

teenagers; effectively, it was an allowance card. Chokshi described it as “driver’s ed for the teen’s wallet.”³⁴ Parents could reload the card with their AXP credit cards or checking accounts. In theory, PASS could reduce the instances of teenagers asking for money. It was also a response to an increase in online spending; teenagers were more and more likely to make purchases through the web.

Initially, PASS had a monthly fee of between \$3.00 and \$4.95—“industry practice,” according to product managers—which AXP waived during the launch.³⁵ Reintroducing the fee was difficult. There were clear advantages to choosing a reloadable card over cash: parents could track the money they gave to their children, teens could spend online, and there were protections for lost or stolen cards. But product managers determined that the cash system was not “broken” to such a degree that people were eager to pay for PASS each month.

Galvanized by what it had learned, the executive team sought to turn PASS into a “general purpose reloadable card” that was sold in retail stores and online. From PASS, the team had gained a platform and capabilities that could be leveraged into a new product, the American Express Prepaid Card. The prepared card also removed the monthly fee. Around the same time, the team launched four or five other products, testing to see how they would perform. One product manager described this as an incubation period, during which the team noted changes in the prepaid industry. One trend stood out: prepaid cards were adding the same features people would normally find in a checking account. “That was the real opportunity,” one manager said. It was time to “push beyond traditional prepaid.”

The team behind PASS wondered if part of the card’s limitation was its online distribution model. In discussions about Bank 2.0, EG considered how the process of opening a new financial services product should feel. The team agreed it was more than simply downloading an app. By filling out a brief application with a name, address, and date of birth; activating a physical card; and moving funds into the card’s account, one created a “much deeper relationship.” Traditional banks, through their retail operations, established personal relationships with their customers. How could EG replicate the service customers appreciated with this business model?

With a technology-based prepaid financial services product, EG was betting that it could form that deep relationship with a new segment of consumer. Like many retail products, the success would rely on scale: the margins might be low, but high volume would compensate. EG’s vision for Bank 2.0 enabled the team members to act

as “consumer champions,” providing underbanked people with financial services that came with fewer fees. With fewer fees, achieving high volume was essential. PASS had demonstrated that online distribution wasn’t enough.

Even with a firm grasp of what Bank 2.0 could be—a reloadable prepaid card with direct-deposit capabilities—the EG team surfaced a few options for further research and consideration: provide a technology-based service without the personalization consumers were accustomed to in retail banking; build a brick-and-mortar retail sales operation; or find a partner. The first option seemed to fall short of the consumer promise the team envisioned. The second seemed not only expensive in time, training, resources, and personnel, but would also likely bring AXP under the aegis of an entirely new regulatory regime. The third option was interesting, but how to go about “dating”? The ideal partner would be familiar with the segment AXP wanted to reach. Even if such a partner could easily be found, the company had to consider its traditional customer base. Finally, what would be the effect of any of these major changes on AXP’s identity?

An Expansion in Brand Identity and Business Model: “From Exclusive to Inclusive”

The working notion within the EG team was that the brand would make an overture to customers who didn’t qualify for charge or credit cards. The company surveyed its traditional customers to get a sense of their reaction to the change. The results conveyed enthusiastic support from credit and charge customers, who seemed to agree with a sentiment Chokshi had expressed in a meeting: “Why wouldn’t you want to serve more people?” Chokshi noted that business models based on credit scores necessarily excluded potential customers. Bank 2.0 would not be based on a credit score. A prepaid model, in which AXP took a customer’s money, was entirely different from the postpaid dispersal of credit. Such a product could be more accessible than the traditional AXP customer.

As EG conducted early focus groups, it faced the difficulty of describing the product. Technically, Bank 2.0 was neither a bank account nor a traditional prepaid card; what could AXP call it instead? The company’s marketing team concluded that the best definition was “a debit and checking alternative.” As the team described Bank 2.0’s benefits, focus groups responded with disbelief. Bank 2.0 would not charge their customers annual or overdraft fees, and a minimum balance was not required.³⁶ There were multiple ways to load funds for free, including direct deposit and mobile check capture.³⁷ Peer-to-peer