank cards look at their market and they simple say, what is the lending opportunity that we have? What we look at is the spend opportunity. If you look at the lending opportunity, the growth rate is 4 or 5 percent. Look at the spend opportunity and it is 10 to 12 percent. If you are talking about a trillion-dollar market, if you can't figure out a way to make money in a market growing at 10 to 12 percent, then you need to find another job. But, we have created a model that is focused on driving spend. We call it our merchant network. I say to our people, I want our network to be the network for high spenders. That is what I want. I want people who will spend. What is important is the message we give out to merchants: we can help bring in incremental spending because of the loyalty and the services and the rewards that we have on our products. In the MasterCard/Visa situation, Joel Klein did a terrific job taking on for the citizens of the U.S. the opportunity for them to have choice.*

So we had a situation where Visa and MasterCard had a bylaw that said if banks worked and issued our card, they would be kicked out of Visa and MasterCard. In essence, be kicked out of retail banking. We thought that stunk. Now we are suing them in a private action because I want to collect damages because of what has happened over the past 10 or 15 years, even though we have done very well. I believe that there is substantial opportunity working with banks, which we are now doing.

What is my big fear at the end of the day? The market opportunities are very strong. But, we have been on a real success run over the past six years. The toughest thing, and I don't think it is going to happen, is complacency, because people think that because they have been successful, they don't have to continue to innovate. I have been on the other side to turn around a company, because at the end of the day you are down, you go through what the steps are, people know that you are in a tough situation. But, when things are going well, what you have to do is define what the aspirations are and what the competition is. That is why I focused on the aspirations for our company to in fact have a leadership position. The way I defined being one of the most successful companies is, we actually went through the financial data of companies in the Fortune 500, and I said here is the matrix that we want to follow over the next 10 years for *our company. Only two companies have achieved that as an objective over the past 10 years. Those two companies won't repeat in the next decade. So, you need to understand what we are signing up for and what we are against. The focus is to ensure that we are continuing to innovate and that we are becoming more and more of a brand-driven services company. We will do that through payments, but at the end of the day we are going to be in a range of services and activities both for consumers and business to drive spending. That is the objective. I want to make sure I have an organization, which I believe I do, that will continue to have this very sense of urgency.*

Vernon Jordan: *Please respond to the criticism that your industry has been unfair to customers on hidden interest costs.*

Ken Chenault: *There are practices in our industry that in fact need to be changed. I believe in transparency. I believe in disclosure. I believe that the way you create a relationship and a reputation is to be trusted by your customers and your clients. The reality is, if you look at the ratings of the credit card industry, we might be below Used Car Salesman. Now we stand, fortunately, above that but we have to be careful that we don't get caught in the down draft. I believe firmly that some of the practices of the credit card industry need to be changed in a fundamental way. I am not going to defend practices that I don't think work. I talked about universal default. We never put that in. A number of companies, as a result of Congress being involved, have stopped it. But, the reality is that through disclosure you can get a level of transparency, but you also need to have that disclosure understandable by someone who is fact did not graduate with the highest honors from M.I.T. They would have difficulty reading some of the statements our there. That is something we are very focused on as a company. We believe very strongly in that, because if we don't see some changes, we think we will be caught in the down draft. But, I believe very strongly that disclosure and sunlight are the way to deal with some of these practices.*

Vernon Jordan: *Does American Express have a program of having American Express employees involved in local community needs?*

Ken Chenault: *We literally have hundreds of programs. The volunteer efforts in our company not only in the U.S. but around the world are very strong, and we encourage that employee focus. We believe that we need to make a difference in the neighborhoods, in the areas, that we operate in. I talked about this very broadly. I really do believe that there is not enough of an understanding that corporations are allowed to exist because society says that we are allowed to exist. It could be very different. You don't have to even have a charitable point of view. If you want to, in fact, have a long-term competitive position, you need to have an educated workforce. Companies need to take a very strong focus. So, in this global economy, we need to make sure that people are not being left out. Corporations need to create a more effective partnership with the public sector. Just as we talk about the market place changing and the need to have transforming strategies, we have got to put transforming strategies in place, because we are facing issues that are absolutely incredible and we all know some of those major issues. So, we encourage this very strongly in our company. It is something that we support with not only our dollars, but also by giving our people the time to make a difference. They are making a very powerful difference.*

Vernon Jordan: *Do you think the plastic card will become extinct when electronic scan access can be implanted in one's cell phone?*

Ken Chenault: *Who knows? It could be. We are very focused on a number of technology advancements. But, what you have to focus on is the infrastructure behind the plastic. The issue to me is not the piece of plastic. I am not hung up with a piece of plastic. We have created a network that can be used in a range of ways. It doesn't have to be that piece of plastic. But at the end of the day, the brand has to stand for something. The infrastructure that we have put together has a number of very important economic advantages. People talk about a consumer-to-consumer payment opportunity. At the end of the day, when you look at the value chain, the question is what are the rewards for the individual consumer, how does the merchant benefit, do they see increased business, what happens with fraud, and so on. At the end of the day, we need to be focused on all the value elements of the payments business, which we are in. But I don't view technology as the enemy and I am not going to just protect plastic. I want to make sure that we in fact have the flexibility in our model, which I believe we do, that we can deal with a range of technologies. But, whatever the technology, the focus is going to be on choice. What I will be absolutely adamant about is the importance of making sure that our brand stands for a very strong value proposition in the range of products and services that we offer.*

Vernon Jordan: *Thank you for a great evening and a terrific talk. One final question: Has your golf game improved since you signed on Tiger Woods? [Laughter.]*

Ken Chenault: *Timing is everything in life. If you had asked me that question two or three years ago, I would have said absolutely not. My problem is that I only play golf in August, but it actually has improved. Tiger is, as you know, very competitive, and what I am hoping to do is get on a cycle that my handicap is not really reflective of how I can play. Then I want to play him, because he is very competitive, as you might expect.*

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 of 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 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 Phoenix House Foundation and the World Trade Center Memorial Foundation. He also is on the boards of the Partnership for New York City, The Business Council and the Business Roundtable and serves as Vice Chairman of each of these organizations.

Mr. Chenault holds a JD from Harvard Law School and a BA in history from Bowdoin College, and he has received a number of honorary degrees from several universities.