

**Wal-Mart:
Great Business, Not Great Corporate Citizen
Positive on More Banking Competition,
Ambivalent about a Wal-Mart Bank**

**BDO Dunwoody CEO/Business Leader Poll
by COMPAS for publication in
the *Financial Post* November 13, 2006**



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1.0 Introduction

Members of COMPAS' panel of CEOs and business leaders have mixed views of Wal-Mart. It is seen as a truly great business but a mediocre corporate citizen. It benefits consumers and the Third World while harming our manufacturing economy. Panelists are neutral overall on Wal-Mart's extension into supermarket retailing and potential expansion into banking. Many volunteer enthusiasm for more competition in banking but Wal-Mart would not be their first preference for a new entrant.

These are the principal findings from the weekly business web-survey conducted by COMPAS for the *Financial Post* under sponsorship of BDO Dunwoody LLP.

2.0 Great Business, Good for Consumers and Third World, Mediocre Corporate Citizen, Some Harm to Economy

Members of the CEO and business leader panel give exceptional scores to Wal-Mart as a business but mediocre scores as a good corporate citizen, as shown in table 2A. The company is seen as helping consumers and the Third World while doing some harm to our manufacturing sector, as shown in table 2B.

Panelists' verbatims reveal some strongly polarized opinions. Defenders shared thoughts in the spirit of the following:

If consumers did not want what Wal-Mart had to offer, there would be no Wal-Mart. Sears and The Bay are old retail, and



will follow in Eatons path. Let's have Nordstrom in Canada. They understand service and their customers...Holt's? They have an attitude problem!

The reality is, in many poor countries that have no money and no food, \$5.00 a week is a fortune; so don't blame Wal-Mart for going where they can obtain the lowest cost products. It is our own self indulgent lifestyle that has created this inequity and we are not prepared to change. However, to salve our collective conscience we need a whipping boy and guess what, Wal-Mart's it.

Inflation is always the most critical element governments need to address. The Wal-Mart effect has been to help with this task.

Many panelists offered pithy disparaging comments about the firm in the spirit of "I'm no fan of this company" or "Wal-Mart is the boil on the butt of this nation! I do not support its corporate philosophy and will not spend any of my dollars there!" A more detailed:

Wal-Mart syndrome, like cheap Chinese manufacturing syndrome, has no long-term benefit for economies and consumers. In fact, as it happened in [the] automotive industry, the net loss is much much bigger than anybody can imagine. Wal-Mart distributes more poverty and mediocrity in any society that it operates [in,] and has no or minimum contribution to the society as a good corporate citizen. On the other hand, Wal-Mart business practices [are] also not going to help third world economies in long-term as well. The dominant and abusive purchasing power of Wal-Mart causes more bankruptcies for small and medium size businesses, and accumulate[s] too much wealth in [the] hands of a few big shareholders.



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Table 2A: (Q1) On a 100 point performance scale, what grade would you give Wal-Mart ... [ROTATION]

	Mean
as a successful business	88
as a good corporate citizen	58

Table 2B: (Q2) On a 7 point scale where 7 means agree strongly and 1 disagree strongly, to what extent do you agree with the following opinions about Wal-Mart's past role? Wal-Mart...

	Mean	7	6	5	4	3	2	1	DNK
did consumers a great service as a conduit for low priced manufactured goods from overseas	5.4	25	31	21	9	6	4	2	1
helped Third World development by creating North American markets for their products	4.8	13	21	27	20	4	5	7	4
harmed Canadians and Americans who lost good jobs in manufacturing	4.2	9	14	22	17	16	12	7	4



3.0. Neutral Overall on Wal-Mart Extension to Supermarket Sector and Banking with Some Energetic Opposition

Panelists are neutral overall on the expansion of Wal-Mart to the supermarket sector or potential expansion to banking, as shown in tables 3A and B. In their verbatims, a number of panelists volunteered a strong desire for more banks in Canada while having varying views about a banking role for Wal-Mart:

Canada should think twice before allowing this type of firm to operate a bank; its ownership is not sufficiently diversified.

Canada is grossly under serviced by full service banks to the detriment of borrowers, savers and small business. Any increase in competition is welcome, even if it's a limited service retail bank.

A little competition in the banking business would be great for the bloated, self-serving banking industry.

It's a business like any other and as long as they meet any normal regulatory and legal requirements, they should be allowed to compete with anyone else. The consumer always benefits from having as open and [as] free [an] economy as we can reasonably permit. But, I really do not see this changing the market in any material way.

Traders are traders not bankers. Bankers are into far too many other services but should be made to stick to banking.



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Table 3A: (Q3) Looking at the present situation and the near future, to what extent do you agree with the following opinions where 7 means agree strongly and 1 disagree strongly? Wal-Mart's...

	Mean	7	6	5	4	3	2	1	DNK
potential entry into financial services would provide consumers with much needed choice and better value	4.1	9	19	17	16	14	11	13	1
entry into supermarket retail provides consumers with much needed choice and better value	4.1	9	14	23	19	9	14	10	1

*Table 3B: (Q5) Suppose Wal-Mart wanted to establish its own retail bank in Canada. With that possibility in mind, please indicate to what extent you agree with each of the following opinions, where 7 means agree strongly and 1, disagree strongly.
[RANDOMIZE]*

	Mean	7	6	5	4	3	2	1	DNK
Already too big, Wal-Mart is among the last corporations that we should help to establish a bank	4.0	20	14	7	13	9	15	17	4
Canada should do what it can to help Wal-Mart establish such a bank because Canada needs more competition, especially if	3.6	10	14	17	7	10	15	25	3



	Mean	7	6	5	4	3	2	1	DNK
the existing banks want to merge, and Wal-Mart has the resources to do so									

4.0. Democrats' Mid-Term Victory Net Plus for Wal-Mart

The Democrats' greater trade protectionism has often placed them in a position of seeming opposition to Wal-Mart. On the specific issue of higher minimum wage, being advocated by the party's union allies, panelists perceive such a change as benefiting rather than harming the firm, as shown in table 4.

Table 4: (Q4) In the U.S. the recent electoral success of the Democratic party could lead to a hike in the legal minimum wage. On balance, with which of the following opinions do you agree most?[ROTATE]

	%
Wal-Mart will benefit because its customers will have more money in their pockets while Wal-Mart's payroll costs will not rise commensurately	50
Wal-Mart will lose because the most immediate impact will be on its payroll	33
Don't know or no opinion	17



5.0. Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted November 8 - 10, 2006. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of 139 are deemed accurate to within approximate 8.3 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.

