

# AMERICAN EXPRESS



## OUR STORY



**Becoming American Express:**  
*150+ Years of Reinvention and Customer Service*

**INTRODUCTION**

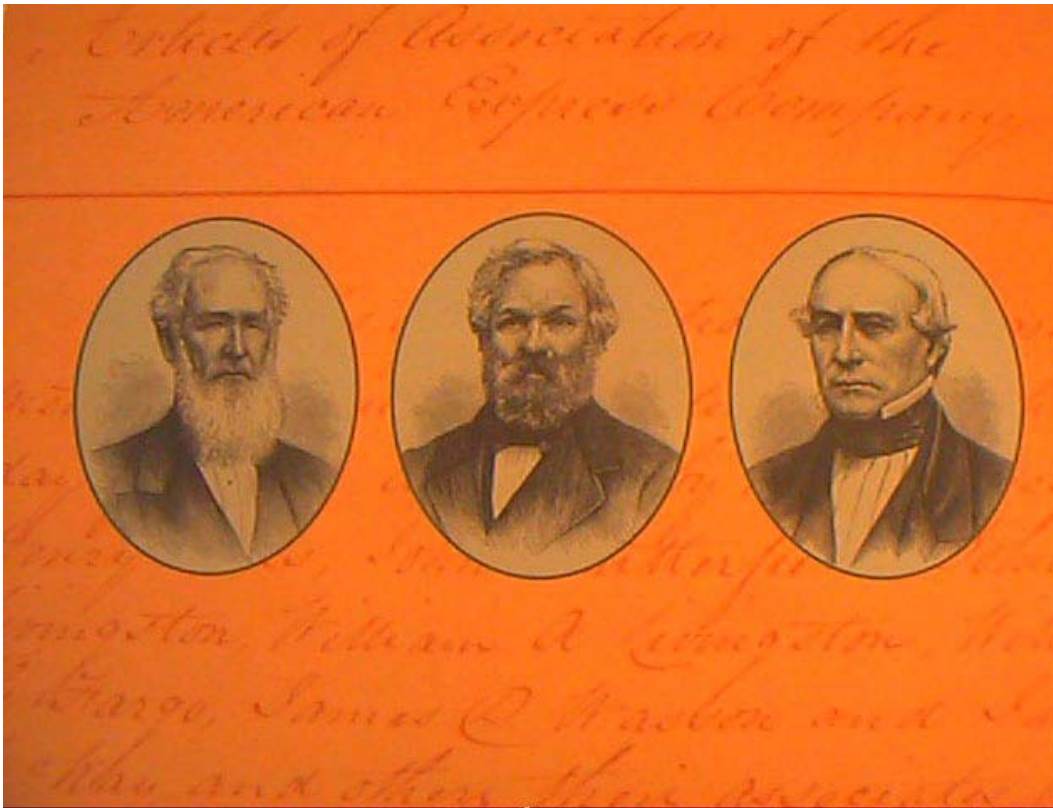
The story of American Express is a fascinating one, filled with interesting and sometimes quirky characters who -- through a combination of brains, perseverance and luck -- shaped the company's development during the past century and a half.

The express company that forwarded freight and valuables evolved into a company that created and sold financial products like money orders and travelers cheques. Following an era of international expansion, the company became an entity perhaps best known for its charge card. Today, American Express is a global payments company.

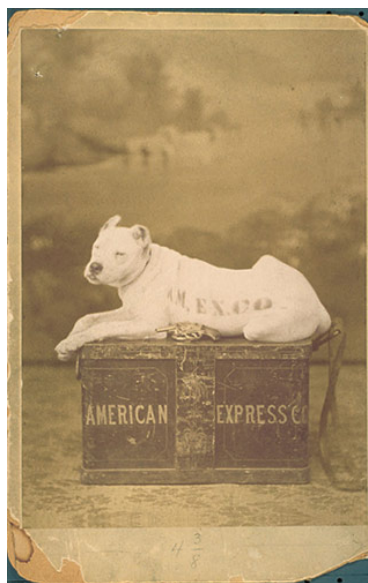
The attributes that today are the hallmarks of the American Express brand -- trust, integrity, security, quality, customer service -- all have their roots in this compelling story. In this history, as well, are the genesis and development of the company's aspiration to become the world's most respected service brand.



**Our History**



**The three principal founders of the American Express Company: Henry Wells, William G. Fargo and John Butterfield.**



**Trust. Security. Vigilance. Service.** Long before the creation of the Blue Box logo, American Express used a watchdog to symbolize these key values when it was founded in 1850. After all, the success of any express company that delivered valuable goods depended upon the confidence customers had that the company would safely deliver money and packages.

## EXPRESSMEN JOIN FORCES

Established in 1850 in New York, American Express Company was among the first and most successful express delivery businesses to arise during the rapid westward expansion of the United States. The U.S. Postal Service at the time was slow, expensive and nonexistent in many areas. Nothing larger than a letter-sized envelope could be sent by mail and certainly nothing valuable, as a fair number of deliveries were lost or stolen enroute.

The express companies served as a lifeline to the growing nation. Intrepid express men, typically on horseback or driving stagecoaches, traversed from the eastern cities to the western frontier, transporting correspondence, parcels, freight, gold and currency, among countless other goods. American Express quickly earned a reputation as the best in the fledgling industry – the company that delivered, literally.

Although in its early years American Express was not itself a financial services company, its largest and most consistent clients were banks. Delivering the banks' typically small parcels – stock certificates, notes, currency and other financial instruments – was considerably more profitable than transporting larger freight. Soon the company would scale down its parcel and freight delivery business in favor of creating and selling its own financial products.



## INNOVATION AND EXPANSION

In 1882, American Express launched the money order business, which proved an almost instant success. The company introduced the world's first traveler's cheque in 1891 and within ten years was selling more than \$6 million in cheques annually.

In the course of building the money order and travelers cheque businesses, the company established correspondent banking relationships with a number of European banks that accepted and encashed the products. As a result, the American Express name became increasingly visible throughout Europe. In 1895, the company established its first European office, in Paris, at 6, rue Halévy, followed by the 1896 opening of an office at 3 Waterloo Place in London. By 1910, American Express had expanded to Southampton, Liverpool, Hamburg, Berlin, Bremen, Antwerp, Rotterdam, Copenhagen, Naples and Genoa.

Although foreign exchange transactions were conducted as early as 1895 by the Paris office, the official initiation of the company's overseas banking operations took place in 1904, when the Rotterdam office opened in Netherlands and began conducting commercial banking services.

Meanwhile, back in New York, millions of immigrants were entering the United States through Ellis Island. After uncovering several examples of flagrant swindling among the independent moneychangers on the premises, the U.S. Immigration Department awarded a contract to American Express in 1905 to provide official currency exchange services. Over the years, countless newcomers completed their first business transactions in the United States at the American Express teller's window on Ellis Island.

A singular historic event – the outbreak of World War I in Europe – brought about the next dramatic transformation of American Express and more fully shaped it, willingly or unwillingly, into a travel services company.



### **WAR AND THE AGE OF TRAVEL**

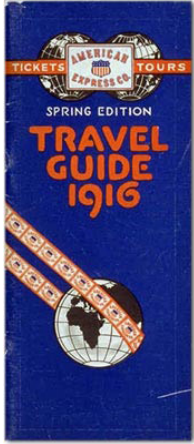
During the summer of 1914, approximately 150,000 American tourists were stranded when war engulfed Europe, many without access to funds. Banks had ceased to pay against foreign letters of credit or any other form of foreign paper. Panic-stricken travelers lined up inside and outside the offices of American Express in whatever city they happened to be visiting. American Express was able to cash all travelers' cheques and money orders in full, enabling quick passage home for thousands. Many of those remaining were able to book passage home soon after a decision by American Express and a consortium of nine U.S. banks to ship \$10 million in gold to Europe so that local banks could once again honor foreign drafts.

Throughout the war, American Express provided other services as well. The company was appointed official agent of the British government to deliver relief parcels, letters and money to British prisoners of war in Germany. Eventually, American Express was delivering 150 tons of packages a day to British prisoners in Bulgaria, Germany, Holland, Norway, Switzerland and Turkey. Employees also went into the prisoner of war camps to cash drafts for British and French prisoners, and made arrangements whereby they could receive money from home.

American Express officially entered the travel business in 1915. As one executive wrote to the company's president earlier that year, "Already, we supply travelers with the tickets for their European tours; we receive and forward their mail; we provide reading and writing rooms for their convenience; we store and forward their baggage and packages; we engage their return steamship accommodations. In fact, we are doing already for travelers practically everything except that which is most remunerative to ourselves, namely, furnishing eastbound steamship tickets to Europe; providing hotel accommodations and conducting small parties desiring such a service."

Within the decade, American Express was undertaking tours to Europe, South America, the Far East, the West Indies and other destinations around the globe. The company became synonymous with luxury travel after its successful charter in 1922 of the first around-the-world cruise, a four-month, 30,000-mile voyage of the Cunard liner, *Laconia*, with stops in Cuba, Panama, Honolulu, Japan, China, Java, Singapore, India, Cairo and the Mediterranean. (The *Laconia* went on to carry passengers around the world for another 20 years, before being torpedoed and sunk during World War II.)

American Express' focus on travel continued through the next several decades. The sale of traveler's cheques and money orders – and, more specifically, the float on them and the prudent and profitable investment of that float – generated the revenue that supported this phase of the company's travel endeavors.



### **MATTERS OF SURVIVAL**

American Express nearly disappeared as an independent company in 1929. Chase National Bank had been quietly buying up shares of the company for several years. Not until Chase completed a tender offer for American Express did it come to light that its prospective buyer already owned 97 percent of the company.

Two unforeseen and unrelated events saved American Express from becoming fully absorbed by Chase. First, the majority of the owners of the remaining 4,702 shares of American Express balked at selling them, either refusing outright or demanding exorbitant prices. Second, in 1933, the U.S. Congress passed the Glass-Steagall Act, which prohibited banks from engaging in nonbanking businesses. Chase was left with no choice but to divest the American Express investment it had acquired just a few years earlier.

Roiled by the Chase incident and battered by the Great Depression American Express struggled through the 1930s. Since it was not a financial institution, per se, the company continued operations during the U.S. bank holiday and in some respects became a de facto banker for the American people. As in Europe at the outbreak of World War I, American Express offices maintained cash reserves that were sufficient to meet the demands of customers who wanted to encash their travelers cheques or money orders. The company even paid against competing products, many of which were otherwise virtually worthless since the issuing institutions had closed.

During 1938 and 1939, as the prospect of another world war loomed over Europe, there was still a sizable group of longtime American Express managers and employees who had worked for the company 25 years before, during World War I. Their past experiences – and their advance planning, in this instance – helped the company survive World War II.

Even before the official declaration of war, American Express had mounted extensive preparations to protect its financial and real estate assets, including its principal offices in Berlin, London, Paris, Rome and Rotterdam. Throughout Europe, American Express offices continued operating until the last possible moment in countries about to be invaded – often long after American embassies and consulates had been ordered to evacuate. Ultimately, the Berlin office at 3 Unter den Linden was destroyed, and the Rotterdam office sustained extensive damages.





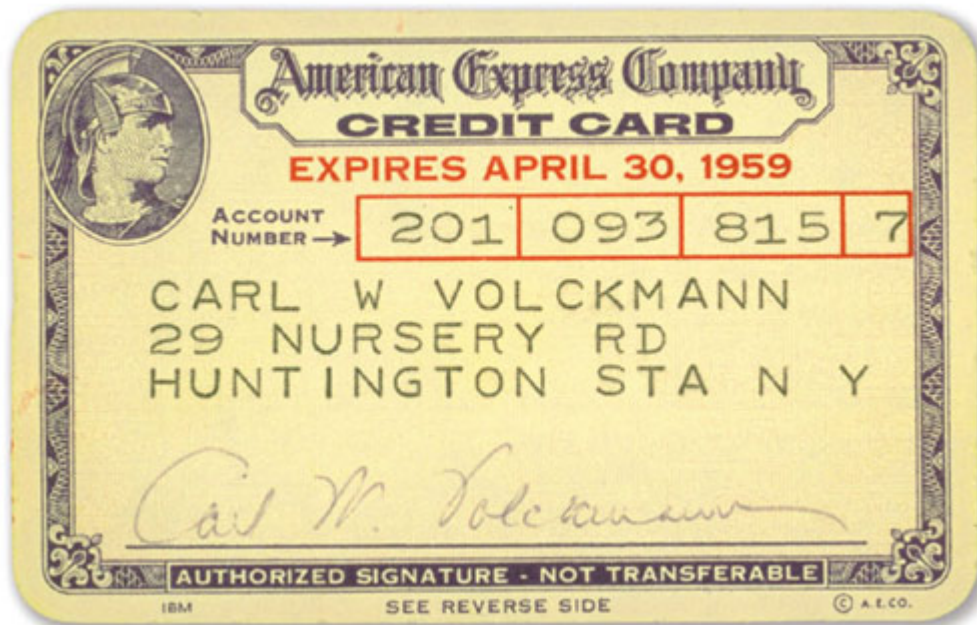
## THE CARD ERA

American Express issued its first charge card in 1958. Within five years, more than 1 million cards were in use at approximately 85,000 establishments within and outside the United States. Soon, the company began introducing local currency cards in markets outside the United States, adding programs that made it possible for card members to extend payment on large travel expenditures, and launching additional products, such as the American Express Gold Card in 1966. Within ten years, the card business was growing steadily and generating a healthy profit. And, to the surprise of many, so was the company's traveler's cheque business.

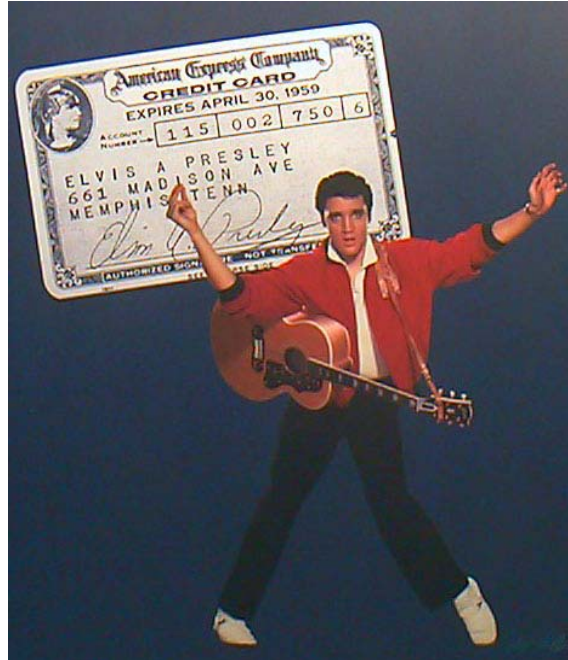
In the late 1970s, American Express – like many other large companies of the era – was intent on becoming a global conglomerate, with huge, multifaceted businesses and diversified income streams that could protect the company in the event of hard times in one of its core businesses. During the next several years the company acquired several large acquisitions toward that end, including Shearson Loeb Rhoades, First Data Resources, Trade Development Bank, Lehman Brothers Kuhn Loeb, and Investors Diversified Services (rebranded American Express Financial Advisors in 1995 and spun off as Ameriprise, Inc. in 2005).

The synergies between the subsidiaries that American Express' leaders had envisioned didn't come to pass, however. By 1985, following the string of expensive acquisitions, American Express embarked on a somewhat different strategy – to continue to build the company's core businesses from within and shed the noncore activities.

A few investments were unloaded, and it appeared as though the plan was working. American Express had a banner year in 1986, with earnings exceeding \$1 billion for the first time in its history. Each of the company's operating units posted record-breaking profits. Reflecting the triumphant mood was the cover of the 1986 annual report, which showed the new American Express Tower amid the fireworks of the nearby Statue of Liberty's centenary celebration.



Credit cards were growing in popularity in the 1950's, and for American Express, a travel and entertainment card seemed like a promising product. Following the launch of the American Express Card on October 1st, 1958, the king of rock n' roll himself--Elvis Presley-- became one of the earliest cardmembers.



Celebrities like Bob Hope, shown here in a magazine ad, have appeared in American Express advertising campaigns since the 1950's.





**Sailors, soldiers and other customers waiting at an American Express Company, Inc., military banking facility at Port Lyautey, French Morocco, in March 1953. In 1947, the U.S. Government licensed American Express to provide banking services to U.S. military personnel and their families stationed abroad. From then until the mid-1950's, the company significantly expanded its international banking operations, and the number of its military banking offices grew from nine to 194.**

## TRYING TIMES

In 1987, American Express Bank added \$950 million to its reserves against outstanding loans in Latin America. Later the same year, the U.S. stock market experienced its largest drop since the Great Depression; and in the aftermath, Shearson was rocked by a series of serious missteps and setbacks. The situation ultimately became so dire that in 1990, American Express repurchased all of Shearson's remaining publicly traded stock for more than \$1 billion and provided a critically necessary capital infusion.

Continuing problems at Shearson masked an ultimately more disturbing development. Serious problems were developing in the core American Express Card business. Despite the introduction in 1987 of a new revolving credit product in the United States, the company's share of the U.S. card market fell during the late 1980s and early 1990s. Trouble was also brewing on the merchant front. In Boston in 1991, a group of restaurateurs, upset about what they felt were American Express' unfairly high rates, staged a revolt that came to be known as the Boston Fee Party. Outside the United States, card suppression – when merchants try to dissuade customers from using the American Express Card – began to rise.

Years later, the company's chief executive would say, in retrospect, "If not for the strength of our brand name, American Express would have collapsed by the late 1980s."

## TURNAROUND AND GROWTH

American Express divested several businesses to strengthen the company's balance sheet and concentrated on shoring up its core payment, travel and financial planning businesses. The 1984 acquisition of IDS (Investors Diversified Services) – which had initiated American Express' transformation from what had become known as a card and travel company into a true financial services power – proved to be a valuable investment, particularly as other parts of the enterprise underwent major reengineering efforts to overhaul business processes and slash operating costs. The company eventually lopped \$3 billion from its cost base, freeing up money to invest in a number of new products and services.

Rebuilding relationships with merchants became a top priority, as did significantly increasing American Express Card acceptance across a wide range of industries and geographical markets. The company also began forming a number of strategic partnerships with selected airlines, banks, retailers and other key businesses around the world. Proving highly successful, these alliances have enabled American Express and its partners to efficiently leverage their brands and business strengths while providing premium products and services to their mutual customers.

Within the decade, American Express was again operating from a position of strength. As the company celebrated its 150th anniversary in 2000, its earnings, market share, core businesses and share price were strong. Even so, the company began taking steps to counter several external economic issues on the horizon.

No one could have predicted the magnitude of the challenges to come.



## **FULL CIRCLE**

More than 4,000 American Express employees were in Lower Manhattan the morning of September 11, 2001. Eleven of them lost their lives that day. Eight were hospitalized with injuries, and dozens more lost family members, friends and loved ones.

Even as the horrifying events of that day unfolded, American Express business operations continued without interruption. People quickly shifted into emergency mode, adjusting schedules and procedures to meet the urgent needs of hundreds of thousands of travel customers, card members and financial services clients – plus countless others the world over who needed help and had nowhere else to turn.

Directly across the street from ground zero, American Express' headquarters building sustained considerable damage. Thousands of employees would work from interim locations for the following eight months, some longer.

The company's mettle was tested time and time again in the months after 9/11, but employees pushed ahead with great focus, determination and resourcefulness. When it mattered most, American Express employees acted instinctively to help their customers, colleagues, neighbors and community.

Within a year of the tragedy, most of the New York workforce had reunited in Lower Manhattan. The company's improved financial performance – despite the persistently harsh economic climate – was enabling it to step up growth initiatives to further strengthen its competitive position in the coming years. And while battling the toughest crisis in American Express' history, employees had not only honored the company's long-established commitment to providing extraordinary customer service, they had raised the standard.

Today, American Express has never been more competitive. It is a world leader in providing charge and credit cards to consumers, small businesses and corporations. It is the world's largest travel agency, offering travel and related consulting services to individuals and corporations around the world.

As it has throughout its long and varied past, American Express continues to deliver valuable and innovative services to its customers. It remains committed to its longstanding core values. And, as it was in 1850, it is poised to seize new opportunities in a rapidly changing industry and world.



**Eleven Tears: A Memorial  
World Financial Center,  
New York City**