

Phoenix Branch Reorganization

Executive Summary & Key Findings

Prepared For: Amenity Pool Services Executive Leadership

Date: October 10, 2025

Analysis Scope: 11-Branch Reorganization Plan Evaluation

Strategic Objective

Transform one large, inefficient Phoenix branch into 11 optimized branches to improve customer retention and operational efficiency in the Phoenix market (2026-2028 rollout).

CRITICAL FINDINGS - THE THREE DEAL-BREAKERS

1. MASSIVE COVERAGE GAP: 206 Active Accounts Unassigned

- **14% of entire customer base** not included in proposed branch plan
- ZIP 85254 alone: 56 accounts (largest concentration) - COMPLETELY MISSING
- **\$330K annual revenue** falling through the cracks
- **Impact:** Service failures, customer confusion, revenue loss

2. RETENTION CRISIS: 81% Churn Rate Across All Territories

- **Industry benchmark:** 15-25% annual churn
- **Phoenix reality:** ~81% cumulative churn over 4 years
- **Lost revenue:** \$10.2M over 4 years (6,444 terminated accounts)
- **Impact:** Cannot scale a broken retention model

3. ORGANIZATIONAL STRUCTURE: No Retention-Focused Roles

- Current plan emphasizes repair/remodel (revenue generation)
- **ZERO dedicated Customer Success/Retention roles** identified
- GM incentives tied to profitability only, not retention
- **Impact:** Will continue to lose 80%+ of customers even with new branches



CURRENT STATE SNAPSHOT

Metric	Current Reality	Industry Standard	Gap
Active Accounts	1,481	N/A	Baseline
Churn Rate (4-year)	81%	15-25% annual	🔴 CATASTROPHIC
Market Penetration	0.54%	5-10% typical	🔴 EXTREMELY LOW
Accounts Unassigned	206 (14%)	0%	🔴 MAJOR GAP
Lost Revenue (4-year)	\$10.2M	Benchmark: <\$2M	🔴 \$8M+ EXCESS

🎯 TOP 5 PRIORITY ZIP CODES (Immediate Intervention Required)

Rank	ZIP Code	Active	Terminated	Churn Rate	Priority Score	Proposed Branch	Status
1	85308	41	216	84.1%	84.5	Branch 6	⚠️ CRITICAL
2	85254	56	156	73.6%	83.7	UNAS-SIGNED	⚠️ CRITICAL
3	85255	39	136	77.7%	70.1	Branch 1	⚠️ CRITICAL
4	85339	31	152	83.1%	68.2	Branch 7	⚠️ CRITICAL
5	85249	33	112	77.2%	62.3	Branch 9	HIGH

Action Required: Immediate retention intervention programs in these ZIPS



PROPOSED BRANCH PERFORMANCE ANALYSIS

Best Positioned for Success:

1. **Branch 8 - Tempe/Chandler West** (165 accounts, 78.7% churn) - Highest penetration, best retention
2. **Branch 1 - North Scottsdale** (131 accounts, 81.0% churn) - Premium market, high LTV potential
3. **Branch 6 - Glendale/West PHX** (128 accounts, 82.4% churn) - High volume, fixable issues

Highest Risk Branches:

1. **Branch 5 - Peoria/Surprise** (84 accounts, **86.3% churn**) - Worst retention, something broken
 2. **Branch 7 - Southwest Valley** (112 accounts, 83.6% churn) - Large geography, high churn
 3. **Branch 4 - Central PHX/South** (174 accounts, 82.9% churn) - Too large, needs split
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TOP 10 RECOMMENDATIONS (Priority Order)

IMMEDIATE (Before Any Branch Launch):

1. FIX TERRITORY GAPS

- Assign all 206 unassigned accounts to appropriate branches
- Add ZIP 85254 (56 accounts) to Branch 1 or 2
- **Timeline:** Complete by March 2026

2. CONDUCT CHURN ROOT CAUSE ANALYSIS

- Survey 200-300 terminated customers to understand WHY they left
- Mystery shopper service quality audit
- **Investment:** \$40K | **Timeline:** Complete by February 2026

3. ADD CUSTOMER SUCCESS MANAGER ROLE TO EACH BRANCH

- Dedicated retention focus (current structure has ZERO retention roles)
- Manage at-risk accounts, satisfaction monitoring, win-back programs
- **Cost:** \$50K per branch | **ROI:** 322+ accounts retained/year = \$515K revenue

4. IMPLEMENT 6-MONTH “FIX IT” PERIOD (Nov 2025 - Apr 2026)

- Fix retention in current structure BEFORE scaling
- Pilot retention programs in 3 high-priority ZIPs
- Deploy service management technology platform
- **Don't scale a broken model**

5. REVISE GM INCENTIVE STRUCTURE

- Add retention metric to JV vesting requirements
- Current: 10% EBITDA only (encourages churn-and-replace)
- Proposed: 10% EBITDA **AND** <30% churn rate (encourages retention)

STRATEGIC:

6. PHASED 3-YEAR ROLLOUT (Not All at Once)

- **Phase 1 (2026):** Launch Branches 6, 1, 8 (3 branches, 480 accounts)
- **Phase 2 (2027):** Launch Branches 9, 10, 4, 3 (4 branches, 546 accounts)
- **Phase 3 (2028):** Launch Branches 2, 5, 7, 11 (4 branches, 345 accounts)

7. SPLIT BRANCH 4 (Central PHX/South)

- Too large: 25 ZIPs, 174 accounts, diverse geography
- Split into Branch 4A (Central) and 4B (South)

8. IMPLEMENT SERVICE MANAGEMENT TECHNOLOGY

- Jobber, ServiceTitan, or similar platform
- Automated routing, customer portal, quality tracking
- **Investment:** \$60K implementation + \$25-35K/year per branch

9. CREATE RETENTION INVESTMENT BUDGET

- **Year 1:** \$255K (analysis, technology, pilot programs, training)
- **Expected ROI:** 30% churn reduction = \$800K/year retained revenue

10. ESTABLISH QUALITY ASSURANCE PROGRAM

- Random service audits, customer feedback loops, chemical verification
- Service recovery protocols
- Target: >4.2/5.0 customer satisfaction



FINANCIAL IMPACT PROJECTIONS

Current State (Do Nothing):

- Annual churn: ~1,611 accounts lost per year
- Annual lost revenue: ~\$2.6M
- Market share: Declining

If Recommendations Implemented:

Conservative Scenario (20% churn reduction):

- Accounts retained: +322/year
- Additional annual revenue: **\$515K**
- 3-year cumulative: **\$1.5M**

Moderate Scenario (30% churn reduction):

- Accounts retained: +483/year
- Additional annual revenue: **\$773K**
- 3-year cumulative: **\$2.3M**

Aggressive Scenario (50% churn reduction - get to industry standard):

- Accounts retained: +806/year
- Additional annual revenue: **\$1.3M**
- 3-year cumulative: **\$3.9M**

Investment Required:

- Retention programs (3 years): \$970K
- Branch startup capital (11 branches): \$2.75-3.3M over 3 years
- **Total Investment:** \$3.7-4.3M

Expected Return:

- Retained revenue (moderate scenario): \$2.3M (3-year)
- Growth from better service: \$1.5-2M additional

- **Total Return:** \$3.8-4.3M over 3 years
 - **ROI:** Break-even to positive (plus foundation for ongoing profitability)
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PHASED ROLLOUT RECOMMENDATION

Phase 1 (2026): 3 Branches - “Prove the Model”

Branch 6 - Glendale/West PHX → Launch April 2026

- Why: High volume, contains #1 priority ZIP (85308)
- Target: 128 → 150 accounts by end of year

Branch 1 - North Scottsdale → Launch July 2026

- Why: Premium market, high revenue potential
- **MUST ADD: ZIP 85254 (56 accounts) first**
- Target: 187 → 202 accounts by end of year

Branch 8 - Tempe/Chandler West → Launch October 2026

- Why: Best current performance, highest growth potential
- Target: 165 → 202 accounts by end of year

Phase 1 Investment: \$635K

Phase 1 Target: 480 starting accounts → 554 by end of 2026 (24% growth, <30% churn)

Phase 2 (2027): 4 Branches - “Scale the Solution”

Branches 9, 10, 4, 3 → Launch Q2-Q4 2027

Investment: \$1.0-1.2M

Phase 3 (2028): 4 Branches - “Complete Transformation”

Branches 2, 5, 7, 11 → Launch throughout 2028

Investment: \$1.0-1.2M

MAJOR RISKS & MITIGATION

Risk	Probability	Impact	Mitigation
Scaling broken service model	HIGH	CATASTROPHIC	Implement "Fix It" period first
Territory gaps persist	MEDIUM	HIGH	Mandate gap resolution before launch
Staff recruitment challenges	MEDIUM	HIGH	Begin recruitment 6-9 months early
Customer churn during transition	MEDIUM	HIGH	Comprehensive communication plan
Capital exceeds projections	MEDIUM	MEDIUM	Conservative modeling, phased approach

SUCCESS METRICS (3-Year Targets)

Metric	Current	Year 1 Target	Year 3 Target
Annual Churn Rate	~81% (4-year)	<35%	<25%
Total Active Accounts	1,481	1,800+	3,500+
Market Penetration	0.54%	1.0%	2.5%
Customer Satisfaction	Unknown	>4.0/5.0	>4.2/5.0
Company EBITDA %	Negative	8%	12%
Branches Operating	1	3	11

NEXT STEPS (Next 30 Days)

For Executive Leadership:

- [] Review and approve strategic analysis (Week 1)
- [] Decide on 3-year phased rollout approach (Week 1)
- [] Approve territory gap resolution (Week 2)

- [] **Approve \$255K Year 1 retention investment budget** (Week 2)
- [] **Approve Customer Success Manager role addition** (Week 3)
- [] **Authorize “Fix It” period (Nov 2025 - Apr 2026)** (Week 3)

For Operations Team:

- [] **Finalize revised territory assignments** (Week 2)
- [] **Issue RFP for service management technology** (Week 2)
- [] **Design churn root cause analysis study** (Week 2)
- [] **Begin GM recruitment for Phase 1** (Week 1)
- [] **Create Branch Launch Playbook** (Week 3-4)

For Finance Team:

- [] **Revise financial models for actual branch sizes** (Week 2)
 - [] **Model retention investment ROI** (Week 1)
 - [] **Prepare Phase 1 capital requirements** (Week 2)
 - [] **Revise JV Term Sheet with retention metrics** (Week 2)
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THE BOTTOM LINE

✓ Should You Proceed with Branch Reorganization?

YES, BUT NOT AS CURRENTLY PROPOSED.

The branch reorganization strategy is sound in principle - smaller, localized branches can deliver better service and retention. However, the current plan has critical gaps that will undermine success.

The Choice:

Option A: Fix First, Then Scale (RECOMMENDED)

- 6-month “Fix It” period to address retention crisis
- Fix territory gaps and org structure
- Pilot proven retention model
- 3-year phased rollout starting April 2026
- **Outcome:** High probability of success

Option B: Scale Current Model (HIGH RISK)

- Launch branches immediately with current plan
- 11 branches all experiencing 80%+ churn instead of 1
- Continued revenue hemorrhaging at larger scale
- **Outcome:** High probability of failure

Final Recommendation:

Proceed with reorganization following the “Fix First, Then Scale” approach with all critical recommendations implemented.

The data is unambiguous: You cannot scale an 81% churn operation and expect different results. Fix retention first, THEN scale the solution.

This is a \$10M+ problem that requires a \$4M solution. The alternative is continued decline.

Report: Full Strategic Analysis (61 pages)

Contact: [To be assigned]

Date: October 10, 2025