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*[Title slide]*

Thank you, Ken.

I am delighted to talk to you today about the Internet, and the role it plays, across our global business.

Simply put, the Internet has become essential to our business model -- a powerful channel to interact with our affluent customers. And -- one that I trust you will see -- simultaneously reduces costs, drives Cardmember spending, and builds our Brand.

As we think about the interaction of the web with our business model, we absolutely strive to be cool, hip, leading edge and relevant. We are streaming video and pushing information to customers via widgets and RSS. We are incorporating dynamic flash elements in our web site, personalizing offers to an N of one, and continually customizing by market. In essence, we are wedded to the web.

Of course, we must also ensure that we drive customer and shareholder value. As you'll see, we think we have delivered against both...with still considerable upside.

*[Slide: Agenda]*

Over the past several years, our use of the Internet has obviously evolved. Let's consider this evolution in phases. Our initial focus was on transaction processing and specifically, reducing costs. So I will provide a brief history. Consider this Phase 1.0.

More recently, as customer needs and preferences evolved on the web, we leveraged the strengths of our businesses **through** the online channel. In fact, we found that the Internet could act as an **accelerant** to our spend-centric business model. Call this Phase 2.0.

Finally, Phase 3.0 is our ability to deliver powerful and engaging online experiences to our customers -- as well as some pretty cool advertising -- that consistently, and over time, helps **Build our Brand**.

Today, I will talk about each of these phases. I will touch briefly on the history of cost reductions, focus most of our time on our online capabilities as a business accelerant, and close with the opportunities the web creates for us to shape the American Express Brand.

### *[Slide: Web Presence]*

We currently operate web sites in 62 markets around the world. However, given our time, I will generally provide statistics for the U.S. market, where we have had a web presence the longest. I will supplement those stats with a few specific international examples. I will also focus on statistics from our U.S. Consumer Card business, the business I run, although I will reference other Amex businesses throughout the presentation.

### *[Slide: The Dot-Com Era]*

Without question, the Internet has come a long way since the heyday of the dot-com era of the late 1990's. And while it's clear there's less glitz today than there once was, the Internet is actually fulfilling on its initial promise of transformation...and then some.

### *[Slide: High Profile Sites]*

As evidence, just look at the high-profile consumer social sites like mySpace, YouTube, or even Facebook. The last site, as example, has clearly taken hold in my household -- a home with two Internet savvy teenage daughters. These sites, these enterprises, have captured the attention of consumers and are creating news themselves.

But, the web is also living up to its promise at companies that **aren't** just pure play Internet -- like American Express. The web has fundamentally transformed our business over the past few years.

### *[Slide: Internet at AXP]*

Think about it. The Internet has enabled us to:

- Attract new customers faster and more economically than we otherwise could;
- Bring our Cardmembers and merchants closer to us, and to each other;
- Serve as a virtual service center 24/7 -- at higher speed and lower cost than is possible with service representatives; and
- Generate new business -- both online and off.

Or, consider these facts:

### *[Slide: Putting the Web to Work]*

- We receive a consumer card application online every eight seconds.
- Nearly 60 percent of all Membership Rewards transactions are redeemed online.

- This year the Internet became the largest acquisition channel of small business accounts -- at a time when our small business portfolio is growing at an exceptional rate.
- And, more than 50 percent of cards in the U.K. are acquired online.

*[Slide: Web Traffic]*

- Our site has become so much “our customers’ way of doing things,” that we now have more unique visitors every month to americanexpress.com than sites like the Gap, Wall Street Journal, American Airlines. Add to that list, Ford Motor Company or Kodak. And even...Match.com.<sup>1</sup>

Of course, we don’t base success on site visits, but instead on business fundamentals. So let me get to the heart of our discussion.

*[Slide: Agenda: Phase 1.0: Brief History – Cost Reduction]*

Phase 1.0 – History: Cost Reduction

Initially, we focused on the web as a tool for transaction processing. Over the past decade, we moved aggressively to migrate transaction volume -- and often the most basic and unglamorous of our service transactions -- from a manual process to the web. We moved everything from new card applications to bill payments.

*[Slide: Channel History]*

During this time, we saw the Internet as a “turbocharged processing machine,” providing customers with a friction-free channel to conduct business with American Express, whenever and wherever they wanted.

*[Slide: Transaction Volumes]*

Through the years, we substantially increased the volume of transactions we handled online. For example, last year, our Cardmembers paid us...online...nearly 100 million times.

It’s just one example, but it happens across all service processes. And as we migrate transactions to the web, we free up customer service representatives from rudimentary tasks. Instead...enabling them to focus on more complicated customer needs and truly value-added service requests.

And -- of course -- we can process online transactions at far less expense.

*[Slide: Corporate Services Paper Off]*

The opportunity for cost reduction runs across our businesses. For example, back in 1999, we chose to turn off the paper reports that we sent to Corporate Card clients. These paper reports

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<sup>1</sup>comScore Networks, Inc. Key Metrics Report, June 2006

had great data, but were voluminous. We realized that they could be replaced with far more effective tools online, which we call @Work. These tools included a basic online data warehouse, simple analytic tools, and reporting capabilities to allow clients to build and customize reports based on their particular business.

We launched a campaign to aggressively move customers off of paper. And, it worked. We had more than 80 percent adoption of online reporting in the first year. Since then, customer satisfaction has risen 27 percent. At the same time, we've saved more than 424 million sheets of paper, and counting.

Importantly, the cost reduction opportunity runs across all operational processes.

### *[Slide: Unit Cost Reductions]*

For example:

- Online applications are 53 percent less expensive to process than paper.
- Online payments are 84 percent less costly for us to process than manual payments...Consider that fact -- with what I had mentioned earlier -- that our Cardmembers made nearly 100 million online payments last year. The total cost of ownership for the payment process...looks a lot different...or,
- Online Membership Reward point redemption is 86 percent less expensive.

Let's take a second to think about what's behind these figures -- massive amounts of processing **volume** -- on average 38 percent of these transactions -- migrated to the web -- at expense **rates** that are 53 percent, 84 percent, and 86 percent less expensive than offline.

Now consider all of our service processes, and you can appreciate how the web has become a virtual service center, and a powerful processing advantage.

### *[Slide: Virtual Service Center]*

Balance inquiries are yet another good example. It costs us 97 percent less to process a balance inquiry online than off. If we had service representatives handle all of the balance inquiries we receive online -- given standard operating ratios -- it would be the equivalent of more than 500 additional service representatives.

### *[Slide: Reengineering Savings]*

Not surprisingly, the Internet has been behind some of the significant reengineering savings you have heard about over the past several years. The reengineering work was really some pretty basic stuff that I saw first hand when I ran our Card Operations. In many respects, this is a fundamental component of our business.

- We manage large processing engines, at ever lower costs.
- We take these capabilities to the web, leverage the heck out of them, and deliver great value to the bottom line or funds to reinvest.

Integrating the web into “how we service customers” has helped drive process innovation on multiple fronts. Most importantly, it led to improvements in both cost and quality. I’ve addressed cost, but we have also seen improvements in customer satisfaction.

*[Slide: Cost and Quality]*

- Customer satisfaction levels for online applications are 5.7 percent higher than offline.
- For online payments, overall satisfaction is six percent higher.
- And, for Membership Rewards redemptions online, satisfaction is 10.5 percent higher.

In a world of customer satisfaction where we most often measure improvements in basis points, these improvement levels are outstanding.

I trust you can see, with a few brief examples, how we wring large amounts of cost out of our processing engine...via the web. And we do it in a way that materially improves our relative position in both cost and quality.

*[Slide: Room to Grow]*

Trust me, we are not done. In the U.S. we still see significant upside. And, in many international markets there is still significant room for web cannibalization of offline costs. In fact, Ed Gilligan, who runs International, sees considerable opportunity as the move to online servicing in several key markets is just beginning to take shape.

*[Slide: Agenda]*

Phase 2.0 -- Business Accelerant

So shifting gears to the web as Business Accelerant...clearly, one by-product of our increased use of the web has been the dramatic increase in the number of contact points we have with our customers. This set the stage for Phase 2 -- the web as Business Accelerant. We are no longer focused just on “driving to the web”... but are clearly “integrating the web” in everything we do.

*[Slide: Blue Box]*

This is a subtle, but powerful, shift in thinking. Rather than just focusing on reducing expenses by encouraging customers to use the web for service, we broadened our focus to include opportunities to drive revenue and build our Brand. In essence, we made the Internet a very powerful marketing channel.

A channel that is built to leverage Cardmember and merchant data, rapidly adapt our risk models, and exploit direct marketing capabilities. In so doing, we have expanded the web from a virtual service center to a holistic marketing engine to accelerate our business model.

*[Slide: Spend-Centric Model]*

As Ken covered earlier, this is our spend-centric business model. As you know, the virtuous cycle of this model starts by marketing to high spending, affluent consumers. This leverages our premium discount rate, while simultaneously delivering higher spending per-transaction to our merchant partners. The economics of this allow us to then re-invest in more valuable products, services and rewards for our customers, thereby continuing the cycle.

*[Slide: Business Model Accelerant]*

As I mentioned, we do not view our presence on the web as a business model in and of itself. Rather, it's an "accelerant" to our spend-centric model...in three key ways:

First, the web gives us **insights** into our **affluent customer needs**...online. We have learned that their needs are different, and as a result have built our web site and products and services to meet these specific needs.

Second is **Integration Power**, which you may recall Al Kelly talked about in February. Integration Power is the application of innovation, business transformation and our proprietary capabilities -- like information management, risk management, targeted marketing, fraud controls -- all applied in this case to the online channel.

Third is the **Network Effect**, or how we leverage the Internet to expand our network -- adding people, providers, transactions and business volume. Whenever we can move from a "static direct response" model with our customers -- and our prospects -- to a targeted dialogue, one that is real-time and dynamic, we enhance the network effect. And, better drive our spend-centric model.

*[Slide: Affluent Customer Insights -- 1]*

Let me start with **affluent customer insights**.

Through real-time test-and-learn pilots, new customer tracking technologies, or quick reads on changes in Cardmember behavior, we gain valuable insights from the web.

*[Slide: Affluent Customer Insights -- 2]*

At its simplest, we have constructed a hierarchy of our customer online needs. It starts with the essential elements of security and privacy, high levels of availability and relevant functionality.

But for affluent consumers, this is not enough. They have active, complicated lives and therefore demand **ease**. They are successful and seek recognition of their uniqueness. This requires us to

deliver a **personalized** experience. And, because they spend time on the most **dynamic** web sites, they bring that expectation of excellence with them when they come to our site.

Let's stay with this simple set of observations and follow how it leads to changes we make online. Then we will cover more sophisticated insights, and the significant business outcomes they drive.

### *[Slide: Broadband Adoption]*

First, to deliver on the needs of affluent Cardmembers really does require the use of broadband. Our customers, particularly our best customers, have already migrated to broadband. In the U.S., 70 percent of affluent households have adopted broadband versus a little more than 50 percent adoption by non-affluent households.<sup>2</sup>

### *[Slide: Broadband Penetration]*

Just to make the point, nearly 90 percent of visitors coming to AmericanExpress.com do so through a broadband connection.

Let me give you an example of how broadband access enables us to deliver more. Late last year, we completely redesigned our U.S. home page to tailor it to the needs and interests of affluent consumers.

### *[Slide: Old Homepage Design]*

This was our original home page, which was developed for a dial-up environment. At the time it was launched, it was well-designed and performed the function it was expected to. But as the Internet rapidly evolved, it became outdated.

### *[Slide: New Homepage Design]*

In late 2005 we made significant enhancements to our site. Without going into bits and bytes, you can see our new home page looks dramatically different. We have tailored the site for affluent consumers and small businesses – the most active users of our site. We have:

- **Personalized** the site to reflect whether you are a prospect or an existing customer, and if a customer, "serving up" specific information about the American Express product, or better yet products, you currently own;
- Provided an uncluttered design to increase **ease** of navigation;
- Incorporated **dynamic** flash elements that can provide sound and motion. This allows the full breadth of the emotional elements of our Brand to come through; and
- Geared the site for larger format monitors, which we know our affluent customers are more likely to own.

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<sup>2</sup> eMarketer, May 2006; and Nielsen/NetRatings, April 2004

### *[Slide: Rich Visual Design]*

We have carried these design principles -- using rich visual display -- to other areas of our web site as well. For example, we recently launched a global gateway -- one that provides access to American Express information...specific to dozens of countries worldwide.

Visitors coming to this interactive gateway can easily find emergency services in a particular location, or by clicking on the animated globe can quickly link to the homepages of our worldwide sites.

### *[Slide: Competitive Web Sites]*

If you look at some of our competitors' web sites, you can see a difference in terms of the richness of experience that we provide. The layout for these sites essentially looks like a table of contents with a page of text links on a largely stark white background.

Of course, what works in one market, may not work in another. Our design work must factor in cultural and personal needs in local markets.

### *[Slide: Japan]*

This is the home page of JCB in Japan. Obviously, it is a dramatically different design aesthetic, based on what works in that market.

And, this is ours. As you can see, we have balanced our need for branding consistency around the globe, with the design preferences of the local market.

### *[Slide: Online Customer Facts]*

A few additional facts about our Cardmembers online:

- 70 percent of our high value Cardmembers have enrolled to manage their accounts online; and
- American Express customers spend on average 38 percent more per transaction online than our nearest competitor.<sup>3</sup>

So, understanding and meeting the online needs of affluent customers is clearly important. And I trust you can see the foundation for how the web acts as a business accelerant...drawing on some of our most basic marketing skills -- simple needs assessment and good visual...and "presentation package" design.

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<sup>3</sup> comScore Networks, Inc.; Q4 2005



### *[Slide: Business Model Accelerant]*

Now, let me turn to **Integration Power**. The adaptation of more sophisticated marketing, information analytics, and risk capabilities to drive the overall business model -- particularly top-line growth.

### *[Slide: Online Applications]*

A very simple example of how we are exploiting the power of the web -- a card application for our OPEN small business customers. Initially, our online applications essentially replicated paper. The new online application helps better describe the information we are requesting, pre-fills fields where applicable, and even adds an engaging way to include your name and business directly on the card as you type.

Again, simple stuff. But, since we introduced this new application for small businesses, our online application rate has increased by more than six percent. This is another illustration -- much like transaction processing and cost reduction -- where a lot of small things, done a little bit better, really pay-off in aggregate.

### *[Slide: Take-One Applications]*

Of course, we are looking at many different ways to drive more applications online...across all of our channels. Even Take-Ones. As you know, we have an acquisition channel that consists of a paper brochure with an application attached that's available at the merchant point-of-sale. We optimistically call these, "Take-Ones." As you can imagine, managing this channel is cumbersome.

The launch of our "Nectar" card in the U.K. was an opportunity to try something innovative -- a Take-One that drives customers to the web. We worked with a number of merchants -- in this case British Petroleum -- to display eye-catching, plastic cards -- designed to look like the Nectar card -- that had product information on the back along with the URL to apply for the card.

### *[Slide: Nectar - UK]*

This program demonstrated the strength of integrating the innovation of the online Take-One...with the reach of our merchant network. Merchants benefited by receiving a bounty for the cards acquired. Consumers benefited from the convenience of applying online. And, we benefited from the expense reduction.

### *[Slide: Online Unit Cost]*

Obviously, across all the sources of web-based applications -- from the example I just gave, to search driven, to our home page -- the web is an incredibly cost effective channel to acquire cards. You may recall, it is 53 percent less expensive for us to process applications online than off.

But again, it is not simply about cost arbitrage. Instead, and clearly more important, is our ability to use the web to drive top-line performance.

*[Slide: Homepage Redesign -- 1]*

So let's look at the web site redesign that I spoke about earlier. Obviously, it wasn't about just "prettying up the pages." It was about integrating the best of our traditional marketing capabilities with valuable online assets to drive business results -- again to drive top-line metrics like Card acquisition.

*[Slide: Homepage Redesign -- 2]*

Since the site redesign in the fourth quarter of last year, we have seen an **86 percent** increase in cards acquired through the new home page. Consider that many site redesigns and upgrades are often initially met with consumer frustration -- "I can no longer find x, y, or z!!" Not only did we not get those incoming "zingers" but we saw an 86 percent lift in new cards...which we firmly believe is attributable to the redesign...and the underlying offer optimization.

*[Slide: Opportunity]*

Now, we also believe there is a lot of gas still in that tank, whether it is in other areas of the U.S. site, or across many international markets. Perhaps as important is that American Express Interactive -- the team responsible for most of this innovation -- is one global team. And therefore, the knowledge transfer opportunity seems limitless.

So it is evident...we are integrating the web into our already substantial acquisition capabilities. We are utilizing sophisticated information management and underwriting expertise. And as a consequence, we are able to target the right product or service offer, to the right prospect, in real-time.

*[Slide: Online Card Growth]*

Not surprisingly, the ability to integrate offline expertise with the web has resulted in rapid growth of cards online beyond our home page. Year to date, our U.S. Card Services group has seen an increase of 116 percent in new cards acquired online over the same period in 2003.

*[Slide: Online Customer Value]*

And it is not simply a growth in Cards acquired. The payoff is most evident in customer behavior. Cardmembers that we acquire online are 179 percent more profitable than those acquired through direct mail. This outstanding profitability is driven by two factors: The cost to acquire them is 92 percent less -- perhaps not surprising; but most important -- they generate 79 percent higher spending. You can imagine the impact of this on our underlying economics given the growth in new cards I just mentioned and the outstanding profitability these cards deliver.

Again, a peek behind one of the powerful levers that has been fueling our Card business growth.

### *[Slide: Total New Spend]*

Importantly, because of these spend and volume increases, we have reached a major milestone: The Internet now drives as much new Consumer Cardmember spending as pre-approved direct mail. This is not to disparage direct mail, which is still a workhorse channel in acquisition, but it is noteworthy that it is now running head to head with a powerful and emerging channel -- the web.

So, given our spend-centric model, using the Internet to drive Cardmember spending has been...for us...a critical component of some of the business growth you have seen over the past several years.

And there is still a lot of room to grow.

### *[Slide: Integration Power]*

Once a Cardmember is acquired, we have a variety of opportunities to leverage Integration Power. As you know, one of our competitive advantages is the quality of the data we have from our closed loop system and our ability to use it to gain powerful insights through risk modeling and information management capabilities. We leverage these competitive advantages extensively online.

For example, we aggregate information on spend history, risk models, demographics, and response modeling into an online Cardmember database, which fuels a decisioning engine. This decisioning engine determines the best offer for a specific customer and at optimal returns for the Company.

### *[Slide: Personalization of Offers]*

To show you this capability in action, take a look at our homepage. This page first recognizes whether a visitor is a prospect or an existing customer. Here, we have identified a customer...and in this case one we really value. Based upon a whole host of factors, ones you would expect...and several that would surprise you, the decisioning engine has determined that the best offer for this individual is a Platinum Card upgrade.

### *[Slide: Pre-Approved Offers]*

In addition, once the customer has signed-in to manage their account online -- in this case their Green Card -- we can further leverage our risk modeling capabilities to make the upgrade offer pre-approved. Now this is a very simple illustration -- intentionally simple. First, I believe you already appreciate how clear and powerful our upgrade paths are -- as well as extensions to our product lines -- they are a critical component to our card growth.

Doing this simple thing, very well, is essential to our spend growth. And the maniacal attention we apply to it, we believe, sets us apart from the competition.

Cardmembers "trade-up." And when they do, their behavior changes...in ways that fuel our business.

### *[Slide: Contextual Offers]*

So while I could show you a contextual sale, with all the optimization bells ringing -- like a Golf purchase on the Card, that sets off a Membership Reward offer for Callaway clubs, that triggers a By Invitation Only offer to walk behind the ropes at the American Express World Golf Championships...that, of course, would drive more engagement and downstream spending. This too is possible and can happen.

But do the basics, really well, like upgrading cards from one tier to the next, and you win.

### *[Slide: Summary of Accounts]*

Now when customers log in to American Express, they most often go directly into their summary of accounts. And once there, they overwhelmingly tend to check their statement and pay their bills. Of course we like that, because as much as we are spend centric...**we do focus on getting the payment.**

### *[Slide: Online Payment Growth]*

In fact, online bill payments have been growing at a Compound Annual Growth Rate of 33 percent.

### *[Slide: Online Unit Cost]*

Again, another example of enormous volume -- at a unit cost that is 84 percent lower than if the payment were handled manually -- but one that creates additional opportunities to deepen our relationship...and cross-sell where appropriate.

Yet, with still more than 50 percent of payments left to migrate online, there's huge upside to realize in cost savings, as well as cross-sell, in the future. And I think we are pretty good at each.

There are many other examples I could provide. But I think you get the picture. The enormous growth of the online channel, along with our significantly lower processing costs...delivers a step function change in our expense base. Perhaps more importantly, our ability to leverage our closed loop data, transform core marketing capabilities and innovate like heck...provides us with a strong competitive advantage...and acts as an accelerant to our top-line growth measures as well.

### *[Slide: Business Model Accelerant]*

The final way we are using the Internet to accelerate our business model growth is by leveraging "connections" between American Express and our customers, and increasingly, between one customer group and another. In essence, we are capitalizing on the value of our closed loop network -- our relationships with our high spending customers, the partnerships with our merchants and our information management and risk modeling capabilities.

When we can enable various participants in our business model -- be they Cardmembers, merchants or travelers -- to gain value from one another, we can further solidify and accelerate our growth. We call this the **Network Effect**.

Let me give you a few examples to bring this to life:

*[Slide: My WishList -- 1]*

**My WishList** is an innovative way we connect our merchants with our customers online. Through My WishList, every Cardmember with a Blue Box logo on their Card can win the opportunity to purchase limited-supply, premium items...or experiences...at deep discounts from service merchants or manufacturers. This is true for all customers, whether they have a Green Card, Blue, Platinum, or a Citibank-Amex or BofA-Amex card.

In keeping with our target audience, the gifts are high-end. For example, as you can see, we've offered Range Rovers for \$5,000 a piece. Not surprisingly, our customers were interested. The program generated a great deal of buzz, with more than four million unique visitors to the site during the promotion.

*[Slide: My WishList -- 2]*

We had a similar response when we offered a Bombardier Private Jet experience for \$3,000.

*[Slide -- American Express Selects]*

**American Express Selects** is another way we help connect our Cardmembers and merchants. This site gives Cardmembers -- again all Cardmembers who have a Blue Box on their card, including those of our Bank partners -- access to merchant offers around the world, and provides merchants with a cost-effective marketing platform and incremental spending. And we enhance the network effect through this increased connection.

*[Slide: U.S. Membership Rewards]*

Another example of Network Effect is our ability to combine Membership Rewards with the world's largest travel agency -- American Express Travel.

As many of you know, we have seen a 77 percent increase in spend tied to rewards products since 2002. And Cardmembers enrolled in Membership Rewards spend more and have better credit performance than Cardmembers who aren't.

*[Slide: Membership Rewards]*

In addition, nearly 60 percent of Membership Rewards redemptions are now done on our web site. Obviously, these customers prefer the ease of interacting with us online.

And, when Cardmembers redeem online, we can tailor offers, thus subsequently influencing the categories of redemptions Cardmembers choose.

Better yet, the Internet enables us to drive true business transformation.

A great example is the innovation surrounding the redemption process for Membership Rewards points.

*[Slide: Pay with Points Online-- 1]*

Let's take a travel redemption. Membership Rewards offers -- for the first time ever -- Pay with Points, a feature that allows Cardmembers to pay with points for virtually any airline, hotel or cruise through American Express Travel.

Consider also... you can book for travel at any time – there are no reward black-out dates or restrictions. In addition, because we are the only major card issuer who controls both the rewards program and the travel agency, we have been able to create a very simple and seamless process.

*[Slide: Pay with Points Online -- 2]*

You just Search, Select and Redeem.

- Input your preferences in Search;
- Select from a variety of options; and
- Redeem points for all or part of the trip.

It's that simple.

With a soft launch in August of last year, operating with nothing more than an internal name, and limited advertising, it is now among our top 10 redemption options.

*[Slide: Competitor Experience]*

It might be fair to say that competitors, by contrast, have a somewhat **awkward** customer experience. For instance, they cannot book an air and hotel redemption in one easy place, and – in almost all cases -- there is no option to make a partial payment with points.

So we are delivering something we know is faster, easier, just simply... better.

But the online Membership Rewards innovation extends beyond travel...and beyond redeeming points.

*[Slide: Bonus Points Mall]*

Very shortly, we will launch Bonus Points Mall, a new sitelet where Membership Reward enrollees can shop to earn two points for every dollar spent at over 100 brand name online retailers. It's

another example of Network Effect and how we can bring our merchants and Cardmembers together online.

### *[Slide: Online Unit Cost]*

So the web's Network Effect enables us to build powerful online offerings through our ability to make connections. Here too, we see significant cost reductions. Whether we're processing Membership Rewards for air, hotel or retail, they are 86 percent less expensive online.

And, our economics are further enhanced, since a greater proportion of non-travel redemptions are made online. In fact, the proportion of non-travel redemptions is 75 percent greater online than by phone.

Not only does the web provide connections that weren't achievable before, but it makes them more effective using new technologies. Let me share a couple of examples.

### *[Slide: RSS -- Really Simple Syndication]*

**Really Simple Syndication** -- or RSS -- is a complement to web sites and emails. It delivers timely and relevant information directly to a customer's wireless device or desktop via a site like "My Yahoo."

Instead of searching and clicking your way through the web, RSS allows you to "pull" the information you want -- such as concerts in your area -- *directly* to you.

RSS lets our customers stay up-to-the-minute on product and service offerings, including early on-sale events, consumer travel offers, Membership Rewards bonus point promotions and Gold Card events.

With these feeds, we can alert our customers to things they want to hear about in a fast, personalized, spam-free way. And, the customer remains in control, since they opt-in to the information they want...how they want it.

Then if they want to take advantage of an offer, they can simply click on the link and go directly to the appropriate section of the web site.

This type of dialogue is impossible in direct mail. With each response, the dialogue becomes more targeted and personalized. More importantly, each of the participants in this network is extracting incremental value, and producing more transactions. Hence, the Network Effect.

### *[Slide: Travel Podcast]*

Here's another example: In the U.K. and Italy, we launched a special American Express web site giving our Cardmembers traveling to Turin for the Olympics the opportunity to download a free podcast to their MP3 player. The podcast provided a map, an hour-long audio tour of the city, and highlighted shops and restaurants that offered special discounts and benefits for Cardmembers.

The podcast, in effect, created a new benefit exclusively for these Cardmembers. Plus, it helped drive incremental spending to newly acquired merchants in Turin.

*[Slide: OPEN Iconic Event]*

And, finally, just last week we hosted an event in New York for small businesses, featuring celebrity business owners, Kate and Andy Spade and Bobbi Brown. We included a live webcast so that small business owners around the country, and for that matter around the world, could participate. We also used an innovative polling technique to allow participants -- in-person and online -- to respond to questions during the show.

That's Network Effect!

*[Slide: Agenda]*

Phase 3.0: Building Our Brand

Now, let me move to Phase 3 -- how we are using the Internet to build our Brand.

As you've heard, our customers come to our site to check their statements, make inquiries about their accounts, and pay bills. They also shop with their Membership Rewards points -- or -- research and book trips. The more we can deliver experiences and offers that are timely, relevant and personalized, the more the Internet acts as a **Brand Builder**.

*[Slide: Brand Opinion Drivers]*

In fact, the Internet plays a big role in how people think about a brand. It might surprise you to know that our research shows that web site satisfaction is the fourth most important predictor of brand satisfaction, above merchant acceptance and rewards.

The customer experience is one way we build the Brand online.

*[Slide: Blue Box]*

We know our customers and they expect a lot from their online experience. They constantly want better, faster, and more flexible. In fact, our best customers, who are frequent users of other popular web sites, know what best-in-class sites offer -- whether for online shopping, information search, or social networking.

Therefore, we don't just benchmark against other financial services companies online. We also get inspiration and motivation from sites outside of our industry. This helps ensure our site reinforces the relevance of our Brand to our customers and prospects.

A second way to build the Brand is through **advertising**, where the Internet is playing an important role.



***[Slide: My Life My Card -- Wes Anderson]***

For instance, we recently aired a television commercial with film director Wes Anderson. The commercial was quickly embraced by customers and prospects alike and shared on sites such as iFilms and YouTube. In fact, "Wes Anderson" was one of Google's top five searches shortly after the advertising aired.

***[Slide: Australian Open]***

The web is also playing an increasingly important role in our sponsorship activities. For instance, this past January at the Australian Open we leveraged our relationship with Andy Roddick to create a fun interpretation of the 1970's video game, "Pong."

***[Slide: Australian Open -- Pong]***

This capitalized on the growing popularity of gaming online to attract people to our site. It created a community of online gamers who competed against one another for top score. The two-and-a-half week event attracted nearly 80,000 unique visitors.

***[Slide: Tribeca Film Festival]***

As you may know, we are the primary sponsor of the New York Tribeca Film Festival. This spring, we conducted a 15-second My Life My Card film competition to help generate awareness and excitement for the festival and the American Express Brand.

Aspiring film makers posted their video submissions in an online gallery for viewing, rating and sharing -- almost like a type of "YouTube" Film Festival. We received more than 1,700 video clips. The average time spent on our My Life My Card site was almost double that in 2005. And, importantly, we saw increased Brand favorability amongst prospects who came to the site.

And now, I'd like to show you three of the top 10 finalists.

***[Slide: Video Clips]***

***[Slide: Blue Box]***

OK....so people obviously spend a lot of time online...and it is often a chance for them to express *their* creativity!!!

Aside from having some fun, I think you can see, we have built good momentum in terms of leveraging the Internet to help accelerate our spend-centric business model. And, we have more opportunity ahead.

We know, however, that the online space changes rapidly, so what defines market leadership today will not necessarily be the same even a month or year from now. As a result, we are constantly striving to find new and innovative ways to use the web to deliver even greater value to our customers.

***[Slide: AmexLabs]***

One way we are innovating is through AmexLabs. This new web site, which resides within AmericanExpress.com, lets our customers try state-of-the-art interactive experiences and then give us feedback. In essence, our customers are participating in the development of new products, services and capabilities we may offer online.

***[Slide: Widgets -- 1]***

“Widgets” are one of the new applications we are testing through AmexLabs. For those of you who may not be familiar with this term, a “widget,” at least in the online world, is a downloadable desktop application. It allows us to market to our customers online, without requiring them to come to our web site.

***[Slide: Widgets -- 2]***

If you sign up for the American Express Account Widget, an American Express “Blue Box” icon sits on your desktop. Click on it, and you can see up-to-date account balance information for all of your Card accounts.

And because it sits on your desktop, you see the American Express logo every time you turn on your computer, not just every time you come to our site.

Initial response to our Account Widget has been very good. We sent an email to Cardmembers who we thought might be interested, and received nearly double the response rate we traditionally do for email offers. And, the feedback we have received has been overwhelmingly positive.

***[Slide: AmexLabs]***

So, if you’re interested in checking out some of the emerging features and tools we’re looking at, go to [labs.americanexpress.com](http://labs.americanexpress.com).

***[Slide: Business Model Accelerant]***

I’ll close with what I trust has become evident to you. That the Internet is an accelerant to our spend-centric business model.

It is a clear source of advantage, as it:

- Lowers transaction expense;
- Improves top-line metrics;
- Attracts better, higher-spending customers;
- Deepens loyalty; and
- Drives innovation.

*[Slide: Opportunity Ahead]*

And, even though we have made substantial progress, even though we have derived a lot of ongoing benefits -- in reengineering, servicing, spend acquisition, and customer loyalty -- we still have a "long runway." We are not through. And there is considerable opportunity ahead.

Whether it is processes that have yet to be fully embraced on the web -- such as Cardmembers electing to turn off their paper statements -- or multiple market opportunities throughout International, or simply, the ongoing fine-tuning of our acquisition engine and spend promotions online...we are confident that there is still considerable upside.

*[Slide: Blue Box]*

Again, we believe that the web builds on our offline advantages. In fact magnifies these advantages.

The core characteristics of the web -- speed, massive information processing, dynamic real-time interactions, personalization and cost effectiveness -- help accelerate our business process innovation, drive a true "Network Effect," and ultimately build, not merely leverage, but build our brand.

Thank you.