

# FMSI Case Study Library

## A Visit to the Branch of the Future Today

A Conversation with Sandra Dixon,  
EVP/Group Executive – Operations, Extraco Banks



Since the inception of banking, financial institutions have been in a constant state of change. From ancient Romans perfecting the administrative aspect of banking to American bankers installing drive-thru windows, banking institutions have sought ways to improve the delivery of fiduciary services. Extraco Banks, a \$1.2 billion community bank with 15 branches in central Texas, is no exception. Not satisfied with incorporating new technologies for the sake of change alone, Extraco has taken a quantum leap—incorporating the best of in-branch systems with the latest and best banking technologies to improve the customer lobby experience while creating internal time and cost saving efficiencies.

“TMS gave us detailed data and performance projections based on our historic branch transaction activity, and was essential to understanding our performance levels, volume fluctuations, and traffic patterns.”

-Sandra Dixon  
EVP/Group Executive - Operations, Extraco Banks

The following is a Q/A session with Sandra Dixon, EVP of Extraco, who was instrumental in the design, development, and implementation of the enhanced branch banking environment at Extraco.

FMSI/Davis: What specifically prompted Extraco Banks to rethink its branches?

Sandra Dixon: Over the past several years, Extraco has focused on two critical areas: self-directed services and branch delivery. Self-directed services give customers control over how, where and when they bank. With the expansion of such services in mind, we redesigned our website, adding new features such as online account opening, online lending, live chat, and a life event assistance tool. We also added remote deposit capture for commercial and retail customers, mobile banking services, and image-enabled depository ATMs (our latest addition).

Naturally, these improvements created more demand for this delivery channel, while demand for branch activity declined. Consequently, Extraco turned its focus on the critical branch delivery channel in order to maximize personal customer service while creating a more cost-effective branch. Our goal was to put our customer focused Relationship Bankers (RBs) in front of our customers 100 percent of the time whether

it was for a check/cash transaction, customer service issue, or new deposit/loan activity. In order to meet that goal, we had to find the most integrated and seamless technology solution available to reduce the administrative and operational duties historically inherent in traditional bank branches.

FMSI/Davis: What was the first step in determining how best to do this?

Ms. Dixon: The first step in redefining our branch model was to analyze and evaluate the branch performance environment. To accomplish this goal, Extraco utilized the Teller Management System™ (TMS) provided by Financial Management Solutions, Inc. (FMSI). The monthly TMS reports gave Extraco detailed performance management information for our entire branch network. Over time we utilized the TMS reports to collect and analyze performance trends in critical areas such as transactions per hour. How do you run your business without knowing your numbers? TMS gave us detailed data and performance projections based on our historic branch transaction activity, and was essential to [understanding our performance levels](#), volume fluctuations, and traffic patterns. This critical information helped us redesign staffing, customer service, even our branch hours.

FMSI/Davis: What does this redefined branch look like?

Ms. Dixon: The branch now has Dialogue Banking Towers™ (towers/pods) located throughout the lobby where any customer activity (e.g., service issue, account opening, loan funding, transactional processing) can be handled, creating one-stop shopping for our customers. Next, we modified the traditional teller line—actually cutting through the “sacred” granite counters to create an opening—which allows the RBs the flexibility to move freely throughout the lobby to assist customers. Then we redesigned the [lobby flow](#) to create open areas that facilitate conversation with and service to our customers, while reserving traditional office space for confidential or more complex transactions.



Dialogue Banking Tower

We coupled the new towers/pods and modified teller lines with Talaris Vertera™ cash recyclers with dual coin counters interfaced to Jack Henry (JH) Vertex Teller Capture. The cash recyclers accept cash deposits, verifying and authenticating bills before securely storing them, as well as dispense cash so that RBs are free to focus completely on the customers. JH Teller Capture scans and captures checks in real time at the point of presentment and interfaces with the teller platform system to [expedite transaction processing](#).

Last, we added several amenities to make the lobby more customer friendly. RBs use headsets to communicate with each other to [ensure lobby traffic is served promptly](#) and efficiently. Educational towers throughout the branch highlight our products and services, while a technology wall lets customers try the latest technological innovations first hand. Specialty coffee, premium snacks, and the latest financial and national news publications are available at our coffee bar and resource wall. And for those self-directed customers who may find themselves in the lobby, we even added video conferencing so they can work direct with our Customer Care Center on their issue.

The best change is the overall atmosphere. While the equipment and design are key elements, it's the quality of our well-trained staff that makes it work.

FMSI/Davis: Why did you select teller capture over branch capture?

Ms. Dixon: In 2007, we researched both teller capture and branch capture for our over-the-counter items. We had just completed the imaging solution for our incoming and outgoing cash letters and had implemented Merchant Capture for our business customers. We felt Merchant Capture was an important first step to implementing capture in the branch by eliminating high volume check imaging from the branch. Merchant Capture has proven a win for both the customer and the branch.

Extraco was already using the JH [Vertex Teller Automation System™](#) to process transactions. Since Extraco was operating in a PC environment required for teller capture, the JH Vertex Teller Capture system was a perfect choice. Teller capture images documents at the point of presentment, rather than behind the counter as in a branch capture environment. With teller capture, Extraco eliminated backroom operations saving us 6.5 FTEs. The implementation time permitted us to make those reductions by repositioning staff through attrition. It took just over a year to recoup our investment.

Teller capture all but eliminates customer errors, second-day balancing items, and conversations between front line and back office to repair items the scanners cannot read. Extraco uses Digital Check TS230 scanners that read 100 documents per minute with a 90-95 percent read rate. A deposit consisting of four checks and one deposit slip, for example, can be processed from start to finish in 12 seconds. The JH system color codes items that need to be repaired. The customer no longer has to wait for several days to get a deposit correction notice in the mail, and resolutions of out-of-balance deposits are almost non-existent. Large check deposits can be suspended, a receipt given to the customer, and checks imaged later during what FMSI identifies as “waiting for work” time.

The two best features of a teller platform and teller capture system are speed keys and virtual tickets. Speed keys are shortcuts set up to expedite transactions with little effort by the staff. Virtual tickets replace paper documents like teller ins/outs and general ledger. In addition, we no longer require a withdrawal ticket or cash deposit ticket for transactions of \$250 or less. The bank saves approximately \$8,000 per year in paper costs.

Teller Capture also allows us to extend our business day to closing time (rather than having a cut-off earlier in the afternoon) giving customers an expanded time frame in which to make deposits. Eliminating a mid-afternoon balancing process also simplifies staffing. And, because Teller Capture uploads transactions every five minutes, we can submit the majority of our outgoing cash letters by our 4:00 p.m. deadline for same-day availability.

FMSI/Davis: How are you handling cash transactions in this new environment?

Ms. Dixon: Our goal was to make traditional teller functions as simple as possible. We did not want our RBs to have to set up and balance cash. This would have put them in a heavy administrative environment, which is exactly what we were trying to avoid. We purchased Talaris Vertera cash recyclers with dual coin dispensers so transactions could be handled at the towers/pods as well as the modified teller lines. The Talaris recycler cuts a cash transaction time in half. Coupled with a Talaris dual coin dispenser, the recycler can cash a check in less than 10 seconds. On average, cash-in can be processed in 25 seconds versus 60 seconds, a 58 percent savings. Cash-out transactions can be processed in 12 seconds versus 32 seconds, a 60 percent savings in time. Both cash transactions are performed with 100 percent accuracy thanks to the recyclers. Vault buys/sells average a 75 percent to 85 percent reduction and no longer require dual control, freeing up valuable supervisor time in the branch.

Teller capture interfaced with a recycler allows the RB the flexibility of signing on at any PC assigned to a recycler at a tower/pod or the modified teller line to perform a traditional teller transaction. Morning set-up requires approximately 15 to 20 seconds, end-of-day balancing only 30 seconds. The RBs buy/sell any cash involved in customer transactions directly from/to the recycler. These new changes alone eventually resulted in significant staff reductions per branch (on average, 1.5 to 3 full-time equivalents, all of which we phased out through attrition).

Last, our branches feature the [Talaris self-service lobby QuickChange coin counters](#). Customers can have coins counted and deposited immediately rather than leaving change with a RB and receiving a deposit slip several days later. The QuickChange also simplifies coin processing for the branch by producing Fed-ready bags. And RBs can deposit loose coin using the QuickChange, avoiding exposed money and eliminating the need to count before end of day.

FMSI/Davis: How did your customers respond?

Ms. Dixon: Our customers have responded very positively on the enhanced service. They love the prompt greeting and the personal attention provided by our RBs. Being able to complete banking transactions with just one stop at multiple locations throughout the lobby has been a frequent compliment of the new branch design.

FMSI/Davis: This is quite the undertaking. How did you approach this change from a management level?

Ms. Dixon: Senior level management realized that organizational focus was essential for meaningful change to take place. With this in mind, we established several committees, including Innovation, Productivity/Delivery and Empowerment, which were instrumental in creating, streamlining and perfecting the concepts. The committees were cross-functional teams with representatives from Retail, Operations, Information Systems, Compliance and Marketing. Over time these combined groups identified and formulated a plan that resulted in the branch you see today.

To ensure success of this plan, we undertook three critical steps. First, we literally dissected every function to eliminate administrative duties so our RBs could focus on the customers. Second, the RBs were trained extensively in new accounts, customer service, and teller services. Third, the recyclers, teller capture, speed keys and virtual tickets were integrated to make this new environment possible.

FMSI/Davis: What companies did you partner with?

Ms. Dixon: We had great partners in this endeavor including: Financial Management Solutions, Inc. [www.fmsi.com](http://www.fmsi.com) who supplied our ongoing performance management reports, Jack Henry [www.jackhenrybanking.com](http://www.jackhenrybanking.com) our core processing and teller platform/capture solution, and Talaris [www.talaris.com](http://www.talaris.com) who supplied the cash recyclers and customer coin dispensers.



Intelligent Teller Machine

For our latest addition—10 self-serve 38 NCR image-enabled depository ATMs—we worked with NCR [www.ncr.com](http://www.ncr.com). These new ATMs accept cash and check deposits via imaging, giving our customers 24/7 transaction processing. The new ATMs have been a huge success with our customers. Within four months, the volume of deposits at our iTMs—our trademarked name for these machines—has grown to over 8,000 per month. The FMSI branch hours report helped us determine the iTM placement, and in some cases, reduce branch hours knowing customers could still make both cash and check deposits with the new machine.

All of these partners are great. Simply put, you just can't beat their solutions.

FMSI/Davis: What's in store for Extraco Banks in the future?

Ms. Dixon: We will continue to strive for ways to implement the most [efficient banking technologies](#) that support our mission. We will continue to study our external environment as well as our statistical information, looking for ways to simplify and enhance service. The sooner you implement strategic, well-designed improvements, the greater your benefit in terms of customer service and savings. It is a proven approach that we intend to continue.

#### About Extraco Banks

Extraco celebrated 100 years and three generations of family management on July 12th, 2002. Founded as a cotton warehousing company, today Extraco is the largest and most comprehensive independent financial institution headquartered in central Texas. It exceeds \$1 billion in assets, serves 153,000 customers in 15 branch locations, participates in hundreds of volunteer community leadership roles, and, most importantly, employs over 400 central Texans. The company conducts business in several central Texas communities including Georgetown, Killeen, Harker Heights, Copperas Cove, Waco, Temple, Belton, Troy, Lorena, Gatesville, Hamilton and McGregor, and offers trust, insurance, brokerage, mortgage, technology, and a wide variety of traditional consumer and commercial banking services. Over the last decade, Extraco has developed a one-stop financial center vision that offers a superior experience to its customers.

#### About Financial Management Solutions, Inc. (FMSI)

Located in Atlanta, GA, and established in 1990, FMSI provides easy-to-use, yet sophisticated, systems—[The Teller Management System™](#) (TMS) and The Lobby Tracking System™ (LTS) – that allow financial institutions to manage and staff to meet service and sales needs like never before. We offer the ability to schedule the FI team throughout a branch network to meet traffic demand, and to manage the process through easy to read color graphics and succinct performance management reports.

FMSI provides decision support tools and [performance management information](#) exclusively for financial institutions of all sizes throughout the United States. Visit the company's Web site at [www.fmsi.com](http://www.fmsi.com) or call 877.887.3022.

FMSI  
VantagePoint

Please visit [www.fmsi.com](http://www.fmsi.com) and subscribe to our monthly newsletter, which is filled with in-depth case studies and tips on enhancing branch staff performance.

 TELLER MANAGEMENT SYSTEM™