Colorado Food Insights: Market Channel Choices

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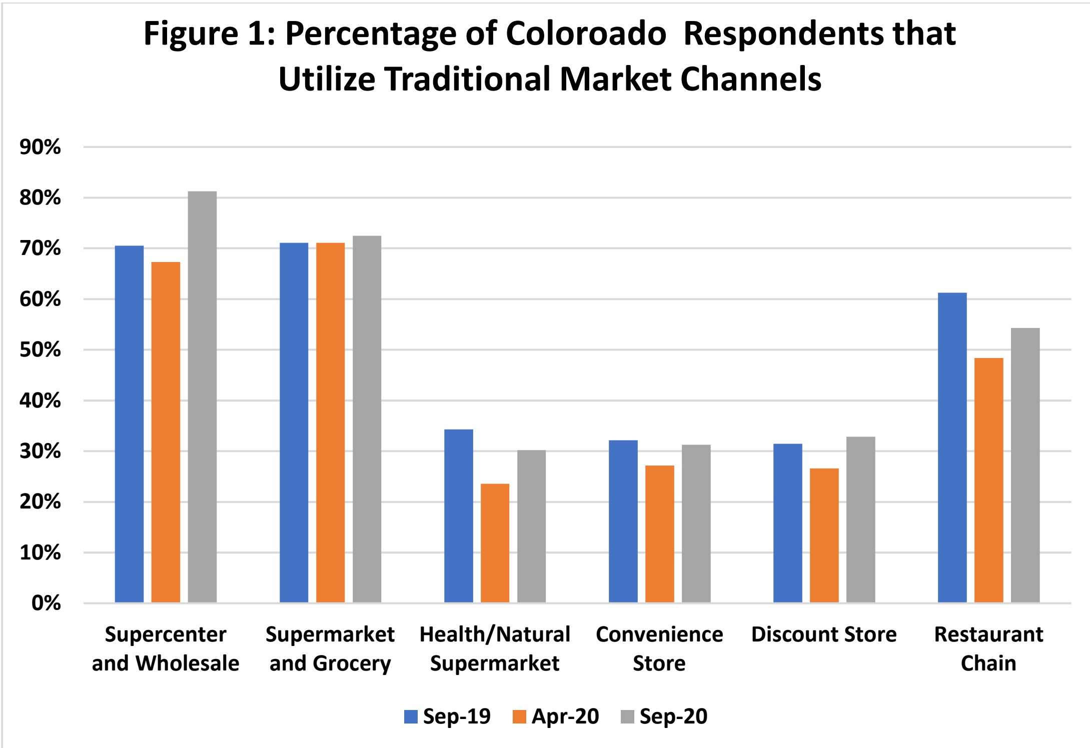
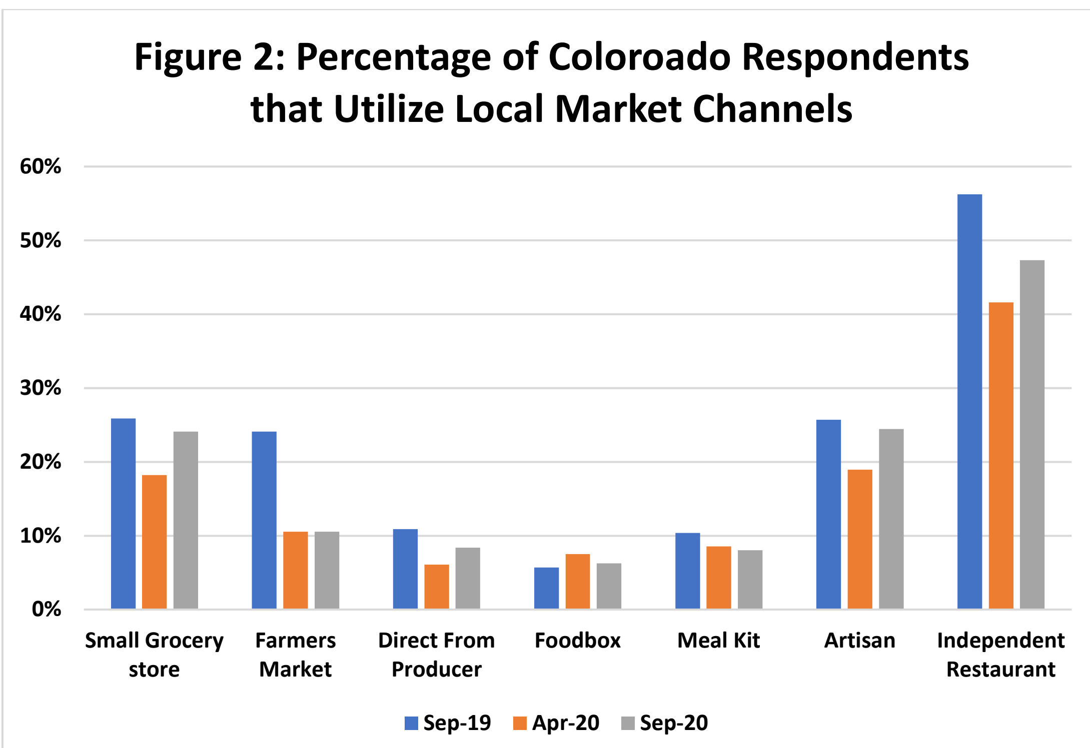
Prior to the pandemic, United States (US) households spent around half of their food dollars on food away from home[1] (FAFH) and half on food at home (FAH). At the onset of the pandemic, consumers shifted how they shopped for food and where they spent food dollars. Many began purchasing more food to be eaten at home, and many also began more commonly utilizing alternative purchasing options like curbside pickup and delivery services. As the pandemic continued and consumers adapted to longer-term circumstances, these food shopping habits also may have persisted or recalibrated to a "new normal". Understanding the dynamics of Coloradans' market channel choices during the pandemic gives food business managers insights into potential needs and opportunities for the Colorado food system.

Market channels have been split into "traditional" and "local" channels, as these categories of retailers offer different selection of goods, shopping options and qualities to consumers. For example, supermarkets are associated with convenience and relatively low prices, while health food stores offer niche products for a premium price. Examining these categories separately allows us to consider how shifts in consumers' choices may align with varying motivations driving changes in their shopping behavior. To understand these changes, the below figures illustrate the percent of respondents utilizing each market channel.

- Traditional Market Channels
    - Supercenters and wholesale retailers experienced an initial drop in use at the onset of the pandemic but rebounded in September 2020.
    - Supermarkets were the only traditional market channel that did not experience a drop in participation in April 2020.
    - Health stores, convenience stores, small grocery stores, and restaurant chains all experienced an initial drop in usage at the onset of the pandemic, and then somewhat recovered by September 2020.
    - These trends are consistent with those observed in a companion national sample.

[1] **Food away from home**: food prepared outside of the home; includes ready-made meals purchased from food retail stores and restaurants. **Food at home:** food prepared at home.



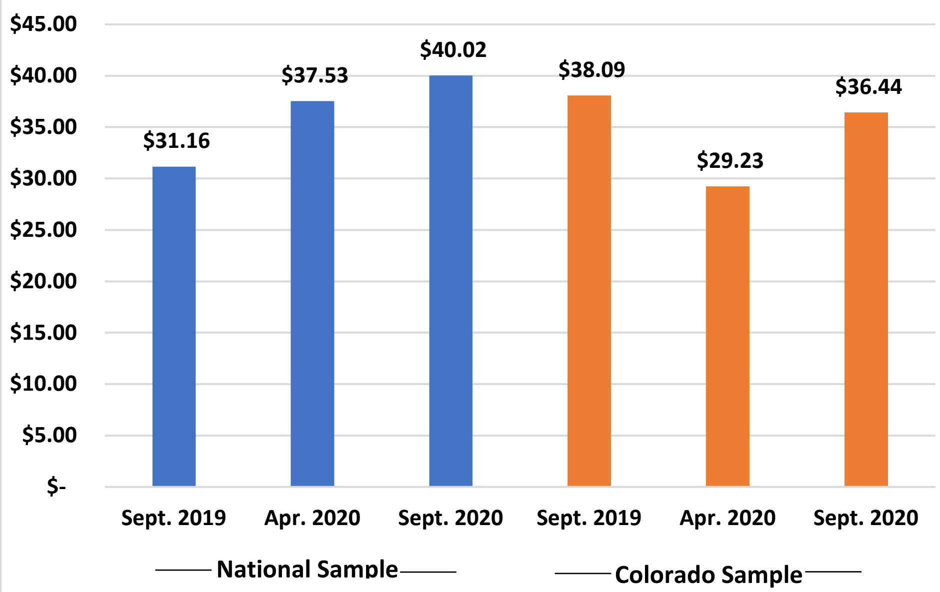


- Local Market Channels
  - With the exception of food boxes, all local market channels saw an initial drop in usage in April 2020, immediately following closures associated with the

pandemic. By September 2020, most of these local market channels experienced at least some recovery in usage, with the exception of meal kits.

- The observed recovery by local market channels may imply that small, independent food retailers in Colorado were successful in their efforts to adapt to pandemic era obstacles. As one anecdotal example, many small retailers were able to add some type of online purchasing option soon after the onset of the pandemic (see the Online Shopping Trends fact sheet for more details).
- These findings are mostly consistent with those found in the national sample, with the following notable exceptions:
    - Our data show that Coloradans utilized farmers markets at slightly lower rates. For example, in both April and September 2020, 11% of respondents used farmers markets in this sample versus ~18% nationally.
    - The national sample observed an increase in the percent of respondents purchasing meal kits from September 2019 to September 2020, but we see the opposite trend in this sample. Relatively little is known about demand for meal kits compared to other market channels, and meal kits may represent a resiliency opportunity for regional food systems during the pandemic.
        - Figure 3 shows the discrepancies in average meal kit expenditures between Colorado and the national sample. We see that average meal kit expenditures increased by about $9 from September 2019 to September 2020 in the national sample. However in the Colorado sample, they decreased by 9$ in April 2020, then recovered to a net decrease of $2 in September 2020.

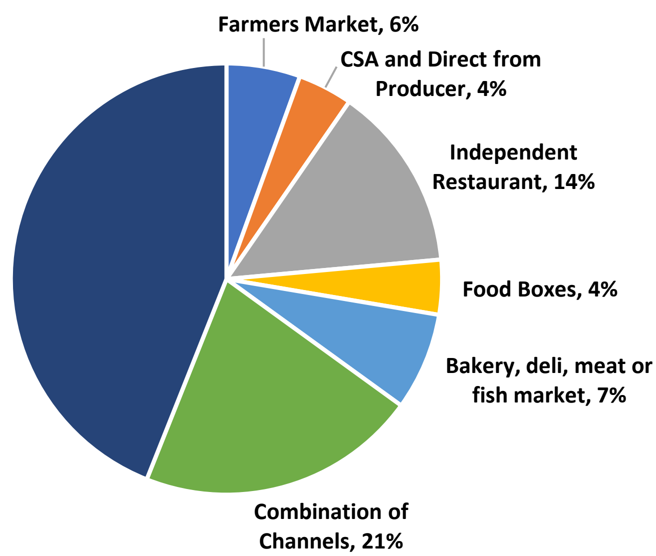
Figure 3: Comparing Average Meal Kit Expenditures in Colorado to the National Sample



Choosing New Local Market Channels in 2020

- 35% of Coloradans tried a new local market channel after the onset of the pandemic. This may have been in response to shortages, higher prices, crowds, or even shifts in available time. As portrayed in figure 4, most of those who tried a new market channel actually tried more than one new channel (21% of sample tried a combination of channels). Independent restaurants saw the largest number of new customers compared to other local market channels, perhaps due to the familiar "take-out" option offered by this type of market channel.
  - Compared to the national sample, more Coloradans tried new local market channels during the COVID-19 pandemic. The percentages of Coloradans who tried each new market channel is about twice as high as the percentages of the national sample.

Figure 4: Percentage of Coloradans who Shopped at Local Market Channels for the First Time during the COVID-19 Pandemic

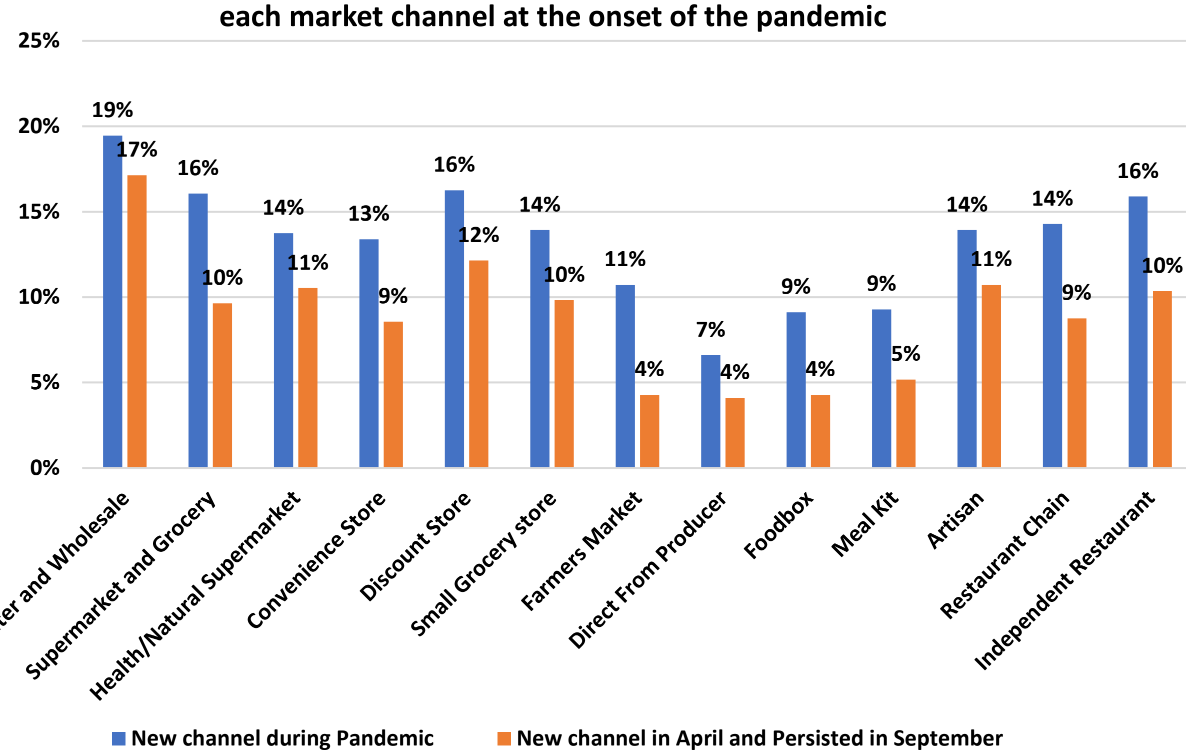


Shifts in Market Channel Choices in 2020

- Figure 5 portrays the percentages of respondents who reported shopping at a market channel in April 2020 that they *did not* shop at in September 2019, prior to the pandemic. In other words, these percentages represent those who shifted their shopping behavior after the onset of the pandemic, and illustrates how they chose to shift their shopping. As illustrated by figure 5, many continued their new shopping behavior during "the new normal" era of the pandemic, represented by September 2020.
- Traditional market channels and restaurants saw the highest levels of recently-new entrants, as conveyed by figure 5. However, the comparatively smaller percentages for local markets are still significant for these channels. For example, 10% of respondents shifted their shopping towards farmers markets in April 2020, which when applied to the Colorado population, represents around 215,000 households.

- The sizable percentages of shoppers who continued shopping at newly chosen market channels may have implications for shopping habits that will persist beyond the pandemic recovery.

Figure 5: Percentage of Colorado respondents who shifted their shopping to each market channel at the onset of the pandemic



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