

Branch Transformation at Extraco

Extraco Banks executive Sandra Dixon explains how her company spent six years transforming its retail operations from top to bottom. BY KENNETH CLINE

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It's a truism in the industry to say that retail banks need to experiment more with change in an era of shrinking revenue and declining branch traffic but the fact remains that few institutions go beyond cosmetic modifications.

One major exception is the \$1.2 billion-asset [Extraco Banks of Temple, Tex.](#), which spent the last six years radically transforming its branch delivery operations in terms of architectural design, staffing models, technology and training. So innovative is Extraco's approach that the company has even applied for a patent on its "[SWARM methodology](#)" for greeting customers, which won a [Model Bank 2011 award](#) from the Celent consulting firm.

[Sandra Dixon](#), an executive vice president and group executive, operations, at Extraco, [will appear](#) at this year's [BAI Retail Delivery](#) to explain her company's approach to branch transformation. In the interview with Dixon below, *BAI Banking Strategies* explores some of the highlights of this transformation – including how this SWARM thing really works.

Q: There's been a lot of talk in the industry recently about the future of the branch as customers migrate to electronic channels. What's your view?

Dixon: All of us, I think, are experiencing a decline in foot traffic in our lobbies. But in our opinion, branches aren't dead; they just need to be transformed somewhat. We need to look at how we deliver products and services through our branches.

With our tracking system, we know the average number of transactions conducted in our 16 branches in any given month. We have watched the number of transactions decline as customers started using electronic channels. But it's still a pretty large number; people are still coming into the branch for customer service, for a loan, to open a new account, for investments, insurance, etc. So, we still feel very strongly about the importance of the branch as a delivery channel. We've focused on making that experience better and more cost-effective.

We had already re-designed our branches according to the most current ideas. For example, we had a concierge desk at the front from which to greet customers and a resource center stocked with financial magazines and newspapers. We had a "technology wall," where we could show people how to use the technology that we offer our customers. And we had a coffee bar as well as a kid's zone.

But the concierge desk turned into a bottleneck. You'd have one or two employees there trying to handle different customers and, if they got detained on a particular issue, new customers weren't greeted. The relationship bankers (RBs) were hidden away in private offices. And our tellers, even though they were incented to do profiles and sales referrals, were also worried about balancing their cash for the day – administrative work.

We looked at all of those pieces and it just felt wrong. Our vice chairman and chief sales officer, James Geeslin, said he wanted to see our employees “swarming” our customers, by which he meant getting engaged with customers and talking to them. That set us to thinking. We decided that every customer should be greeted within five seconds of walking in the door. We wanted all our employees to be RBs – not just customer service representatives, not just tellers, but universal employees who could handle many jobs. And we wanted them out in the lobby, engaged with the customers; we wanted them swarming, which is how we came up with the “SWARM Banking” concept.

To keep employees focused on the customer rather than administrative duties, we had to focus on streamlining those duties in the best way possible. We tore down every process we had in the lobby, from opening a new account or loan to teller transactions, and rebuilt them, taking out as much administrative work as we possibly could. We had seen a statistic indicating that about 60% of a frontline bank employee's time is spent on administrative duties. So, we had to look at everything with an open mind: is this something that we did simply because we always did it that way? What value did it really bring to the customer or to the bank?

So, we eliminated some things and streamlined others by using technology such as cash recycling and teller deposit capture. We also looked at employee turnover. Customers told us in surveys that they don't like employee turnover. And where is most of the turnover in your bank? It's in your teller line, especially if you use part-time employees, so we knew we had to fix that. Our desire to enhance the customer experience turned into the SWARM methodology, for which we have a patent pending.

To eliminate administrative work in the branch, we used [Talaris](#) cash recyclers. We told the vendor that we were trying to get relationship bankers out in the lobby and they said, why don't you look at the "[dialog tower](#)" concept, which is a piece of furniture housing a cash recycler machine that can be placed in the middle of the lobby with two employees, one on each side. Those machines, integrated with [Jack Henry's Teller Automation and Teller capture systems](#) featuring virtual tickets, enables the relationship bankers to get out into the lobby.

In a typical bank, the teller enters in the morning, goes to the vault for a cash tray, sets up their station and then monitors whether they need to buy or sell money to the vault throughout the day. At the end of the day, they take between 15 to 30 minutes to balance. In the recycler/teller capture-at-the-platform environment, you take 10 seconds to open up in the morning. You don't ever buy or sell from the vault – the money comes straight out of the vault of the cash recycler – and it takes the employee less than 30 seconds to balance in the afternoon. So, you can see a huge time savings there.

That got the RB out into the lobby and simplified the transactions. If the customer wants to open a new account or loan, you can, of course, take them back to a private area to do so. But simple transactions can be performed in the lobby with one of the RBs. For something more complex, like check or debit card fraud or account reconciliation, we moved customers to video phones in our lobbies. The RB escorts the customer to the video phone area and explains how it works. An employee from our customer care center appears on the screen and works to quickly and efficiently help the customer with his problem. And the RB stays engaged with the customer to make sure they're comfortable with this self-directed environment.

In order to speed up communication within the branch, our employees wear two-way headsets with discreet microphones. They can simply speak into the microphone about whatever they're doing, like taking a customer to a private area and asking someone else to cover their station. So, everybody in the branch knows what's going on. The whole concept is also a great robbery deterrent.

It's a simple, fast and fun way of doing banking, which is one of our corporate core values. And we've been able to reduce staff by one-and-a-half to three full time employees per branch because of the automation and streamlining of processes. We've had an 18% increase in depository balances over about a two-year period with no addition to staff. Most importantly, our turnover ratio has gone from 60% down into the teens, which is huge and saves on training.

Q: So the new technology has made a huge difference in improving both customer service and efficiency?

Dixon: It's a matter of changing the processes using the new technology but more importantly it's also changing the retail culture – training people correctly and leading them through the change. With any project, if you don't properly lead people through the change, you'll run into problems when you try to implement.

There are so many elements of SWARM Banking that we had to work through. We're not perfect; we make mistakes. You can roll out a project and wonder, after some time: okay, did we forget about change management here? But we feel that we've got a good grasp on it now and it's made a big difference. It took us six years of work.

Q: Some of my readers might be surprised to see so much innovation coming out of a community bank in central Texas. What's the origin of all this re-engineering?

Dixon: It goes back to our former chairman, S. Spencer Brown Sr. He used to say, "You can move forward and you can move backwards, but you can't just sit still." Quite frankly, we knew moving backwards was not an option. His son, S. Boyce Brown, who is now chairman and CEO, is very much in that mode.

We've always looked to innovation to set us apart and not just for the sake of innovation – it has to match up with what our customers want. We do a lot of customer surveys. If we receive a negative response, we go back to that customer and ask how we can fix the complaint. We have a place on our Website where customers can provide anonymous feedback and we have computer programs that analyze all the data.

I think the key to our success is making sure that we are an engaging company for which to work. In our hiring process, we look for change-oriented, happy people, because you can't get to simple, fast and fun banking if you don't have a happy person and you can't get to simple or fast if you don't have somebody who's innovative.

Mr. Cline is managing editor of BAI Banking Strategies. He can be reached at kcline@bai.org.