

Pool Corporation: Where should the next unit of network investment go?

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Pool Corporation (POOL) had built a large distribution network serving an industry with two different rhythms. Pool professionals needed dependable access to parts and technical support throughout the year. New pool construction and discretionary remodeling, by contrast, could move with consumer confidence, financing costs and local conditions. Pool's latest public results showed both sides of that market: maintenance demand remained stable, while discretionary products declined.

The company reported 455 sales centers at June 30, 2026. It had ended 2025 with 456. Its network included two domestic operating networks with distinct product selections, locations and service personnel, along with international operations. In its annual filing, Pool said it considers market presence, capacity and local population trends when opening or expanding centers, and it also grows through acquisitions.

For this classroom exercise, imagine a planning team is asked to recommend how Pool should sequence the next round of discretionary network investment. This is a **hypothetical teaching assignment**: Pool has not publicly disclosed a fixed budget contest, a specific internal vote, or a list of candidate markets. The team can recommend selective openings or acquisitions, service and fulfillment improvements in the existing footprint, or a staged combination. The question is not whether Pool should abandon either network or its digital channel. It is where the next increment of effort is most likely to create durable customer and economic value-and what evidence should precede scaling.

A network built around local service

Pool sells to pool builders, service companies, retailers, commercial operators and landscape contractors. Its 2025 Form 10-K describes a fragmented industry and a growth model that includes greenfield centers, acquisitions and expansion of existing locations. It describes two domestic networks as giving customers a choice of product selection, locations and service personnel. That design suggests local responsiveness matters, but the public record does not show which individual markets are underserved or the returns generated by a given center.

The physical network is increasingly connected to digital ordering and inventory tools. Pool's Form 10-K describes POOL360 and Horizon services that allow customers to view network inventory and place orders while using sales-center and customer-service capabilities. Its 2025 annual letter reported record digital sales equal to 15% of annual revenue. That is a measure of channel scale, not proof that online sales were incremental. Public disclosures do not separate newly created demand from orders that migrated from phone, counter or sales-representative channels; nor do they disclose digital-channel contribution margin or cost to fulfill.

Pool could therefore view physical proximity and digital access as complements: online ordering may improve convenience, while local centers provide product knowledge, rapid fulfillment and relationships. Or it could find that broad digital inventory access lowers the value of some additional locations. Both interpretations fit the public evidence.

Demand is mixed

Pool's 2025 sales were approximately \$5.289 billion, compared with \$5.311 billion in 2024. Its annual filing said maintenance-related equipment sales held steady during 2025 while discretionary products declined. In the second quarter of 2026, net sales rose 2% year over year. Management attributed the change to approximately 3% inflationary product-cost increases and stable maintenance demand, with building-materials growth offset by declines in discretionary products.

Those figures do not establish unit growth or local profitability. Nominal sales combine price and volume. Building materials may include demand from new construction and remodeling, but company-wide category reporting does not identify market-level customer economics. Pool also notes that activity is seasonal; a single quarter cannot resolve a full-year demand or capacity question.

The latest filing reported \$1.4 billion in inventory at June 30, 2026, up \$48.5 million, or 4%, from a year earlier. Management described inventory as well managed through a seasonal drawdown after peak-season stocking. The filing attributes the year-over-year increase partly to inflation and additions to new or acquired centers. The balance alone does not show whether individual centers had stockouts, excess inventory, slower turns or different service levels.

Three paths for the exercise

The following choices are analytical alternatives. None is a disclosed Pool proposal.

Path	Rationale	Evidence that would support it	Risks or unanswered questions
Add or densify selectively through greenfields and disciplined acquisitions	Local availability, technical support and customer relationships may be difficult to replicate digitally; selective locations could close service gaps or deepen share.	Candidate-market customer demand, competitor coverage, response times, service failures, retention, incremental contribution and evidence the market cannot be served efficiently from current centers.	Center count is not a return measure. New locations can overlap, require inventory and staff, or enter markets where discretionary demand remains weak. Acquisition integration and customer retention are undisclosed.
Optimize the current network and digital fulfillment	Inventory placement, routing, service quality, sales execution and POOL360 adoption could improve customer value without adding a facility.	Persistent stockouts or avoidable delivery costs; customer segments with poor access or low digital adoption; measured improvements in service, retention and cost-to-serve after operational changes.	Pool's public data do not establish that internal productivity is the binding constraint. Digital sales could be channel migration, and centralized fulfillment may not substitute for local expertise.

Path	Rationale	Evidence that would support it	Risks or unanswered questions
Stage a market-specific mix	Different local demand, installed pool bases, customer types and network density may justify different approaches. Limited pilots could preserve options while generating evidence.	A practical way to define comparable markets, pre-specify service and economic gates, capture a full seasonal cycle and scale only when incremental value is demonstrated.	Pilots may be slow or difficult to compare; local conditions can change; arbitrary thresholds or a short observation window can create false confidence.

What would you measure?

The academic research in this packet suggests useful questions without providing a Pool forecast. Wan's study of a single consumer-goods distributor and retail network found different service and cost outcomes across distribution designs. In the study's log-model results, a second distribution center was associated with a **0.4% relative increase** in fill rate from a 92.1% sample mean and a 9.7% shorter lead time; the estimated cost effect was not statistically significant. A factory-direct design was associated with a **0.5% relative increase** in fill rate, a 12.5% longer lead time and 5.2% lower costs. These estimates are relative changes, not percentage-point increases, and the study's setting is not Pool's wholesale-center network. Treat the study as a reason to measure service and cost together, not as a prediction for Pool.

Mudambi and Aggarwal's conceptual framework identifies relationship management, operations/fulfillment and knowledge as potential sources of distributor value. It invites a broader question than delivery distance: do customers value access to technical expertise, rapid problem resolution and local relationships, and can Pool deliver those benefits through different combinations of centers and digital tools? The article is conceptual and does not demonstrate that any particular Pool investment will pay off.

A comparison of the alternatives could include:

- customer-level retention, new-account wins and share of wallet by market and service type;
- fill rate, stockouts, lead time, emergency orders, on-time/in-full delivery and service response;
- delivery miles and cost per order, inventory turns, working capital and product availability;
- digital active use, ordering frequency, order economics, channel migration and fulfillment costs;
- center-level incremental contribution, staffing/facility cost, ramp time, customer overlap and acquisition integration;
- separate measures for maintenance, renovation and new-construction demand, normalized for price, seasonality and local conditions.

Public filings do not provide these market- or customer-level measures. Any pilot threshold, candidate market, budget or expected return in a recommendation must be labeled as an assumption. A useful proposal should identify a no-investment baseline and a comparison group, protect service quality during the test, cover enough of the seasonal cycle, and specify what finding would lead the team to scale, redesign or stop.

Decision assignment

Prepare a recommendation for Pool's hypothetical planning team:

1. Which path-or which staged combination-should Pool prioritize for its next discretionary network investments?
2. Which market or customer cohorts should be tested first, and what comparison would make results credible?
3. What are the two or three decision gates for expansion, redesign or stopping?
4. Which missing data would most change your recommendation?

Do not infer that reported digital sales are incremental, that company-wide category trends apply to every market, or that academic effect sizes transfer to Pool. Separate reported fact, management explanation and your own assumption.

Sources and conventions

The cutoff is August 4, 2026. Company facts come from Pool's Form 10-Q for the quarter ended June 30, 2026, filed July 29, 2026, Item 2 pp.15-20; its 2025 Form 10-K, filed February 26, 2026, Item 1 pp.3-8 and Item 7 pp.35-38; its July 23, 2026 second-quarter earnings release; its 2025 annual report shareholder letter p.1; and its May 4, 2026 Form 8-K Exhibit 99.1. The exact SEC accessions, official links and version/read-depth notes are in the instructor research packet at <site/research/pool-corp/source-register.md>.

Academic sources:

- Wan, Xiang (2022), "Omnichannel Distribution to Fulfill Retail Orders," *Manufacturing & Service Operations Management* 24(4): 2150-2165, DOI [10.1287/msom.2022.1104](https://doi.org/10.1287/msom.2022.1104). The cited manuscript is an author-uploaded accepted version, not the publisher PDF.
- Mudambi, Susan and Raj Aggarwal (2003), "Industrial distributors: Can they survive in the new economy?" *Industrial Marketing Management* 32(4): 317-325, DOI [10.1016/S0019-8501\(02\)00185-2](https://doi.org/10.1016/S0019-8501(02)00185-2). The cited text is an author-uploaded article.

Neither study estimates Pool's returns. All proposed gates and any numerical assumptions are for classroom analysis, not company guidance.