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Customer Service at American Express: A Relationship, Not a Transaction

Introduction

In 2005 Jim Bush, executive vice president of American Express World Service, was facing a serious challenge. A 24-year company veteran who had recently assumed leadership of the company's service organization, Bush became worried that American Express (AXP) was focusing too much on cost and, as a consequence, service was eroding. To remain competitive, the company — which had a 160-year heritage of dedication to customer service — had been working to reduce labor costs by shortening time spent on the phone with customers, encouraging self-servicing and leveraging lower cost markets through outsourcing since the beginning of the decade.

Bush had begun as a manager in the company's Fort Lauderdale service center and moved on to serve in a wide range of roles at AXP, from consumer card marketing head to president of the firm's Asia businesses. He had a long history with American Express, and now he wondered: Was the company becoming too enamored with cost reduction at the expense of service? Was it losing sight of the power of people? After all, AXP prided itself on the relationships it fostered with its customers. Were these practices hindering the company's ability to truly deliver on its vision "to become the world's most respected service brand"?

He knew that AXP's service organization was the critical foundation for delivering the company's brand promise, but he would need to initiate a shift in senior management's focus (which, at the time, was predominantly on lowering unit cost) to enable it to effectively pursue the company's vision.

"I reinforced to the organization that we have to establish a common sense of purpose. We codified this in a mission statement for the organization at large...to move away from thinking of this [servicing customers] as a *cost* of doing business to thinking it's an *investment* in the relationship with the customer. It was a fundamental shift in mindset," explained Bush. Because, he elaborated, "There is a cost for good quality, but there's also a [higher] cost for poor quality."¹

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Over the past five years American Express reinvented its approach to customer service in the United States with an initiative, led by Bush and his team, known as *Relationship Care*. The company began the reinvention by surveying its front-line employees (called Customer Care Professionals or CCPs) to uncover what it could do to improve their ability to provide not just great but superior service to AXP's customers. Findings from the survey were insightful and helped to guide the company in making important investments and prioritizing changes. Namely, they led to strategic changes in three areas—people, policies, and technology.

The company further strengthened its commitment to its *people* by improving talent management, incentives, and work-life balance for its employees. It also changed its compensation structure, making a significant portion of CCPs' pay directly reflect feedback from customers. Company *policies* were updated and improved in order to help CCPs better assist customers. And AXP invested in new *technology* tools to give CCPs the ability to personalize every conversation with recommendations on how cardmembers could get more value out of their American Express cards.

The company continued to invest in Relationship Care throughout the economic downturn of the late 2000s. As a result, AXP won four consecutive J.D. Power and Associates Awards for Highest in Customer Satisfaction with Credit Card Companies, made *BusinessWeek's* Customer Service Champs list for two years in a row (alongside elite service leaders across industries), and appeared on *Fortune's* World's Most Admired Companies, America's Most Admired Companies, and 100 Best Companies to Work For. It also regularly received recognition for excellence in customer service from organizations and publications around the world.

"Companies can try to copy a marketing offer or a specific product benefit, but they can't copy American Express service. It's an area we've been committed to and invested in over time – so much so that we're creating a service culture throughout the company. Service is really part of our DNA," said Bush.

This case explores American Express' journey as a customer-centric organization. It focuses on the capabilities the company has built in recent years to foster innovation in customer service and raises important questions about the challenges that it could face in launching Relationship Care from a national to a global initiative.

Company Background

Established in 1850 in New York City, American Express Company began as a delivery business that guaranteed the safe and speedy delivery of packages during the rapid westward expansion of the United States. More than forty years later, it created Travelers Cheques, which the company arranged for European banks, hotels, and tourist offices to accept while it assumed responsibility for losses due to theft, fraud, or fluctuating exchange rates. The company then broadened its travel services to include trip-planning, reservations, and ticketing. For nearly a century, AXP has offered a range of consumer and business travel options—all building on the themes of integrity, customer service, and peace of mind, which became hallmarks of the brand. In the first four decades of its travel service, American Express (unlike any other company) had multilingual representatives available at the major ports of entry to assist customers with hotel accommodations, local transportation, and other travel-related matters.

The company entered the card business in 1958, targeting business travelers with expense accounts. In the late 1960s, the company continued to expand its products and services. It pioneered the concepts

of loyalty programs and tiered cards, with products like the premium Gold charge card (originally called the Executive Credit Card) and the corporate card. In 1987, the Small Business Partnership provided small businesses with access to financial management tools and resources. The company also launched the most extensive multi-partner rewards program, Membership Miles (now called Membership Rewards), in 1991 and the first corporate purchasing card in 1994.

In 2008, American Express was a leading global payments and travel company with revenues of \$28.4 billion, up 3% from 2007.² It generated approximately 87% of its pretax income from continuing operations in the United States. In 2009, revenues decreased to \$24.5 billion, down 14% from 2008 due to the economic climate.

AXP's Model and Market

AXP's business model is rooted in the payment industry (which exceeded \$7 trillion in the US in 2008). It competes with other paper, card, and electronic-based payment firms.

In the late 2000s, around a quarter of the cash or check-based segment represented high-value transactions, but consumers were moving toward cards and electronic methods.³ Credit cards were the largest part of the segment, with 26% of the payments market. Debit cards issued by banks had a 14% share of the market. While debit card transactions were expected to surpass credit card transactions by 2011, the average purchase per credit card transaction was projected to be greater than the average purchase per debit card. On average, each American adult had 4.4 payment cards in his or her wallet.⁴

AXP earned the majority of its revenues from the fees that it charged merchants to process purchases made with American Express cards. AXP's ability to capture, analyze, and gain insights from the transactions that flowed through its network enabled it to create value for merchants, companies, and cardmembers alike. In essence, it was able to use this information to help merchants attract customers, identify ways for companies to control expenses and manage payments, and make relevant offers to cardmembers.⁵ For example, the Membership Rewards program allowed American Express cardmembers to earn points for their purchases that could later be used to buy goods and services with participating merchants. The program fostered feelings of membership and exclusivity among cardmembers, which AXP has long sought to garner.

Another important facet of AXP's model was that the company controlled the entire purchase and payment cycle, in addition to issuing its own cards and managing its own cardmember network—unlike Visa and MasterCard.

The Competition

Players in the payment industry were either card networks that processed transactions (such as Visa and MasterCard), card issuers (primarily banks), or financial service companies that both issued cards and processed transactions (such as American Express and Discover Financial Services). All of these players generally fit into one of two business models:

In *open-loop* payment networks (e.g. Visa and MasterCard), processing a payment typically involved the network connecting two financial institutions—the issuer that issued the card and the acquirer that serviced the merchant. These types of companies handled the information and transfer of value between the two institutions.

In *closed-loop* payment networks (e.g. American Express and Discover), the network possessed the

relationship with both the cardmembers and the merchants.⁶ This enables these networks to connect the merchants and customers with unique offerings.

In the mid 2000s, AXP wanted to make the American Express card the major payment card for all transactions. Its biggest competitor was Visa. Visa operated the world's largest payment network and generated revenues based on fees calculated on the dollar volume of payment activity on Visa-branded cards, service fees, and fees charged for providing transaction and data processing. The second major competitor was MasterCard, a global payment solutions company with the same business model as Visa. Another smaller competitor was Discover Financial Services, a division of Morgan Stanley that had been spun off as an independent closed-loop payment network in 2007. Discover's primary source of revenues in its US card business was interest income earned on revolving cardmember balances. Similar to AXP, Discover offered a rewards program to its cardmembers. Finally, banks also issued credit and debit cards (mostly under the Visa and MasterCard brands).

To some extent, all card issuers competed on the basis of quality of service and card features (rewards, special services, number of establishments accepting the card, promotional campaigns, etc.). Overall, the primary source of card issuers' revenues was interest income earned on outstanding credit card balances. Issuers acquired new cardmembers by targeting high-spending consumers and designing premium cards with enhanced services (larger lines of credit, cash rebates, lower interest rates, co-brand benefits with retail chains and airlines, etc.).⁷ It is also important to note that non-traditional industry entrants such as PayPal, Google Checkout, eBILMe, and Amazon Flexible Payment Service also emerged. These companies offered convenient technology-based payment methods, creating an environment in which a plastic card need not be presented to the merchant. AXP knew that, in this fierce competitive landscape, its core competitive advantage had to be something that was difficult to replicate—superior customer service.

The Cardmember

AXP maintained “best-in-class” credit quality by focusing on the affluent segment.⁸ Because housing prices declined significantly in many markets during the collapse of the US housing market, all homeowners were affected (including the affluent ones who tended to have more and larger real estate holdings). As a result, the housing downturn had a significant impact on AXP and its cardmembers.

Nevertheless, the company maintained its focus on these affluent buyers, who tended to account for a disproportionate share of total credit card purchases. In 2009, the average AXP cardholder in the United States had a purchase volume of \$7,053, substantially higher than the purchase volumes of cardholders using Visa (\$2,679/card)⁹ and MasterCard (\$1,951/card)¹⁰. See **Exhibit 1** for a table of AXP cardmembers' spending history.

The Business Environment: A Struggling Economy

The business environment in the late 2000s was extraordinarily challenging. The second half of 2008 saw increased volatility and reduced liquidity in the capital markets, rising unemployment, the collapse of major financial institutions, and a worsening global recession. AXP experienced slowing cardmember spending and loan volumes as well as higher delinquencies as increasing stress in the worldwide financial markets eroded consumer and business confidence levels. Based on these trends, AXP expected that overall consumer and business sentiments would likely continue to deteriorate, translating into weaker economies around the globe and increased unemployment through 2009.¹¹ Maintaining a commitment to customer service would be among the key factors determining the ability of the company to continue to thrive.

As with nearly every company with US business interests, American Express made significant cuts in its business – staying liquid, staying profitable, and (importantly) investing selectively for growth. In the face of the worst economic conditions in living memory, AXP chose to strategically invest in its people and their ability to deliver superior service to cardmembers.

“Service has been part of our brand since the beginning, and it remains a major reason why our customers choose us today. Providing great service has never been more critical than in these uncertain times, when customers are looking for companies they can rely on.”

– Kenneth Chenault, American Express CEO¹²

Creating a Social Architecture That Supports Superior Service

AXP had a core belief: Great customer service starts with the people who deliver it. As a result, the company ardently focused on its own people, targeting its front-line employees to ensure that they had the training, coaching, compensation, and overall environment to enable them to deliver superior care to cardmembers.

In 2006, AXP secured an independent research firm to survey employees about what would truly motivate them to go above and beyond for customers. The survey, called Your Voice, laid the foundation for Relationship Care. The results of the survey validated AXP’s core belief with facts and data that the company could act upon. Six major insights were identified:

1. Employees wanted to be **compensated** for delivering extraordinary care.
2. Employees wanted **flexibility** in their schedules.
3. Employees wanted certain **policies and procedures** changed to enable them to provide extraordinary care.
4. Employees wanted a clear **career development** path.
5. Employees wanted to be **recognized** for their work.
6. Employees wanted a **work environment** that helped them manage their busy lives.

These insights then drove a number of changes and improvements:

Compensation

AXP had always followed a pay-for-performance philosophy, especially for senior level employees. However, Customer Care Professionals (who were paid by the hour) did not feel that this philosophy applied to them. In response, AXP introduced a program in the US to ensure that CCPs had opportunities to increase their total compensation.

The program leveraged the Recommend To a Friend (RTF) metric. RTF is calculated the same way as a Net Promoter Score, commonly used to measure perception of companies or services using market-research techniques. The RTF metric is based on customer surveys, completed immediately after a servicing interaction. Customers are asked, on a scale of 1 (worst) to 10 (best) if they would recommend a product or service to a friend or colleague, based on the interaction they just experienced. Scores of 9 and 10 are “positive,” 7-8 are “neutral,” and 1-6 are “negative.” The total is computed, resulting in an RTF score. For example, if ten surveys produced seven scores of 9 or 10, one score of 7, and two scores of 1-6, the RTF score would be $7-2 = 5$.

The RTF metric is very challenging. Essentially, it rewards employees for achieving 9s and 10s. CCPs must move beyond completing transactions to establishing relationships in order to earn such high scores. They must empathize with and add value to cardmembers by making knowledgeable suggestions that are relevant to each specific customer.

For example, a cardmember may call in asking to change an address because of a move to a new home. By actively listening during the discussion, a CCP will take note of this and will make a point of mentioning to the cardmember that he or she can redeem AXP Membership Rewards points for gift cards at merchants like Lowe's or Home Depot. The CCP may also take the opportunity to remind the customer of extended warranties (doubling a manufacturer's written warranty) granted to cardmembers who use a selected card.

This type of interaction is crucial. By the CCP taking the time to listen to a cardmember and to understand not just the transaction (an address change) but also his or her larger needs, American Express could help meet those needs and build lasting, valuable relationships.

This approach also spurred a significant change in focus from average handling time to customer handling time.

"We were able to move away from a maniacal focus on hurrying the customer off the phone, which was highly scripted, highly commanding control, and not a lot of empowerment... to putting it in customers' hands. The customer will dictate how much time they want to spend with us on that particular transaction," said Bush.¹³

CCPs felt empowered to take extra time to help customers resolve complex issues. For example, if a customer had a problem with a vendor, a CCP might initiate a conference call with the customer and the vendor to try to work out a resolution. In describing this process, one CCP mentioned that he would take the time to share his knowledge to give the client all the options that he would want as a customer himself.

This change in focus benefitted AXP and CCPs alike. CCPs were driven to achieve customer satisfaction on each and every call. They now earned variable compensations and had the potential to earn an incremental 25-30% of their base pay.ⁱ Overall service margins actually improved as well.

"When you serve customers well...what we find is that the actual cost associated with that transaction [comes] down. Case in point, the average handling time for our best people who drive the best outcomes is actually lower than the average across our servicing organization," Bush explained.¹⁴

Flexible Schedules

CCPs wanted the opportunity to modify their schedules to facilitate their work-life balance. In the past, employees were assigned to shifts that they were expected to work unless there were extenuating circumstances. However, AXP realized that the ability to manage its workforce based on real-time business needs would have significant benefits for the company. So, it set out to provide a scheduling tool that gave employees flexibility and ensured that fluctuations in business demand could be dealt with efficiently based on employees' availability and skills.

In 2009, it launched the My Schedule Application (MSA) in the United States. With MSA, CCPs could make changes to their schedules online on a weekly, daily, and hourly basis. Based on call volumes around

i "100 Best Companies to Work For." *Fortune*. 16 Aug. 2010, p. 14.

the network and demand for certain skills, the system allowed employees to drop, add, or trade hours and to schedule time off from anywhere they could access the Internet.

After five months of using MSA, employees were absent less often and were more satisfied with their jobs. Compared with baseline survey results, there were significant improvements in responses to statements such as “I am satisfied with the flexibility I have to adjust my work schedule,” “I am satisfied with my ability to work less than 40 hours a week when needed to balance my personal needs,” and “I am satisfied with my ability to make temporary or one-time changes to my schedule.” CCPs were then asked what additional amount of hourly pay would lure them to another company to do the same job without the schedule flexibility provided by MSA. Of those surveyed, 74% said that they would not consider leaving American Express, and 19% indicated that it would take an increase of \$4.00 per hour (a 25% pay increase) for them to consider leaving. See **Exhibit 2** for quotes from American Express employees regarding sentiments toward their jobs.

This loyalty was extremely valuable to AXP because training new CCPs was very expensive, and for the industry as a whole turnover among call center staff typically exceeded 100% per year.¹⁵ In addition to helping retain existing employees, the use of MSA was expected to attract new employees from the service marketplace.

Policies & Procedures

CCPs told AXP that it needed to re-examine certain policies and procedures that were confusing to cardmembers and prevented CCPs from providing superior service.

“We needed to eliminate policies that were designed for twenty years ago that no longer applied. We were asking people to comply with a policy that had become irrelevant, and that was obviously frustrating,” said Bush.¹⁶

For example, for security reasons, when a supplemental cardmember (such as a spouse) called to make a payment on an account, AXP used to require the four-digit code on the front of the primary cardmember’s card. In most cases, this information was not handy, and this disrupted an otherwise seamless process. After the survey, AXP changed its policy so that supplemental cardmembers only needed to confirm the primary cardmember’s personal information.

Career Development

Employees told AXP that they wanted a clearer career path. While they wanted to continue working directly with customers, they also desired to develop new skills and progress over time. In response, AXP created a development model with four job tiers based on complexity. This provided CCPs with opportunities to advance along a career path as they demonstrated increased proficiency. They could also use the skills they learned in one role or job tier to transition into another area of the AXP service organization. For example, an employee might start her career by taking inbound calls from cardmembers. She could advance by either taking on more complex inbound servicing work or by leveraging her skills to move into AXP’s credit organization.

Team leaders also played a critical role in assuring superior customer care. The way they led their CCPs directly impacted customer satisfaction. However, team leaders expressed that they were spending most of their time completing the administrative aspects of their jobs rather than coaching their people. So, AXP redefined team leader roles to make coaching the core focus of their jobs. The company rolled out new tools to help them provide more effective feedback to CCPs and created new team leader training programs.

Recognition

Employees wanted continued recognition for their contributions to the company. AXP responded in several different ways: The company changed front-line employees' titles from Customer Service Representatives ("Reps") to Customer Care Professionals (CCPs) to highlight their roles as professionals who provided extraordinary care to customers. AXP went further and gave CCPs business cards to reinforce the importance of their roles in building relationships with customers. The company also paid a one-time "recognition bonus" to CCPs and team leaders.

Finally, senior management explicitly showed its commitment to the customer service transformation. AXP's chairman and CEO began to sponsor two annual awards for the company. One focused on innovation (the My Schedule Application, for example, won an AXP Chairman's Award for Innovation.) The other was for customer service, showcasing the fact that the customer and superior service were at the forefront of AXP's strategy.

Workplace Quality

Providing good benefits (health care, parental leave, vacation time, etc.) had always been part of AXP's employee benefit package. However, CCPs told AXP that they wanted "convenience" benefits as well, such as on-site health and wellness screenings, on-site dry cleaning, and backup child care. In response, AXP launched a robust health and wellness program called Healthy Living. Healthy Living focused on providing employees with the tools they needed — both at work and at home — to live healthier lifestyles.

Also, in addition to having full-time registered nurses at each of its service centers, AXP hired nurse practitioners to facilitate early diagnosis and prevention, thus minimizing employees' time away from work. Finally, one of the largest centers (Fort Lauderdale) built and successfully piloted a backup child care facility.

A New Hiring Profile

In addition to improving the jobs of CCPs internally, AXP changed the way it sought out candidates for CCP positions externally. In 2009, the company launched a new recruiting strategy and advertising campaign, branded A Passion to Go Beyond™, to attract candidates from a variety of service industries. The company's new strategy focused on candidates who had a passion to serve and who had experience in building strong relationships with customers, not strictly candidates with customer service experience in phone centers.

AXP focused on attracting new hires from industries such as sales, hospitality, and cruise lines. These types of employees brought significant customer savvy to their roles as CCPs, furthering the company's ability to empathize with customers and to deliver on the brand promise. In 2009, more than 90% of new CCP hires had backgrounds outside of traditional call center experience. Approximately 30% came from the hospitality (hotels, cruise lines, airlines, and entertainment) and retail industries.

A New Approach to Training

The company then revamped its approach to training. AXP increased the number of hours spent on training per tenured CCP by 22% in 2009. CCPs were trained to establish an emotional connection, actively listen, and assess the mood of the customer. It made sense, then, that AXP moved from spending 70% of training time on technical skills and 30% on relationship skills to the exact opposite — 70% on relationship skills and 30% on technical skills.

AXP also built a comprehensive curriculum around Relationship Care with a training program called Extraordinary Customer Care. Extraordinary Customer Care formalized AXP's philosophy that servicing was

not about a transaction but rather an emotional connection with cardmembers. AXP developed and taught “Extraordinary Customer Care 101: Making an Emotional Connection” to all its CCPs. It then rolled out “Extraordinary Customer Care 102: Relationship Care,” which focused on tangible ways that CCPs could build relationships. The class reinforced that service was about truly understanding customers’ needs, moods, and histories with AXP.

AXP also offered “Service Enhancement Elective Courses” that CCPs could take once they completed courses 101 and 102. These electives focused on specific call types that were known to be more difficult (e.g. a customer dispute or a call regarding an annual percentage rate change). Electives allowed CCPs to practice and prepare for these difficult situations.

Finally, a strategy was put in place to allow CCPs who excelled in a particular call type to educate and coach those who did not. This was another way that the organization helped CCPs develop their skills as professionals, a desire identified by the Your Voice survey.

Customer Centricity at American Express

At the core of Relationship Care was the concept N=1ⁱⁱ, which expresses a recent shift among businesses from offering generic products and services to offering personalized experiences. To offer personalized experiences, CCPs couldn’t be scripted. Instead, they needed to be empowered with important information to quickly understand the context around each individual customer.

For example, a CCP serving a business customer might ask the customer more in-depth questions (e.g. “When do your customers pay you? What terms do you give your customers? Are you having any trouble collecting receivables?”) to get a better understanding of that customer’s issues. By learning more about the customer’s business, the CCP could then create solutions catering to that customer’s specific needs. Solutions that AXP could offer might include:

- Showing customers certain features available on the American Express website, such as Membership Rewards redemption or vendor payment set-up tools.
- Informing customers about how they could delegate authority on their account (e.g. give someone else, like an authorized account manager or accountant, the ability to help manage their finances).
- Advising customers on how they could maximize their cash flow by making sure they fully understood the terms of their American Express cards.

Technology to Support CCPs

So, how could CCPs have contextual information for every cardmember? The company prioritized its investments, focusing on technologies that would prepare CCPs to be knowledgeable yet efficient when assisting customers.

The American Express Servicing Portal

During and coming out of the economic downturn, AXP felt that its Relationship Care strategy provided an excellent opportunity to remind cardmembers of the benefits they could receive as American Express customers (e.g. how to use their Rewards Points in ways they might not have realized or how their particular card product could help them better manage their finances). To do this, CCPs needed easy-to-access and relevant information at the customer level rather than the account level.

ii N=1 is a concept from C.K. Prahalad’s and M.S. Krishnan’s book *The New Age of Innovation: Driving Co-Created Value Through Global Networks* (2008).

AXP expanded its old customer service portal and added new capabilities and features to create the new American Express Servicing Portal (AESP). AESP provided CCPs with technology to help them deliver an integrated, consistent, yet personalized service experience for customers. It allowed CCPs to simultaneously access the servicing functionality needed to meet the customer's immediate request as well as see other benefits and services that they could speak to individual cardmembers about. This robust portal of information improved CCPs' servicing capabilities and enabled them to efficiently build relationships with customers in real-time. After the AESP launch, AXP continued to add useful information to it based on direct CCP feedback. It added elements such as the following:

- Spending patterns: The portal showed if, for example, a customer had an American Express card but was using it only to make purchases at Costco. The system would prompt the CCP to explain to the cardmember how she could accumulate extra reward points if she also used her card for travel or at restaurants.
- More detailed information about benefits and services: AXP updated the portal with direct links to any benefit, feature, or offer that was listed on a customer's profile, allowing CCPs to quickly and easily find the information they needed while speaking with cardmembers.
- AXP consolidated customer information into one screen, so CCPs would not have to navigate through multiple screens.
- AXP added the ability for CCPs to send automatic follow-up e-mails to cardmembers about certain features that they had discussed during a service call. The e-mails provided links to sign up or enroll in the options discussed (e.g. automatic bill pay).
- AXP added a feature that allowed CCPs to keep notes within a customer's profile about which benefits they had recommended so that the next CCP who took a call from the same customer would not provide redundant information.
- Any new AESP screen designs were extensively piloted, tested, and modified to ensure they were effective before they were released to all CCPs.

A key element in the portal's success was deciding what information to put in it, how much information to put in it, and how to update it in accordance with cardmembers' and CCPs' changing needs.

To assess the right level of information, American Express collected qualitative and quantitative data from CCPs, customers, and competitors in order to determine what type of information was necessary to understand a customer from a holistic perspective rather than an account/product perspective. Three of the key objectives for AXP's analysis were 1) understand what is required to manage a relationship rather than perform a transaction, 2) improve first-call resolution, and 3) establish a baseline of current customer feedback metrics.

More specifically, American Express analyzed types of customer requests (call types), frequency of the inquiries, recurrence, repeated calls by specific customers, and data from a "voice of the customer" survey in order to understand what customers wanted out of servicing interactions. It also conducted interviews and surveys with CCPs to understand the pain points they were experiencing in trying to answer customers' questions and trying to manage customers' relationships with AXP (These pain points were good indicators of the additional types of information that should be placed within the portal). AXP studied key industry surveys to determine what competitors and leaders in customer service beyond the financial services industry were doing to drive customer satisfaction. Finally, the company conducted servicing capability (technology) assessments to understand how companies were delivering customer service.

Driving the direction of this research was AXP's goal to service customers (not transactions) because focusing on the customer would drive deeper loyalty and thus shareholder results.

The Strategy for Developing CCP-Facing Technologies

Deciding to invest in a new servicing technology was not a simple or quick decision. **Exhibit 3** and **Exhibit 4** present cross-industry comparisons of technology investments. The cost of developing custom call center technologies was very high. Commercial off the shelf (COTS) software for a mid-sized call center setup started at approximately \$200,000, while the cost of custom developed software (CDS) with added sophistication and tailored processes could increase exponentially into the millions when considering the total cost of ownership.¹⁷ Due to "legacy" systems, American Express did not have the luxury (neither from the cost nor timing standpoint) to scrap its existing investments and take a fresh technology approach. Further, the company knew that introducing a change to a core American Express business process — one that would provide a significant differentiation from the competition — would be a large endeavor. Thus, creating the entire suite of technological capabilities was a multi-year effort.

Also important was the fact that the company's technology strategy was linked inseparably to the customer service organization. In fact, the technology strategy was developed by defining and prioritizing the capabilities to be built based on the largest impacts they would have on improving the customer relationship, the impact on cost, and the complexity of implementation. A highly pragmatic and evolutionary (rather than revolutionary) approach was used to execute the technology makeover. Steady progress over a period of years demonstrating measurable benefits and value, which would reinforce the rationale for additional investment in technological capabilities, was necessary. AXP could not wait for a "big bang" implementation.

The fundamentals of AXP's new technological architecture revolved around capabilities being consistent across CCPs' desktops. It was important that each new version of the capability inherited the functionality before it. Further, each new version needed to ensure that technology continually improved the company's ability to effectively manage the nearly 20,000 people delivering front-line service. At no time could technology increase the barriers to effective management of operations. As each capability consolidation occurred, the CCP would be granted access to more and more functionality, based on the CCP's specific role, responsibilities, and level of security clearance. By continuously modifying the portal, AXP was able to eliminate redundant systems (consolidate), reduce the system and operating environment complexity, and lower the technology processing operating expense.

Technology to Enable Cardmembers

Beyond providing CCPs with the tools to better serve customers, AXP also improved service by offering new, useful tools to cardmembers themselves. The company offered more services online, allowing customers to choose the channel through which they received service. For example, customers could get a card replaced, dispute a charge, and set up helpful account alerts online.

iPhone Application

American Express introduced an iPhone application on March 31, 2010. The application allowed customers to view card and Membership Rewards balances and statements and to pay their bills with ease. It also allowed prospective customers to explore charge card membership with an option to apply via the iPhone application. Since its launch, the app had 352,358 downloads (as of August 1, 2010). A large number of downloads occurred in May 2010 when the application secured strategic marketing placements through Apple in the "New and Noteworthy" and "What's Hot" sections of the online and mobile version of the App Store. During that time period, AXP's app held the #1 Free Finance App position in the App Store.

Results

The results of Relationship Care were impressive, confirming the fact that at American Express customer service was not merely an expense, it *was* its business.

As CCPs reinforced product benefits and features, cardmembers increased their spending on AXP products. The company saw an increase of approximately 8-10% in cardmembers' spending. Customer satisfaction improved as well. On average, RTF scores increased by more than 10%. Also, during 2006-2009, CCP attrition was cut in half in the US.

After CCPs were taken "off the clock" during calls, AXP saw reduced average handling time, largely due to the fact that CCPs were getting to the heart of matters and resolving issues more effectively. In fact, though AXP increased pay for CCPs, its total costs actually decreased because CCPs were more efficient and better equipped to address customers' questions. Before Relationship Care, American Express was dial-transferring 26% of its calls, Bush cited as an example, "That's incremental cost...but by changing some of our policies, we were able to eliminate that, reduce our dial transfers, and create more efficiency."¹⁸

Next Steps: New Capabilities and Attracting New Cardmembers

Despite Relationship Care's success, AXP knew that the initiative needed to continue evolving with the company's customers. As younger generations became cardmembers, leaders at AXP had to consider how they could prepare the organization to maintain its ability to create strong customer relationships with a generation that communicated differently. Even if AXP had the best CCPs, if future customers did not seek customer service by phone, they would not be positioned to establish meaningful relationships.

AXP intended to play a key role in the evolution of alternative payments, so it used strategic investments and partnerships to add to its capabilities. In early 2010, it acquired Revolution Money, a young company whose online payments platform offered innovative ways to exchange money with friends, family members, and merchants. This acquisition provided AXP with a flexible technology platform to increase its presence in person-to-person payments, introduce new alternative payments products, and develop mobile solutions.

Social Media and Online Communities for AXP

Over the last decade, millions of cardmembers have migrated to the Web to check and pay their bills, redeem Membership Rewards, and book travel. In fact, American Express now handles more transactions online than by phone or mail. One way that AXP has continued to evolve with these trends has been the company's focus on building an online community. Since fall of 2009, the company has built a substantial global online community. It did this almost entirely by word of mouth, focusing on Facebook and Twitter (@AskAmex and @American Express).

The company took a holistic approach to its use of social media. It delivered service as well as provided news about unique offers, access to exclusive AXP-sponsored events, new products, and company initiatives. It also used these new channels to converse with its customers. AXP found that customers wanted to communicate with the company and were pleasantly surprised when the company answered back.

AXP's following and engagement on Twitter placed the company in the top 10% of Fortune 100 companies and at number one among financial services firms globally. Its corporate Facebook page drew over 59,000 fans. When AXP posted company news and information about events, it regularly received dozens, even hundreds, of "likes" and positive comments.

AskAmex: On August 31, 2009, AXP launched the AskAmex Twitter page as another way to help customers with servicing questions. It also established a customer service team dedicated to responding to current and prospective customers in the social media space. It identified and selected CCPs who had a strong service ethic and good judgment, were Internet-savvy, and had experience in online customer servicing. AXP also rolled out special training associated with these activities.

Leveraging this new method of reaching out to customers proved to be a viable communications vehicle for the company and allowed it to continue to deliver superior customer care in new forms.

Restructuring & Global Roll-Out of Relationship Care

Following a difficult year in 2009, in which Chairman and CEO Ken Chenault's mantra was "Stay liquid, stay profitable, and invest for growth," the company found itself on a smoother course. Chenault's 2010 mantra was "Drive revenue growth, drive efficiency, and deliver superior service" as he announced a new company-wide organizational structure designed to fuel growth in the years to come.

The new structure was designed to meet the following goals: to realize the full potential of the company's traditional card and network businesses; to provide exceptional customer service on a global basis that would set the standard for both effectiveness and efficiency; to leverage existing assets and capabilities to generate new revenue streams while also capitalizing on new opportunities for growth within emerging payments; and to ensure a cost structure that was right for a slower growth environment.

The company made the following changes in establishing the new organizational structure:

1. Created a new Global Services Group to power the day-to-day servicing of internal and external customers. Under the leadership of Group President and Chief Information Officer Steve Squeri, Global Services united AXP's US and international customer servicing organizations, Global Technologies, and most processing and support functions across the company. Creating this group would heighten AXP's focus on customer service and ensure all business operations were managed as effectively and efficiently as possible.
2. Grouped AXP's global consumer, small business, merchant, and network businesses under the senior leadership of Vice Chairman Ed Gilligan. This move enabled AXP to increase alignment between these related organizations and to sharpen its focus on the strongest growth opportunities, while maintaining appropriate firewalls between its card-issuing and Global Networking Services businesses.
3. Created an Enterprise Growth Group and hired Dan Schulman (who founded and led Virgin Mobile before going to Sprint Nextel). This group would focus exclusively on generating new sources of fee revenue from AXP's existing assets. It would also advance the company's efforts in emerging payments, which included developing new opportunities for growth that transcend individual businesses and taking advantage of technological trends.

The reorganization was expected to have a very positive impact on American Express' dedication to customer service. After Service Delivery Network (the US service organization) and Customer Service International were combined to make World Service, Jim Bush and his team set out to roll out Relationship Care globally. The goal was to consistently provide the same superior American Express personalized service to customers wherever they were.

In 2010, Bush and his team were in the process of building capabilities to bridge cultures and languages to make all of this possible. One of their major efforts would be the global expansion of World Service's digital servicing strategy to ensure that cardmembers' experiences were as robust online as they were offline everywhere in the world.

Bush had had a huge success with Relationship Care in the United States. Anticipating the challenges that lay ahead, he wondered if the company would be able to evolve fast enough, given the pace of changing technologies and the changing expectations of customers around the world. Could American Express react quickly enough to meet their needs? He thought about how the company could utilize its global footprint to continue to capitalize on the service experience as a way to drive business growth. He pondered:

1. Now that AXP had globalized the customer service organization, what challenges might AXP face in applying Relationship Care around the world? Was it even a model that could be successfully applied cross-culturally?
2. Would the innovations implemented at AXP be able to be sustained as the preferences and behaviors of its customers and employees changed over time? Going forward, what would be the nature of innovations in this industry?
3. How might emerging trends in payments and in technology affect AXP's ability to fulfill its vision "to become the world's most respected service brand"?
4. Most banking systems were built on years of legacy computing power. The systems processed millions of transactions per second globally. What pressures might AXP (and the entire payments industry) face in further transforming their servicing and technical capabilities? How can AXP leverage new technology trends in cloud computing?
5. How could AXP continue to capitalize on the service quality lead while improving the level of service to customers?

Exhibit 1
Historical Operating Performance, Including Cardmember Spending

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
WW Billed Business (B)	\$ 484.4	\$ 561.5	\$ 647.3	\$ 683.3	\$ 619.8
WW Avg Basic CM Spend (Rtd)	\$ 10,445	\$ 11,201	\$ 12,106	\$ 12,025	\$ 11,213
US Billed Business (B)	\$ 354.6	\$ 406.8	\$ 459.3	\$ 471.1	\$ 423.7
US Avg Total CIF (5pt Avg)	41.2	45.5	50.4	53.4	51.1
Avg Spend	\$ 8,598	\$ 8,949	\$ 9,117	\$ 8,822	\$ 8,292
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenue net of Interest Expense	22,145	24,826	27,559	28,365	24,523
Total Operating Expenses	15,605	17,008	17,762	18,986	16,369
Total Opex less M&P	13,314	14,517	15,200	16,556	14,455
Total Opex less M&P and Rewards	9,782	10,504	9,945	11,625	9,902
Total Opex/Total Revenue	70%	69%	64%	67%	67%
Opex less M&P/Total Revenue	60%	58%	55%	58%	59%
Opex less M&P and Rewards/Total Revenue	44%	42%	36%	41%	40%

Note: US and WW Billed Business in billions of dollars; CM (cardmember) Spend in dollars; other lines in millions of dollars

Exhibit 2

What Our People Are Saying

While others are retrenching, we know investing in our people is the only way to deliver superior service worldwide.

"I like the fact that we can empower our Cardmembers. We aren't just customer service reps. We're Customer Care Professionals."

"Nobody is holding you back here. They're pushing you forward."

Getting paid and graded to listen.

"We used to be graded on what we said. Now it's about what the Cardmember says."

"That feedback from customers is a gift. I look at the scores to see what I can do to improve."

"I try to treat people like they're famous."

It's not a transaction – it's the next step in our relationship.

"Relationship Care is the best thing we've ever done.... You get to bring up benefits that are free to Cardmembers, that help them.... It's not transactional."

"I appreciate the training because I feel like I'm engraved with the values of the brand."

"I've always just wanted to help people."

Service isn't an expense. It's our business.

"I've stayed here [for more than a decade]...I've raised three kids here...the benefits are great...and I feel proud to work for American Express. The company actually cares about its employees."

From our CEO to our newest hire, service is everyone's business at American Express.

*"I make a living in the noblest way possible – by serving other people."
Ken Chenault*

Exhibit 3

Good Benchmarks: 2009 US IT Budgets as a Percentage of Revenues for Enterprises

	Forrester's Business Data Services			InformationWeek 500*		Forrester and IW 500 weighted average
	Average on a cash-outlay basis	Average on an income- statement basis	n	Average IT spending	n	
Manufacturing	2.1%	2.2%	181	2.0%	183	2.0%
Primary production	1.6%	1.6%	36	0.8%	5	1.5%
Consumer products	2.0%	2.0%	39	1.5%	22	1.8%
Pharmaceuticals	3.0%	3.2%	14	3.4%	13	3.2%
Chemicals & petroleum	1.7%	1.7%	18	1.6%	11	1.7%
High-tech products	2.9%	3.1%	44	3.1%	68	3.0%
Industrial products	1.7%	1.8%	31	1.5%	64	1.6%
Retail & wholesale trade	2.6%	2.5%	28	1.7%	37	2.1%
Retail	2.8%	2.7%	26	2.3%	22	2.5%
Wholesale trade	0.4%	0.4%	2	1.0%	15	0.9%
Business services	2.4%	2.3%	27	3.0%	95	2.8%
Transportation & logistics	1.5%	1.5%	5	1.7%	33	1.7%
Professional services	3.1%	3.1%	14	4.3%	49	4.0%
Construction & engineering	1.6%	1.5%	8	1.1%	13	1.3%
Media, entertainment, & leisure	2.8%	2.9%	66	5.0%	24	3.4%
Utilities & telecommunications	2.6%	2.8%	124	2.3%	31	2.5%
Utilities	2.5%	2.8%	109	1.6%	19	2.4%
Telecommunications	3.1%	2.7%	15	3.3%	12	3.2%
Finance & insurance	4.6%	4.9%	62	5.9%	82	5.3%
Financial services	5.8%	6.2%	40	7.6%	48	6.8%
Insurance	2.6%	2.7%	22	3.4%	34	3.1%
Public sector	2.9%	2.5%	73	2.9%	50	2.9%
Healthcare	2.1%	2.1%	33	2.9%	50	2.6%
Education & social services	3.3%	2.5%	16	—	—	—
Government	3.6%	3.1%	24	—	—	—
Weighted average for all industries; totals for number of respondents	2.7%	2.8%	562	3.3%	502	3.0%

Base: 562 IT decision-makers at North American enterprises for Forrester data;
500 for InformationWeek 500 data

*Base: 500 US companies that are innovative users of technology, as determined by InformationWeek

Source: Enterprise And SMB Global IT Budgets And Spending Survey, Q2 2009
*Source: "2009 InformationWeek 500," InformationWeek, September 14, 2009
Forrester converted IW 500 industry groups into Forrester industry groups.

53387 Source: Forrester Research, Inc.

Note: This image was taken directly from Bartels, Andrew H., and Craig Symons. "US IT Budget Benchmarks—Preparing for 2010." 4 Jan. 2010. Forrester Research Inc., p. 13.

Exhibit 4 IT Staffing Benchmarks by Industry (2009)

	2009 IT spending in a sample group (US\$ millions)	2009 total employment in a sample group	2009 IT staff as % of total employment	2009 IT spending per employee
Manufacturing	\$34,783	4,601	2.2%	\$7,559
Primary production	\$3,900	573	2.0%	\$6,801
Consumer products	\$5,553	927	1.6%	\$5,990
Pharmaceuticals	\$5,131	330	1.9%	\$15,529
Chemicals & petroleum	\$1,517	304	1.9%	\$4,997
High-tech products	\$13,696	1,899	2.7%	\$7,213
Industrial products	\$5,036	568	1.8%	\$8,867
Retail & wholesale trade	\$5,277	1,730	0.7%	\$3,051
Retail	\$4,983	1,706	0.7%	\$2,921
Wholesale trade	\$100	24	2.0%	\$4,215
Business services	\$3,305	504	1.8%	\$6,558
Transportation & logistics	\$62	31	1.6%	\$1,989
Professional services	\$2,137	322	1.9%	\$6,633
Construction & engineering	\$981	151	1.7%	\$6,509
Media, entertainment, & leisure	\$4,247	2,281	1.0%	\$1,862
Utilities & telecommunications	\$14,899	1,319	2.4%	\$11,291
Utilities	\$7,264	690	2.1%	\$10,534
Telecommunications	\$8,874	630	2.9%	\$14,089
Finance & insurance	\$6,602	483	2.6%	\$13,672
Financial services	\$5,676	314	2.2%	\$18,058
Insurance	\$1,167	170	3.2%	\$6,878
Public sector	\$26,990	2,377	1.6%	\$11,353
Healthcare	\$6,595	863	1.8%	\$7,641
Education & social services	\$778	267	1.4%	\$2,912
Government	\$19,980	1,247	1.6%	\$16,025
Total	\$95,355	13,297	1.7%	\$7,171

Source: Enterprise And SMB Global IT Budgets And Spending Survey, Q2 2009

53387 Source: Forrester Research, Inc.

Note: This image was taken directly from Bartels, Andrew H., and Craig Symons. "US IT Budget Benchmarks—Preparing for 2010." 4 Jan. 2010. Forrester Research Inc., p. 22.

Endnotes

¹ Bush, Jim. Telephone interview. 10 Sept. 2010.

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