
TESTIMONY OF ALAP VORA**OWNER, CONCORD MARKET, NEW YORK CITY****“Protecting Consumers’ Pocketbooks: Lowering Food Prices and
Combatting Corporate Consolidation and Price Gouging”****May 22, 2024**

Dear Chair Warren, Ranking Member Kennedy, and members of the Subcommittee on Economic Policy of the Senate Committee on Banking, Housing, and Urban Affairs:

Thank you for the opportunity to speak about the impact of consolidation, price discrimination, and anti-competitive behavior impacting America’s food prices. My name is Alap Vora, and I am the owner of Concord Market located in Brooklyn, New York City.¹ For the last 50 years, my family has been opening and running different types of small businesses across New York City. Some people have a clear idea about what their business will be, but my family always preferred to look at the specific needs of the community and fill gaps in the market where we saw them. Concord Market is a family-owned neighborhood grocer that opened in 2009 and has been open every day since. We pride ourselves on being job creators and an integral part of the community. Our personal approach to running and operating a business has created the foundation of our success. Our community-driven approach to serving our neighborhood has always served as a backbone to our sustainability – something that the bigger box stores simply cannot offer.

The impact of consolidation and overwhelming market power on small businesses

For small grocery stores like Concord Market our ability to operate a reliable and consistent business is at stake as we face fluctuating, opaque pricing structures from distributors. The pressure to serve our community members as a small grocer while remaining profitable is at an all-time high, especially as the desire to shop locally remains high in our city. Today, I will discuss how unexpected price hikes, deceptive and unclear fees from large distributing companies, and shrinkflation continue to place disproportionate impacts on the small shop owner like me. While our economy is certainly improving from where it was amid the COVID-19 pandemic, prices are still on

¹ Concord Market is proudly represented by Small Business Majority. Small Business Majority is a national small business organization that empowers America’s diverse entrepreneurs to build a thriving and equitable economy. We engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enable us to educate stakeholders about key issues impacting America’s entrepreneurs, with a special focus on the smallest businesses and those facing systemic inequities.

the rise. Post-COVID, all eyes are on small businesses, and while this attention is certainly helpful, policymakers must match the celebration of Main Street with policy efforts that support our growth – especially when it comes to providing oversight to consolidated industries impacting America’s food prices across the board. While we cannot control the impacts of shrinkflation or price gouging on our business, we have come to shoulder the blame for the prices that our customers see each time they shop with us.

My goal for Concord Market is longevity, and over time we have taken pride in the business’ ability to remain consistent and reliable. In its 15 years of business, Concord Market has never missed a day of service - it has stayed open through holidays, snowstorms, blackouts, hurricanes, and now pandemics. Unfortunately, for us and many other business owners in my shoes, it is growing more and more difficult to compete with big grocery stores that offer regular sales, bulk discounts, food delivery services and lower prices for the same items on my shelves, in turn driving customers away. Some of our customers would rather rent a car for a day to go to larger competitors like Costco, Trader Joe’s and others because of the pressures that impact our pricing structure and ultimately our bottom line.

As a small business, we constantly must assess the profits we’re able to make on certain goods or services. Given my limited bandwidth as a business owner managing multiple aspects of the store at any given moment, there is little ability for us to cross-check each vendor to understand why the cost of a specific good increased since the last time we purchased.

Examples of monopolistic behavior impacting Concord Market

Every shop owner hopes to provide the best selection of goods for its customers, but that remains difficult when distributors are charging more from their small business partners than they are charging individual consumers at Costco or other wholesaler clubs. It has become clearer to the business community that the biggest distributors and manufacturers aren’t required to be transparent, competitive or cooperative with small vendors. In addition, evidence of shrinkflation by major food companies continue to shock and concern consumers across the nation. According to a recent report by the Food Institute, 73% of U.S. consumers rank shrinkflation (or package downsizing) as a top concern, while 52% of consumers suspected they may be a victim of shrinkflation when purchasing snack foods, a key offering of Concord Market.² Major food companies are not even attempting to hide this practice – for example, Frito-Lay confirmed that they have recently reduced the weight of Doritos from 9.75 to 9.25 oz. Other brands like Gatorade have admitted to using a more expensive bottle design with no extra product to make up for the extra cost.³ The end result is less product for the same price and less shoppers in grocery stores large and small.

While we actively engage with local support entities to help us navigate these challenges, our efforts are hindered by the various competing priorities of business ownership. For example, our engagement with the Department of Consumer Affairs across the city has

² “Report: ‘Shrinkflation’ Top of Mind for Consumers,” The Food Institute. April 24, 2023.

<https://foodinstitute.com/focus/report-shrinkflation-top-of-mind-for-consumers/>

³ “Your Favorite Snacks Are Getting Smaller Thanks to ‘Shrinkflation’,” Food & Wine. March 14, 2022.

<https://www.foodandwine.com/news/food-shrinkflation-doritos-gatorade>

yielded little result. While local agencies (such as the Health Department, Fire Department, and Consumer Affairs) examine small business owner activity under a microscope, there is an apparent lack of oversight into the supply chain processes that feed into our business model.

Despite our best efforts to push back on our distributors and mitigate these challenges before they impact our customers, the reality is that while small businesses struggled to keep their doors open during a pandemic, recession, and volatile economic conditions, distributors were free to profit off so-called “supply chain challenges” by increasing their prices by 5% across the board when their actual cost of purchasing or manufacturing remained stable. Concord Market has seen supply prices increase and vary by 20%-30% for everyday products like two-liter sodas. Major food corporations have proudly stated an increase in profits and shareholder earnings while everyday Americans and business owners like us pay the price. For example, a recent earnings statement from U.S. Foods boasts a record 19% growth in adjusted earnings before interest and tax deductions (EBITDA) representing over \$1.58 billion in growth in FY23 alone while case volume growth increased by 7.3% for independent businesses and mere 5.6% percent for all other customers.⁴ Sysco, another well-known food giant, brought in over 33% as reflected in FY23 EBITDA in the fourth quarter alone while only increasing the foodservice volume by 2.3%.⁵

The data (both quantitative and anecdotal) are clear, even if there are regulations and laws in place to keep distributor price gouging from happening, they clearly aren't being enforced. In practice, we have learned this to be true through engaging with other business owners in my community to compare what we each pay for the same item – sometimes we find there are price increases as much as 50% - 100% based on who is buying the product. When we started comparing invoices from multiple locations, we saw that each of us paid different prices for the same item over a short period of time.

When it comes to shrinkflation, Concord Market customers and employees have witnessed canned goods and other shelf-stable items fluctuate in size and substance, demonstrating that higher item costs sometimes come with reduced product sizes. Some distributors claim they have had to increase prices because there was a shortage of a certain input, but even when the shortages are resolved, the distributors keep charging the same high price or more.

As a business owner, it feels like our distributors are taking advantage of any slight market changes to upcharge, and that's hurting small grocers like me that may be two or three layers removed from their manufacturer. Today, companies that passed on price increases to grocers like us and consumers like ours have not eased food prices despite supply chain challenges easing.⁶ For example, we were forced to raise our deli prices because the costs of the goods and the labor needed to serve our location have increased

⁴ “US Foods Reports Fourth Quarter and Fiscal Year 2023 Earnings.” U.S. Foods, February 15, 2024, <https://ir.usfoods.com/investors/stock-information-news/press-release-details/2024/US-Foods-Reports-Fourth-Quarter-and-Fiscal-Year-2023-Earnings/default.aspx>

⁵ “Sysco Reports Record Fourth Quarter and Full Year 2023 Sales, Operating Income and Cash Flow.” Sysco Investors. August 1, 2023. <https://investors.sysco.com/annual-reports-and-sec-filings/news-releases/2023/08-01-2023-130627627>

⁶ “FTC Releases Report on Grocery Supply Chain Disruptions.” Federal Trade Commission. March 21, 2024. <https://www.ftc.gov/news-events/news/press-releases/2024/03/ftc-releases-report-grocery-supply-chain-disruptions>

while the size of our orders stayed the same. Due to this, we realized over 30% in losses on our catering program and could no longer afford to fill large orders with such small margins.

Outside of price hikes and shrinkflation, small grocers are oftentimes left with no choice but to buy more product than they need. When restocking drink cases in our store, we are forced to purchase upwards of 40-50 units of a product to get a particular good on our shelf, causing our wholesale bill to skyrocket all while leaving us with limited storage space, too many perishables and overstock that we cannot return.

While we bear responsibility for the factors in our immediate control, we need support from leaders like you to navigate highly consolidated markets. Small business owners are the backbone of their communities, and our sole focus is serving those communities. We cannot be expected to track, monitor, and combat anticompetitive behavior on our own – our focus must be and always will be on our business and our customers. Moving forward, small businesses and small grocers like Concord Market call on Congress to help us navigate these pressures to continue to provide jobs and community for our neighbors. While a simple price increase on a grocery item or two may not seem devastating to a household budget for many of you in this room, for the average American this behavior has created great tension between the small grocer community and their valued customers' ability to support the industry.

Conclusion – Congress must act to lower prices across America's food supply and distribution system to support small market participants

The cost of doing business in cities like New York has skyrocketed. From new “congestion pricing” for tourism season, astronomical delivery app fees up to 30%, utility cost increases, waste removal service increases, and credit card fees.⁷ These factors, when compounded with the anti-competitive practices from the biggest, richest distributors, it remains nearly impossible for us to try to be competitive in the grocery industry as a small business. We attempt to offset price increases and inflation by offering various benefits to shopping at our store including regular shopper rewards, student discounts, waived deliver fees and sponsored events to support our elderly neighbors.

As a pillar of our community, doing the right thing for our customers is what we live by. Often, when our staff makes deliveries for elderly neighbors in our free deliver program, they spend time with the customer, and help them out in any way they can such as changing a lightbulb or providing social stimulation during drop-offs. These types of transactions are not profitable for business, but it's the right thing to do for our community. While important to us all, our community benefit programs will only get us so far when pitted up against external factors out of my control like rising food prices, shrinkflation, unfair distributing models and a pressure to keep pace with box stores that offer what we sell at a much lower price – just because they can.

The small business community faces no shortage of challenges standing in our way to success, and unnecessary and preventable shrinkflation, price gouging, and consolidated

⁷ Concord Market has seen credit card fees increase from 1.5% to 4% over the last ten years. As stated in this testimony, New York City law prohibits businesses from passing these fees on to consumers.

market power from large distributors should be the least of our problems. In addition to mitigating stark and sudden cost increases, small businesses are dealing with other costs that we are forced to pass onward to our consumers or face directly. Swipe fees, which are illegal to pass on to the consumer in the state of New York, fueling, stocking, labeling, and processing charges on deliveries, are just a few examples of other cost burdens we bear resulting from consolidated industries that make up our supply chain. Though we are nearly four years removed from the COVID-19 pandemic, businesses are still struggling to keep pace.

Congress must act alongside federal enforcement agencies to ensure that the major players in our economy are held accountable for their actions that result in rising prices and put a squeeze on both small businesses and their customers. Congress can do this in multiple ways, but I will highlight three starting points here:

1. Work with your colleagues to pass the Shrinkflation Prevention Act of 2024. This critical legislation would direct the Federal Trade Commission (FTC) to create and enact regulations to establish shrinkflation as an unfair and deceptive action. The bill would also enable FTC to pursue civil actions against corporations engaged in shrinkflation and encourages and authorizes state Attorneys General to bring civil action against those corporations.
2. To ensure small businesses can compete on a level playing field, we urge Congress to provide funding necessary to the FTC to enforce the Robinson-Patman Act of 1938, also known as the Anti-Price Discrimination Act, which protects small businesses from being driven out of the marketplace via discriminatory pricing, promotional allowances and advertising afforded to large, franchised companies.
3. Continue to work with businesses like mine, and organizations like Small Business Majority, to shed light on the discriminatory practices that plague our small grocer communities from being able to provide competitive, affordable prices for the families and businesses that they too serve.

Thank you again for the opportunity to speak with you today, and I look forward to answering any questions you may have. For any questions following the hearing, please reach out to Small Business Majority at adamato@smallbusinessmajority.org

Sincerely,

Alap Vora
Owner, Concord Market
Small Business Majority Network Member