

AN ANALYSIS AND COMPARISON OF THE COMMERCIAL BANK COMPETITION REGIMES IN LITHUANIA AND DENMARK

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Abstract. *The article itself is focused on the empirical researches that had challenged two different operational areas of the same entity, with a special emphasis on the challenges and opportunities for the banking segments of Lithuania and Denmark. The influencing factors of the banking sector within these two countries have been analyzed and compared. We have delved into the issue that the successful standing of a parent company within its home area of operations is not by default a guarantee of success for its foreign branch or subsidiary. The decisive factors for a successful competitive approach within the banking segment are compared on the national levels of Denmark and Lithuania.*

Key words: *banks, banking competition.*

Introduction

The process of globalization is currently associated with an interdependence and inter-influence of people, companies and countries, which is truly applicable to all spheres of modern social life, including the economic, political and cultural aspects. The major reasons for that are counted to be the transition from an industrial society to an informative and digital one. The economy itself is moving from being national to global. Because of the technical developments, hierarchical changes within organizations and growth of variety of possible choice centralization is now being decentralized. Therefore, a positive field for the rapprochement of states, companies, cultures and people arises under such conditions. The financial sector is not an exception in this field. The trend of globalizing financial institutions is in correlation with other fundamental structural changes of this sector across the global economy. Furthermore, the globalization of financial institutions is a trend that

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accompanies development in both the developed and developing markets. Currently, the interest of investor-countries in the emerging markets is growing on a constant basis; therefore, it more often becomes a motivating factor for institutions located in countries with reformed markets to “cross the border” and move beyond the national level.

Institutional globalization is not only limited to an increase in the activity of complex financial institutions. There is a cross-border expansion of less complex banking groups into markets where the groups become important for the financial system. Among all complex financial institutions, banks are showing the highest activity in the international financial markets. Globalization is followed by a deregulation of bank activity and a liberalization of the financial markets. At the same time, institutional differentiations between different types of bank and financial activities, such as commercial banking, investment management, insurance etc., are erased. As a result, there occurs significant change of the character and forms related to the competition in the financial markets. The banks are forced to compete in many segments of the financial market at the same time, and not only with each other, but with other non-banking financial institutions. This competition stimulates an improvement of the operations, efficiency, consistency and transparency of the banks. Furthermore, globalization enables banks to take the opportunity and enlarge capital inflows.

Overview of Literature and Theory

The aspects of globalization and the discrepancy of the performance of banks and financial institutions became fundamental areas of research for many scientists. According to Klimenko (2004), the liberalization of global financial markets is the major condition for the appearance of positive and negative outcomes on the banking sector arena. Liberalization, on the one hand, creates conditions for the development of a foreign branch banking network and the formation of an international banking business that naturally strengthens overall competition. However, on the other hand, liberalization intensifies the consolidation of banking capital. As a result, that leads to an increase in the number of merges and acquisitions in the banking sector. Furthermore, it stimulates expansion and increases, in a variety of forms, cooperation both purely between banks and between banks and non-banking financial institutions. Additionally, that drives the banks to grow, form alliances and expand beyond the domestic market. Under these conditions, the banks, in order to maintain competitive prices of services, are constantly seeking reductions of expenses through introducing schemes of controlling expenses and analyzing efficiency. At the same time, the desire to meet the expectations and requirements of the modern times forces banks to increase their expenses on introducing new information and telecommunication technologies as well on developing expansion strategies outside their domestic regions, in addition to already existing subsidiaries and branches. In terms of the expansion of areas of presence of international capital banks in local markets, various positive features under the conditions of globalization were

observed in studies by Porter (2008), and researches conducted in different geographical regions confirm this theory. Therefore, the banks' aim of expansion is reasonable and has a clear purpose, which is based on the opportunities provided by globalization.

On the other hand, the process of globalization has slowed down after the global financial crisis; this impacted the process of the expansion of financial institutions abroad due to newer risks related to strategy approaches. Based on the impacts of the global economic crisis, Rafay conducted a study (2016) which proved that there is a gap and a difference in the approaches of progress utilized in the banking sector depending on the geographical region of a bank's presence.

The spiral nature of the occurrence of the financial crisis and the asymmetric influence of globalization on the development of the financial sector within different geographical regions led Rafay (2016) to the opinion that there is little correlation between the success of the foreign-capital bank in its home country and its success in a newly settled geographical region.

The aim of this article is to demonstrate the diverse strategy utilized by the same bank in different geographical areas of its presence and justify the statement that even if a bank successfully operates within its home market, it will not always be guaranteed success when expanding.

In order to achieve this, we conducted an in-depth, competitive analysis of the bank located in Copenhagen and its foreign branch located in Vilnius. Furthermore, economical originalities, the financial sector of these two countries, the sociocultural aspects and the competition level within two different countries – Lithuania and Denmark – were all taken into account and closely examined.

Empirical assessment and comparison of a success of different competition approaches of the same financial institution in different geographical locations

The beginning of the whole process of comparing the successfulness of different competition approaches starts from selecting the entity and the geographical areas of operation. In order to achieve our study objective, we selected Danske Bank A/S, located in Copenhagen (*Bank*), and its Lithuanian branch (*Branch*).

Because the analyzed banks are located in different countries, their actions and overall activities will be influenced by different law acts, taxation principles and a different quality of living standards. It is highly important to identify and understand these aspects to clearly comprehend competitiveness and competitive advantage forming.

In order to compare the competitive approach of these two entities, it is essential to start with an analysis and evaluation of the economic aspects and influence factors in Denmark and Lithuania. Furthermore, despite the fact that both economies are counted as developed and that both countries are located in the European Union, the financial-banking sectors of both countries nevertheless needs to be compared with each other.

Economic and Legislative Aspects	Lithuania	Denmark
Payments into the guarantee fund	The Lithuanian Deposit insurance amount is 100 000 EUR.	The Guarantee Fund covers any registered deposits up to an amount equivalent to 100 000 EUR per depositor. Claims for the general coverage are calculated less liabilities due to the relevant institution.
Real estate payments and taxes	From 0.3 to 3 percent, calculated from the value of the property.	For the value of a property up to 3 040 000 DKK (408 602 EUR), a 1 percent real estate tax is applied. For the value of a property from 3 040 000 DKK (408 602 EUR). and higher, a 3 percent real estate tax is applied. Whether a given property was purchased before the 1 st of July 1988, the applicable rates may be reduced by 0.5 percent and 2. 8 percent, respectively.
Stamp duty	Payments are identified by the Republic of Lithuania.	
Income tax	The income tax amounts to 15 percent. For entities that do not have more than 10 employees and the income of which does not exceed 300 000 EUR during the taxable period, the income tax amounts to 5 percent. Social enterprises pay no income tax.	Taxable income up to 48 913 DKK (6 574 EUR) requires no income tax. Taxable income from 48 913 DKK (6 574 EUR) to 512 304 DKK (70 068 EUR) requires 8 percent of income tax. Taxable income that exceeds 512 304 DKK (70 068 EUR) requires 15 percent of income tax.
VAT	Standard – 21 percent. Discounted – 9 percent (energy, books and educational items, periodical publishing. Discounted – 5 percent (medical equipment and surgery items).	Standard – 25 percent. Discounted – 0 percent (applied to newspapers meeting specific content requirements).
Compulsory healthcare insurance	40.18 percent.	A flat rate of 4 percent from taxable income.
Minimal wage (for the year 2016)	380 EUR	None. The minimal average salary is negotiated between the employer association and the unions. The average minimal salary for employees of both the public and private sectors was estimated at approximately 110 DKK (14.78 EUR) per hour. With an average of a 37.5-hour working week, it amounts to 16 500 DKK (2 217 EUR) per month.
Average wage for the year 2016)	822 EUR before taxes.	26 823 DKK (3 605 EUR) before taxes.
Inflation (average for the year 2016)	2.8 percent.	0.25 percent.

FIG. 1. **A comparison of the most relevant and actual macroeconomic influence factors of the banks.**

Source: created by author based on Danish FSA, VMI, Central Banks (2018).

Such a comparison of the two economies located in the same continent is important, because both these countries are different in their nature. Thus, both entities will be influenced by different law acts, taxation principles and a different quality of living standards. It is highly important to identify and understand these aspects to clearly comprehend competitiveness and competitive advantage forming.

After a more in-depth evaluation of the two economies, it can be seen that Lithuania is at this point receiving a competitive advantage: the minimal monthly wage in Lithuania is estimated at 380.00 EUR, while in Denmark, this amount is not being set clearly, as the minimum wage in this country is set through negotiations between the employers and the unions. Therefore, an average minimum salary was estimated at 14.78 EUR per hour and 2 217 00 EUR per month. It should be taken into account that the two entities are operating in a global market and are offering significantly similar products and services at a rather similar price; therefore, the reduce of the operational costs is a rather highly valuable competitive advantage for the Lithuanian branch over its Danish parent company.

However, it would be fair to mention that generally, the employees of the Lithuanian branch do not receive the minimal wage. However, their colleagues from Denmark are also receiving a wage above the minimal limit – this competitive advantage remains actual. The estimated average salary for the employees of the Lithuanian branch for the period beginning with 2018 was nearly 1 600 EUR, and nearly 5 900 EUR in Denmark.

After the influencing factors on the macro level are observed and compared on the country level, it is important to compare and analyze the overall banking sector within two countries, the market concentration and the competitiveness of this economic segment. In order to clarify the concentration of the market, we used the following formula:

$$CR_i = \sum_{i=1}^n Q_i^2$$

where Q is the market share of i organization, and N stands for the number of participants.

This coefficient is calculated for the five largest banks within the market and, as a result, will demonstrate their market coverage; based on that, the concentration of the market will be seen. The parallel use of the Herfindahl- Hirschman index will allow for avoiding the gaps of any previously mentioned coefficients of market concentration. A high accessibility of the required data makes this concentration ration highly reliable and frequently used. This concentration formula requires more information than just the number of firms; this method takes into account the market share of each firm as well.

In terms of the characteristics of the banking sector of the Republic of Lithuania, as in the majority of cases of smaller countries, it is fair to mention the existence of non-market influence factors in relation to competition within the sector. It is mainly related to political influence, family relations, close associates and a combination of business

interests. However, it was assumed by the author that these factors are not decisive in the selection of the bank process, and the overall competitive atmosphere within the country is being formed based on market mechanisms. The table below demonstrates the standing of Lithuanian banks in the year 2018.

Country rank	World Rank	Bank	Assets US \$ m	Capital US \$ m
1	1.302	AB SEB Bankas	7.455	325.29
2	1.314	Swedbank AB	7.240	516.48
3	1.723	AB DNB Bankas	4.245	206.54
4	2.609	Šiaulių Bankas AB	1.841	99.06
5	4.404	AB Citadelė Bankas	439	46.82
6	4.939	Medicinos bankas UAB	264	21.66

FIG. 2. The Standing of Lithuanian Banks

Source: created by author based on the Bankers' Almanac (2017).

Based on these findings, the index of Market concentration (CR5) and the Herfindahl index (HHI) were calculated:

Lithuanian CR5	98.77
Lithuanian HHI	2807.28

Based on these findings, it can be clearly seen that the banking sector in the Republic of Lithuania is highly concentrated, and five major players of the market nearly acquire it fully. Additionally, it is demonstrated that the market has two dominant participants which together share the vast majority of the market. Therefore, the size of these entities enables them to hold influence on the sector overall, and the whole structure of the highly concentrated market leads to high entry barriers.

The entry barriers setting the banking market definitely have their logical reasons, the most of which are to support and protect the interests of customers, as this has a direct influence on the financial market and the socio-financial well-being of the population. When taking into account the most significant entry barriers within the banking sector, it is necessary to mention the licensing requirements from the regulatory side, the minimal capital requirements and the set qualification requirements in order to undertake any specific position. In practice, considering the minimal entry barriers based on the Basel III agreement, the financial regulator of a specific country has a right to change these requirements and strengthen them. This has resulted in an increase of minimal required banking capital in 2016 in up to five million euros in Lithuania. That decision was mainly done in order to decrease the number of instable, small-scale banks, increase of the average size of the banks and to attract foreign institutions to the market.

The table below demonstrates the standing of Danish banks in the year 2018.

Country rank	World Rank	Bank	Assets US \$ m	Capital US \$ m
1	58	Danske Bank A/S	479.110	3 114.11
2	243	Jyske Bank A/S	79.064	138.22
3	605	Nykredit Bank A/S	25.366	1 170.54
4	716	Sydbank A/S	20.769	107.96
5	1.055	Spar Nord Bank A/S	11.110	182.64
6	1.430	Arbejdernes Landsbank A/S	6.121	43.65
7	1.601	Saxo Bank A/S	4.874	9.94
8	2.003	Ringkjøbing Landbobank A/S	3.247	3.40
9	2.056	Vestjysk Bank A/S	3.072	21.97
10	2.140	Sparekassen Kronjylland	2.828	84.35

FIG. 3. **The standing of the top 10 Danish banks**

Source: created by author based on the Bankers' Almanac (2018).

Based on these findings, the index of Market concentration (CR5) and the Herfindahl index (HHI) were calculated for the Danish market:

Danish CR5	92.71
Danish HHI	5377.5352

A market is being counted as a highly concentrated one when the CR rate exceeds 70% and the HHI index crosses the barrier of 1.800. The banking sector is definitely always associated with higher concentration. However, in comparing these two economies, it can be clearly seen that the concentration found within the Danish market is twice as high as that in Lithuania. Currently, there are presented 49 banks on the Danish market as opposed to the six banks in Lithuania. However, even this variety of possible choice does not have any significant influence on lowering the concentration, as the CR5 index in Denmark is almost identical to the Lithuanian one. That fact is also confirmed by finding that the two leading banks in Lithuania together cover less percentage of the Lithuanian market than the largest bank of Denmark covers in its country.

Denmark has a comparatively large size of total assets under management. Moreover, we may quite clearly see that the dominant positions within the market are taken by local banks, and they are significantly overcoming any foreign-controlled entities, which is also different from the Lithuanian banking system, as it mainly consists of Scandinavian (foreign-capital) banks.

However, despite all market influence factors, the key figure in the whole business life of the bank is its current and potential customer base. Everything that is done by the banks should be somewhat beneficial to their customers. The ability to “move with the

times” and attract new customers is a decisive target objective for all banks, and this is the underlying purpose and main reason of all innovations conducted within the companies, their expansions, optimizations and other changes. We had arranged a survey among people working in the financial sector in order to find out the main criteria factors for them in the process of selecting a bank. As these factors can be widely interpreted, the table below demonstrates the meaning of each factor and its interpretation:

Criteria	Meaning of the criteria
The convenient location of an ATM	ATMs are located in every shopping center, near the work/home of the respondent and can be found in the city center.
Having another account in this bank	The respondent is already an active user of the bank’s services and decided to continue using the bank’s services.
The reputation of the bank	Negative/positive media attention associated with a particular bank.
The convenience of the application process	Application process required a minimum number of documents (only a passport etc.).
Lowest account fees	The account management fees in a particular bank are lower than in the suggested competitors.
The most appropriate interest rates	The interest rates in a particular bank are lower than in the suggested competitors.
Highly attractive advertisements	The particular bank was selected because its advertisements found on social media/TV/billboards and other outlets were more attractive than those of the competitors.

FIG. 4. **Description of criteria.**

Source: created by the authors.

The table below demonstrates the allocation of the customers’ preference in the process of selecting a bank.

Criteria	Evaluation by the respondent
The convenient location of an ATM	55.4%
Having another account in this bank	25.1%
The reputation of the bank	23.7%
The convenience of the application process	22.3%
Lowest account fees	18,6%
The most appropriate interest rates	11.8%
Highly attractive advertisements	4.5%

FIG. 5. **Survey results**

Source: created by the authors based on a launched survey.

Because of these responses, we can compare the Lithuanian and Danish branches under the abovementioned criteria. As some of these factors can be treated as non-material and uncountable, it is important to set clearly how all of these factors will be evaluated

and which figures will be used for their comparison. In the table below, we provide an explanation for evaluating and comparing each factor identified in the survey.

Criteria	Meaning of the criteria
The convenient location of an ATM	The number of the bank's ATMs is an evaluated aspect.
Having another account in this bank	This is sensitive and personal information; therefore, it was not a part of the comparison.
The reputation of the bank	The number of adverse media articles presented on the Dow Jones Risk and Compliance system.
The convenience of the application process	Documental requirements for application are the same for all banks located in the European Union, since all of them should follow the standards set by the 4 th AML Directive.
Lowest account fees	The account management fees are compared.
The most appropriate interest rates	The offered interest rates are compared.
Highly attractive advertisements	Marketing budgets are compared.

FIG. 6. **The evaluation of criteria**

Source: created by the authors.

After the evaluation and comparison, the criteria are set clearly for us to arrange an analysis of 5 largest banks of Denmark and 5 largest banks of Lithuania and compare them to our chosen bank in Denmark and its foreign branch in Lithuania on the basis of annual reports and financial statements for the year 2016/2017 of the Danish and Lithuanian banks. We do this in order to see how successfully have the banks met the expectations of their current and potential customers.

The table below demonstrates the standings of the Danish banks according to the evaluation criteria identified above:

Name of the bank	Evaluation aspect				
	Number of ATMs	Number of negative adverse media articles according to Dow Jones risk and compliance	Account management fees	Interest rates	Marketing budget (Mln EUR)
Danske Bank A/S	109	17	0 EUR	From 0.01% to 3%	34.975
Jyske Bank A/S	89	11	0 EUR	From 0.00% to 9%	5.77
Nykredit Bank A/S	43	4	0 EUR	0.05%	1.852
Sydbank A/S	180	4	0 EUR	From 0.2% to 2.1%	1.52
Spar Nord Bank A/S	82	0	0 EUR	From 0.01% to 8.8%	0.811

FIG. 7. **A comparison of the Danish banks according to the selected criteria**

Source: created by the authors based on information published by the banks.

The table below demonstrates the standings of the Lithuanian banks according to the evaluation criteria identified above:

Name of the bank	Evaluation aspect				
	Number of ATMs	Number of negative adverse media articles according to Dow Jones risk and compliance	Account management fees	Interest rates	Marketing budget (Mln EUR)
AB SEB bankas	609	2	3.30 EUR/Month	From 0 to 0.8%	0.544
Swedbank AB	816	8	0.70 EUR/Month	From 0 to 0.8%	0.529
AB DNB Bankas	609	3	2.20 EUR/Month	From 0 to 0.95%	0.31
Šiaulių Bankas AB	489	1	0.50 EUR/Month	From 0.35% to 1.8%	0.134
AB Citadelė Bankas	489	0	0.70 EUR/Month	From 0.15% to 1.13%	0.032
Danske Bank Lithuania	489	0	0.50 EUR/Month	0%	N/A

FIG. 8. A comparison of the Lithuanian banks according to selected criteria

Source: created by the authors based on information published by the banks.

After an analysis of the received data, it can be clearly seen that Lithuania is a more cash-preferring country – the high number of ATMs clearly demonstrates this aspect. Therefore, in order to gain a competitive advantage in this field, it is important to take into account the availability of cash machines and their quantity. Furthermore, it can be noticed that there is a direct link between the marketing budget and the standing of the bank within the market, as it can be seen on the example of Denmark – high marketing expenses can redeem the negative adverse media and reputational damage consequences. At this point, it is fair to mention that the banks in Lithuania do not suffer from a high amount of negative press: this is mainly due to the size of the market and the unique business identities and nature. However, the Lithuanian banking culture is still considering account management fees as one of the main sources of income, whereas a decrease of this aspect is noticed in Denmark, and an undertaking of such an approach in Lithuania might attract new potential customers.

It is not only important to identify the current gaps and opportunities in comparison with other market participants; it is also compulsory to take some actions and identify the specific needs of customers in order to cover them. Making this step is one of the most challenging processes of any organization or its branch. This aspect is so challenging mainly because it is essential to create a specific product or a service to be of specific quality – that which is expected by the customers – and sell it at a price that the customers are ready to pay. Therefore, we have also analyzed the product diversification of our chosen bank and its branch in order to identify, from this perspective, the similarities and contradictions in strategies.

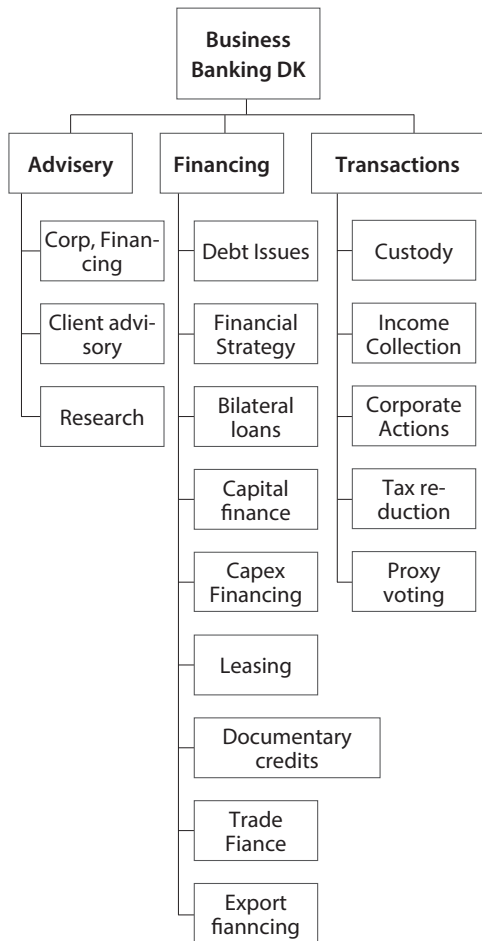


FIG. 9. **Product allocation of business banking products of the Bank**

Source: created by the authors based on the bank's website.

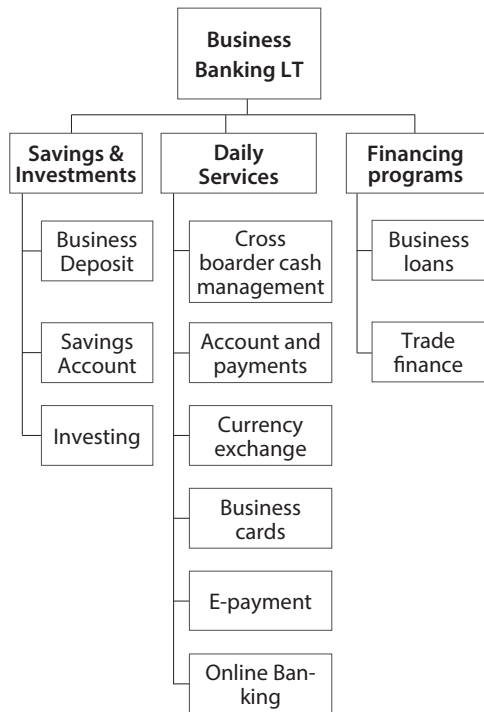


FIG. 10. **Product allocation of business banking products of the Branch**

Source: created by the authors based on the branch's website.

Despite the fact that the data on products of the bank and its branch were taken directly from their institutional websites and the documents of these entities, there is a noticeable difference in product diversification. The bank is providing a higher variety of products for its customers; moreover, there are limitations in terms of private banking, and a higher number of people can become customers of the bank in comparison with its branch. The decision on business banking concentration was made in 2015 and, according to the management of the branch, “retail banking in the Baltic States was not generating enough profit because of its scale.”

The product classification of Kolter Ph. counts products and services presented by the bank and its branch as consumers products, as the final consumer uses these services directly. Additionally, according to the classification of consumers' behavior, these products and services are bought only when the consumer feels a specific need for such a product. This is not self-actualization, status or an impulsive need; therefore, the consumer selects the service provider especially carefully. Therefore, out of the product range presented by the bank and its foreign branch, it can be seen that the bank has more opportunities to meet the exact need of the customer due to higher product diversification and wider operations area. Whereas a low variety of products is a gap for the branch, potential customers are now receiving these products and services at the competing banks.

In addition, it is important to not forget about the fact that the successfulness of the enterprise depends not only on the appropriately offered products and the timely met customer expectations. People

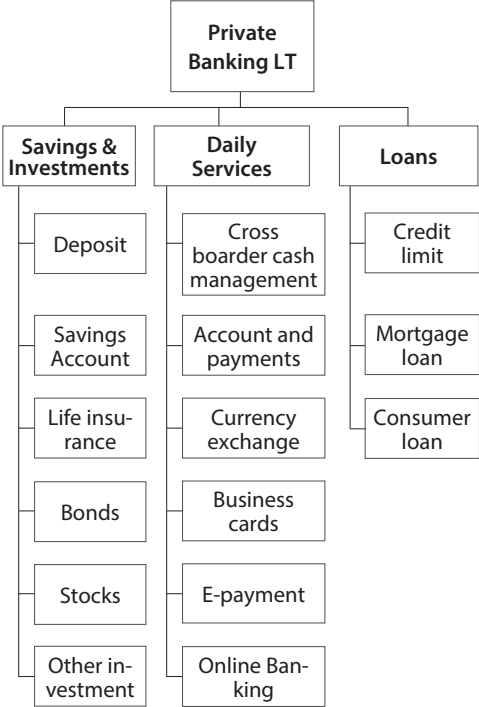


FIG. 11. Product allocation of private banking products of the Branch

Source: created by the authors based on the branch's website.

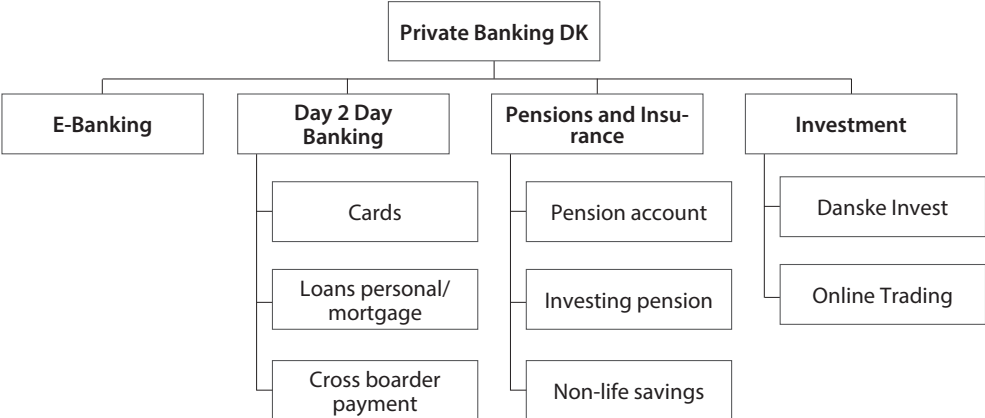


FIG.12. Product allocation of private banking products of the Bank

Source: created by the authors based on the bank's website.

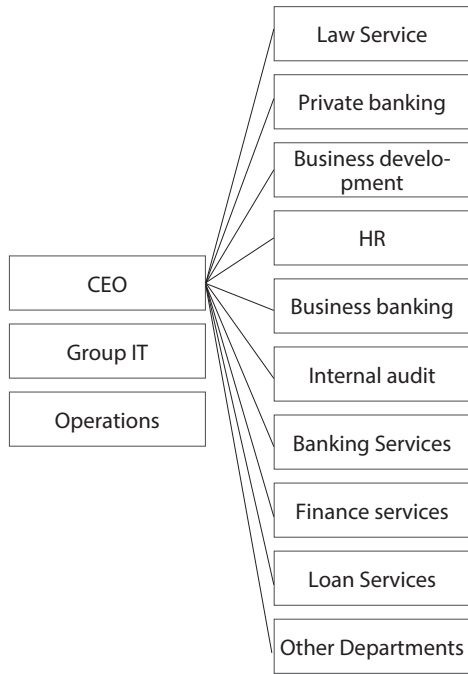


FIG. 13. **The management structure of the Branch**

Source: created by the authors based on the branch's website.

The bank is managed with an understanding that having both a mission and vision sets the directions of the overall operations of an entity. The bank's management is fully concerned with that the employees of the bank should be always provided with relevant

inside the organization and the overall internal-strategy units also are important as factors mentioned previously. In order to challenge the approaches of both entities, we have analyzed and compared the organizational structures of both institutions (see Fig. 13).

Both these organizational graphs demonstrate that hierarchy within the bank is executed more clearly; the fact that the Executive Board is the subject of reporting to the Board of Directors ensures that the interests of all parties (the shareholders, employees and customers) are taken into consideration. Meanwhile, in the foreign branch, only the CEO makes all key decisions, while the shareholders and stakeholders do not participate in developing a strategy.

In terms of strategy, out of these two entities, only the bank has demonstrated a clear mission and vision on their website.

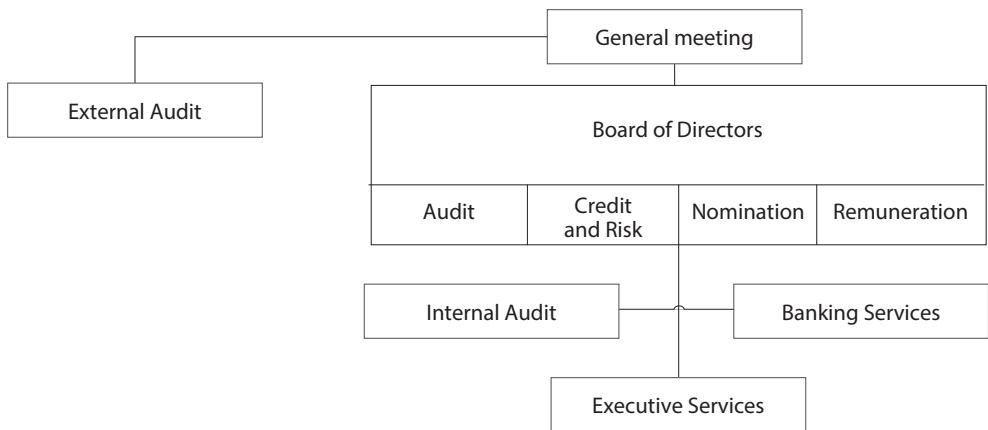


FIG.14. **The management structure of the Branch**

Source: created by the authors based on the bank's website.

and on-time information, as the employees of the bank are that part of stakeholders which brings and makes profit for the organization.

In relation to the foreign branch, such information was not presented neither on the branch’s website nor in its annual reports of 2015, 2016 and 2017; such information was also not present in the parent company and in the investor relations sections. All this demonstrates that the foreign branch of the bank does not have any mission or a vision and is devoid of any particular direction of where the branch is actually moving in terms of market orientation. Therefore, there is no strategical planning, which plays a principal role in the actions of any entity.

Conclusions

For each entity, in order to gain a competitive advantage within the market, it is essential to analyze and predict the actions of their competitors. In order to achieve and implement this process successfully, it is important to set the process based on the findings that were discussed in this article. A summary of the comparative analysis of both entities, their opportunities and gaps can be provided in the table below.

Entity	Advantages	Gaps
Bank	<ul style="list-style-type: none"> • High market concentration (CR5: 92,71) and strong positions of a dominant bank (HHI: 5777,54); • Strong flow of strategic planning; • Higher focus on both market and organizational needs through the Board Management system; • Highest marketing budget out of all analyzed banks; • A high variety of offered products; • No account management fees. 	<ul style="list-style-type: none"> • Approximate minimal wage in Denmark is 2.217 EUR, while in Lithuania it is 380 EUR; • A shortage of appropriately skilled employees especially in the IT development and implementation field; • Reputational issues which arise in the media regarding the bank.
Foreign Branch	<ul style="list-style-type: none"> • The competitive advantage is formed through economic situation and a low cost of living. Therefore, the branch has a lower number of employees and, due to that, the operational costs are lower; • A high focus on business banking enables to develop a specific approach to each client and concentrate all resources in one field; • The market is not dominated by one single entity; therefore, there are opportunities for growth (HHI: 2807.28). 	<ul style="list-style-type: none"> • A flow of strategic planning; • A significantly lower focus on retail/private banking; • A low variety of offered products; • A comparatively low number of ATM machines in the country; • Hierarchical structure within an organization does not represent all of the stakeholders.

As it can be seen from the table above, a branch has rather more gaps in comparison with the bank. Moreover, these gaps tend to influence the competitive advantage of the branch much more than the gaps of the bank. The major problem of private banking in Lithuania, according to branch management, was the small size of the market – too small to generate any reasonable outcome. Therefore, the top management of the bank is concerned that after selling the private banking business, there will be a possibility to enlarge the focus on private VIP customers and the business banking sector. As due to the top management of the branch, a coordinated and narrowed approach toward a specific aspect allows the undertaking of strategically approved decisions. However, on the other hand, marketing and the positive experience of private banking are one of the key factors that convert, with time, a private customer into a business client, especially in the segment of SME. Therefore, from the perspective of the image of the branch canceling its private banking activities had negative influence on image of the branch.

After a more in-depth analysis of these two entities, it can be seen that the foreign branch did not become more successful than its parent company. The competitiveness of the bank in its country of residence is much stronger compared with its foreign branch. The bank is offering a wider range of products to its customers at similar or sometimes even lower prices as compared with its branch. Furthermore, strategic planning and the involvement of all interests of the stakeholders in the decision-making process ensures that the bank's focus is not only on profits but also on opportunities and gaps in strategy, its operations and the stimulation of achieving its mission and vision.

Therefore, a strategy for gaining a competitive advantage for a branch, after evaluating the competitive strategy of the bank, should focus on developing its clear vision and mission, evaluating its internal resources in order to focus on strategic planning and involving the ideas of its stakeholders into the decision-making process, which could afterwards change the standing of the branch within its market.

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