



VOLUME III · CASE STUDY 002

Velocity Without Profit.

Breaking the promotion spiral and rebuilding pull-through economics.

NATURAL REFRIGERATED DELI · HIGH-PROTEIN GRAB-AND-GO

+\$1.18

-11.5 pts

\$142K

Contribution Margin Per Case

Trade Spend Reduction

Invalid MCB Recovery

OPERATIONAL INTELLIGENCE · MARGIN ARCHITECTURE · EXECUTION INFRASTRUCTURE

PRO STRATEGIC SUITE · EDITION 2026

PORTFOLIO & CLIENT POSITIONING USE · CONFIDENTIAL

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Inside this document.

A complete diagnostic record of the engagement: findings, root cause, intervention sequencing, results, and operator insight. Built for portfolio presentation, capital conversations, and broker alignment.

0 1	Executive Summary	Engagement framing and headline outcome.
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0 3	Detailed Findings	Structured exposure register by operating area.
0 4	Root Cause Analysis	What was actually broken, and why.
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ENGAGEMENT PARTICULARS

Type: Promo Roadmap Reset & Deductions Control Engine

Timeline: 6-Month Engagement

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Velocity is a trap when it hides negative unit economics.

A high-velocity refrigerated deli brand was the fastest mover in its category at KeHE. It was also losing \$0.37 on every case sold. PRO replaced the promotion spiral with engineered pull-through and converted phantom profitability into compounding margin.

A natural refrigerated deli brand specializing in high-protein grab-and-go had achieved velocity that any category buyer would describe as a success: 12.4 turns at KeHE, eleven scan events in fourteen months, and a reorder pattern that had become aggressive enough to draw flattering reviews from the broker. The internal narrative was that the brand had cracked the convenience-protein category.

PRO's diagnostic told a different story. Trade spend had quietly ballooned to 29.4 percent of gross sales. MCB deductions running at \$1.2M annually were unmapped, untraceable, and treated by the brand's finance function as a normalized cost of doing business. The list price assumed 18 percent trade load. The actual load was 11 points higher. The contribution margin per case was negative \$0.37. The brand was the fastest-selling item in its category and was paying KeHE to take it.

The intervention rebuilt the margin stack at the SKU level, replaced the reactive promotional calendar with a 12-month gated roadmap requiring 18 percent incremental ROI before any event was approved, centralized the MCB inbox, and installed a 10-day dispute SLA on every deduction code received. Within six months, contribution margin per case moved from negative \$0.37 to positive \$0.81 — a \$1.18 per-case swing on the same volume.

ENGAGEMENT FRAMING

This was not a turnaround driven by sales decline. It was a velocity correction. The brand was selling enough to look healthy on the surface and bleeding enough underneath that another year of the same model would have triggered a recapitalization event. PRO's job was to break the promotional dependency before the cash position broke.

0 2 | PERFORMANCE SNAPSHOT

At a glance.

The numbers below are the engagement-window deltas — measured against the pre-intervention baseline at scope kickoff. Every line was reconstructed from distributor scorecard data, deduction registers, and the brand’s own P&L.

M E T R I C	B E F O R E	A F T E R	I M P A C T
Total Trade Spend (% of Gross Sales)	29.4%	17.9%	-11.5 pts
Promo ROI (Incremental Contribution)	-11.8%	+19.4%	+31.2 pts
Invalid MCB Recovery (Annual)	\$0	\$142K	+\$142K
Contribution Margin Per Case	-\$0.37	+\$0.81	+\$1.18
Cash Conversion Cycle	67 days	41 days	-26 days

<h2>+\$1.18</h2> <p>Contribution Margin Per Case</p>	<h2>-11.5 pts</h2> <p>Trade Spend Reduction</p>	<h2>\$142K</h2> <p>Invalid MCB Recovery</p>
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What the diagnostic actually surfaced.

Velocity does not ask permission. It accumulates. The findings below were already in the data; they had simply never been read against a properly reconstructed margin stack.

2.1 Promotional Dependency

I S S U E · Eleven overlapping scan events in fourteen months — reorder behavior tied to subsidy.

The brand had run eleven discrete scan events at KeHE over the trailing fourteen months, with overlap windows that meant base velocity had not been observable for almost a year. Reorder cadence tracked deal calendars rather than consumer pull-through. When the brand attempted a four-week deal pause, reorder volume dropped 38 percent.

C O N S E Q U E N C E · *When reorder behavior is conditioned on subsidy, every promotional dollar becomes a maintenance expense, not a growth investment. The brand was no longer using promotions to acquire trial; it was using them to defend baseline volume.*

2.2 MCB Opacity

I S S U E · \$1.2M in annual deductions unmapped to specific events or GL buckets.

MCB deductions were running at approximately \$1.2M annually. Less than 30 percent of MCB codes had been mapped to specific promotional events, distributors, or GL buckets. The remainder were absorbed into a generic 'trade allowance' line on the brand's P&L. Of the deductions PRO was able to trace, 11.8 percent were invalid — duplicate scans, expired codes, mis-applied program terms.

C O N S E Q U E N C E · *Unmapped deductions are unmanaged trade spend. A brand that cannot tie a deduction to a specific event has no defensible position when contesting it and no analytical position when planning the next one. The MCB inbox was, in effect, a hole in the floor of the P&L.*

2.3 Margin Stack Illusion

I S S U E · List price assumed 18% trade. Real all-in cost was 29.4%.

The list price had been set against an internal trade assumption of 18 percent of gross sales. PRO's reconstruction of the actual trade stack — including overlapping scans, fair-share spoilage, MCB pass-through, distributor margin compression, and merchandising fees — produced a real all-in cost of 29.4 percent. The list price was structurally underwater.

C O N S E Q U E N C E · *A list price built on an under-modeled trade stack is not a pricing error. It is a permanent margin liability. Every case shipped at the wrong list price compounds the loss until the list price is rebuilt — there is no operational fix at the same SRP.*

2.4 Refrigerated Category Risk Amplification

I S S U E · Over-promotion compounded by spoilage and temp-controlled freight cost.

In refrigerated categories, over-promotion is not just a margin compression event — it is a risk amplification event. Temperature-controlled freight is more expensive on a per-case basis. Promotional spikes increase fair-share spoilage exposure when the lift does not sustain post-event. The brand was absorbing both the margin compression and the spoilage tail.

C O N S E Q U E N C E · *Refrigerated and frozen brands cannot run the promotional playbook of shelf-stable peers. The trade stack is more expensive, the spoilage exposure is sharper, and the recovery window after a missed event is shorter. Over-promotion in a refrigerated category is a margin death-spiral with a faster clock.*

Velocity was being used to solve a problem velocity cannot solve.

The brand was using deal depth to address what was fundamentally a pricing or shopper-relevance gap. It was easier to run another scan event than to interrogate whether the SRP was right, whether the pack-out matched the shopper, or whether the secondary display strategy was generating real conversion. The promotional calendar had become the only lever the team knew how to pull.

Compounding that was a finance function that treated trade spend as a single line item rather than as a portfolio of investments with measurable returns. There was no incremental contribution margin requirement on any approved event. Promotions were approved on the basis of expected lift in cases, not on the basis of expected dollars contributed after the trade load.

The result was a brand that looked successful by every velocity metric and was unprofitable on a per-case basis. The data had been there for at least nine months. It had not been read against a margin stack that included the full trade load.

THE STRUCTURAL READ

Velocity hides negative unit economics. The fastest-selling SKU in a category can also be the one losing the most money — and the velocity itself can prevent the question from being asked.

Stop subsidizing velocity. Start engineering pull-through.

The intervention attacked the model in two parallel tracks: rebuild the economics to make per-case math positive, and convert the promotional architecture from subsidy-dependent to conversion-driven.

PHASE I. Margin Stack Diagnostic

Weeks 1 - 3

Every SKU's P&L rebuilt by customer and distributor. Fully-loaded cost reconstructed: COGS, distributor margin, freight, MCB pass-through, fair-share spoilage, merchandising, and slotting. Two SKUs identified as structurally unrecoverable at any reasonable SRP and recommended for retirement. Three SKUs identified as repriceable.

PHASE II. Promo Roadmap Reset

Weeks 3 - 8

Reactive promotional calendar replaced with 12-month gated roadmap. Required incremental contribution ROI of 18 percent installed as the approval gate. Overlapping scan events eliminated. Buyer conversations shifted from TPR depth to shelf placement, pack-out, and secondary display strategy.

PHASE III. Deductions Control Engine

Weeks 4 - 14

MCB inboxes centralized. 87 percent of deduction codes mapped to specific GL buckets, events, and distributor program terms. 10-day dispute SLA installed on every deduction. Invalid deduction recovery process built — produced \$142K in trailing-twelve-month recovery within the engagement window.

PHASE IV. Sustainable Reorder Economics

Weeks 8 - 24

Reorder behavior re-anchored to base velocity rather than promotional pull-through. Buyer relationships rebuilt around shelf position, pack-out improvements, and consumer education at the door. Reorder volume held within 8 percent of pre-pause baseline by month four — without scan support.

0 6 | RESULTS & OPERATING IMPACT

Same volume, \$1.18 more per case.

Within six months, the brand was operating on the same volume base with materially different unit economics. Total trade spend dropped from 29.4 percent to 17.9 percent. Promo ROI moved from negative 11.8 percent incremental to positive 19.4 percent — meaning every approved event now generated dollars rather than absorbing them. Cash conversion cycle compressed from 67 days to 41 days.

The single most consequential metric was contribution margin per case: from negative \$0.37 to positive \$0.81, a \$1.18 swing on the same volume. The brand was no longer paying the channel to take its product. It was being paid by the channel to ship it.

Invalid deduction recovery alone produced \$142K in trailing-twelve-month recapture, materially exceeding the engagement fee in the first year. More important than the recapture was the structural change: deductions were no longer absorbed silently. They were owned, contested, and tracked.

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What this engagement confirmed.

Portable lessons from the engagement — the kind of diagnostic principles that compound across suppliers, categories, and capital deployments. These are the patterns PRO carries into the next engagement.

- 01** Velocity is a trap when it hides negative unit economics. The fastest-selling SKU in the category can be the one losing the most money per case.
- 02** An MCB inbox without an internal owner is a hole in the floor of the P&L. Centralize it, map it, and contest it within ten days.
- 03** Promotional ROI must be measured in incremental contribution dollars, not in lift in cases. Cases without dollars are a treadmill.
- 04** Reorder behavior tied to subsidy is not pull-through. It is rented velocity, and the rent compounds.
- 05** List price built on an under-modeled trade stack cannot be operationally fixed at the same SRP. Reprice or retire.

“Velocity is a trap when it hides negative unit economics. We were the fastest-selling item in the category — until we realized we were losing \$0.37 on every case.”

FOUNDER / CEO • NATURAL REFRIGERATED DELI BRAND

Phantom profitability becomes durable margin when the model is rebuilt.

PRO converted phantom profitability into sustainable unit economics. The brand now grows unit volume at 19 percent year-over-year while maintaining mature-CPG margin discipline — and without the subsidy dependency that defined the prior model.

The deeper outcome was institutional. The brand can now defend its trade investment to a board, an auditor, or a capital partner with a defensible per-event ROI. That is the difference between a brand that compounds and a brand that survives quarter to quarter on the next promotional cycle.

THE PRO MANDATE

PRO can scale suppliers without letting distribution destroy them.

Every engagement begins with a diagnosis and ends with a system the operator can run without us. We do not advise on operations — we install them.

ENGAGE

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Prime Retail Operations · Margin Architecture · Operating Intelligence