

**Testimony of Denise Pickett**

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Chairman Graves, Ranking Member Velazquez and members of the committee, my name is Denise Pickett, and I am Executive Vice President and General Manager of American Express OPEN – the division of American Express dedicated exclusively to serving small business owners and helping small businesses do more business.

Thank you for inviting me today. I'm pleased to be here to speak about what American Express is doing to support small businesses. We recognize that these businesses serve as an economic engine for both our local communities and our national economy, and we are committed to helping them take advantage of growth opportunities.

More than two decades ago, American Express became the first card issuer to create a payment card specifically designed to meet the needs of business owners, and we remain committed to helping entrepreneurs build and grow resilient businesses. Today we are the leading card issuer for small businesses in the U.S., based on purchase volume.

Our own experiences with customers, however, tell us that access to capital is only part of what small businesses require. In our effort to provide business-centric value that addresses our customers' needs, we also offer products that provide access to working capital that can be reinvested back into their companies. In addition, we work with leading public, private and non-profit institutions to offer programs that are designed to help entrepreneurs grow their firms.

An important part of how we determine what customers need is dialogue with existing customers and other small business owners. This has allowed us to effectively focus our support and tailor our offerings in ways that best suit our customers' evolving needs.

Today, I am going to discuss three main areas related to the small business segment:

- The impact of the economy on small businesses;
- The challenges facing small businesses, and the programs we have created to support them;
- And the power of partnerships.

## **I. The Impact of the Economy on Small Businesses**

American Express has a long tradition of helping small business owners persevere and thrive through varying economic cycles. There is no doubt that the recent recession significantly affected the small business economy. Small businesses in nearly every sector and region felt the impact of the recession, and hardest hit were those directly affected by the housing market collapse. For small business owners, cash flow slowed as accounts payable remained outstanding longer, and as collecting on receivables became more challenging.

While uncertainty over the economy still presents a challenge to growth, concerns of economic uncertainty are starting to recede. While small business owners have exhibited resilience throughout the recession, there is now a sense of growing economic optimism, based on the semi-annual research we conduct to gauge business owner sentiment. Six months ago, our OPEN Small Business Monitor survey indicated that small businesses were starting to fare better; our most recent survey, which was released in April, reports that small business owners are shifting their focus from survival to growth, for the first time since 2006.

Overall, nearly half of all business owners (49%) have a positive outlook on business prospects when considering the economic climate. Of these, about three-in-ten (31%) say they expect their business to grow, regardless of the economic climate. Further signaling an improving outlook, more than one-third of entrepreneurs expect to hire (35%, the highest level since fall 2008) in the next six months. In addition, four-in-ten plan to make capital investments in their firms in the same period. One cause for concern, however, is cash flow. Concerns over cash flow are at their highest point ever in the ten-year life of our survey, perhaps due in part to a growing number of small business owners' plans to hire and make capital investments.

Despite small business owners' growing optimism, their firms in general show significant relative declines in economic might over the past 14 years. OPEN recently published an extensive analysis of economic data from the U.S. Census Bureau, the *American Express OPEN State of Women-Owned Businesses Report*. In that report, we not only looked specifically at the growth of women-owned businesses but at the growth of small firms in general.

In 1997, small firms accounted for 57% of private sector employment and contributed 45% of business revenues. Now, as of 2011, small businesses' share of employment has fallen to 47%, and revenue share has fallen to 36%. In addition, the report also reflects the reality that small businesses are struggling to grow beyond the mark of \$1 million in revenues. While small businesses continue to open at a good pace, the vast majority fail to ever surpass the \$1 million milestone. The report notes that only 1.8% of women-owned businesses currently have revenues exceeding \$1 million. And although firms owned by men would appear to be doing better, with 6.3% surpassing \$1 million in revenue, this number is actually down from 6.6% in 1997. In short, the vast majority of small businesses are struggling to grow.

Despite the challenges they face, our small business customers are showing increased spending. 2010 ended with a 13 percent increase in our small business customers' spending over the same period in 2009. Furthermore, 2011 first-quarter small business spending increased 14 percent over the same period last year.

## **II. How OPEN's Programs Support the Challenges Facing Small Business**

We have identified a variety of challenges that small businesses face, but I will focus on the three main challenges: 1) Getting and maintaining customers, 2) acquiring knowledge and ideas to grow the business, and 3) financial needs. In addition, I will highlight programs that

OPEN has created to respond to the challenges our customers, and small businesses in general, are facing.

### ***Challenge #1: Getting and Maintaining Customers***

At the end of 2007, consumer demand began to soften as customers – both consumers and other businesses – adjusted their purchasing behavior. Spring 2010 was the first time in the ten years of our OPEN Small Business Monitor survey that concern for greater customer demand and for acquiring and maintaining customers topped small business owner’s list of concerns, surpassing concerns about access to capital and taxes. It has remained the number one concern of small business owners since that time.

### ***Solution: Programs to Identify New Customers and Generate New Business***

To address small business owners’ top concern, we have created programs that are designed to help them find ways to attract new customers and retain current customers. These programs and award-winning resources were designed to create new opportunities to reach both consumer and government customers. They range from grassroots regional and national efforts to a large-scale initiative that asked the nation to shop at small businesses this past holiday season.

### ***Tapping Government Contracting Opportunities***

We identified government contracting as a major opportunity for small businesses for two reasons. First, government spending in many areas has either remained consistent or increased in a time when other prospects’ spending has decreased. Second, despite the enormous growth opportunity presented by federal contracts, far too few small businesses take advantage of them. Forty percent of small business owners do not have any knowledge of how to apply for federal contracts and are not even sure whether their product or service is purchased by the federal government (SCORE “Counselors to America’s Small Business” 2009 survey on Government Contracting).

To help small businesses gain more customers and business from the federal government, we launched OPEN for Government Contracts: Victory in Procurement<sup>SM</sup> (VIP) for Small Business, a national program to help small business owners capitalize on the enormous opportunity provided through government contracts. The VIP program helps small business owners get the insight and experience they need to win government contracts. It was created to help business owners at every level of contract-readiness to access as much as \$100 billion in available government contracts.

VIP’s interactive Web site, [www.OPEN.com/governmentcontracts](http://www.OPEN.com/governmentcontracts), provides step-by-step access to hands-on training and education resources, case studies, articles, and checklists to assist in the various steps of the contracting process. The program also provides business owners with invaluable information about working with procurement officials and forming teaming

relationships with other small businesses, in addition to providing coaching and mentoring opportunities, procurement events, online training and other resources. VIP also leverages the expertise of a number of government agencies, including the General Services Administration (GSA) and the Small Business Administration (SBA), as well as officials from the Offices of Small and Disadvantaged Business Utilization (OSDBUs). These agencies not only provide speakers and valuable knowledge but also have been able to identify qualified small business owners participating in the program to connect them to specific contracting opportunities. Last year, OPEN hosted VIP events in New York, Chicago and New Orleans, drawing nearly 900 small business owners.

As part of the VIP program, American Express OPEN conducted a survey of businesses currently engaged in or actively seeking federal government contracts. From this survey, American Express OPEN issued three reports focused on: 1) the experiences and advice of active Federal contractors and how their actions and behavior compare with those of other small businesses that have not yet landed a prime Federal contract; 2) the Federal contracting experiences of women and minority small business owners; and 3) the experiences that small business owners have had with procurement strategies such as teaming and subcontracting.

In addition to our VIP program, we have a second program that helps women-owned businesses take advantage of government-contracting opportunities. Although the government-wide goal for contracting to women-owned businesses is 5 percent, only 3.4 percent of federal contracting dollars were awarded to these businesses in 2010. For this reason, we partnered with Women Impacting Public Policy to launch "Give Me Five," a program designed to help more women gain access to federal contracting opportunities and help the government reach its 5 percent goal.

Give Me Five educates female entrepreneurs on how to apply for and secure federal procurement opportunities through online business education tools, webinars and live events. To date, the program has helped 25,000 women business owners register their firms on the Central Contractor Registration national database, an important first step for those looking to do business with the federal government. We have also revised the Give Me Five curriculum to address and support the recent changes to the SBA's Women Owned Small Business Procurement Program.

One success story of the Give Me Five and VIP programs is small business owner Maureen Borzacchiello. Initially unaware that her tradeshow-display company, Creative Display Solutions, Inc., could even sell to the government, Maureen first learned about government contracting through Give Me Five.

Maureen went on to participate in a 20-hour, one-on-one government contracting mentorship program in 2009 sponsored by American Express OPEN as part of the VIP program. Maureen's mentor was Lourdes Martin-Rosa, American Express OPEN Advisor on Government Contracting, who coached Maureen on how to get her business contract-ready and how to maximize opportunities in securing federal contracts. As a direct result of the mentorship, Maureen

received her first Blanket Purchase Agreement from the US Army, valued at \$5M. This pre-approves her business at agreed upon pricing, with a five-year contract, and allows contracting officers to work with her for the storage and management of all exhibit collateral. Maureen took about seven months to land her first contract (vs. the average 18 months found in OPEN's survey of small business contractors).

Another example of success through the VIP program is Jim Stephens, president and director of FleetCare International, which provides on-site maintenance for medium and heavy-duty equipment. Jim attended a VIP workshop in San Francisco in 2009 and learned about how teaming can be an effective strategy to win government contracts. Although Jim was not new to government contracting, he was new to teaming and applied what he learned from the workshop and from the *OPEN Insight Guide: Team to Help Win Government Contracts*. He negotiated a teaming relationship with his former employer which resulted in Jim's becoming a sub-contractor on a \$128M contract with the City of San Francisco. His portion of the contract was \$1.2M and enabled him to hire five employees.

### Grassroots Movement to Mobilize American Shoppers

To mobilize consumers in support of their local small businesses, OPEN created "Small Business Saturday." The movement encouraged consumers to shop at small businesses on the Saturday after Thanksgiving. This day falls between Black Friday and Cyber Monday—two of the country's biggest annual shopping days.

Small Business Saturday had three main goals: American Express wanted to help small businesses by bringing consumers into their stores; rally U.S. consumers around a cause they care about; and further strengthen American Express' relationship with small businesses and consumers. The impact that "shopping small" has on local communities is profound: for every \$100 spend at a locally owned small business, \$68 returns to the community through taxes, payroll and other expenditures, according to Civic Economics.

Just three weeks after launching Small Business Saturday, American Express achieved a number of significant milestones. Below are some of the results Small Business Saturday achieved:

From an overall perspective:

- 1.2 million people joined the movement and helped spread the word by "liking" Small Business Saturday on Facebook. To encourage consumers, American Express pledged a significant donation to Girls, Inc. tied to the number of "likes" on Facebook. Based on the popularity of the Small Business Saturday's Facebook page, Girls, Inc. received a \$1 million donation from American Express for programs to empower young women to become entrepreneurs.
- 41 elected officials declared November 27, 2010 "Small Business Saturday." This included the Governors of Kentucky, New Jersey, New York, Oregon and Utah and the Mayors of Boston, MA; Boulder, CO; Lincoln, NE; New York City; Phoenix, AZ, and Topeka, KS.

- Congressional leadership of the Small Business Committees also supported Small Business Saturday.

From a consumer perspective:

- Small retailers that accept American Express Cards<sup>1</sup>, including those that sell apparel, bikes, books, electronics and flowers, saw a 28% increase in sales on American Express Cards in 2010 compared to the Saturday after Thanksgiving in 2009.
- Approximately 300,000 Cardmembers enrolled in the special incentive that provided a \$25 statement credit to American Express Cardmembers who registered and spent at least \$25 on their cards at a small business before December 31<sup>st</sup>.

From a small business owner perspective:

- More than 100,000 small business owners downloaded point-of-purchase and promotional materials from the Small Business Saturday Facebook page.
- 10,000 small businesses signed up and received free Facebook advertising to promote their products and services in the run-up to Small Business Saturday.

Small Business Saturday helped create broad awareness of the importance of supporting the independent small businesses that are so vital to communities. In building support for local businesses, Small Business Saturday created what we hope will be a new holiday shopping institution that will only grow in years to come.

### ***Challenge #2: Getting Knowledge and Ideas to Improve Business***

As small business owners look for ways to improve business, their concern for acquiring knowledge and ideas has also grown. Small business owners continue to seek new ways to innovate, rethink, and repackage products and services, and they seek new ways to reach and interact with prospects and customers to generate more business. Many, for example, have turned to new tools and techniques such as social media and other marketing and advertising efforts. Closely tied to the pursuit of generating greater customer demand, small business owners also express a strong need to understand how well they are doing, compared to competitors and other similar businesses.

### ***Solution: Informational Resources to Fuel Small Business Growth***

We created OPEN Forum in 2007 to respond to business owners' desire for knowledge and ideas that can help improve their businesses. OPEN Forum was designed to empower all small businesses—not just our customers—and it has become the number-one online destination for small business owners, quickly surpassing some well-established small business websites such as Inc.com and Entrepreneur.com. The mission of OPEN Forum is to connect small businesses

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<sup>1</sup> "Small retailers" include any independently owned small businesses that accept American Express Cards in retail industries such as apparel, bikes, books, electronics and florists. Online-only retailers, large, national chains, franchised business locations and government agencies are not included in this subset of the overall American Express merchant base.

with three essential resources: information, education and each other. The way we do this is by delivering the most current and relevant information on OPEN Forum through articles, videos and interviews.

One way we addresses the site's first function of providing information is by providing a wide variety of articles covering topics that are the most interesting and most useful to small business owners. Typical article titles include: "Marketing: Top Five Web Design Mistakes Small Businesses Make"; "Managing: Selecting The Right Consultant For Your Business"; and "Technology: Three Mobile Apps Every Business Owner Should Try."

One example of how we fulfill OPEN Forum's second function of providing educational value is a video series we created called PROJECT RE:Brand. Because OPEN has some of the best boutique brand agencies as customers, in addition to plenty of small businesses customers that need help with branding, we decided to pair brand agencies with small businesses to create a how-to video series. The series provided real education and useful insights that help small businesses stand out among their competitors.

The third function of OPEN Forum is to connect business owners with each other. OPEN Forum allows us to scale networking opportunities and delivers advice and guidance from successful business owners. The site's discussion board is an important area for idea exchange among business owners. For example, when the Administration reached out to us to help facilitate a conversation on small business issues ranging from the Small Business Jobs Act to Taxes and Healthcare, we took questions from small business owners on OPEN Forum, Twitter, Facebook, and WhiteHouse.Gov. We did this live with SBA Deputy Administrator Marie Johns, and it allowed hundreds of thousands of small business owners to submit questions and interact directly with her to discuss the issues they had on their minds.

In addition to OPEN Forum, American Express OPEN offers OPEN Books and OPEN Booklets, a printed collection of high-level articles profiling OPEN Cardmembers and showcasing OPEN expertise on a number of topics, including small business financing and marketing.

### ***Challenge #3: Meeting Financing Needs***

Unsurprisingly, slow growth and the need to innovate are accompanied by a third top concern of small business: meeting their financial needs. Small business owners continue to pursue credit, financing, and access to funding to maintain and grow their firms, looking to banks or credit card companies to meet their needs.

### ***Solution: Access to Working Capital through Specialized Products and Services***

American Express OPEN supports business owners with products and services to help them run and grow their businesses. Our core small business products are pay-in-full charge cards and credit cards designed to provide purchasing power, flexibility, rewards, and savings on business



services from an expanded lineup of partners. We also provide software-as-a-service applications designed to help with cash flow, marketing and business expenses.

We provide short- and medium-term, unsecured financing exclusively through our payment card products to help our small business customers manage cash flow. American Express OPEN is just one credit resource among the many that a small business owner may use, and we strive to offer great utility and value to businesses.

In the first quarter of this year, our small business customers spent an average of almost \$2 billion every week on our pay-in-full charge cards. In addition, we made nearly \$27 billion in credit available to our business customers through our lending products.

American Express OPEN offers an array of rewards Cards that provide small business owners choice when looking for their ideal charge or credit card products. Because every business values rewards differently, American Express OPEN regularly speaks to its business Cardmembers and prospects to find out the business rewards they value most. This feedback is used to help guide product launches and enhancements.

Our Membership Rewards program enables enrolled customers to earn points for virtually every dollar they spend on their cards. They redeem these banks of earned points for a wide variety of rewards, often to reinvest in their business, such as office equipment or airline tickets for business travel.

We also provide a variety of card products that reward business owners with a cash rebate when they use the cards for business purchases, including travel, office supplies, wireless services, restaurants and gasoline. In 2010, our small business customers using these cash rebate products received nearly \$218 million in cash back.

Another way we offer value is by aggregating the spending power of our business customers and negotiating exclusive discounts on their behalf. When our customers use their OPEN cards at program partners, including FedEx, Hertz, Hyatt and OfficeMax, they receive an automatic discount on their billing statements. Since launching the program in 2004, our OPEN Savings program has delivered \$475 million in savings to our small business customers. These savings represent money that small business owners can reinvest in their companies.

In addition, OPEN Business Apps are a suite of online business tools that complement OPEN's card products for small businesses. The OPEN Business Apps portfolio includes tools to: accept online payments and electronically invoice customers; allow businesses to make international wire transfers; manage paid search campaigns across all major search ad networks; and create, optimize and target online display advertising campaigns on top ad networks, exchanges and branded publishers.

#### **IV. The Power of Partnership**

While American Express has successfully conducted programs of its own, we feel we can also create impact through carefully selected partnerships with public, private and non-profit institutions. This strategy has allowed us to bring even more resources to small business owners and to help small businesses grow at all stages of the business lifecycle.

The success of our VIP program, for example, is due to the multiple organizations we partner with, including Business Matchmaking ([www.businessmatchmaking.com](http://www.businessmatchmaking.com)), SCORE “Counselors to America’s Small Business” ([www.score.org](http://www.score.org)) and Women Impacting Public Policy (WIPP) ([www.giveme5.com](http://www.giveme5.com)).

Other examples of OPEN’s successful alliances include those with the Startup America Partnership, Women Business Centers and an additional program with SCORE.

### *Startup America Partnership*

The Startup America Partnership is a public-private initiative to jump start the success of American entrepreneurs and to stimulate economic growth and job creation. As part of this public-private commitment, American Express OPEN has pledged to offer \$125 million in value to Startup America Partnership member companies. Qualifying entrepreneurs receive special access and advantaged pricing for a suite of products and services to help them attract and retain customers and improve cash flow.

Among the resources American Express OPEN is providing qualifying Startup America entrepreneurs are: access to an online business-matching service designed to help buyers and sellers connect and collaborate quickly and efficiently for new business opportunities; advantaged rates for their online search marketing campaigns; one-year complementary Business Gold Card with no annual fee for the first year, along with 50,000 bonus Membership Rewards points and a one-hour consultation with an OPEN business specialist; and accounts receivable tools to improve their cash flow, free for one year.

### *Women Business Centers*

In a partnership with WIPP and the SBA’s Women Business Centers, OPEN was able to reach a far greater number of women entrepreneurs on government contracting than otherwise possible. Through a train the trainer program, OPEN used the Give Me Five curriculum to educate 125 representatives from Women Business Centers across the country on government contracting opportunities for women. The newly educated trainers, in turn, returned to their centers throughout the U.S. and are now qualified to teach women entrepreneurs about federal contracting.

## SCORE

Through another partnership program with SCORE, OPEN provides Small Business High Speed Growth events, which are offered as part of a multi-city tour that gives small business owners education and coaching to help identify new opportunities for business growth.

The program couples popular one-on-one speed coaching with new problem-solving workshops that focus on areas directly affecting small business growth, including effective marketing and business finances. The 2011 events will allow participating small business owners to ask questions on a variety of topics ranging from surviving the current economy to finding the “right” customers and overcoming barriers to growth.

### **Our Commitment to Business Owners**

American Express remains committed to helping small businesses do more business. While the current economic environment has put enormous pressures on small business owners, they are now exhibiting increasing optimism for the future.

Despite this greater optimism, small business owners do still face a variety of challenges. The most significant include: gaining and maintaining customers; acquiring knowledge and ideas to improve the business; and having their financial needs met.

American Express has solutions to respond directly to these needs by providing programs that help small businesses identify and gain new customers. Additionally, we have created a grassroots movement that mobilized American consumers to support the local businesses that form the backbone of their communities. We also address small business owners’ need for knowledge and information through our widely read OPEN Forum site and its many resources. And finally, we provide small businesses access to working capital through a host of specialized products and services.

If our economy is to prosper, there is a great need to provide guidance and support for small businesses. In our efforts to help them, our focus has been on helping existing businesses grow. And while we strongly believe in the results we have been able to achieve, we also believe that the best hope for small business lies in a continued partnership among public, private, and non-profit institutions. Through these partnerships, small businesses of all sizes can benefit.

We look forward to working with the members of this committee and others in Congress to continue to help small businesses—and the greater economy—to grow.

I appreciate the opportunity to testify today and to share with you our perspectives at American Express OPEN. I am happy to answer any questions you may have.