# Are Bank Tellers Dinosaurs?

by Steve Brown

We saw a T-shirt the other day with a picture of a slightly pensive, dinosaur with the caption, "All my Friends are Dead". It would indeed be a sad life, being the last dinosaur alive and living in the wrong era. Similarly, there was a recent article entitled, "Avoid These 5 Dead End Careers" and #1 on the list was bank teller. Projected job growth in the next ten years in this career path is less than 1% and salary levels are relatively low. Most concerning, in terms of job prospects, is that many of the duties of tellers are being replaced by an online link, an empowered ATM or a smartphone app. Clearly, jumping into a teller job at this point is a dicey proposition to say the least.

As bankers know, the primary reason for the grim prospects for this job (which has long been the mainstay of every bank's customer-facing staff) is that 40% fewer people come into the branch these days than did just 5Ys ago. Blame mobile or the internet or both, but things have changed to be certain.

One reason rarely discussed is that since 1970, the US has seen 281% growth in the number of bank branches while the overall population in the country only increased 52% in that time. Back in 1970, there were 107 branches per million people, but that number in 2011 had grown to 270 branches per million. No question, the big banks are primarily responsible, but all banks will ultimately bear the cost of this over-supply, as the need for in-branch services continues to decline.

Over the past couple of years, we have seen a decline of around 2% of total branches. Now many experts are predicting the number is going to move much lower in coming years. In fact, a recent study by Bancography updated in detail a study of 10Ys ago on different aspects of bank branching practices and plans. A full 33% of bank in the study said they expected aggregate branch traffic to decline by another 30% to 60% over the next 5Ys. Given the drop that has just occurred over the past 5Ys, such predictions are jaw-dropping indeed. Others in the survey expected traffic to decline at a slower but steady 5% annual rate. Even at that rate, the numbers are sobering when one considers the impact of empty office space and idle personnel.

So too, branches themselves are shrinking. Average branch size in 2003 was 3,900sf; median current planned size for new space is now 2,950sf and some of the micro branches are as small as 170sf. More than 40% of the banks surveyed planned either in-store or other alternatives to traditional branches as a way to go where the customers are but save some money in facilities. Meanwhile, about 11% of institutions said they plan to use video remote tellers at all new branches and 32% said they will use them at some new branches. Teller cash recyclers are also increasingly common and they are expected to be at 53% of new branches over this same period. Finally, safety deposit boxes will only be installed in 31% of new banking spaces.

The trend is clear - branches will be fewer and more automated, so there will be fewer tellers. To avoid extinction, tellers could be trained to cover many customer service areas and be migrated to more generalist roles. There will always be a need for a friendly, intelligent, enabled customer service rep, but their ranks will get thinner if projections hold.

Banking is undergoing a huge change and some traditional roles may well become extinct like the teller and the dinosaur. However, with training and innovation, community banks can improve the capabilities of staff to meet these changes head on.

# BANK NEWS

**CU Lawsuits**

The NCUA has filed lawsuits against Morgan Stanley, Barclays, Bear Stearns (JPMorgan Chase), Credit Suisse, Royal Bank of Scotland, UBS, Goldman Sachs, Wachovia (Wells) and Residential Funding Securities (Ally) for allegedly selling $2.4B in faulty MBS to two corporate credit unions that failed. The NCUA says the firms made misrepresentations and abandoned stated underwriting guidelines in offering documents.

**Complaints**

A report from the US PIRG Education Fund analyzes consumer complaints using CFPB data. It finds the top 5 most complained about banks in order are Wells Fargo, Bank of America, JPMorgan Chase, PNC and US Bank.

**Layoffs**

Citigroup said it has laid off 1,000 employees in its mortgage unit due to slowing refinancing activity.

**Mortgage Market**

According to research by Mortgage Daily, as of Q2 2013 the top 5 largest mortgage lenders by volume were Wells Fargo (22% of all mortgages originated), JPMorgan Chase (10%), Bank of America (5%), Quicken (5%) and U.S. Bank (4%). This group originated 46% of all mortgages.

**Payroll Cards**

Aite Group reports that in 2012 US companies put $34mm on 4.6mm payroll cards. That number is expected to grow 25% this year to about $43mm on 5.8mm cards.

**Risk Management**

A Deloitte Global risk management survey finds 80% of institutions that participated say their board reviews and approves the risk management policy, enterprise risk management framework and the risk appetite statement. In addition, 89% have a chief risk officer. These are best practices community banks should also adopt.