



**ETFs with a point of view:
the investor's.**

ForeSide Fund Services LLC, Distributor flexshares.com

Learn more

Managed by Northern Trust

Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com

- See a sample reprint in PDF format.
- Order a reprint of this article now

BUSINESS

Wal-Mart Undercuts Rivals With New U.S. Money Transfer Service

Pricing Tiers Appear to be Well Below Those of Competitors

By PAUL ZIOBRO And ROBIN SIDEL

Updated April 17, 2014 7:49 p.m. ET

Wal-Mart is trying to shake up the money transfer industry with a new service that undercuts Western Union and MoneyGram with lower and simplified fees. Paul Ziobro reports on Lunch Break. Photo: Getty.

Wal-Mart Stores Inc. is taking another step deeper into banking, rolling out a new money-transfer service that undercuts rivals including Western Union Inc. and MoneyGram International Inc.

The giant retailer on Thursday unveiled the new service, Walmart-2-Walmart, which will allow customers to send and receive up to \$900 at a time at more than 4,000 stores. The new service applies only to payments that are sent and received in the U.S.

It aims to take a bite of the roughly \$900 billion in so-called person-to-person payments made each year in the U.S., often in the form of cash or checks.

Shares in MoneyGram, which provides money-transfer services in Wal-Mart stores and said it was surprised by the move, fell 17.7%. Shares in Western Union dropped 5%.



The companies began their partnership in 2001, and MoneyGram's service currently is offered in 4,000 Wal-Mart stores in the U.S.

The new service brings Wal-Mart even deeper into the business of providing traditional banking services even though the company technically isn't a bank. The discounter has expanded rapidly in the financial-services sector since it withdrew an application for a special type of bank charter in 2007. The retailer's plan had received stiff opposition from banks and some lawmakers.

Wal-Mart offers check cashing, bill paying, money orders and tax-preparation services, as well as prepaid card programs, to its core low-income customers, many of whom are left out of the traditional banking system. The retailer still doesn't provide other key banking services such as taking deposits or making loans.

"This is a relatively easy service for Wal-Mart to develop, because it fits with the customer base that they already have, and they don't have to spend a lot of money to create, implement or market the service," said Ron Shevlin, a senior analyst at Aite Group, a consulting firm that specializes in the payments industry.

The service launches April 24. Wal-Mart said the service fees—\$4.50 for transfers up to \$50 and \$9.50 for transfers up to \$900—are 50% or more below the cost of existing offerings.

In its annual report filed with securities regulators, MoneyGram said Wal-Mart accounted for 27% of its total fee and investment revenue last year.

MoneyGram Chief Executive Pamela Patsley said on a conference call that she only heard about Wal-Mart's plans for the new service late Wednesday. The retailer had the flexibility to launch the product under a renewed contract signed in October 2012.

MoneyGram said Walmart-2-Walmart's service fees are 25 cents lower than what MoneyGram offers through Wal-Mart for transfers up to \$50, and \$2 less than MoneyGram's fee on transfers between \$50 and \$200.



Wal-Mart, facing a sustained drop off in store traffic, has said it would accelerate its spending on its online presence and smaller-format stores meant to be more convenient for short shopping trips. *Associated Press*

MoneyGram said it isn't planning on cutting prices yet, but will keep an eye on how consumers respond.

"We will remain very measured, disciplined and targeted in our response to competition," Ms. Patsley said on the conference call with analysts Thursday.

Walmart-2-Walmart transfers will be capped at \$900 and are only available at U.S. stores. That leaves room for MoneyGram to cater to customers who need to send larger sums of money or who need to transfer funds outside the U.S.

"MoneyGram continues to be a very valuable partner for us and our customers," Daniel Eckert, senior vice president of services for Wal-Mart U.S., said on a conference call. "We saw an opportunity to provide a simple and straightforward capability."

Western Union relies less-heavily on money transfers within the U.S.

U.S. domestic money transfers represented roughly 8% of Western Union's revenue in 2013, according to the company. "The company is well positioned in the U.S. domestic money-transfer space, having offered a fee of \$5 for \$50 since 2009," Western Union said.

For its new service, Wal-Mart is partnering with Euronet Worldwide Inc.'s Ria Money Transfer subsidiary.

The money-transfer business carries substantial regulatory burdens aimed at preventing money laundering. Wal-Mart has been registered with the Treasury Department's Financial Crimes Enforcement Network as a money-services business since 2011, according to FinCen's public database.

The move also could place Wal-Mart under the scrutiny of the U.S. Consumer Financial Protection Bureau, which was set up after the financial crisis to police the lending industry for abusive practices involving consumers. The CFPB already has proposed supervising nonbank providers of international money transfers.

A CFPB spokesman declined to comment on the Wal-Mart plan. A Wal-Mart spokesman said the company will comply with any applicable regulation issued by the CFPB or other regulatory bodies.

The vast majority of U.S. money transfers involve sending money overseas, according to payments experts. The U.S. is the largest sender of such payments, accounting for nearly one-quarter of the \$529 billion in remittances that international migrants sent to their home countries in 2012, according to the World Bank.

In addition to competing with Western Union and MoneyGram, Wal-Mart also is taking on banks that allow their customers to transfer money to other customers. In 2011, J.P. Morgan Chase & Co., Bank of America Corp. and Wells Fargo & Co. formed a joint venture to let people use their checking accounts to send each other money with an email address or cellphone number.

"The banks have failed miserably in capturing the person-to-person payments business," said Mr. Shevlin, the payments analyst.

—Andrew R. Johnson contributed to this article.

Write to Paul Ziobro at Paul.Ziobro@wsj.com and Anna Prior at anna.prior@wsj.com