

Phoenix Branch Consolidation Analysis

Final 3-Branch Structure with Tucson Integration

Date: October 29, 2025
Analysis Type: Strategic Reorganization & Customer Retention Analysis

Executive Summary

This analysis presents the final consolidation of Phoenix swimming pool service operations from 11 proposed territories into 3 strategic branches (West, Central, and East), incorporating specific reassignments requested and integrating unassigned Tucson peripheral accounts into the East Area.

Key Metrics

Metric	Value
Total Active Accounts	1,641
Total Terminated Accounts (5yr)	7,022
Overall 5-Year Churn Rate	81.06%
Overall 5-Year Retention Rate	18.94%
Total Lost Revenue (5yr)	\$12,034,302.81
Average Annual Lost Revenue	\$2,406,860.56

Final 3-Branch Structure

West Area

- **Active Accounts:** 360 (21.9% of total)
- **Terminated Accounts (5yr):** 1,897
- **5-Year Churn Rate:** 83.85%
- **5-Year Retention Rate:** 16.15%
- **Lost Revenue (5yr):** \$3,084,676.33
- **ZIP Codes Covered:** 33
- **Original Branches Included:**
 - Branch 5 - Peoria/Surprise North (104 active)
 - Branch 6 - Glendale/West PHX (134 active)
 - Branch 7 - Southwest Valley/Laveen (122 active)

Geographic Coverage: West Phoenix, Glendale, Peoria, Surprise, Southwest Valley, Laveen, Buckeye, Goodyear

Central Area

- **Active Accounts:** 596 (36.3% of total)
- **Terminated Accounts (5yr):** 2,680
- **5-Year Churn Rate:** 82.46%
- **5-Year Retention Rate:** 17.54%
- **Lost Revenue (5yr):** \$4,553,761.44
- **ZIP Codes Covered:** 52
- **Original Branches Included:**
 - Branch 1 - North Scottsdale (195 active) [MOVED per request]
 - Branch 2 - Central Scottsdale/PV (92 active)
 - Branch 3 - North Phoenix I-17 (135 active)
 - Branch 4 - Central PHX/South (174 active)

Geographic Coverage: North Scottsdale, Central Scottsdale, Paradise Valley, North Phoenix, Central Phoenix, South Phoenix

Note: Branch 1 (North Scottsdale) was moved from the original East assignment to Central Area per user request.

East Area

- **Active Accounts:** 685 (41.8% of total)
- **Terminated Accounts (5yr):** 2,445
- **5-Year Churn Rate:** 77.53%
- **5-Year Retention Rate:** 22.47% ✓ **HIGHEST**
- **Lost Revenue (5yr):** \$4,395,865.04
- **ZIP Codes Covered:** 48
- **Original Branches Included:**
 - Branch 8 - Tempe/Chandler West (170 active)
 - Branch 9 - Chandler/Gilbert South (149 active)
 - Branch 10 - Mesa Central/Gilbert East (131 active) [MOVED per request]
 - Branch 11 - Mesa East/Pinal Outliers (72 active) [MOVED per request]
 - **Tucson Peripheral Areas** (163 active) [ADDED per request]

Geographic Coverage: Tempe, Chandler, Mesa, Gilbert, Gold Canyon, Apache Junction, Casa Grande, Maricopa, San Tan Valley, Coolidge, Arizona City, Florence, Eloy

Note:

- Branches 10 and 11 were moved from their original assignments to East Area per user request
 - Added 163 active accounts from Tucson peripheral areas (Casa Grande, Maricopa, San Tan Valley, Coolidge, Arizona City, Florence, Eloy) that were previously unassigned
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Tucson Integration Details

Accounts Added to East Area

The following Tucson peripheral area accounts were added to the Phoenix East Area:

- **Total Accounts Added:** 778
- Active: 163
- Terminated (5yr): 615
- **ZIP Codes Added:** 11 (85122, 85123, 85128, 85131, 85132, 85138, 85139, 85143, 85143-6121, 85193, 85194)
- **Cities Included:**
 - Casa Grande (483 accounts - largest component)
 - Maricopa (105 accounts)
 - San Tan Valley (42 accounts)
 - Coolidge (51 accounts)
 - Arizona City (42 accounts)
 - Florence (23 accounts)
 - Eloy (15 accounts)
 - Queen Creek (16 accounts)
 - San Tan (1 account)

Integration Impact:

- These accounts are flagged as “Tucson-Unassigned” in the data for tracking purposes
 - They were identified as unassigned territories in the Tucson decentralization analysis
 - Geographic proximity to Phoenix East area makes this a logical assignment
 - Adds 163 active accounts to East Area’s portfolio
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Reassignment Summary

Changes Applied

1. **Branch 1 (North Scottsdale) → Central Area**
 - Originally proposed for another area
 - Now consolidated with Central Scottsdale and North Phoenix territories
 - Adds 195 active accounts to Central Area
2. **Branch 10 (Mesa Central/Gilbert East) → East Area**
 - Moved per user request
 - Adds 131 active accounts to East Area
3. **Branch 11 (Mesa East/Pinal Outliers) → East Area**
 - Moved per user request
 - Adds 72 active accounts to East Area
4. **Tucson Peripheral Accounts → East Area**
 - Added 163 active accounts from unassigned Tucson territories
 - Represents geographic expansion into Pinal County areas
 - Maintains separate tracking for Tucson-originated accounts

Branch Size Distribution

The three branches are **NOT equal in size**, as requested:

Area	Active Accounts	% of Total	Size Category
East	685	41.8%	Largest
Central	596	36.3%	Medium
West	360	21.9%	Smallest

Rationale for Unequal Distribution:

- East Area has the **lowest churn rate** (77.53%) and **highest retention rate** (22.47%)
 - Geographic spread in East Area requires more accounts to maintain operational efficiency
 - Integration of Tucson peripheral areas naturally increases East Area size
 - West Area's smaller size allows for focused retention improvement efforts
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Retention Analysis & Strategic Insights

Performance by Area

East Area: Best Retention Performance ✓

- **5-Year Retention Rate:** 22.47% (Best)
- **5-Year Churn Rate:** 77.53% (Lowest)
- **Average Annual Lost Revenue:** \$879,173.01
- **Strategic Strength:** Highest retention despite being the largest branch
- **Key Advantage:** Chandler, Gilbert, and Mesa markets showing better customer loyalty

Retention Opportunities:

- Leverage East Area's success factors (service quality, customer relationships, geographic efficiency)
- Document and replicate best practices from East Area to other branches
- Strong foundation for integrating Tucson peripheral accounts

Central Area: Moderate Retention Performance

- **5-Year Retention Rate:** 17.54%
- **5-Year Churn Rate:** 82.46%
- **Average Annual Lost Revenue:** \$910,752.29
- **Strategic Challenge:** High churn in premium market (Scottsdale, Paradise Valley)
- **Risk Factor:** Highest annual revenue loss per branch

Retention Opportunities:

- Focus on high-value account retention in Scottsdale/PV areas
- Address service quality issues in Central Phoenix
- Implement targeted retention programs for premium customers

West Area: Highest Churn Challenge ⚠

- **5-Year Retention Rate:** 16.15% (Lowest)

- **5-Year Churn Rate:** 83.85% (Highest)
 - **Average Annual Lost Revenue:** \$616,935.27
 - **Strategic Challenge:** Consistently losing over 4 out of 5 customers within 5 years
 - **Risk Factor:** Most critical area for retention improvement
- Retention Opportunities:**
- Highest priority for retention intervention
 - Investigate root causes: service quality, pricing, competition, geographic challenges
 - Consider market-specific retention strategies for Peoria/Surprise and Southwest Valley

Geographic Distribution Analysis

ZIP Code Coverage

Area	ZIP Codes	Avg Active Ac- counts per ZIP	Geographic Dens- ity
West	33	10.9	Lower density, more spread
Central	52	11.5	High density, urban core
East	48	14.3	Moderate density, suburban

Key Geographic Insights

1. **Central Area** has the most ZIP codes (52) but moderate account density, indicating wide market penetration across Phoenix core
2. **East Area** has the highest account density per ZIP (14.3), suggesting strong market presence
3. **West Area** has the lowest density, indicating potential for market growth or operational efficiency challenges

High-Priority ZIP Codes for Retention

The following ZIP codes have **churn rates above 80%** and should be prioritized for retention improvement:

West Area High-Priority ZIPs:

- 85308 (Glendale) - 84.05% churn, 41 active accounts
- 85383 (Peoria) - 85.12% churn
- 85339 (Southwest Valley) - 83.06% churn, 31 active accounts

Central Area High-Priority ZIPs:

- 85254 (North Scottsdale) - 73.58% churn, 56 active accounts (highest active count)
- 85018 (Central Scottsdale) - 82.64% churn, 25 active accounts

- 85028 (North Phoenix) - High churn

East Area High-Priority ZIPs:

- All East Area ZIPs show lower churn compared to other areas, but still monitor:
- 85249 (South Chandler) - 77.24% churn, 33 active accounts
- 85048 (Chandler West) - 76.52% churn, 27 active accounts

Financial Impact Analysis

5-Year Lost Revenue by Area

Area	Total Lost Revenue	% of Total Lost	Avg Annual Loss	Avg Loss per Terminated Account
Central	\$4,553,761.44	37.8%	\$910,752.29	\$1,699.17
East	\$4,395,865.04	36.5%	\$879,173.01	\$1,797.89
West	\$3,084,676.33	25.6%	\$616,935.27	\$1,626.17
TOTAL	\$12,034,302.81	100%	\$2,406,860.56	\$1,713.72

Revenue Retention Opportunity

If overall retention rate improves from **18.94%** to **25%** (still below industry standards):

- **Potential Annual Revenue Saved:** ~\$460,000
- **5-Year Revenue Impact:** ~\$2,300,000

If retention matches **East Area’s performance (22.47%)** across all branches:

- **Potential Annual Revenue Saved:** ~\$240,000
- **5-Year Revenue Impact:** ~\$1,200,000

Strategic Recommendations

Immediate Actions (Next 90 Days)

1. **Launch West Area Retention Task Force**
 - Highest churn rate (83.85%) requires immediate attention
 - Conduct root cause analysis: service quality audits, customer surveys, competitive analysis
 - Implement quick-win retention tactics (customer appreciation, proactive communication)
2. **Document East Area Best Practices**
 - East Area has the best retention (22.47%)
 - Interview managers, analyze operational differences
 - Create playbook for other areas to replicate

3. High-Value Account Protection (Central Area)

- Central Area has highest average revenue loss per terminated account (\$1,699)
- Implement white-glove service program for high-value customers
- Focus on Scottsdale/Paradise Valley premium accounts

4. Tucson Integration Planning

- Develop operational plan for serving Casa Grande, Maricopa, and peripheral areas
- Assess routing efficiency and service coverage
- Communicate branch assignment changes to Tucson peripheral customers

Medium-Term Initiatives (3-6 Months)

1. Branch-Specific Retention Programs

- West: Focus on price value communication and service consistency
- Central: Premium service differentiation for high-value markets
- East: Maintain and enhance current retention drivers

2. Geographic Optimization

- Review routing efficiency across all three branches
- Identify any ZIP codes that might benefit from reassignment
- Optimize service territories within each branch

3. Data-Driven Monitoring

- Establish monthly retention dashboards for each branch
- Track leading indicators (service complaints, payment issues, communication gaps)
- Set quarterly retention improvement targets by branch

Long-Term Strategic Goals (6-12 Months)

1. Achieve 25% Overall Retention Rate

- Current: 18.94%
- Target: 25% (32% improvement)
- Financial impact: ~\$2.3M over 5 years

2. Reduce Branch Performance Gap

- Bring West Area retention from 16.15% to at least 20%
- Maintain East Area's 22.47% retention rate
- Improve Central Area from 17.54% to 20%+

3. Operational Excellence

- Standardize service quality across all branches
- Implement consistent customer communication protocols
- Develop branch manager accountability metrics tied to retention

Implementation Roadmap

Phase 1: Preparation (Months 1-2)

- Finalize branch manager assignments
- Communicate changes to staff and customers
- Update CRM systems with new branch assignments
- Train teams on retention-focused service approach

Phase 2: Launch (Months 3-4)

- Official branch reorganization effective date
- Launch retention initiatives by branch
- Begin Tucson peripheral area integration
- Establish baseline metrics and monitoring

Phase 3: Optimization (Months 5-8)

- Review early performance data
- Adjust strategies based on results
- Scale successful retention tactics
- Address any operational issues

Phase 4: Maturation (Months 9-12)

- Achieve target retention rates
- Document lessons learned
- Prepare for future expansion decisions
- Evaluate success and plan next phase

Risk Factors & Mitigation

Key Risks

1. Service Disruption During Transition

- Risk: Customer confusion, service gaps during reorganization
- Mitigation: Clear communication plan, phased rollout, temporary overlap coverage

2. Tucson Integration Challenges

- Risk: Long distances to Casa Grande/Maricopa areas from Phoenix East base
- Mitigation: Assess sub-routing options, consider satellite service points, evaluate profitability

3. Retention Programs Fail to Deliver

- Risk: Churn rates remain high despite interventions
- Mitigation: Pilot programs first, measure rigorously, be ready to pivot strategies

4. Branch Manager Capacity

- Risk: Larger territories may overwhelm management capacity
- Mitigation: Provide adequate support staff, consider assistant managers, use technology for efficiency

Success Metrics

Primary Metric: Customer Retention

- **Current:** 18.94% (5-year retention rate)
- **Target (12 months):** 23% (+22% improvement)
- **Stretch Goal (18 months):** 25% (+32% improvement)

Secondary Metrics:

- Monthly churn rate by branch
- Revenue retention rate
- Customer satisfaction scores
- Net Promoter Score (NPS)
- Average account lifetime value
- Service quality metrics (response time, completion rate, re-service rate)

Branch-Specific Targets:

Area	Current Retention	12-Month Target	18-Month Target
West	16.15%	19%	21%
Central	17.54%	20%	22%
East	22.47%	24%	26%

Appendix: Data Sources

1. SJ Proposed Phoenix Branch Analysis By Zip Code (1).xlsx

- Phoenix active accounts data
- Phoenix terminated accounts data (5-year history)
- Original 11-branch proposed structure
- ZIP code analysis

2. Tucson CG List Active and InActive.csv

- Tucson and peripheral area accounts
- Casa Grande, Maricopa, San Tan Valley, Coolidge, and other outlying areas
- Active and terminated account status

3. Analysis Methodology

- 5-year historical churn analysis (2020-2025)
- ZIP code aggregation
- Branch consolidation mapping
- Retention rate calculation: $(\text{Current Active} / \text{Total Historical}) \times 100$
- Churn rate calculation: $(5\text{-Year Terminated} / \text{Total Historical}) \times 100$

Contact & Next Steps

This analysis provides the foundation for the Phoenix 3-branch consolidation strategy. The reorganization positions the company for improved customer retention through focused management, geographic optimization, and targeted retention initiatives.

Recommended Next Steps:

1. Review and approve final 3-branch structure
2. Assign branch managers and leadership teams

3. Develop detailed implementation timeline
 4. Launch retention task forces by branch
 5. Begin customer communication strategy
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Document Prepared: October 29, 2025

Analysis Version: Final - With Tucson Integration

Data Currency: Through October 2025