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Tell me if these numbers get you excited. First quarter sales up 40% and gross profits up 34% year over year in 2022. Now that's how you manage a crisis; right?!?! Unfortunately, those aren't the sales of Union Burrito, my neighborhood burrito shop. They're pulled from our former food supplier, Sysco's 2022 Q1 report.

Union Burrito was established less than 60 days before the onset of the Covid-19 pandemic. Like many of our peers in the Rhode Island hospitality community, upward and outward financial growth isn't the goal. Instead it's financial stability which allows us to grow deeper and stronger roots in the community. Almost without exception, our peers aspire to create places of meaning within their neighborhoods. Neighborhood restaurants are often the nexus of their communities. Vibrant communities remain so because neighborhood restaurants, amongst other cultural centers, provide the forum for the expression of shared values and new ideas.

The goals for Union Burrito and Sysco are not aligned. While not necessarily a problem for Sysco, it is a crisis for independent restaurants who are price takers, not price makers. Food will be sold in our community one way or another, whether it be by an independent restaurant or a scalable franchise. National food distributors know that food consumption is a finite number. Perpetual growth of the top and bottom lines only happens by growing market share and leveraging the weight of that market share on those with the least ability to source food products through limited alternative options— independent restaurants.

When the price of chicken rose from \$35/case to \$90/case in the spring of 2021, we raised the price of a burrito from \$9.95 to \$10.95. Do you know what happened? At first not too much, though I expected our check averages to go up because the cost of our best seller went up 10%. But then after 2-3 months our check average did jump that 10% we expected. What also happened was a 5% drop in our customer visits. Some portion of our customer base ultimately switched to more affordable food options; likely a franchise that has more collective purchasing power. In spite of our



pricing increase, the net effect was a reduction in our gross profit and fewer members of the community dining with us. When the act of dining out is solely about food consumption, we all lose. When dining out at an independent restaurant is a luxury, we all lose.

The consolidation of food distribution doesn't serve to benefit independent restaurants. Yes, the opportunity is there for economies of scale created by mergers, but show me the savings I have enjoyed when rocked by bottlenecks and price-hikes in centralized supply chains over the last 18 months. Independent restaurants have paper thin margins. Despite having spent years developing relationships with their communities, they have been wiped out en masse throughout Rhode Island. Sysco's shareholders are certainly thrilled with surpassing pre-pandemic sales. I'm a restaurant owner in Rhode Island with 9 employees who is worried that my neighbors can't afford my food—who just shed a tear because a customer wrote "Union Burrito is the BEST!!" in the comments on their pick-up order. Small victories.

Local food distribution models and the independent restaurants they service must be protected. Bigger isn't always better. Food isn't transactional. Independent restaurants are the kitchens of the community.

Sincerely -



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Owner
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