

THE EVOLUTION OF BANK BRANCHES IN THE NEAR FUTURE

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Abstract:

The role of the bank branches will evolve differently in the coming years. The European banks predict that the number of with councilors will increase significantly. However the sales volume performed by branches will decrease while a part of these sales are taken by alternative channels.

As a result, many banks could face a network of oversized units. To solve this problem banks should use a bottom-up approach to make a real assessment of ideal level of transactions closed correlated with resources used for this.

Key words: *change, number of branches, staff*

JEL classification: E59, F33, G21, G24

Due to the fast market growth and due to the stiff competition, lately we have been experiencing a great demand for banking activity experts. Beginning with the demand and offer game, the migration of skilled manpower from one bank to another is quite high and each employer in the banking system would like to be able to implement a human resources management that would allow them to stabilize the manpower, to obtaining loyalty of the best employees, to reduce new staff training costs.

The foreign agents of the banks claim that Romania is not the only one who is going through such a crisis, which will last at least two or three more years.

In the next period of time the role of bank branches will be the subject of a change.

In the European Union, the most credit institutions predict that there will be a significant increase in the number and the role of councilors. This will happen in terms of decreasing the volume of transactions concluded in the branch. This is mostly due to the development of the alternative channels and the take over by these ones of the operations unfolded by branches in the past.

Today a lot of credit institutions find that they have an oversized network of operational units and the ratio of the profits earned and the expenses ones is not positive.

As consequence, the problem discussed by the credit institutions imposes a kind of approach that it starts at the territorial agencies and it finishes to the central, in order to achieve a true evaluation of the optimal level of transactions which is correlated with the used resources volume.

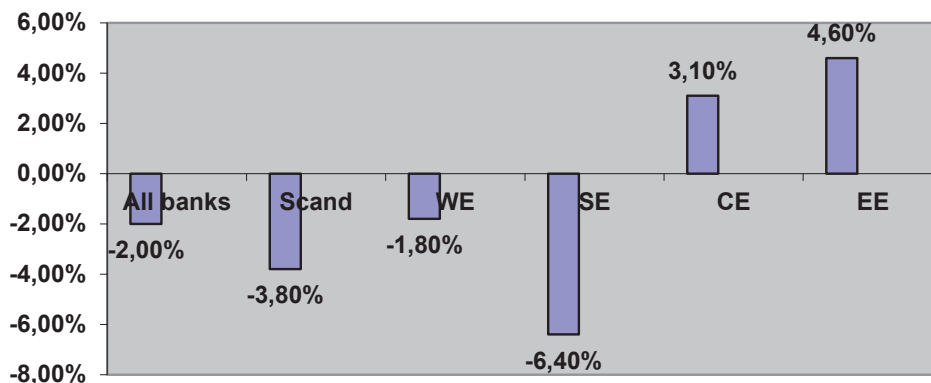
The problem that arises in the present, is that with the deepening financial crisis and the development of direct sales channel, the confidence of public in the role and importance of bank branch will decrease.

To predict future branches in the interbank markets mature, the European Central Bank made studies to the great banks. Over 100 respondents, representatives of European banks are grouped into five broad categories: the area of the Scandinavian countries (Scand), the area of the West (WE), the area of the South Europe (SE), Central Europe (CE) and Eastern Europe (EE).

The most important aim in carrying out these studies is to predict an evolution of the number of branches and a restructuring of their activities in the next period.

As it results in Figure 1, the number of branches will decrease in the next period. Even if in Europe the general rhythm of closure of branches is relatively slow at only 2%, regional strong variations are expected.

Figure no.1. Change in number of branches (2012-2017)



Source: www.ecb.int

Thus: if in the Scandinavian countries, the rate of closure of branches will be only -3.8%, opposite the largest number of branches closed will be recorded in the south of Europe (-6.4%).

In the same time the number of bank branches in the Central and Eastern Europe will increase from 3.1% and 4.6%, with the development banking markets and convey the policies applied by Western banks that can boast a long history earlier in this section.

The main factors that led to a much slower rhythm of closing, recorded in the credit institutions acting on the mature banking markets in Western Europe are:

- The fear of Credit institutions that closing units and will reflect negatively on efforts to the development of relationships with their customers. So rather than close branches in the territory, banks will be tempted to focus on developing the communication channels used in dealing with customers.
- The most part of the customers prefer the traditional banking transactions at bank branches closed, although are frequent users of alternative channels (e-banking services), because only bank tellers can get detailed information on complex banking products and services.
- The branches of Credit institutions, are still the principal channel of distribution for products and banking services.

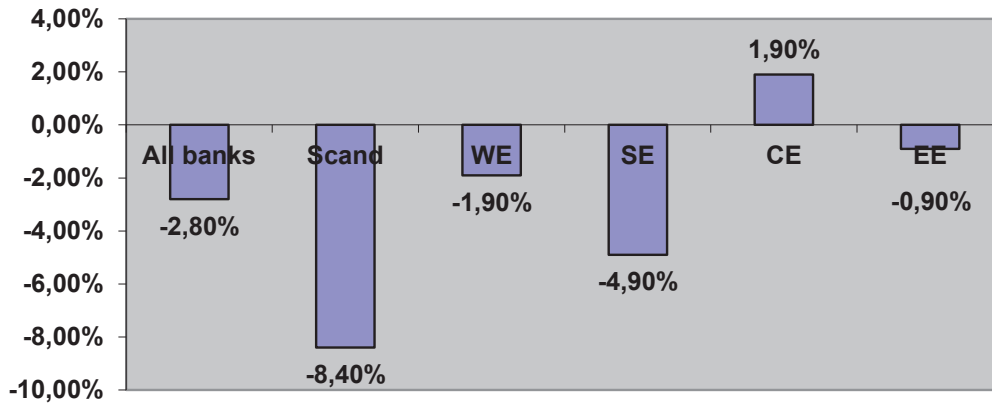
At the level of branches is made most efficient the visibility of banking brand among customers. As a result, top managers of the banking institutions should take into account the importance of the branch and use it as a fundamental element for achieving goals.

- At many banks not planning meets best selling type cross between the classical and alternative distribution channels. Also majority of banks do not apply a strong protectionism system on the role and place of the branch.

The evolution of staff branches will record significant declines in coming years. As shown in Figure 2, the European banks is estimated that the number of employees working in branches will decrease in average by 2.8%, exceeding the closing rate is 2%.

These values indicate that in the future will be more low level of staff branches compared to currently registered.

Figure no.2. Change in number of branch staff (2012-2017)



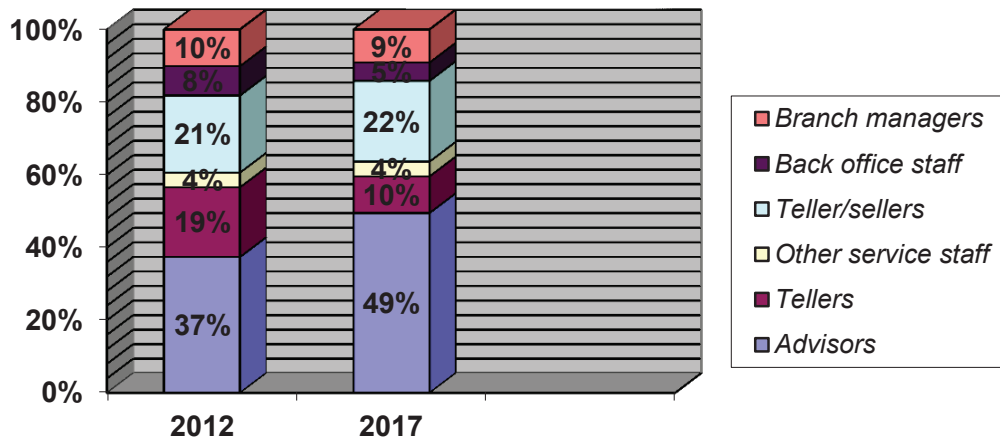
Source: www.ecb.int

Again there are significant variations in the regions analyzed. Thus if in the Scandinavian countries will register the highest reduction of 8.4%, at the opposite end the countries of Eastern Europe with only 0.9%. In Central Europe the staff of branch will increase by 1.9%, a rate lower than the number of branches increased 4.6%

Decrease the number of employees in the branches will surely lead to a radical change in the various tasks of the job description for all positions occupied by the staff of branches.

As shown by the data in Figure 3, at the European banks, cashiers number of banking units will be reduced by approximately 50%, while the staff of back office will vary between 5 and 8%.

Figure no.3. Change in branch staff mix



Source: www.ecb.int

However, the ratio of tellers and advisors remain relatively constant. This is because although many credit institutions will still have the positions of cashiers, they will make extra and tasks sell banking products. Since it is expected that the territorial

branches will focus more on selling products, this is reflected in the increase in the number of councilors banking units.

For 2015, banks estimate that the number of councilors is going to grow, reaching about 50% of the staff of a branch if we compare it to year the year 2010 when they represented only 37%.

For other positions within the branch, the changes will be minor. Thus banks expect the number Manger of unity to remain constant in the coming years.

In conclusion, it requires that in the future the commercial banks will approach a gradually strategy to reduce the number of the branches which are situated in the areas without economic potential and they will make an adjustment to the staff of these branches.

Rather than redirect the clients to other branches to carry out transactions, banks should focus on the process of preparing clients for use multifunctional channels. Simultaneously with the closing unprofitable branches, banks should begin renovating of the existing units.

Based upon factors such as customer behavior, geographical area and profitability, banks could develop two models of branches:

- The branches that provide both sales and operational support. Are those types of branches focused on speed of service, and perform simple operations. They will be located in areas with low potential. The customer typical will be the low-income and profitability will be determined by reducing costs and increasing operations through alternative channels;
- The branches that provide counseling clients. Will be located in areas with growth potential.

Typical the customer will receive counseling through direct meetings, is the “affluent” client. This type of branch staff is dedicated and highly specialized.

The big banks can afford a combination of the two types of branches (sales and advice) will get an increase in lifetime and a deepening of the relationship with customers.

The integration of Romania in the European Union has determined serious implications economy and on the national banking system that had to cope with the pressure of a competitive market having higher and higher demands from customers who ask for much more complex products and banking services.

If we consider the evolution lately banking environment, issues such as diversification, innovation and customization of products and banking services should be a priority for many credit institutions.

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