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RETAIL DELIVERY

## Branch Makeover Boosts Sales, Service

By Katherine Kane

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**When Extraco Corp. of Waco, Texas, set out to overhaul its branches six years ago its primary goal was to create an atmosphere that allowed employees to better engage with customers.**

So out went the traditional old teller stations where customers waited in line to be called and in came an open floor plan in which "relationship bankers" roam the lobby and greet customers seconds after they walk in the door. Service is coordinated via headsets and the bulk of the transactions take place not at teller windows, but at "dialogue towers" equipped with high-speed check scanners and cash recyclers.

The new branches require less staff, which has helped Extraco lower its overhead at a time when all banks are looking for cost savings. Perhaps more significantly, the redesign has freed employees up to do more cross-selling, which has resulted in an uptick in sales of insurance and investment products.

"Everything we have [employees] do has to be in its simplest form so they can focus on that customer, not on administrative duties," says Sandra Dixon, an executive vice president and group executive for operations at the \$1.2 billion-asset Extraco.

Dixon says that the makeover, which started with the first tower in 2008 and was completed in 2010, has also made for a more pleasant banking experience for customers.

Internal surveys show that customer satisfaction levels have soared since its 16 branches were redesigned. Meanwhile deposit levels — perhaps the most concrete measure of customer satisfaction — are up more than 14% since the end of 2008, well above the industry average for banks in Extraco's asset class.

Extraco is not the first bank to soup up branches with the latest technology in an effort to improve the customer experience, but it has been among the most successful.

And with more and more small banks re-evaluating their branch networks in search of cost savings, changes Extraco has made could serve as a guide for other banks seeking to improve efficiency without sacrificing service.

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Indeed, many are already turning to Extraco for advice. The company recently set up a side business consulting to community banks on branch design and it already has nearly three-dozen clients.

"I've attended several conferences," Dixon says, "and the overwhelming comment I hear from people who attend those is 'this is what we want to do, we just don't know how to get there.' And that's where we think we can help."

The bank's impetus for change sprang from the enactment in 2003 of The Check Clearing for the 21st Century Act, known as "Check 21," which allowed financial institutions to process check information electronically. "We wanted every point that we engage with a check-type transaction or cash transaction in an imaged format," Dixon says.

The towers are equipped with high-speed check scanners and cash recyclers, which accept and dispense money and eliminate the need for a cash drawer. This hardware integrates with a core system platform and other systems from **Jack Henry & Associates**.

Each transaction experience is as paperless as possible, other than a receipt at the end. Virtual deposit and withdrawal tickets are shown on a screen at the tower, which Dixon says are a hit.

One big decision the bank faced early in the process was whether to reconcile transactions right at the point of presentment (known as "teller capture") or at the end of the day (known as "branch capture"). Extraco decided to do it all at the point of presentment so that a deposited check "never has to be touched by human hands again," Dixon says.

The switch to the teller capture approach allowed Extraco to cut back on 6.5 full-time employees, mostly back-room staff. Following that, the introduction of technology used in the towers allowed for a reduction of 1.5 to three employees per branch, which Dixon says the bank did all by attrition.

So how do you complete the transactions in real time, without making the customer wait?

"The key to success of that is to get a high-speed scanner and to get good read rates on that, and have a good teller capture platform system," Dixon says. Extraco gets a 90% read rate on scanned checks, meaning only one in 10 scanned checks require rekeying. The "speed keys" — shortcuts for certain transactions — help keep the transactions moving quickly.

Videoconferencing and branch traffic analytics also play an important role in the flexibility of Extraco's retail model, allowing the branches to draw on staff from the bank's three customer care centers.

When a customer comes to a branch with a more complex problem — Dixon gives the example of debit fraud — the relationship bankers can summon experts at the customer care center, who normally support their multiple channels (e.g., phone, online chat), to help via videoconferencing. In such a case, the customer would be taken to a videoconference room and the care center staff person with niche expertise would be able to work with the customer and print necessary documents remotely.

The branches can also tap help from the customer care centers at particularly busy times. Extraco uses technology from **Financial Management Solutions** to analyze and forecast its branch traffic patterns. FMSI gives Extraco predictions for 30-minute increments for the coming month based on past data. When an uptick in traffic is expected, staff from the nearest customer care center can be floated to the branches.

Extraco's efforts to revamp the branch experience have also led to a whole other business line: consulting.

Extraco formally started consulting as a business line in January 2011, when another bank asked it to do a day-and-a-half workshop. "They were coming in to see the Jack Henry products and we introduced them to what we were doing in our lobby environment," and it went from there, Dixon says.

In October Extraco launched its consulting business as a separate division and it now has roughly 35 active clients.

"Banks really can be inundated with consultants, people who are not bankers ... and want to charge a bank an exorbitant fee," says Misti Mostiller, a senior vice president, director of retail and managing director of Extraco Consulting. "The lightbulb at some point went off for us. If we can help community banks that are outside of our footprint ... it's profitable for both of us."

The division gives workshops on specific topics as well as long-range customized contracts (18 to 24 months) with other banks outside of its area of operations.

In terms of revenue, the consulting business has "exceeded our revenue target for 2011 by more than 268%," according to Lindsay Green, vice president, director of marketing and business development for consulting, and it is "on pace to meet our 2012 revenue target."

**CCB Community Bank** in Andalusia, Ala., has been an Extraco consulting client since last August. The \$400 million-asset CCB is looking to expand in the Florida market, and its sales manager, Don Collins, says he believes implementing an Extraco-style branch model will help the bank gain market share. It will be doing a pilot test in a new branch in Niceville, Fla.

Collins, who is also the Niceville city president, put Extraco to the test when he visited Texas. After touring the branch where it had corporate offices, he recounts saying to Extraco officials: "I want you to take me to three branches, do not call them, do not tell them we're coming and let me walk in first. You guys have shown me the Cadillac, I want to see the Chevy and kick the tires and see if it's as consistent across lines as you're saying." And it was. "Every branch I went into I was greeted at the door, I was greeted properly, it was just as they said it would work," Collins says.

Extraco has aimed to have "the feel of a hometown bank with all the bells and whistles of a larger bank," Dixon says. For instance it added consumer remote deposit to its multichannel services this past fall. One of the bank's strengths is it has "blended the good old-fashioned customer service, face-to-face service, with the technology to make it a 'wow' for the customers," Collins says.

With branch traffic steadily declining as more and more customers bank online, Collins says it is crucial for branch personnel to create "the optimal customer experience."

Dixon could not agree more. "The branch is not dead," she says. "But you've got to change it."



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