



INTERVIEW WITH CHARLES PETRUCCELLI, AMERICAN EXPRESS
By PHILIP MOSCOSO

Photo by NÚRIA SERRA FARRERAS

“We are at the
beginning
of a major
industry disruption:
Mobility.”

■ No Time for Stopovers

Since 1976, **Charles Petruccelli** has held several senior international positions at American Express, a world leader in providing payment, travel and expense management solutions. In his current role, he oversees the company's business travel division, and he coordinates the global airline strategy for the group.

Petruccelli has witnessed many changes at American Express Travel: "We have completely changed our business model in

the last few years. We moved away from being what we call a traditional travel agency business. We still maintain that heritage, which is very important to us, but we've gone beyond that to become a provider of travel management solutions."

A graduate of Hautes Études Commerciales (HEC) Paris, he has been awarded the Legion of Honor and the National Order of Merit by the French government for his contributions to the travel industry.

Photo by GIANLUCA BATTISTA

Helping Business Travelers Make Their Connections

Over the past 10 years, every time something cataclysmic has happened in the world – be it geopolitical, pandemics such as SARS or swine flu, the volcanic ash cloud or the economic recession – the travel industry has been “brutally impacted,” in the words of Charles Petruccelli, president of Global Business Travel at American Express. Within weeks of the recession hitting, for example, American Express saw the volume of business travel drop by 20 to 30 percent. At its worst point in 2009, companies reduced their expenditure on business travel by as much as 70 percent. Faced with such dire circumstances, how does a company survive?

Business travel, says Petruccelli, represents a critical investment for companies to grow their revenues, by reaching out to their customers and partners, meeting with their people and exploring new business prospects in various countries. A sudden drop in business travel, therefore, signals not only an alarming decrease in activities necessary for long-term growth, but also – considering that an estimated 10 percent of the world’s working population is associated with the travel industry – an unwelcome loss of employment as well. There are signs of a recovery, he believes, with Asia showing the most buoyancy.

Certainly, recent events have made many companies more cost conscious. But beyond that, Petruccelli envisages major changes in consumer behavior, facilitated by the spread of disruptive technologies, which are forcing his industry, like many others, to adapt and change its business model. Such issues are of great interest to IESE Prof. Philip Moscoso, who interviewed Petruccelli at IESE’s Global Alumni Reunion, which was held under the apt title of “Shifting Paradigms.” In this interview, Petruccelli explains how “our job needs to become very different from what it was – because if we don’t do it, our competitors will.”

PHILIP MOSCOSO– American Express, as a group, reported strong last quarter results. Do you think this is a sign that an economic recovery is slowly taking place?

CHARLES PETRUCCELLI– I have a divided opinion on how the recovery is looking. First, the drop in volume was so significant in 2009 that it is only logical there

would be a rebound the following year, and inevitably we have seen double-digit growth in 2010.

But then you compare the mature Western markets with what we used to call the emerging markets, which I believe have now emerged and are already strong economies. There you have a rather different situation.

In Europe or the United States, unemployment is still high, access to credit for small businesses is still difficult, consumer confidence is still low and the changes that are happening in relation to various social services are creating tensions. By the end of 2009, toward the beginning of 2010, we were starting to see some volume coming back. But the question for me is this: “Is it a true recovery or just pent-up demand being released because now we know where we stand?” The most recent economic indicators, though, are looking quite positive in the United States and Germany, for example, suggesting foreseeable growth in 2011, albeit at a slower pace than in 2010.

Then there’s Asia. There you see that the economy has rebounded strongly. In fact, there wasn’t even a slowdown, because business continued to grow for us in the region of 30, 40, 50 percent over 2009. The economy in that part of the world doesn’t depend as much as it used to on the Western economy. You can feel the dynamism when you visit China, India and countries in Southeast Asia. You can feel the entrepreneurial spirit, the buoyancy, the discussion between investors, companies and start-ups. We opened our first call center in China in 2003, and by 2010 we were doing more than one billion dollars of travel volume in greater China. We expect that China will be the second largest market in the world for our industry in the next five years. I truly feel there is a real trend of economic power shifting to Asia.

PM– Owing to the turmoil that has taken place over the past few years, there has been quite a cutback in travel expenses in a huge number of companies. Do you think that this will revert back to previous levels as the economy recovers, or do you think that trends such as telepresence mean that companies will be less willing to allocate expenses to travel?

CP– I think there will be a recovery and rebound of corporate travel spend, because corporate travel is



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directly linked to the growth of the economy and the growth of the revenues of companies. So the spend is logical.

That said, the crisis has brought about a change in behavior related to the way companies manage their spending, with more controls and tools. New tools, such as telepresence, have reached such a level of maturity that they can now provide a real alternative to travel. As such, those changes will have an impact on the way companies use their travel expenses.

Telepresence is an excellent technology, but what it allows companies to do is refine the way they use their time, not replace all business travel. So, internal meetings will use telepresence, but when you want to talk to customers, meet with the client or prospect, nothing beats face to face. At American Express, we use telepresence, but I still have to travel to my strategic markets to meet my clients and customers. So, if that model says to us that the industry is going to have to continue to meet with clients and customers, as the economy and revenues grow, then our job is to help them manage and optimize that spend.

How do we do this? With global integrated solutions, both offline and online. We help them to manage, control and save in their processes, purchasing and sourcing, and we support their travel experience. In this way, business travelers avoid all the problems associated with traveling, which must be totally hassle free for them and well controlled for their companies.

This new model allows us to develop a range of solutions for companies, from policy management to data management, from spend consolidation to consulting, from payment options to expense management solutions. As we provide all of these services to corporations, we advance beyond the basic role that we used to have as a traditional travel agency business. Sure, we still issue air tickets on time at the right fare with a smile, but we've gone way beyond that now.

This opens up a series of opportunities for our business, because essentially we have a different business model – a new economic model. Our model is now based not only on the transactions we process, but also on the value we create in consulting and expense management. The entire model has been changing over the past few years, and with it our

operating model. As the exchanges have become global, our industry and our organization have become global, too.

PM- In order to improve and develop your services further, you have to partner with third-party providers. What are the challenges of relying on third parties to provide services that are not 100 percent under your control?

CP- We use a lot of third-party service providers, like airlines, hotels, car-rental companies and convention centers. We also use a lot of technology companies. First, when we find these partners, it is fundamental that our philosophies are closely aligned vis-à-vis customer service. We expect our partners to give the same priority to customer service that we do.

Then, there is the other element that is critical in this new world: business continuity. Most of our business is digitalized, with that information kept centrally in data centers. The more that your business relies on information or data that could all of a sudden disappear, the more that business continuity becomes a crucial element in the way our industry evolves. Therefore, it is paramount that our third-party service providers are able to maintain business continuity in the event of crises, so that there is no breakdown in the technology and the service can be accessed at all times.

Furthermore, with increased regulation of data privacy and control, our partners must be able to give us complete assurance of data protection at all times. We are not going to provide more data than they require, and they have to have the appropriate firewalls, verified by our own technology experts. This whole aspect of data privacy and control is another key element of doing business with third-party providers. It's also one of the key elements of differentiation between staying in business and not being in business anymore. Customers and corporations will walk away from you if you don't guarantee continuity of business processes and data privacy.

PM- Your industry has evolved from what used to be called "brick and mortar" – a physical travel agency location, where customers would go to make their reservations locally, look at brochures and get advice from travel counselors.

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How has technology disrupted the industry, and how do you think the industry might look 10 years from now?

CP- The biggest disruption that took place a few years ago was online travel. When online arrived, it completely changed the way the business operated. We went from “brick and mortar” to “click and mortar” and now just “click.” At American Express, for example, 60 percent of our volume is now online. In many cases, companies are completely online. This has led the industry to globalize.

I think our industry is at the beginning of another major disruption: the ability to have access to all your personal and business travel services on your mobile device. Over the next five years, there will be 10 billion mobiles around the world, and customers will have on their smart mobile all the applications they need to have the information, make the decision and execute it. As a result, we will have to make sure that we have our products, services and solutions, both for personal and for corporate use, available in the hands of the traveler. This will spark a complete shift, as both personal needs and business needs will converge into a single mobile platform.

We, as an industry, need to grasp the full implications of this, or else we risk missing the boat. With all this power in the hands of consumers, how will you deal with consumers who start to query why, for example, your offer is not cheaper than what they can find on their own? Actually, we have technological tools that give us access to all of the content that the customer could have access to, and sometimes content that the customer doesn't have access to, because we negotiate fares. We do surveys to demonstrate to customers that our search tools have the same efficiencies as them going and searching on their own if they want to find the best fares. That has to be part of our role now.

PM- What are your thoughts on being a manager, particularly throughout the recent turmoil. Apart from controlling costs, how has it changed your way of doing business?

CP- The recession has put to the test what we always say when we talk about leadership: making the right decision rapidly, and then executing it flawlessly. How do you deal with an emergency situation that

forces you to make decisions in the short term without jeopardizing your long-term vision?

The second thing that I think the recession is putting to the test is how we cope with change, as leaders, because clearly the recession is demonstrating that a new model is emerging – a new model in our social life, a new model in our business life, a new model between the mature, developed economies and the new economies. Something is being created that will be quite different from what we have known until now.

Finally, I think it also tests our ability to recruit and retain talent. Any business is 100-percent dependent on its talent. Everything else can be copied in the end, but talent is what really makes the difference. □

■ Charles Petrucci was interviewed by Philip Moscoso



Philip Moscoso is a professor in the department of Operations & Technology Management at IESE Business School. His primary area of interest is the management of service operations. Central in this work is developing strategies and systems that help firms achieve excellence, and ultimately profitable growth. Prior to IESE, he worked at the management consultancy Bain & Company. He has completed management programs at Harvard Business School and IESE, and earned his M.Sc. and Doctorate from the Swiss Federal Institute of Technology (ETH) in Zurich.