

Walgreens adds a bank account to its financial services offering

Article

The US retail chain is launching a new bank account for its customers that will be offered online and in-store, [per](#) Bloomberg. Accounts will be issued through South Dakota-based MetaBank and will come with a Mastercard-branded debit card. The announcement furthers Walgreens' push into financial services after it indicated earlier this year that it would be rolling out credit and prepaid debit cards.

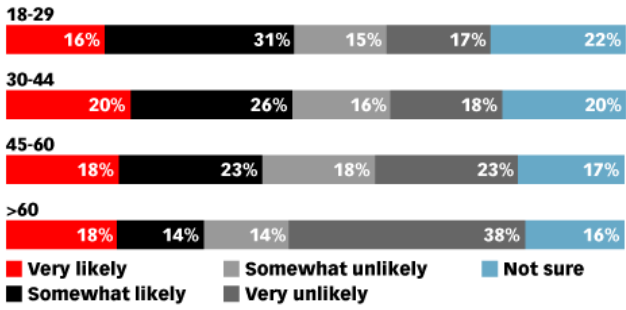
Walgreens' physical footprint and baby boomer-friendly mobile app could help fill the gap left by branch declines. Here are two reasons why:

- **Some customers still want to bank in person.** The pandemic **hastened** the adoption of digital banking tools and solidified a broader trend **away** from branches, but many customers still **prefer** to have an in-person option available. The drugstore's over 9,000 domestic locations provides it with a level of density—78% of the US population lives within **5 miles** of a Walgreens or Duane Reade—that could enable it to provide a brick-and-mortar banking experience to those who still value one. Its large footprint also means Walgreens has the added advantage of being able to widely advertise its new banking service to the **millions** of customers who already visit Walgreens stores daily.
- **Its mobile app was developed with an older user in mind.** More than 20% of Walgreens' app users were ages 55 and older, according to a 2017 **study** generated by the retailer. The app features simplified menus and different font-size options to cater specifically to this demographic's needs. It's unclear if Walgreens' online banking offering will include mobile, but by leveraging an app experience that this **hard-to-reach** demographic is already comfortable with, it could acquire customers who may have previously avoided the channel for banking.

Larger retailers offering banking services are uniquely positioned to cater to underbanked customers—which could spell bad news for neobanks. As of 2019, over 20% of the US population **remained** un- or underbanked. Digital challengers have responded accordingly by **introducing** new features aimed at the underserved market, but drugstores, discount retailers, and similar locations are well placed to become a likely alternative for mass market customers. Like Walgreens, Walmart has a **significant** footprint in the country and is making its own **foray** into banking. The two retailers would be able to centralize a customer's errands in a single location, and they likely have decades of experience servicing the **clientele** neobanks have only recently turned to.

How Likely Are US Internet Users to Select a Digital Bank Without Branches When Opening Their Next Checking, Savings or Money Market Account?

% of respondents, by age, May 2020



Note: numbers may not add up to 100% due to rounding
Source: J.D. Power, "Financial Services COVID-19 Pulse Survey," June 1, 2020

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