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

In 2005, Jim Bush, executive vice president of the U.S. Service Delivery Network for American Express (AXP), was facing a serious challenge. Bush was concerned that AXP was focusing too much on cost and, as a consequence, service quality was eroding. To remain competitive, the company—which boasted a 155-year heritage of dedication to customer service—had been working to reduce labor costs since the beginning of the decade by shortening time spent on the phone with customers, encouraging self-service, and leveraging low-cost markets through outsourcing. There was also a perception among AXP's merchant partners that AXP was charging a significantly higher fee compared to other credit cards such as Visa or MasterCard. As the company continued to cut costs and raise fees, customers no longer saw a distinct service advantage in AXP. The challenge faced by Bush was to bring back the service edge of AXP while at the same time holding costs down.

In October 2009 Bush was promoted to executive vice president of World Service. A 24-year company veteran, Bush had begun his career with the company as a manager in its Fort Lauderdale, Florida, 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. After taking on the World Service top job, he wondered: Was the company taking on cost reductions at the expense of service? Was it losing sight of the power of its people? After all, AXP prided itself on the relationships it fostered with customers. Were these cost-cutting strategies hindering the company's ability to deliver on its vision "to become the world's most respected service brand?"

He knew that AXP's service organization was a critical framework for delivering the company's brand promise, but he saw a need to shift senior management's focus on cost-cutting to more actively pursuing its service vision. Bush explained:

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. ... 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 six years, AXP reinvented its approach to customer service in the US 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 better understand what it could do to provide not just great, but superior service to AXP's customers. Findings from the survey helped guide prioritization of changes and investments. The findings led to strategic changes in three areas— people, policies, and technology.

AXP strengthened its commitment to its people by improving talent management, incentives, and work/life balance for its employees. It also changed its compensation structure, tying a significant portion of CCPs' pay directly to customer feedback. Company policies were updated and improved to help CCPs better assist customers, and AXP invested in new technology, including tools that would give CCPs the ability to personalize every conversation with cardmembers.

The company continued to invest in Relationship Care throughout the economic downturn following the 2008 financial crisis. As a result, AXP won the annual J.D. Power and Associates award for having highest customer satisfaction among credit card companies for five consecutive years, made *BusinessWeek's* "Customer Service Champs" list for two consecutive years alongside elite service leaders across industries; and appeared on *Fortune's* lists of the "World's Most Admired Companies," "America's Most Admired Companies," as well as "100 Best Companies to Work For." It also regularly received recognition for excellence in customer service from organizations and publications around the world. According to Bush:

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.

This case explores AXP's journey as a customer-centric organization. It focuses on the capabilities the company built to foster customer service innovation, and raises important questions about the challenges AXP faced in expanding Relationship Care from a national to a global initiative.

Company Background

Established in 1850 in New York, New York AXP began as a delivery business that guaranteed the safe and speedy delivery of packages during the rapid westward expansion of the US. More than 40 years later, it rolled out its Travelers Cheques, which were accepted at European banks, hotels, and tourist offices with the company assuming responsibility for losses due to theft, fraud, or fluctuating exchange rates. It then broadened its travel services to include trip planning, reservations, and ticketing. For nearly a century, AXP 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 AXP brand. In the first four decades of its travel service starting, AXP was the only company to make multilingual representatives available at major ports of entry nationwide to assist customers with hotel accommodations, transportation, and other travel-related matters.

The company entered the credit card business in 1958, targeting business travelers with expense accounts. In the late 1960s, AXP continued to expand its products and services. It pioneered the concepts of loyalty programs and tiered cards, with products like its premium Gold card (originally called the Executive Credit Card) and its corporate card. In 1987, its Small Business Partnership program provided small businesses access to financial management tools and resources. The company also launched the most extensive multi-partner rewards program in the industry—Membership Miles (now called Membership Rewards)—in 1991.

By 2008, AXP was a leading global payments and travel company with revenues of \$28.4 billion, up 3% from 2007,² generating about 87% of its pre-tax income from continuing operations in the US. In 2009, revenues decreased to \$24.5 billion, down 14% from 2008 due to a struggling economy. By 2011 revenue had increased by 13% to reach \$27.8 billion.

AXP's Model and Market

AXP's business model is rooted in the payment industry, which exceeded \$287 billion in the US in 2009.³ AXP competes with other paper, card, and electronic-based payment firms.

In the late 2000s, around a quarter of the cash or check-based segment was concentrated on high value transactions, but consumers were moving toward cards and electronic methods for everyday expenses. Credit cards were the largest part of the segment, with 26% of the payments market, and debit cards issued by banks held 14%.⁴ While debit-card transactions surpassed credit card transactions in 2010,⁵ the average purchase per credit card was projected to be greater than the average purchase per debit card. Each American adult had an average of 4.4 payment cards in his or her wallet.⁶

AXP earned the majority of its revenues from fees it charged merchants to process purchases made with AXP 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. 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.⁷ For example, the Membership Rewards program allowed AXP cardmembers to earn points for their purchases that could later be used to buy goods and services at participating merchants. The program fostered feelings of exclusivity among cardmembers that AXP had long sought to promote.

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

The Competition

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

In *open-loop* payment networks, such as Visa and MasterCard, processing a payment typically involved the network connecting two financial institutions—the card issuer and the acquirer or the bank that serviced the merchant. These financial institutions or banks coordinated the transactions between the merchant and the issuer of the credit cards.

In *closed-loop* payment networks, such as AXP and Discover, the network enabled the relationship with both the cardmembers and the merchants.⁸ This arrangement allowed these networks to connect merchants directly with customers to provide special offers.

In the mid-2000s, AXP wanted to make its credit card the major payment card for all transactions. Its biggest competitor was Visa, which operated the world's largest payment network. Visa generated revenues based on fees calculated on the dollar volume of payment activity on Visa cards in addition to service, transaction, and data processing fees. The second major competitor was MasterCard, a global payment solutions company with a business model similar to Visa. A smaller competitor was Discover Financial Services, a division

of Morgan Stanley spun off in 2007 as an independent closed-loop payment network. Discover's primary source of revenue 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, such as rewards, special services, number of establishments accepting the card, and promotional campaigns. Overall, the primary source of card issuer revenue was interest income earned on outstanding credit card balances. One difference in the AXP business model was that, unlike Visa and MasterCard, AXP charged its cardholders an annual fee for using the card. In general, all card issuers acquired new cardmembers by targeting consumers with high spending habits and designing premium cards with enhanced services, such as larger lines of credit, cash rebates, lower interest rates, and co-brand benefits with retail chains and airlines.⁹ Major changes in the market emerged in 2008. New companies such as PayPal, Google Checkout, eBILMe, and Amazon Flexible Payment Service 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 it had to offer a unique value proposition that would be difficult to replicate—superior customer service.

The Cardmembers

AXP maintained “best-in-class” credit quality, focusing on affluent customers.¹⁰ AXP maintained its focus on affluent buyers, who accounted for a disproportionate share of total credit-card purchases throughout the economic downturn. In 2010, the average AXP cardholder in the US had an annual purchase volume of \$13,259—substantially higher than Visa's at \$2,679 per card¹¹ and MasterCard at \$1,951 per card.¹² See **Exhibit 1** for a table including AXP cardmembers' spending history.

The Business Environment: A Struggling Economy

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 payment delinquencies as increasing stress in world financial markets eroded consumer confidence. Based on these trends, AXP expected overall consumer and business confidence to continue to deteriorate, translating into weaker economies around the globe and increased unemployment through 2009.¹³ Its commitment to customer service would be among the key factors in helping the company survive and thrive during the economic turmoil.

As did nearly every company with US business interests, AXP made significant cuts in its business during this time. Its goals were to stay liquid, profitable, and target select growth investments. In the face of the worst economic crisis in decades, 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 CEO¹⁴

Creating a Social Architecture That Supports Superior Service

AXP believed that great customer service starts with the people who deliver it. As a result, the company ardently focused on 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 hired 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 provided clear, actionable data:

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

These insights drove a number of changes and improvements:

Compensation

AXP had always followed a pay for performance philosophy for senior level employees, but the system did not apply to hourly CCPs. AXP introduced a program in its US operations to ensure that CCPs had opportunities to increase their total compensation based on performance.

This program used the new Recommend To a Friend (RTF) metric, which was based on customer surveys completed immediately after a service interaction. RTF was calculated the same way as a Net Promoter Score, commonly used to measure perception of companies or services. The RTF metric was based on customer surveys, completed immediately after a servicing interaction. Customers were asked to respond 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 had just experienced. Scores of 9 and 10 were “positive,” 7 and 8 were “neutral,” and 1 through 6 were “negative.” The total resulted in a net RTF score. For example, if 10 surveys for services provided by a CCP produced seven scores of 9 or 10, one score of 7, and two scores of 1 through 6, the RTF score would be $7 - 2 = 5$.

The RTF metric essentially rewarded employees for achieving 9s and 10s. CCPs had to move beyond simply completing transactions to establishing relationships with customers to earn high scores. This meant empathizing with customers and the creation of value through suggestions relevant to each individual customer. For example, a cardmember might call in asking to change an address because of a move to a new home. By actively listening during the discussion, a CCP would then mention to the cardmember that he or she could redeem AXP Membership Rewards points for gift cards at merchants like Lowe’s or Home Depot. The CCP also might take the opportunity to remind the customer of extended warranties or doubling a manufacturer’s written warranty.

This type of interaction was crucial. When the CCP took the time to listen to a cardmember and understand not just the transaction but the customer’s larger needs, AXP could both help meet those needs and build lasting customer relationships. The approach also spurred a significant change in focus from average handling time to customer handling time. According to Bush:

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.”¹⁵

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. With the potential to earn 25% to 30% of their base pay in bonuses, CCPs were driven to achieve customer satisfaction on each and every call.¹⁶ Service margins improved overall. Bush explained:

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.¹⁷

Flexible Schedules

If compensation was important to CCPs, so was having the opportunity to modify their schedules to achieve 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 US. With MSA, CCPs could make changes to their schedules online on a weekly, daily, or hourly basis. Based on call volumes around the network and demand for certain skills, the system allowed employees to drop, add, or trade hours as well as 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 to 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 they would not consider leaving AXP and 19% indicated it would take an increase of \$4 per hour, or a 25% pay increase, to make them consider leaving. See **Exhibit 2** for AXP employee comments. This loyalty was extremely valuable to AXP because training new CCPs was very expensive. For the industry as a whole, turnover among call center staff exceeded 100% per year.¹⁸ In addition to helping retain existing employees, the use of MSA was expected to attract new employees from the service marketplace.

Policies and 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. Bush said:

We needed to eliminate policies that were designed for 20 years ago that no longer applied. We were asking people to comply with a policy that had become irrelevant, and that was obviously frustrating.¹⁹

For example, for security reasons, when a secondary 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, disrupting an otherwise seamless process. After the survey,

AXP changed its policy so secondary cardmembers only needed to confirm the primary cardmember's personal information.

Career Development

Employees told AXP that they wanted a clearly defined 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 tiers based on job complexity. This provided CCPs with opportunities to advance along a career path as they demonstrated increased their proficiency. They also could 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 said 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 representative to customer care professionals 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 Board Chairman and CEO Kenneth Chenault began to present two annual employee recognition awards, one to honor innovation and the other to showcase customer service. The MSA, for example, won an AXP Chairman's Award for Innovation. The customer service award demonstrated that the customer and superior service were at the forefront of AXP's strategy.

Workplace Quality

Providing benefits such as health care, parental leave, and vacation time had always been part of AXP's employee-compensation package. However, CCPs told AXP that they wanted "convenience" benefits as well, such as on-site health and wellness screening, dry cleaning, and 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. 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, in Fort Lauderdale, Florida successfully piloted a child-care facility.

A New Hiring Profile

In addition to improving the jobs of CCPs, AXP changed the way it sought out candidates for CCP positions. 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 not strictly candidates with customer service experience in phone centers, but candidates who had a passion to serve and experience in building strong relationships with customers.

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

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. AXP moved from spending 70% of training time on technical skills and 30% on relationship skills to the exact opposite.

AXP also built a comprehensive curriculum around Relationship Care with a training program called Extraordinary Customer Care, which formalized AXP's philosophy that customer service 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, such as 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=1,ⁱ which expressed a recent shift among businesses from offering generic products and services to offering personalized experiences. The thesis behind this concept was that firms were in the process of shifting their business models away from selling products and services in mass to creating a unique experience for each customer, one customer at a time (N=1). To offer personalized experiences, CCPs couldn't be scripted. Instead, they needed to be empowered with 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: "When do your customers pay you? What terms do you give your customers? Are you having any trouble collecting receivables?" These kinds of questions helped the CCP better understand that customer's issues. By learning more about the customer's business, the CCP could then create solutions to cater to that customer's specific needs. Solutions that AXP could offer might include:

- Showing customers certain features available on the AXP website, such as Membership Rewards redemption or vendor payment set-up tools.
- Informing customers about how they could delegate authority on their account by giving someone else, such as 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 AXP cards.

ⁱ 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.

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 AXP Servicing Portal

During and after the economic downturn, AXP's Relationship Care strategy provided an excellent opportunity to remind cardmembers of the benefits they could receive as American Express customers. For instance, it was a chance to remind them how they could better use their Rewards Points or how their particular card could help them better manage their finances. To do this, CCPs needed relevant, accessible information at the customer level.

AXP expanded its old customer service portal and added new capabilities and features to create the American Express Servicing Portal (AESP). AESP provided CCPs with technology to help them deliver an integrated, consistent, and personalized service experience for customers. It allowed CCPs to simultaneously access the service functionality needed to meet the customer's immediate request as well as see other benefits. 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. AXP added elements that:

- Detected spending patterns - The portal showed if, for example, a customer had an AXP 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.
- Updated detailed information about benefits and services - AXP updated the portal with direct links to any benefits, features, and offers listed on a customer's profile, allowing CCPs to quickly and easily find the information they needed while speaking with a cardmember.
- Consolidated customer information - Customer information was consolidated into one screen, so CCPs would not have to navigate through multiple screens.
- Automatic E-mail: This feature allowed CCPs to send automatic follow-up e-mails to cardmembers about items they had discussed during a service call. The e-mails provided links to sign up or enroll in the options discussed, such as automatic bill pay.
- Documentation Features - Added a feature that allowed CCPs to keep notes in a customer's profile about which benefits they had recommended so the next CCP taking a call from that customer would not provide redundant information.
- Pre-Launch Tests - AXP piloted, tested, and modified any new AESP screen designs to ensure they were effective before they were released to all CCPs.

The key element to the portal's success was deciding what information to put in it, how much information to put in it, and how to update the information according to cardmembers' and CCPs' changing needs. AXP collected qualitative and quantitative data from CCPs, customers, and competitors to determine the type of information 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, AXP analyzed types of customer requests (call types), frequency of the inquiries, recurrence of same problems and repeated calls by specific customers, and data from a "voice of the customer"

survey. AXP also conducted interviews and surveys with CCPs to understand the critical issues they were experiencing in trying to answer customers' questions and trying to manage customers' relationships with AXP. These critical issues were then analyzed and, if necessary, addressed through relevant information in customer portals. AXP studied key industry surveys to determine what competitors and leaders in the financial services market and other industries were doing to drive customer satisfaction. Driving the direction of this research was AXP's goal to serve customers—not just tally transactions. Focusing on the customer would promote deeper loyalty and, in turn, improve 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 software for a mid-sized call-center setup started at approximately \$200,000, while custom-developed software with added sophistication and tailored processes could cost millions of dollars.²⁰ Due to its legacy system costs, AXP did not have the luxury—either of the cost or time—to scrap its existing investments and take a fresh technology approach. Further, the company knew that introducing a change to a core AXP business process, one that would provide a significant differentiation from the competition, would be a large endeavor. Creating the entire suite of technological capabilities would be a multi-year effort.

Also important was that the company's technology strategy was linked inseparably to the customer service organization. In fact, the technology strategy was developed by prioritizing customer service capabilities. This prioritization was based on the impact the technological capability would have on the customer relationship in addition to the cost and complexity of implementation criteria. A highly pragmatic and evolutionary approach was used to execute the technology makeover. It was necessary to demonstrate steady progress over a period of years of measurable benefits and value, which would reinforce the rationale for later investment in technological capabilities. AXP could not wait for a "big bang" implementation.

The fundamentals of AXP's new customer relationship management 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, reduce system complexity, and lower operating expense.

Technology to Enable Card Members

Beyond providing CCPs with the tools to better serve customers, AXP also improved service by offering new, useful tools to cardmembers. The company provided more online services, for example, customers could get a card replaced, dispute a charge, or set up account alerts online.

iPhone Application

AXP introduced an iPhone application in March of 2010. The application allowed customers to view card and Membership Rewards balances and statements and pay their bills with ease. It also allowed prospective customers to explore charge card membership with an option to apply via the iPhone application. In its first four months, the app had 352,358 downloads. A large number of the 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 No. 1 Free Finance App position in the App Store.

Results

The results of Relationship Care were impressive, confirming that customer service at AXP wasn't just an AXP expense, it was the core of AXP's business. As CCPs reinforced product benefits and features, cardmembers increased their spending on AXP products. The company saw an increase of approximately 8% to 10% in cardmember spending in 2006-2009. Customer satisfaction improved as well. On average, RTF scores increased by more than 10%. Also in the same time period, US CCP attrition was cut in half.

After CCPs were taken "off the clock" during calls, AXP saw reduced average handling time, largely because CCPs were focused on real customer problems and in resolving issues more effectively. Although AXP increased pay for CCPs, its total costs actually decreased because CCPs were more efficient and better equipped to address customer questions. Before Relationship Care, AXP was dial transferring 26% of its calls. In reference to this statistic, Bush said: "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."²¹

Next Steps: New Capabilities and Attracting New Card Members

Despite Relationship Care's success, AXP knew that the initiative needed to continue evolving along with the company's customers. As younger generations became cardmembers, leaders at AXP had to consider how the organization would 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 St. Petersburg, Florida-based Revolution Money, a young company with an online payments platform that 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 payment products, and develop mobile solutions.

Social Media and Online Communities for AXP

Millions of cardmembers had migrated to the web to check and pay their bills, redeem Membership Rewards, and book travel. In fact, AXP came to handle more transactions online than by phone or mail. One way that AXP continued to evolve with these trends was the company's focus on building a global online community. It accomplished this almost entirely by with a social media conversations on Facebook and Twitter (@AskAmex and @American Express).

The company delivered service as well as provided news about offers and access to exclusive AXP-sponsored events, products, and company initiatives via social media architecture. AXP found that customers wanted to communicate with the company and were pleasantly surprised when the company answered back. AXP's following on Twitter placed the company in the top 10% of Fortune 100 companies and in the No. 1 spot among financial services firms globally. Its corporate Facebook page drew more than 2.3 million "likes" and AXP had over 230,000 followers on Twitter by March of 2012. When AXP posted company news and information about events, it regularly received dozens, and even hundreds, of "likes" and positive comments.

On August 31, 2009, AXP launched the "AskAmex" Twitter page as another way to help customers with service questions. It also established a customer service team dedicated to responding to current and

prospective customers in the social media space. AXP identified and selected CCPs who had a strong service ethic, good judgment, were Internet-savvy, and had experience in online customer service. AXP also rolled out special training for its online customer service activities. 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 and Global Rollout of Relationship Care

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

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

In establishing the new organizational structure, the company:

- 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 service organizations, global technologies, and most processing and support functions across the company. The logic behind creating this group was to heighten AXP's focus on customer service and ensure all business operations were managed as effectively and efficiently as possible.
- 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 among these related organizations and sharpen its focus on the strongest growth opportunities, while maintaining appropriate firewalls between its card issuing and global networking services businesses.
- Created an Enterprise Growth Group and hired Virgin Mobile co-founder Dan Schulman as the Growth Group president. This new AXP group would focus exclusively on generating new sources of fee revenue from AXP's existing assets. It also would advance the company's efforts in emerging payments, which included developing new opportunities for growth that transcended individual businesses and took advantage of technological trends.

The reorganization was expected to have a very positive impact on AXP's dedication to customer service. After the 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 integrate Relationship Care into its global operations. The goal was to consistently provide the same superior AXP 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 the global rollout possible. One of their major efforts would be the global expansion of World Service's digital service strategy to ensure that cardmembers' experiences were as robust online as they were off line everywhere in the world.

Anticipating the challenges that lay ahead, Bush wondered if the company would be able to evolve fast enough, given the pace of change in technologies and customer expectations around the world. Could AXP react quickly enough to meet their needs? He thought about how the company could use its global footprint to continue to capitalize on the service experience as a way to drive business growth.

To that end, he asked himself: Now that AXP had globalized its 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? Would the innovations implemented at AXP be sustained as the preferences and behaviors of its customers and employees changed over time? 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"? How could AXP continue to capitalize on the service quality lead while improving the level of service to customers?

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Exhibit 1
Historical Operating Performance, Including Card Member Spending

	2006	2007	2008	2009	2010
WW Billed Business (in millions)	561.5	647.3	683.3	619.8	713.3
WW Avg Basic CM Spend (Retd)	11,201	12,106	12,025	11,213	13,259
US Billed Business (in millions)	406.8	459.3	471.1	423.7	479.3
US Avg Total Cards in Force (5pt Avg in millions)	45.5	50.4	53.4	51.1	48.9
Avg Spend	8,949	9,117	8,822	8,292	9,802
	2006	2007	2008	2009	2010
Revenue Net of Interest Expense	24,826	27,559	28,365	24,523	27,819
Total Operating Expenses	17,008	17,762	18,986	16,369	19,648
Total Opex/Total Revenue	68%	64%	67%	67%	71%

Source: <http://ir.americanexpress.com/phoenix.zhtml?c=64467&p=irol-reportsAnnual>

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

Exhibits**Exhibit 2**
What AXP 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 card members. 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 card member 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.

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Notes

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