

The Sysco-U.S.F. deal: What's it mean for restaurants?

Written by Peter Romeo, Restaurant Business newsletter Vice President & Editorial Director
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Pick your cliché: Symbiosis. Co-dependence. Hand-in-glove. Strategic marriage. The relationship between restaurant and distributor is unique in the business world, a connection far more critical and spirited than the traditional link between backdoor supplier and street-front retailer. Complicating the situation is the consolidation of restaurateurs' distribution choices over the last 20 years, which left a few mega-giants and several hundred small local or specialized options.

That's why the industry took a deep breath when news broke this week of pending nuptials between the largest and second-biggest players, Sysco and U.S. Foodservice, respectively. Together, they'd supply what experts peg as 30 percent of the nation's restaurants and captive-feeding operations, including college dorms and school cafeterias. The share of market would be so dominant that federal regulators have to determine the effects on competition before they'll okay the \$8.2-billion deal.

Feds aren't the only ones with questions about the aftermath. Everyone in the business knows that operators aren't happy about the past consolidation of so-called broad-liners. The prevailing belief is that big distributors are more cavalier about service, knowing it's unlikely a competitor can knock on operators' back door with sweeter promises.

Restaurateurs also routinely grouse about having replacement products delivered in place of what they ordered, and how they feel browbeaten or dismissed when they complain.

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They constantly voice concerns about how the lack of aggressive competition may be affecting prices. Even the long-held defensive tactic of cherry-picking—choosing a few staple items and seeing what other distributors charge for them, just as a reality check—is becoming difficult to employ.

Then there's whether you earn the privilege of remaining a customer. Observers note how the minimum drop threshold—the size of the purchase a restaurant has to make to be serviced by a distributor—has been going up and up.

Against that backdrop, is it really a surprise that some operators are biting their nails over a Sysco-U.S. Foodservice marriage?

The worriers should keep a few things in mind. For one, there's the efficiencies that a merger should provide. Two often-redundant distribution chains would be streamlined into one. The resulting company's costs would be reduced, putting less pressure on margins, and hence prices.

Second, it'll hasten distribution's technological transformation. For as long as I've been in the business, distributors have been talking wistfully about using technology to take cost out of the system. That's three decades, if you're keeping a calendar. And yet the industry seems reluctant to move beyond paper and pencil, if not an abacus. The simple step of bar coding to automate inventory control has been regarded as a Mars landing.

Enough already. Consolidation makes technical progress easier, and advances in that area are sorely overdue.

Operators should also keep in mind that relations with a distributor usually boil down to interaction with their DSR. Who services you post-merger should really be the big concern, not an \$8.2-billion deal that you can't avert or control in any case.