

Best Buy Planning to Sell More Financial Products

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Best Buy Co. Inc. may be eyeing new ways to compete with Wal-Mart Stores Inc. — including its financial services operations — but is edging into that part of its rival's territory in a very strategic way.

"Wal-Mart is a very challenging model for us from a retailer perspective," Mark Williams, Best Buy's president of financial services, said during a speech at SourceMedia Inc.'s Financial Services Marketing Symposium last week. "I want to bring consumers into my stores. I just don't think MoneyCenters fit with my brand."

Wal-Mart executives have called its MoneyCenters, which sell its popular prepaid MoneyCards and offer other financial products and services like walk-in bill payment and money transfers, "one of the most profitable parts" of its stores. Such "alternative" products and services are especially popular among its customers without traditional banking relationships.

Williams said in an interview after his speech that Best Buy plans to expand its own prepaid offerings in 2010 to appeal to underbanked consumers, but stressed that "we don't want to do it as a 'me-too' or something that doesn't fit into our brand experience."

Matching Wal-Mart product for product might not be in the cards, but Williams, who joined Best Buy last November after a career at General Electric Co.'s GE Money and MasterCard Inc., has spent the past year finding ways to carefully expand the retailer's financial services offerings.

He said that new types of financial products are increasingly necessary now, as the value of traditional private-label cards wane. Many customers who would have once been approved for store cards no longer qualify, Williams said, and some consumers are even choosing not to apply rather than risk being turned down. But that is a missed opportunity for the retailer, as customers who use a "branded" Best Buy card or financial product spend \$100 more on average than those without, according to Williams.

"We don't think outside that box" of private-label and cobranded credit cards, he said during the speech. "The paradigm shifted in our industry. ... We're leaving \$300 to \$400 million on the table every year."