



Distance to local bank branch does matter for Germans

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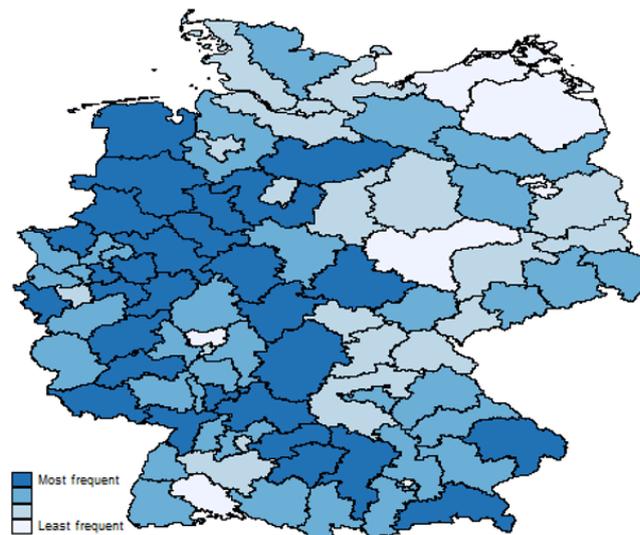


The future of bank branches has been under scrutiny for some time due to the increased usage of online and mobile banking. On top of the general trend, regional differences in demand for branch services may have important implications for the future of branch networks. Structurally fewer client visits in certain regions may exacerbate the pressure to close branches. Within Germany, the number of bank branches has declined sharply from around 40,000 in 2007 to some 28,000 in 2018.

Thus, customer visits in branches and regional differences are worth a closer look. We use a proprietary dataset that includes the share of clients who visit their local branch at least once per year. Crucially, we only count visits where clients have an appointment and want to interact with bank employees. This excludes pure self-service activities such as withdrawing cash from an ATM. To locate the clients, we use the first two digits of the zip code, obviously a substantial aggregation with limited information at the micro level.

Bank branch visits in Germany

Branch visits with an appointment at least once per year, customer share in %



Note: For a proprietary sample of 48,281 clients. Most (least) frequent refer to a share of up to 43% (as low as 20%).

Source: Deutsche Bank Research



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At first glance, meaningful regional differences are evident. In regions with low population density, there tend to be fewer branch visits. For example, in parts of Mecklenburg-Western Pomerania and Brandenburg where the number of residents per km² is lowest in Germany, there are fewer branch visits on average (around 25% of clients visit a branch). In contrast, in North Rine-Westphalia, Baden-Wurtemberg or Hesse where population density is high, branch visit numbers are also considerably higher (up to 40% of clients). Interestingly, however, in the largest cities such as Berlin, Hamburg, Munich or Frankfurt, clients visit branches less often. This might indicate that the positive link between visits and population density is not linear. A hump-shape relation seems to exist, with the number of visits increasing with population density up to a point and decreasing in urban areas afterwards, probably due to a younger and hence more tech-savvy population.

Proximity to the nearest bank branch may explain why Germans visit branches at a lower frequency in remote, i.e. less populated areas.[1] Actually, two factors compound each other here. First, the overall lower population density in the East of Germany and second, a lower branch density relative to the population. There are only 30 branches per 100,000 residents in the East compared with 45 in the West (latest available figures are for 2013 though). Both factors together lead to a drastically lower number of branches per km² in the East (0.07) than in the West (0.2). As a result, in the East, clients on average need to travel 13 km to the next bank branch compared to 9 km in the West. Fewer branch visits, in turn, might trigger a side effect: an increase in online banking penetration. And indeed, in Saxony, Thuringia or Schleswig-Holstein, a larger share of clients perform banking services online compared to Baden-Wurtemberg or North Rine-Westphalia.[2] All in all, while greater distance tends to dampen bank branch visits, it probably increases the use of online alternatives in Germany. This also opens up the possibility of a vicious circle of branch closures leading to fewer visits which again lead to more branch closures.

See also [“Who still visits a bank branch in Germany?”](#)

[1] KfW Research (2015), 25 Jahre freier Bankenmarkt in Ostdeutschland – Deutlicher Rückbau seit Wiedervereinigung, Fokus Volkswirtschaft, Nr. 99.

[2] Postbank Study (2016), Deutsche wollen Online-Banking und Filiale.

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