THE MOST
EXPENSIVE LIE IN CPG:

WHY VOLUME MISLEADS AND **HOW TO SCORE PROMOTIONS BY PROFIT**

Introduction —
The Lie That Wastes Millions

"If volume is up, the promo worked."

That's the most expensive lie in CPG.

Brands spend **~20%** of revenue on trade promotions

yet **60–70%** of those events lose money.

Why? Because teams still celebrate "lift" as success, when volume spikes hide the truth: **margin destruction.**

Volume is easy to see. Profit is harder to measure.

But profit is the only thing that pays salaries.

Why Volume Lies

Here are the **six reasons** lift misleads:

- **Pantry loading** Tomorrow's sales dressed up as today's win.
- **Cannibalization** You grew SKU A by killing SKU B.
- **Subsidy** You paid discounts on units you would've sold anyway.
- **Forward buying** Retailers & distributors win, you lose visibility.
- **Execution leakage** You paid for a promo that never actually ran.
- **Post-promo dip** The hangover that wrecks next month's margin.

The result? A P&L that looks worse even while the sales chart looks better.

Story: When Volume Lied

A brand ran a two-week discount:

10,000
Base units

22,000
(+120% sales lift)
Total promo units

TEAM REACTION:
High fives **Repeat next quarter**

But here's what finance saw:

$20,000
Baseline profit (no promo)

$7,000
Promo profit (with discount + spend)

$7,500
Cannibalization loss

−$20,500
Final incremental profit

ROI: −0.55X

On paper: **Sales doubled.**

On the P&L: **$20K lit on fire.**

The Real Measure

The metric that tells the truth

Incremental Profit per Store-Week.

This isolates what the promo added (or destroyed) vs. what would have happened without it.

It's the difference between "celebrated lift" and **profitable growth.**

Benefits for CPG Teams

- **Objectivity** No more debating "was this good?"
- **Alignment** Sales, trade, and finance speak the same language.
- **Efficiency** Brands using this system cut 20–30% of wasted promos.
- **Clarity** Focus calendars on SCALE events, cut STOP events fast.

THE SCORECARD SOLUTION

We rebuilt promo evaluation from the ground up with a **Profit-Based Scorecard.**

10 Weighted Metrics

- Incremental Profit ($) 0–5
- Net ROI (Incremental profit ÷ all-in trade spend) 0–5
- Incrementality Ratio (% incremental ÷ total) 0–5
- Profit per Incremental Unit ($) 0–5
- Cannibalization (%) 0–5
- Post-Promo Dip (%) 0–5
- New Buyer Mix (%) 0–5
- Retailer/ Category ROI 0–5
- Execution Complianc (%) 0–5
- Strategic Learning Value 0–5

How It Works

Each metric scored 0–5

Weighted into a **final grade**:		
SCALE	Repeat / Expand	(≥4.0)
REFINE	Fix & Retest	(3.1–4.0)
STOP	Retire / never repeat	(≤3.0)

What It Flags

- **Subsidy loss** (margin on baseline units)
- **Cannibalization leakage** across SKUs
- **Execution failure** (missing displays, OOS)
- **False "wins"** that actually lose money