

Wal-Mart Banking

Should they be allowed to enter
the banking industry?

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Wal-Mart, their Goal

“To be better for our communities,
better for our customers and
better for our associates.”

-CEO Lee Scott

Introduction

- Wal-Mart wants to open a commercial and industrial bank
- Wal-Mart is biggest retailer in US
- Wal-Mart employs 1.5 million people every year
- Wal-Mart submitted application to FDIC to open a bank

Pro Wal-Mart Cases

- Case 1: Wal-Mart is too big and would take over
- Case 2: Customers benefit from Wal-Mart's competitive banking
- Case 3: Competitive banking will force other beneficial banking reforms
- Case 4: Wal-Mart is good for banking

What if Wal-Mart had a bank?

- ILC would handle Wal-Mart's credit card, debit card and electronic transactions
- Wal-Mart would serve lower income customers
- There would be a branch in every Wal-Mart store
- Wal-Mart claims to have lower prices

Bank of Wal-Mart?

- Industrial Bank- serves small businesses
- Commercial Bank- serves public customers, checking
- We just want the ILC to conduct back office processing of debit and credit transactions
- Debit Transaction
- Credit Transaction
- Wal-Mart's bank, an industrial loan company (ILC), in Utah would be used to process electronic payments from its stores.
 - according to a three-year business plan submitted to the FDIC

Who benefits?

- Wal-Mart
- Consumers
- Investors

Wal-Mart: Evil Corporation

- Largest retailer in US
- Employs 1.5 million Americans every year, 50% turnover every year
- Allegations of racial and sexual discrimination
- Lawsuit employing illegal immigrants
- Violations of federal and state labor laws
- Predatory business practices

Cons of Wal-Mart Banking

- Wal-Mart may squeeze out local independent banks
- May follow current bank trends of charging high fees and discriminating when processing loans
- A non-banking company owning a bank does not derive most of revenues from financial transactions

Who is hurt?

- Customers
- Small local independent banks
- Local economies
- Banking industry
- Big bank investors
- Small business

Wal-Mart's true intentions?

- Financial services to help customers or profits?
- Over-ambitious business Wal-Mart Nation
- Wal-Mart tried to acquire Franklin Bank of California in April 2002. Wal-Mart claimed it wanted a banking license to "lower its processing costs for certain transactions." The California legislature passed a law preventing the purchase.
-*New York Times*, "Wal-Mart is Seeking Approval to Buy a California Bank," 05/16/2002

What is happening in the news?

- Wal-Mart applies to FDIC to open bank
- Wal-Mart's business practices are reviewed by FDIC president Donald Powell
- Wal-Mart's application is denied by FDIC
 - General character & disregard for legal accountability
 - Pose a risk to deposit insurance system
 - Corporate transparency