

Wal-Mart new kid on bank block

Wal-Mart Stores Inc. changed the face of retail in North America by making life easier for the little guy through its simple formula of cutting prices and cranking up volumes.

Is banking next?

This week the retailing giant won final approval to open a bank in Canada, providing entry to an industry that has been much criticized for perceived high prices and lack of competition.

Andrew Pelletier, a spokesman for Wal-Mart Canada, said the company plans to provide "convenient and value-focused financial products and services" for its customers.

He declined to discuss details of the company's plans in advance of the official lunch of the new bank, set for June 15.

While the rise of Wal-Mart has been a boon for consumers, it has been devastating for competitors, many of whom ended up being bought out or going out of business.

In the United States, fierce resistance from the banking industry forced the retailer to abandon a bid to buy a bank early in the decade, though it continues to offer services such as cheque cashing and money transfer.

Wal-Mart applied for the licence to the Office of the Superintendent of Financial Institutions, the Canadian banking regulator, nearly two years ago. Mr. Pelletier declined to discuss why the process has taken so long.

If Wal-Mart saw opportunities south of the border where there are more than 1,000 banks fighting it out for customer deposits, there would likely be an even bigger prize waiting in this country, where the industry is dominated by a oligopoly of just six major players.

Consumer groups regularly complain about credit card fees and low interest rates on savings accounts available to bank customers in Canada. Management fees on Canadian mutual funds, most of which are controlled by the big banks, are similarly out of whack compared with the United States and other developed countries.

In the United States, Wal-Mart is a significant player in the money-transfer business, partly because many of its customers are recent immigrants still with family in other parts of the world. Additional services, such as the ability to offer deposits and make loans, would provide further opportunity to the company at a time when profits from its bread-and-butter retail business have come under pressure from the recession.

Wal-Mart would not be the first non-bank to try to break into financial services in Canada. Other retailers such as Canadian Tire Corp. and Loblaw Cos. are also working to establish themselves.

One of Wal-Mart's main advantages may be its reputation for low prices, which may help it get the word out to potential customers that it can offer a better deal than the competition at a time when Canadian consumers are scrambling for all the savings they can get.

The federal government has recently taken steps to shake up the banking sector, including the decision to make it easier for credit unions to expand across the country and the move to prohibit banks from using their websites to sell insurance.

Opening a bank is a costly undertaking for Wal-Mart and the company will likely move carefully as it plots its moves over the next few years, but it clearly believes the investment will pay off.

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