



TANNAS WANTS to build his brand before branching out: 'Wal-Mart did a fabulous job of staying out of the big cities until they were ready'

Little bank on the Prairie

Scott Tannas's vision of a bank by and for the West pays off



**A MACLEAN'S
SPECIAL
SERIES
BY PETER C.
NEWMAN**

This is the third in a monthly series on the New Masters of the Universe, Canadian entrepreneurs who are revolutionizing our once-sleepy business ethic:

Banking in these northern latitudes is more than just a business. It's a calling. The CEOs of the Big Five banks—the men who set the tone and policies for Canada's banking system—regard themselves primarily as protectors and chief custodians of the free-enterprise ethic. They take inordinate pride in operating the levers of the machinery that keeps business expanding, consumers spending, and the economy functioning. In maintaining and expanding that process, they wield their impressive clout with the piety of elders at a Presby-

terian synod meeting: never pushy, seldom impatient, always careful and above all, serene in the security and sanctity of their faith.

They practise their canny profession within three hard-core blocks of each other in downtown Toronto, where their fancy head-office towers stab the sky and the vast bulk of Canadian banking is conducted. Trillions of dollars changes hands here annually. And the bankers harvest their share of the proceeds, remaining in the upper quartile of the profit curve among their international competitors.

There have, of course, been several attempts at breaching this feudal castle of players tending their geographic, fiscal monopoly. Once every decade or so, some rash westerner rattles their cages, figures he ought to shake up the Bay Street Boys a little, and starts growing a bank. Edgar Kaiser in Vancouver, the Northland in Calgary, the Canadian Commercial Bank in Edmonton, plus an outfit calling itself the Weyburn Security Bank in Saskatchewan. All went bust or were bought out.

Into this vacuum has stepped Scott Tannas,

a former travel agent from High River, Alta., a ranching town a half-hour south of Calgary, previously known mainly as the place where one-time Tory prime minister Joe Clark simmered up. Tannas, 45, projects a deceptively pedestrian manner, looking more like a hardware merchant than a banker, though he never wears a cowboy hat or a bolo tie. But he vows to be the "strongest financial institution in the West by 2020," and it's a believable boast.

One reason for that is how far he has come from a standing start in 1993, when he bought into Hi-Alta Insurance, a tiny local company. Three years later he still had only nine employees. But just this month, the total reached 1,000. His Western Financial Group has signed up half a million clients and commands half a billion dollars in assets. The key to success, he says, is in staying attuned to the West's unique business cycle, and not treating the region as "fly-over country," as so many of the big boys do. But his role model is the Quebec-based National Bank, which, along with Desjardins Group, trump the market share of the Big Five banks in Quebec.

His enterprise remains a pygmy among

PHOTOGRAPHS BY JUSTEN LACOURSIERE

Canadian financial institutions, but he's attracted some world-class partners. Some 36 per cent of Western Financial Group is owned by four international giants: ING, the Dutch finance powerhouse; AXA, a mammoth Parisian insurance company; Aviva, the London-based fund manager; and Royal & SunAlliance, also based in London. His investors include a handful of domestic insurance firms, like Wawaneša in Winnipeg and Peace Hills in Edmonton. And his board includes Montreal movers and shakers Phillip Webster and Gabor Jellinek, a former vice-president of Seagram's, as well as the likes of chairman Jim Dinning, once the favourite to replace Ralph Klein.

The growing conglomerate now boasts 95 locations from Winnipeg to B.C. but mostly in Alberta, including banking facilities (Bank West), dozens of insurance offices, and a Calgary investment bank, Jennings Capital, of which Western Financial Group owns about 30 per cent. The group finished 2006 with revenues of \$83 million, up a quarter from the previous year, while profits grew 65 per cent. And though Bank West gained chartered bank status in 2002, it has an edge not shared by the Big Five—because it is regulated under the Insurance Act rather than the Banking Act, it can and does sell every kind of insurance in all its branches.

Tannas's real advantage, though, is his entrepreneurial streak. A typical example: "We thought we should get into car and RV, boat and trailer and motorhome financing, so we did a little market research, and it was hilarious. We went to three or four of our customers who are RV dealers and car dealers and asked if they would refer customers from the showroom floor to us. And what would it take. One RV dealer said, 'If you'd be open when people actually bought RVs, that would be great. Nobody buys a motorhome at two o'clock in the afternoon on a Tuesday, they buy it Friday night and Saturday, and as soon as they've committed to buy it they want to leave with it. They don't want to wait 'til Monday or Tuesday for a loan approval.' So we opened an office for loan applications that

stays open until eight o'clock during the week, and weekends with a one-hour guaranteed turnaround time. That was how we got into that business, which has been the backbone of the bank in the early years."

Tannas's aim is to provide one-stop shopping, and it's no accident that many of his Main Street offices are in villages that can only support one financial outlet. "There's nobody in this country better at selling car and house insurance than we are, because if you walk into one of our offices and ask for

thing will be annuities, since the bloom is off mutual funds and the boomers are saving for their old age. An annuity is to pay \$100,000 for a guarantee of \$5,000 a year for life, thus creating your own pension plan.

"Nobody owes us a living, that's one of our big sayings, so what we've got to do has to be valuable, and we can't hide behind government protection forever," Tannas believes. His other catechism is that what unites the West is the thought that everything is decided in Toronto. "That's what our cause is: we say

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WORLD-CLASS PARTNERS: Tannas has attracted ING, Paris-based AXA and London's Aviva

a quote we'll quote you 20 different companies and give you the best price out of that 20," he claims. "In that core business we choose to be distributors. We think that's the competitive advantage that we can maintain. In life insurance and in banking we're going to make it ourselves because we need to control the product." He believes that the next big

we want to be the strongest financial institution in the West by 2020. Effectively, we want to be in the West what the National Bank and Desjardins are in Quebec. Both of those institutions have bigger market share than the major Canadian banks do. We think that opportunity is lying there for us and customers will cheer for us all the way along. Now,

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TANNAS with his wife, Taryn. He likes to project a just-off-the-turnip-truck image, but his language is too bankerish for that.

being the strongest doesn't necessarily mean having the most assets. To me it means being profitable in terms of a return; how many customers you have is your breadth. What counts is performance and how many customers you actually touch in the marketplace."

Tannas likes to project a just-off-the-turnip-truck image, but it doesn't fly because his language is just too bankerish. "We're building toward this goal of 2020, of being able to measure ourselves by our own yardsticks: return on equity; number of customers we've got in the marketplace; and how many products per customer we're selling," he says. "By 2020 we'll be well north of two million customers. Our return on equity needs to be in the high teens—it's only at 10 per cent today—so we've got building to do in that area. And we've got to have probably four more products per customer. We haven't launched a credit card yet. We haven't launched a home equity line of credit, but we will, and we'll do something innovative and interesting."

The most obvious gap in his lineup is asset management, which has become the main fee producer for the big Canadian banks. While everybody in the asset management business is chasing the 20 per cent of clients who are the wealthiest, Tannas is trying to figure out how to serve the guy who needs to save \$200 a month toward retirement, or the couple who have \$200,000 to put into an annuity to maximize that income for the rest of their lives. "Those are the people we need to figure out how to serve," he says. "To give those people maximum value, you've got to be big, and I think we can lean on our shareholder partners to help us with that."

Western Financial Group's slogan is, "Because we live here." It may not be sophisticated but it's authentic, printed on the back



of the firm's business cards and splashed all over the place. "It truly is our advantage, that we can out-local any of our competitors, and we can out-national the small guys who we compete against," Tannas enthuses. "We like the regional idea. There's huge opportunities. We're going to spend the next few years building out our customer base, our branch network and rural markets, building up our brand, getting all of our systems humming, keep building on our competitive advantage, and then we'll move into the cities. We still

haven't even had an opening conversation with half the population in the West, so we've got a long way to go. We're comfortable in small towns, we know what we're doing. In the big cities, the metropolitan areas, we know that financial services are sold differently, there's a higher proportion of young people, technology's playing a bigger role. So we want to learn more before we jump in there. But, you know, Wal-Mart did a fabulous job of staying out of the big cities until they were ready."

If that isn't a warning to the industry's big boys, I don't know what is. But Tannas's long-term planning may exclude expansion in Canada. He is much more excited about the American Midwest, such as Montana. "We say, 'North Dakota before North Bay,' because those are our complementary markets—similar demographics, similar industries. That's where we'll go. We'll go to the Plains states, the Pacific Northwest. And frankly, if you draw a circle around that whole region, it's bigger than Canada, so it's not like we're compromising our opportunities by saying we want to be a western company. I really would love to see, as a westerner, as a redneck Albertan, I want to see us as a really strong, deep western financial institution, the West-Jet of Canadian banking."

The next logical step would seem to be a takeover of ATB Financial, formerly the Alberta Treasury Branches. Started by the provincial government in the 1930s, when the big eastern banks had all but abandoned the dust bowl prairie, it is now a thriving bank with more than 4,000 employees. Privatization has often been on the table, but the province has never pulled the trigger. Should that change, Western Financial would be a powerful force in any auction of its assets, and would instantly transform into a \$15-billion financial giant. At the moment, the betting is that even if ATB was privatized, Ed Stelmach, the populist-minded Alberta premier, would most likely distribute its stock to the province's citizens as a dividend that might win badly needed Conservative votes.

Alberta is on the march, married to tomorrow's technology and today's supplies of essential continental resources. One of the few safe predictions about that future is that Scott Tannas and his entrepreneurial spirit will be an important part of it. **M**



DANCING DENTIST SHOULD AVOID CAR WASH

Dr. George Trusty, a Syracuse, N.Y., dentist, was removing a tooth from Brandy Fanning's mouth when he heard the song *Car Wash* on the radio. He started dancing and lost control of a 2.5-cm-long drill bit. It punctured her sinus cavity and came to a halt next to her eye socket. Attempts to remove it failed and Trusty told her she'd probably sneeze it out. Fanning spent three days in hospital after physicians bored a hole in her gums to fetch the bit.