

Transaction Fees

Eliminating unnecessary transaction fees

TKS + ✱



Executive summary

Brief overview of recommendation



Problem

1



In the current market, credit and debit card companies dominate payment options. These companies charge Walmart unreasonably high transaction fees to allow Walmart to use them as a payment method.

Opportunity

2



Jack Ma had a very similar problem in China, which he solved with the creation of a payment platform called Alipay. Alipay had no transaction fees and ensured trust for the buyer and the seller.

Solution

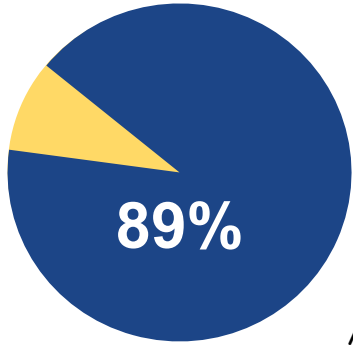
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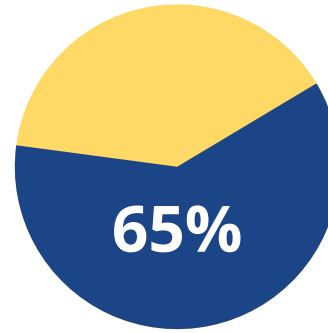
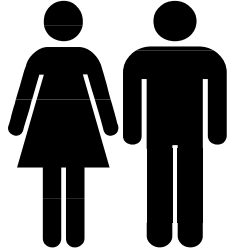
Walmart needs to develop a payment method resembling Alipay, utilizing escrow payments. This will reduce transaction fees, eventually eradicating them, and has a large potential for growth.

Transaction fees are a huge problem for Walmart, it's time to eliminate these fees once and for all

The credit card market



As of 2016 89% of all Canadians have at least one credit card.



Payment for purchases using a credit card, represents 65% of all the transactions in 2016.



Credit cards are being used far too often to just stop accepting them as a payment option

Transaction fees per type of merchandise



1.42%

Grocery



2.13%

Ecommerce



1.56%

Retail

That means that there is an average 1.7% transaction fee at Walmart. It may not seem like a large number, but small things compound to form bigger numbers, such as 100 million in lost revenue from credit cards **alone (2016)**.

Usage of payment methods in Canada



32%

MasterCard transaction fees were the highest in Canada at 1.89%



5.6%

Walmarts own payment service had the lowest usage in stores, with the **same transaction fees** (Walmart specific, US).

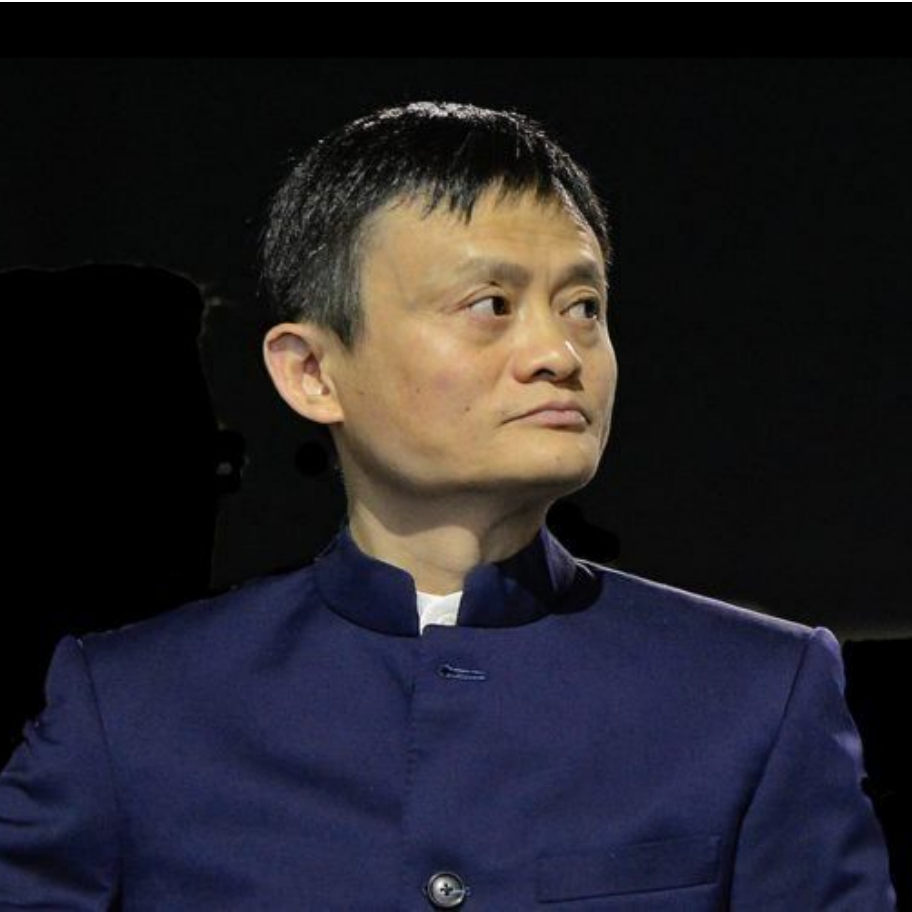


48%

Visa transaction fees were the second most highest in Canada at 1.79%

It's weird how Walmarts own service - Walmart Pay - does not provide anyone with a real advantage over the regular card system. They have tried suing Visa several times without much success, and Visa continues to charge Walmart.

Jack Ma had a similar problem



Problem

Jack Ma's online store, Taobao, wasn't getting as much traction as he had hoped. The sellers were not trusting the customers, and the customers were not trusting the sellers. There was a chance on either end for them to not hold their end of the transaction.

Solution

Jack Ma wanted to solve this problem to boost revenues. His solution was **Alipay**, a online shopping app that now has over 700 million users.



How AliPay Works



Buyer Purchases

The buyer chooses a product and makes the payment to the seller with AliPay.



AliPay gets the Payment

Instead of transferring the money to the seller's AliPay account, it keeps the money as escrow and informs the seller that the buyer has made the payment.



Seller sends the product

The seller sends the product to the buyer before the seller is paid to enforce trust.



Buyer receives the product

The buyer receives the product, and makes confirmation in their AliPay account.



Alipay pays the Seller

AliPay receives the buyer's confirmation, and sends the money to the seller.

AliPay Data and Fees

Features and fees associated with Alipay



Internal transactions are cheaper for both the user and the seller.



For external transactions, once a user passes a threshold of withdrawing more than \$3000, a transaction fee of 0.1% kicks in.



Merchants are also charged a fee of 0.55% on the flip side of every purchase.



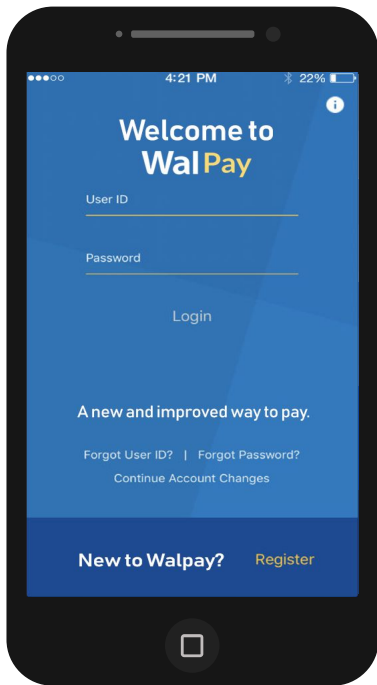
To avoid transaction fees users need to keep their external money transfers to a minimum.



Solution



Instead of outsourcing its payment transaction operations, Walmart should develop their own payment method. Something like WalPay, which handles the transactions, therefore avoiding transaction fees, and saving money.



Two main characteristics of WalPay that will drive it to become the most popular online payment solution in Canada

1

Escrow Service

Helps to protect the safety of transaction, and allows users to put trust in the service.

2

Flexible Payment Option

Availability of flexible payment option that allows users to freely choose preferred payment methods.

Comparing Walmart Pay and WalPay

Walmart Pay

01

User is able to link credit and debit. When that is done the same transaction fees follow as usual, which are high and are unreasonable. Walmart has attempted to sue Visa over this.

02

You can only purchase things and transact mainly with Walmart. Very little options are available. It was introduced in Canada recently and is not widespread.

WalPay

01

User is able to link their bank account as well as credit and debit, and exchange money without any transaction fees. This either saves the user money, or Walmart, depending on what Walmart decides to do with the savings.

02

Other than Walmart you can also perform transactions with other retailers, restaurants, movie theatres, and more in the future. Walpay can essentially be used with any seller if they have it integrated.

Integrating WalPay into already existing framework of Walmart Pay

WalPay



Walmart  Pay



Instead of having to create and implement a whole other platform, time, resources and customers could be saved by upgrading Walmart Pay.



By integrating WalPay into the Walmart Pay platform, users would still have the choice to use either Walpay or Walmart Pay.



This way, the 27% of users that have used Walpay sometime in the past will not have to completely go onto a new platform.

The biggest tech hurdles



Developing a method to electronically **wire** money. The method must be safe from fraud, and efficient.

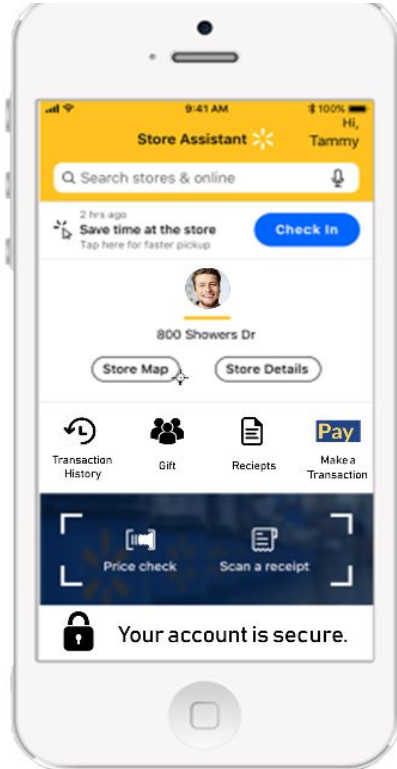


Walpay has to link to a person's bank account which may come with some hurdles, including gaining a users trust.



Since this type of application handles money transfers, **security** should be the biggest concern. It should be clear to users that it is Walmart's biggest concern as well.

Features required in order to be a functioning P2P method of payment



Every user has to have a unique ID and profile.



Users need to be able to access their transaction history from previous purchases made.



Individuals must be able to make transactions to other people, as well as payments.



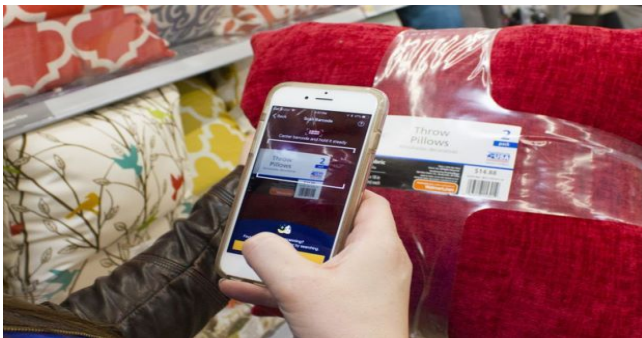
Receipts will need to be generated in case of a broken item or a return.



Include verification features to ensure a necessary level of security.

Implementation

How to introduce Walpay to the market

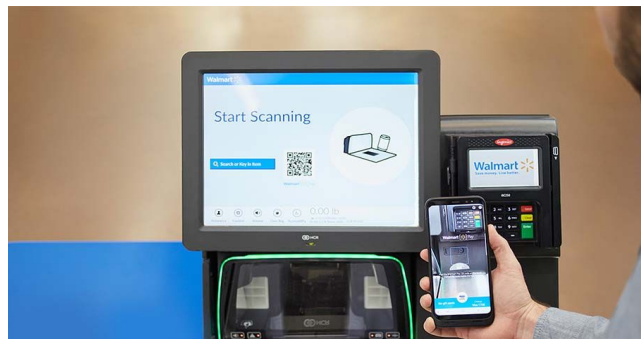


Integration

After the testing is done, and the user feedback is positive, it is time to integrate the app with the current Walmart app. Make sure to incorporate good design, as it is psychologically crucial to the success of Walpay.

Experimentation

Do some test market research to see if this is truly the right fit, and is actually feasible. Roll the product out on certain users phone in an area, and see how that goes before proceeding.





Partnerships

At this point Walmart should start seeking out big companies to get Walpay approved as a transaction method. Walmart needs to try and gain as many partners as possible, to offer an immersive experience to the customer. We suggest starting with companies owned by Walmart such as Jet.com and Moosejaw. After that move on to existing partners.

Marketing

Now all Walmart need to do is get the word out there. With Walpay built and tested, Walmart needs to let existing customers know it exists, and spread the word. There is a slide on this later on.



How partners integrate Walpay



Registration

Provide your company information.



Qualification

Upload certificate documents for the first time application.



Application

Apply to be reviewed and accepted by Walmart.



Integration

Integrate WalPay APIs to add WalPay services on your web and mobile site and app.



What Walpay will look like

A simple mockup of the functional design of Walpay

Transfer Money

Transfer money to and from your Walpay account.



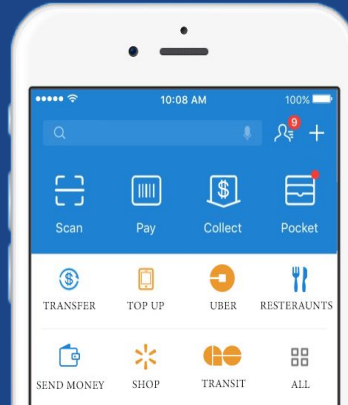
Shop at Walmart

Browse Walmart products online.



Send Money

Send your money to others.



Public Transit

Pay for public transit tickets.



Uber

Pay for Uber with Walpay.



Restaurants

Pay at restaurants using Walpay.

This is a quick mockup of what the navigation menu will look like on the Walpay app. Almost all of the possible functions are listed in the app, including the payment options. At the top of the menu 'scan' is referring to scanning a QR code, and 'pay' is paying for a purchase at Walmart

WalPay Marketing Strategy

The optimal marketing strategy for getting the word out there



Other Companies

Gain partnerships with other companies to spread awareness.



Social Media

Marketing on online media. We recommend Facebook to start.



Word of Mouth

The early adopters will spread the word through referrals and incentives.



In-Store

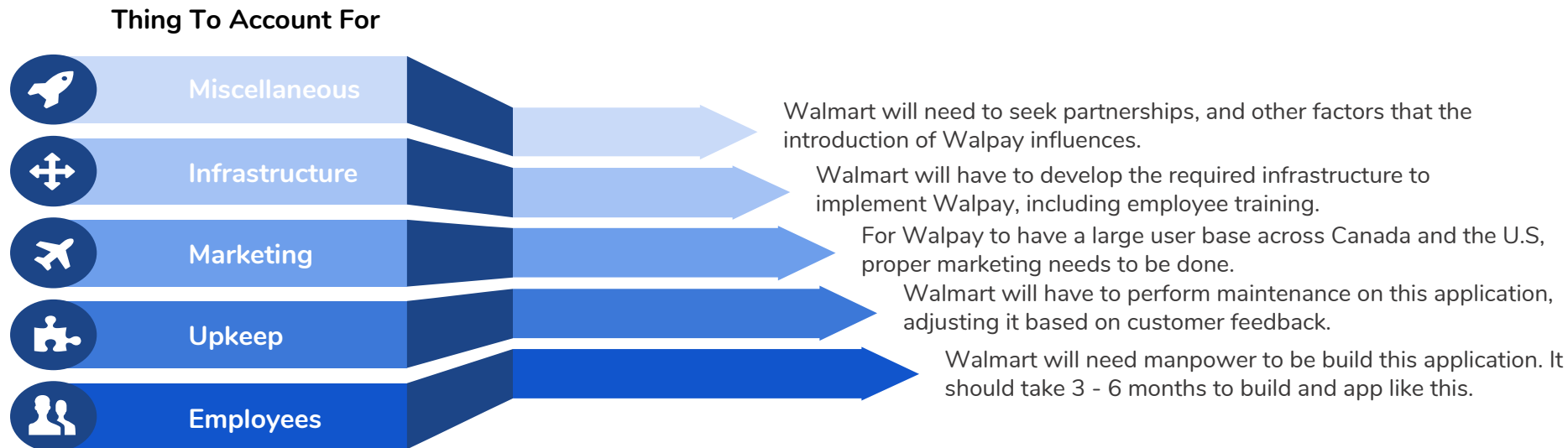
Remind people that Walpay was introduced when they are checking out.



The optimal way to get the word out there is by word of mouth and appeal of how easy it is to use the app. We would recommend intensive distribution at first, as Walmart has a large customer base, and would acquire early adopters. It is important to cater towards these people, as they will make or break the success of the service.

Budget required to fund this project

Where will money be spent?



Positive effects with the implementation of WalPay

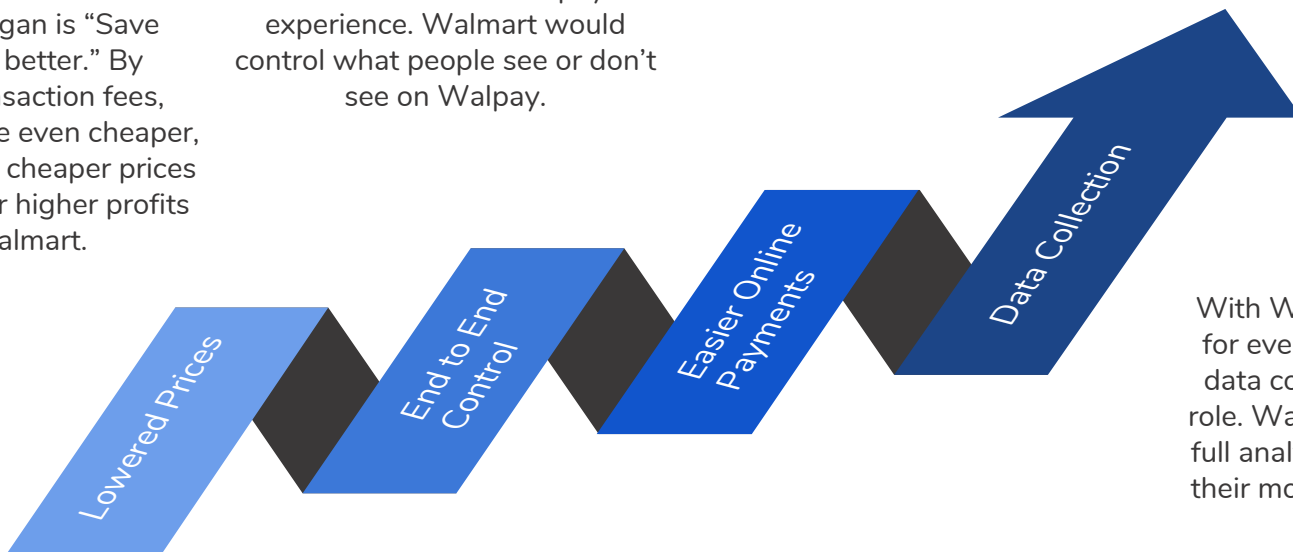
Getting down to why it is worth it for Walmart.

Walmart's slogan is "Save money. Live better." By removing transaction fees, products become even cheaper, leading to either cheaper prices for customers or higher profits from Walmart.

Once Walpay is picked up by restaurants, movie theatres, and more, customers will be immersed in the Walpay experience. Walmart would control what people see or don't see on Walpay.

Walpay will also lead to simplicity. No longer will people need to carry around cards, and the payment process is just as easy as tapping a card.

At least 100 million savings



With Walpay being used to pay for everything in people's lives, data collection will play a huge role. Walmart will be able to do a full analysis where people spend their money, and make decisions based off of that.

Impact & Feasibility of WalPay

Impact

WalPay



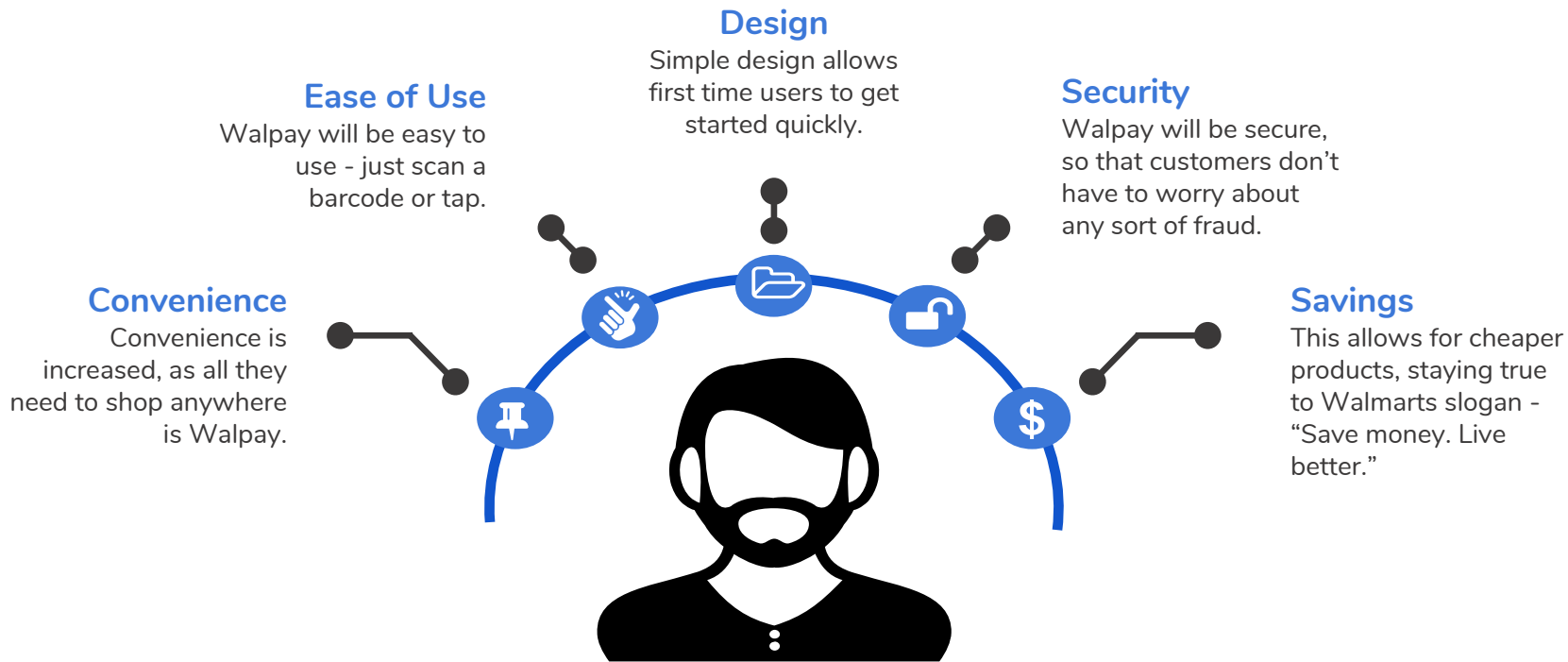
Feasibility

Alipay already exists as proof that this is feasible. Alipay is such a huge phenomena in China, that homeless people are holding up their Alipay transfer number, instead of asking for money. On top of that, Walmart already has an existing user base through Walmart pay, which over 46 million have already downloaded (US). What will be challenging, is understanding and getting past regulation, as well as getting users interested in using the platform.

Feasibility

Customer Experience

How Walpay enhances customer experience



Things We Don't Know

?

Exactly how much money they are able to save

We do not know exactly how much money Walmart is able to save with the implementation of Walpay. Lots of the data regarding this information is confidential and not open to the public.

?

Regulation laws in Canada for payment services

We are assuming that there should be no major regulatory difficulty which would not allow for WalPay to exist.

Thank You!

On a more personal note...

Dear Fareena and the Walmart Canada team,

We'd like to personally thank you for giving us this opportunity to contribute to the success of Walmart. We have learned a lot during this challenge, about transaction fees, and Walmart as a whole. We worked hard to bring you our recommendation (over 100 hours), and hope you take it into consideration. We truly do believe it could help Walmart save millions, and as a big company, you can implement our idea easily.

We hope that we were able to make an impact on Walmarts actions in the future. Feel free to contact us for any questions or comments about our recommendation!

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