Vanishing Branches

A lot has been written about the advent of online banking, with the ability to deposit checks through an app and earn significantly higher interest on whatever you deposit. But the other side of the trend is that it is becoming increasingly hard to find a convenient local bank branch.

A recent report by the DataStream website tallied up a total of 1,251 branch openings last year, which sounds positive until you discover that 2,788 branches were closed in the same year—resulting in a net loss of 1,537 branch locations around the country. In 2019 the banking industry experienced a net loss of 1,630 locations. In 2013 through 2018, the net losses were 1,030, 1,645, 1,480, 1,742, 1,921 and 1,571, respectively.

The article notes that nearly 50% of traditional branch banking activity can be conducted online today, and some digital-savvy younger customers have never seen the need to visit a bank office. Not surprisingly, the banking giants, who built their companies on brick-and-mortar convenience, are having trouble meeting the competition. Since January of 2011, Wells Fargo’s stock price performance has lagged the S&P 500 by 193%, while Citigroup’s stock has underperformed by 160% and U.S. Bancorp stock by 115%.

The trend is not the traditional banking industry’s friend. We can see the future in China, where 81% of smartphone users have adopted mobile payments. We are moving toward a day when visiting a bank branch and using physical cash will be remembered the way we now remember rotary phones.

Source:

<https://www.visualcapitalist.com/branch-banking-is-dying/>