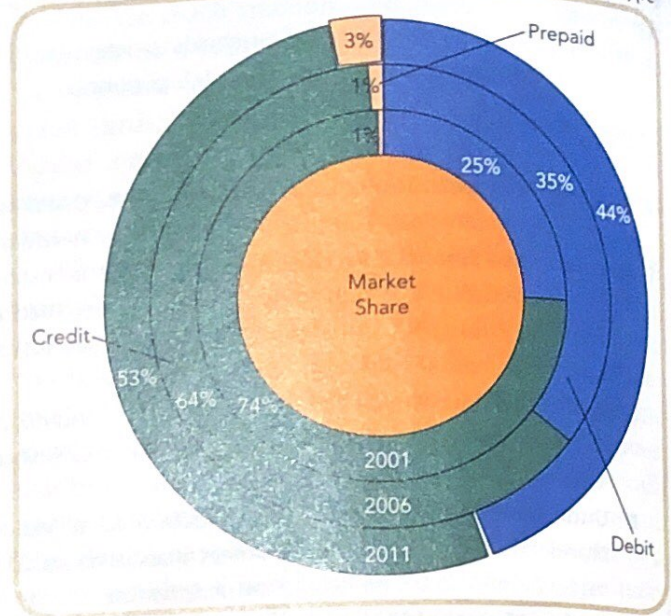


send and receive money to and from one another. Each of these entrepreneurial firms was leveraging mobile and digital technology to offer consumers easier and cheaper alternatives to traditional banks. The largest of these, Green Dot, became a publicly traded company on the NYSE (ticker: GDOT). On July 21, 2010—Green Dot's opening day—the firm was valued at 27 times 2010 profits. Green Dot's owners sold 4.56 million shares at \$36. Early shareholders in Green Dot included Wal-Mart and Sequoia Capital.²¹ The entry and growth of these firms suggested that there was a market to be served, but which of them would eventually institutionalize and scale?

The team also wondered about the response of traditional depository institutions such as banks and credit unions. According to recent studies by SNL Financial, there were approximately 96,000 bank branches in the United States, but the aggregate number of branches had actually been decreasing in recent decades and the pace of closure had increased since the financial crisis of 2009. In fact, no single U.S. state experienced net bank-branch additions in the cumulative period running from 2010 to 2013.²²

There were prevailing economic imperatives for this trend: first, structural costs of branch banking were making it difficult to maintain brick-and-mortar presence, especially in lower-income and rural communities. Real estate, maintenance of physical spaces, and labor costs for tellers, branch managers, and security personnel

Exhibit 6 Purchase Volume on U.S. General-Purpose Cards by Type



Data source: Case writer adaptation of data from the Nilson Report, 2012.

made paper-thin margins even smaller. Associated Banc-Corp, the largest banking chain in Wisconsin, estimated that it saved \$300,000 with each branch closure.²³ A study by consulting firm Simon-Kucher & Partners estimated that two-thirds of existing bank branches were unprofitable, and that an individual branch needed to

Exhibit 7 U.S. Payment Cards by Type (Market Shares) and Manner

