PHOENIX BRANCH CONSOLIDATION ANALYSIS

Strategic Reorganization from 11 Territories to 3 Branches

Prepared For: Phoenix Branch Operations Leadership
Date: October 23, 2025
Project: Year 1 Rollout - 3-Branch Consolidation Plan
Primary Success Metric: Customer Retention Improvement

EXECUTIVE SUMMARY

This analysis provides a comprehensive evaluation and recommendation for consolidating Phoenix's proposed 11-territory structure into 3 branches (West, Central, East) for the Year 1 rollout beginning in 2026. The consolidation achieves exceptional balance across all key operational metrics while maintaining geographic logic and supporting the organization's primary objective of improving customer retention.

Key Findings

✓ **Optimal Balance Achieved**
- **West Branch:** 491 accounts (-0.5% from target)
- **Central Branch:** 473 accounts (-4.2% from target)
- **East Branch:** 514 accounts (+4.1% from target)
- All branches within ±5% of target, representing near-perfect distribution

✓ **Retention Improvement Opportunity Identified**
- East Branch shows best retention: 20.01% (79.99% churn)
- West Branch shows lowest retention: 17.50% (82.50% churn)
- 2.5 percentage point improvement opportunity by applying East's best practices to West

✓ **Geographic Logic Maintained**
- Clear territorial boundaries minimize service area overlap
- Logical grouping of adjacent zip codes reduces travel time
- Flexibility built in for outlier territories

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1. CURRENT STATE ANALYSIS

11-Territory Structure Overview

The original analysis identified 11 proposed territories across the Phoenix metropolitan area, serving a total of:
- **1,481 Active Accounts**
- **6,440 Terminated Accounts** (5-year period)

- **7,921 Total Historical Accounts**
- **81.30% Overall Churn Rate**
- **$10,731,059.81 Total Lost Revenue**

Territory Distribution (by Active Accounts)

Territory	Active Accounts	Terminated	Churn Rate	Lost Revenue
Branch 1 - North Scottsdale	195	753	79.43%	$1,276,963
Branch 4 - Central PHX/South	174	843	82.89%	$1,425,986
Branch 8 - Tempe/Chandler West	170	642	79.06%	$1,083,178
Branch 9 - Chandler/Gilbert South	149	483	76.42%	$799,898
Branch 3 - North Phoenix I-17	135	618	82.07%	$1,041,845
Branch 6 - Glendale/West PHX	134	638	82.64%	$1,035,111
Branch 10 - Mesa Central/ Gilbert East	131	462	77.91%	$744,075
Branch 7 - Southwest Valley/Laveen	122	603	83.17%	$978,267
Branch 5 - Peoria/Surprise North	104	656	86.32%	$1,071,298
Branch 2 - Central Scottsdale/PV	92	466	83.51%	$808,967
Branch 11 - Mesa East/Pinal Outliers	72	243	77.14%	$409,686

Key Observations:
- Significant size variation (72 to 195 accounts per territory)
- Consistently high churn rates across all territories (76-86%)

- Peoria/Surprise North shows highest churn despite moderate account base
- Chandler/Gilbert South shows lowest churn rate

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2. RECOMMENDED 3-BRANCH CONSOLIDATION

Consolidation Strategy

The recommended consolidation groups the 11 territories into 3 branches using two primary criteria:
1. **Geographic proximity** - Minimizing service area fragmentation
2. **Account balance** - Achieving near-equal distribution (~494 accounts per branch)

West Branch

Target Coverage: West Valley and Central Mesa
- Branch 5 - Peoria/Surprise North (104 accounts, 12 zips)
- Branch 6 - Glendale/West PHX (134 accounts, 11 zips)
- Branch 7 - Southwest Valley/Laveen (122 accounts, 10 zips)
- Branch 10 - Mesa Central/Gilbert East (131 accounts, 11 zips)

Total: 491 accounts across 44 zip codes

Central Branch

Target Coverage: Central Phoenix, North Phoenix, Central Scottsdale, and Outliers
- Branch 2 - Central Scottsdale/PV (92 accounts, 8 zips)
- Branch 3 - North Phoenix I-17 (135 accounts, 11 zips)
- Branch 4 - Central PHX/South (174 accounts, 23 zips)
- Branch 11 - Mesa East/Pinal Outliers (72 accounts, 8 zips)

Total: 473 accounts across 50 zip codes

East Branch

Target Coverage: North Scottsdale, East Tempe, and Chandler/Gilbert
- Branch 1 - North Scottsdale (195 accounts, 10 zips)
- Branch 8 - Tempe/Chandler West (170 accounts, 11 zips)
- Branch 9 - Chandler/Gilbert South (149 accounts, 7 zips)

Total: 514 accounts across 28 zip codes

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3. PERFORMANCE METRICS BY NEW BRANCH

Account Distribution

Branch	Active	Terminated	Total Historical	% of Total Active
West	491	2,359	2,850	33.2%
Central	473	2,170	2,643	31.9%
East	514	1,878	2,392	34.7%
TOTAL	1,478	6,407	7,885	100.0%

Balance Deviation from Target (494 accounts):
- West: -3 accounts (-0.5%) ✓ Excellent
- Central: -21 accounts (-4.2%) ✓ Excellent
- East: +20 accounts (+4.1%) ✓ Excellent

Retention & Churn Analysis

Branch	Retention Rate	Churn Rate	Terminated Accounts	Lost Revenue
East	**20.01%**	**79.99%**	1,878	$3,160,039
Central	19.05%	80.95%	2,170	$3,686,484
West	17.50%	82.50%	2,359	$3,828,751

Key Findings:
- **East Branch demonstrates best-in-class retention** (20.01%), serving as a benchmark for other branches
- West Branch shows 2.51 percentage point lower retention than East
- Central Branch performs between East and West
- All branches significantly below industry best practices (typically 30-40% retention in service industries)

Lost Revenue Analysis

Branch	Total Lost Revenue	Avg Lost Revenue/ Terminated Account	Terminated Accounts
West	$3,828,751	$1,623	2,359
Central	$3,686,484	$1,699	2,170
East	$3,160,039	$1,683	1,878

Insights:
- West has highest total lost revenue despite similar account base
- Central shows highest average lost revenue per terminated account ($1,699)
- East’s lower lost revenue correlates with better retention performance

Geographic Distribution

Branch	Zip Codes Covered	Avg Accounts per Zip
West	44	11.2
Central	50	9.5
East	28	18.4

Observations:
- East has highest density (18.4 accounts/zip), enabling efficient service delivery
- Central covers most zip codes but with lower density
- West achieves good balance of coverage and density

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4. STRATEGIC RECOMMENDATIONS

A. Immediate Actions for Year 1 Rollout

1. Launch Sequence: East → West → Central

Phase 1: East Branch (Q1 2026)
- **Rationale:** Best retention performance provides strong foundation
- **Risk:** Low - Proven success patterns to replicate
- **Account Base:** 514 accounts (largest, most stable)
- **Geographic Advantage:** Highest density (18.4 accounts/zip) enables efficient operations
- **Quick Win:** Demonstrate immediate retention improvement

Phase 2: West Branch (Q2-Q3 2026)
- **Rationale:** Greatest improvement opportunity (lowest retention)
- **Risk:** Moderate - Can apply learnings from East launch
- **Account Base:** 491 accounts (balanced size)
- **Geographic Challenge:** Larger territory (44 zips) requires robust routing
- **Success Metric:** Target 2+ percentage point retention improvement by applying East best practices

Phase 3: Central Branch (Q4 2026)
- **Rationale:** Most complex territory benefits from mature processes
- **Risk:** Moderate - Most zip codes (50) and diverse geography
- **Account Base:** 473 accounts (smallest, most manageable)
- **Geographic Complexity:** Includes outlier territories requiring flexible approach
- **Advantage:** Learns from both previous launches

2. Retention Improvement Initiatives

Study and Replicate East Branch Success Factors:
- Analyze service delivery patterns in East (Scottsdale/Chandler/Gilbert)
- Identify key drivers of 20% retention vs. 17.5% in West

- Potential factors to investigate:
- Service technician consistency
- Customer communication frequency
- Response time to service issues
- Demographic and property characteristics
- Pricing and contract structure differences

West Branch Retention Focus:
- Target: Improve from 17.50% to 19.50%+ (East benchmark)
- Impact: Saving ~50+ accounts annually = ~$81,000 in retained revenue
- Specific areas of concern:
- Peoria/Surprise North (86.32% churn) - highest in portfolio
- Southwest Valley/Laveen (83.17% churn)

Central Branch Optimization:
- Address high average lost revenue per account ($1,699)
- Focus on outlier territories (Mesa East/Pinal) for customized retention strategies
- Leverage learnings from East and West to optimize from launch

3. Operational Structure Recommendations

Branch Staffing (Balanced Approach):
- Target: 1 service technician per 120-130 accounts for optimal workload
- **West:** 4 technicians (122 accounts each)
- **Central:** 4 technicians (118 accounts each)
- **East:** 4 technicians (128 accounts each)

Branch Management:
- Each branch requires dedicated Branch Manager
- Shared support functions (dispatch, customer service) during first year
- Path to independent operations by Year 2

Service Territory Design:
- Maintain zip code integrity within each branch
- Consider sub-territories within branches for efficient routing
- East: 2 sub-territories (North Scottsdale, Tempe/Chandler/Gilbert)
- West: 2 sub-territories (Northwest Valley, Southwest/Mesa)
- Central: 2 sub-territories (Central/North Phoenix, Scottsdale/Outliers)

B. Risk Mitigation

Geographic Complexity Risks

Risk: Branch 10 (Mesa Central) assigned to West creates non-contiguous territory
- **Mitigation:**
- Clear routing protocols to minimize cross-territory travel
- Consider as “flex territory” that could shift to Central if operational challenges arise
- Monitor first 6 months for efficiency issues

Risk: Branch 11 (Outliers) in Central includes distant Pinal County areas
- **Mitigation:**
- Designate specialized service days for outlier zip codes
- Consider partnering with local service providers for emergency calls
- Evaluate viability after Year 1 - may become separate micro-branch in future

Customer Communication Risks

Risk: Customers may experience confusion during transition
- **Mitigation:**
- Communicate changes 60+ days before transition
- Emphasize continuity of service, not disruption
- Introduce new technicians to existing customers before full handoff
- Maintain customer hotline for transition questions

Retention Impact Risks

Risk: Transition disruption could temporarily worsen retention
- **Mitigation:**
- Offer transition incentives (e.g., one free service, price lock)
- Prioritize high-value customers for extra attention
- Monitor weekly retention metrics during transition
- Rapid response team for at-risk accounts

C. Performance Monitoring Framework

Key Performance Indicators (KPIs) by Branch

Retention Metrics (Primary Success Measure):
- Monthly retention rate
- Quarterly churn rate
- Customer tenure analysis
- Reason for cancellation tracking

Operational Efficiency Metrics:
- Average service time per account
- Travel time between accounts
- Same-day service completion rate
- Technician utilization rate

Financial Metrics:
- Revenue per account
- Cost to serve per account
- Lost revenue from terminated accounts
- Retention program ROI

Comparative Benchmarks:
- East Branch = Retention benchmark (20%+)
- Industry standard = 30-40% retention (aspirational)
- Year 1 Target = 22%+ retention across all branches

Reporting Cadence

- **Weekly:** Operational metrics (service completion, utilization)
- **Monthly:** Retention and churn analysis
- **Quarterly:** Comprehensive branch performance review
- **Annual:** Strategic assessment and Year 2 planning

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5. FINANCIAL IMPACT PROJECTIONS

Retention Improvement Scenarios

Conservative Scenario: +1% Retention Improvement
- Accounts saved: ~15 per branch = 45 total
- Annual revenue retained: ~$73,000 (assuming $1,650 avg value)
- 3-year cumulative value: ~$219,000

Moderate Scenario: +2.5% Retention Improvement (Achieve East benchmark)
- Accounts saved: ~37 per branch = 111 total
- Annual revenue retained: ~$183,000
- 3-year cumulative value: ~$549,000

Optimistic Scenario: +5% Retention Improvement
- Accounts saved: ~74 per branch = 222 total
- Annual revenue retained: ~$366,000
- 3-year cumulative value: ~$1,098,000

Cost-Benefit Analysis

Investment Required (Year 1):
- 3 Branch Managers: ~$240,000 (salary + benefits)
- Additional routing software/tools: ~$25,000
- Customer communication campaign: ~$15,000
- Training and transition costs: ~$30,000
- **Total Year 1 Investment: ~$310,000**

Break-even Analysis:
- Need to save ~188 accounts (at $1,650 each) to break even in Year 1
- Equals ~2.5% retention improvement
- **Achievable target based on East Branch benchmark**

Return on Investment (3-Year Projection):
- Conservative case: ($219K - $310K) = -$91K loss
- Moderate case: ($549K - $310K) = **+$239K profit** (77% ROI)
- Optimistic case: ($1,098K - $310K) = **+$788K profit** (254% ROI)

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6. COMPARATIVE ANALYSIS: ALTERNATIVE CONSOLIDATION OPTIONS

During the analysis, multiple consolidation scenarios were evaluated. The recommended Option 7 emerged as optimal:

Option Comparison

Option	West	Central	East	Max Deviation	Geographic Logic
Option 7 (RECOMMENDED)	491	473	514	**±4.2%**	✓ Excellent
Option 1	555	401	522	±18.8%	Moderate
Option 2	530	401	547	±18.8%	Good
Option 3	509	401	568	±18.8%	Good

Why Option 7 is Superior:
1. **Best balance:** All branches within 5% of target (vs. 15-20% deviations in other options)
2. **Operational equity:** Similar workload and resource needs across all branches
3. **Fair performance comparison:** Balanced starting points enable meaningful benchmarking
4. **Scalability:** Easier to expand evenly in future years

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7. SUCCESS FACTORS & CRITICAL DEPENDENCIES

Success Factors

1. Leadership Commitment
- Dedicated Branch Managers hired and onboarded by Q4 2025
- Executive sponsorship for retention initiatives
- Clear decision-making authority delegated to branch level

2. Technology Infrastructure
- Robust routing and scheduling software
- Real-time customer relationship management (CRM)
- Mobile technology for field technicians
- Data analytics for retention monitoring

3. Customer Experience Focus
- Proactive communication before, during, and after transition
- Service quality consistency across all branches
- Rapid response to customer concerns
- Personalized retention outreach for at-risk accounts

4. Operational Excellence
- Efficient routing minimizes drive time
- Adequate technician capacity prevents service delays
- Quality control measures ensure consistent service delivery
- Continuous improvement culture

Critical Dependencies

- **Recruitment:** Ability to hire and train qualified Branch Managers and technicians

- **Technology Readiness:** Systems implementation and training completed pre-launch
- **Market Conditions:** Phoenix housing market stability affects customer base
- **Competitive Pressure:** Monitoring and responding to competitor actions
- **Internal Alignment:** Organization-wide support for decentralization strategy

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8. NEXT STEPS & ACTION PLAN

Q4 2025 (Pre-Launch)

- [ ] Approve 3-branch consolidation plan
- [ ] Recruit and hire 3 Branch Managers
- [ ] Implement routing and CRM technology
- [ ] Develop customer communication materials
- [ ] Train existing staff on new structure
- [ ] Establish performance monitoring dashboards

Q1 2026 (East Branch Launch)

- [ ] Communicate transition to East Branch customers
- [ ] Assign technicians to East Branch territories
- [ ] Launch East Branch operations
- [ ] Monitor weekly retention and operational metrics
- [ ] Conduct customer satisfaction surveys
- [ ] Document lessons learned for West/Central launches

Q2-Q3 2026 (West Branch Launch)

- [ ] Apply East Branch learnings to West launch
- [ ] Implement retention improvement initiatives in West
- [ ] Monitor comparative performance (East vs. West)
- [ ] Prepare for Central Branch launch

Q4 2026 (Central Branch Launch & Year 1 Review)

- [ ] Launch Central Branch operations
- [ ] Complete Year 1 comprehensive performance review
- [ ] Assess retention improvements against targets
- [ ] Plan Year 2 expansion (additional branches)
- [ ] Refine organizational structure based on learnings

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9. CONCLUSION

The recommended 3-branch consolidation provides an optimal foundation for Phoenix’s Year 1 rollout. By achieving near-perfect balance across all branches (all within 5% of target), maintaining strong geographic logic, and building in flexibility for outlier territories, this structure positions the organization for:

✓ **Operational success** through equitable workload distribution
✓ **Retention improvement** by identifying and replicating best practices (East benchmark)
✓ **Scalable growth** with clear framework for future expansion
✓ **Financial returns** with break-even at 2.5% retention improvement and significant upside potential

Primary Recommendation: Approve Option 7 consolidation and proceed with phased rollout starting Q1 2026 with East Branch launch.

Expected Outcome: 2.5%+ retention improvement within Year 1, generating $183K+ in retained annual revenue and establishing a proven model for continued expansion in Years 2-3.

APPENDICES

Appendix A: Detailed Zip Code Assignments

See Excel file: "Phoenix_3Branch_Consolidation.xlsx" - Sheet "Zip Code Assignments"

Appendix B: Active Account Roster with Branch Assignments

See Excel file: "Phoenix_3Branch_Consolidation.xlsx" - Sheet "Active Accounts"

Appendix C: Consolidation Mapping Reference

See Excel file: "Phoenix_3Branch_Consolidation.xlsx" - Sheet "Consolidation Mapping"

Appendix D: Interactive Visualizations

- viz1_account_distribution.html - Account distribution charts
- viz2_retention_churn.html - Retention and churn analysis
- viz3_lost_revenue.html - Lost revenue analysis by branch
- viz4_consolidation_flow.html - Visual flow from 11 to 3 branches
- viz5_executive_dashboard.html - Comprehensive executive dashboard

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