

Tapping the New \$4B California Market



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Thank You!



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Exclusive Research Results: Types of Cannabis Consumers & How to Effectively Target Them



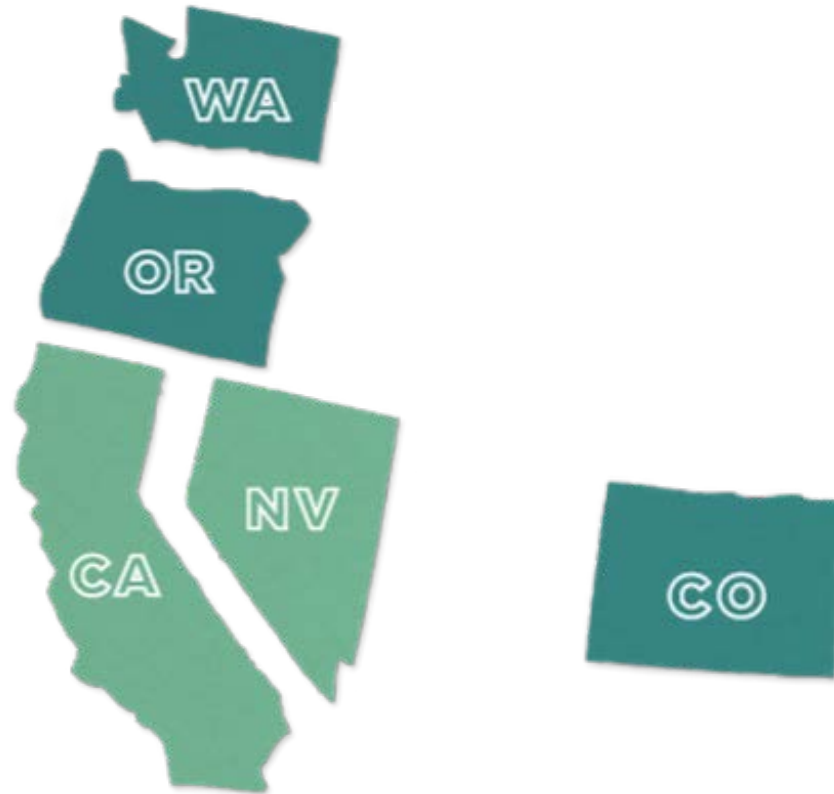
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The Research

1,000 cannabis consumers and potential entrants

- Online study, August'17, adults 21+ years
- Users: Have purchased in the last 6 months
 - Heavy users: Use it at least a few times a week
- Potential: Have not purchased in the past 6 months, but plan to purchase in the next 6 months

Conducted in five major states: California, Colorado, Nevada, Oregon and Washington



The market & demographics

One-third of adults in all states use cannabis. ***California market is the largest*** with almost ***2x more users*** and ***over 2x more potential*** entrants of all the other 4 states combined.

	California	Colorado	Nevada	Oregon	Washington
Current	31% (7M)	32% (1.1M)	28% (0.5M)	36% (1M)	35% (1.7M)
HU	76%	66%	68%	68%	67%
Potential	16% (2.8M)	8% (0.2M)	15% (0.2M)	13% (0.4M)	11% (0.3M)



Current cannabis users and potential users are different

Cannabis users are demographically ***similar*** across states: ***Male, young, single***, with household income less than \$90k and they ***work full-time***.

Male 61%

Minor Kids at Home 35%

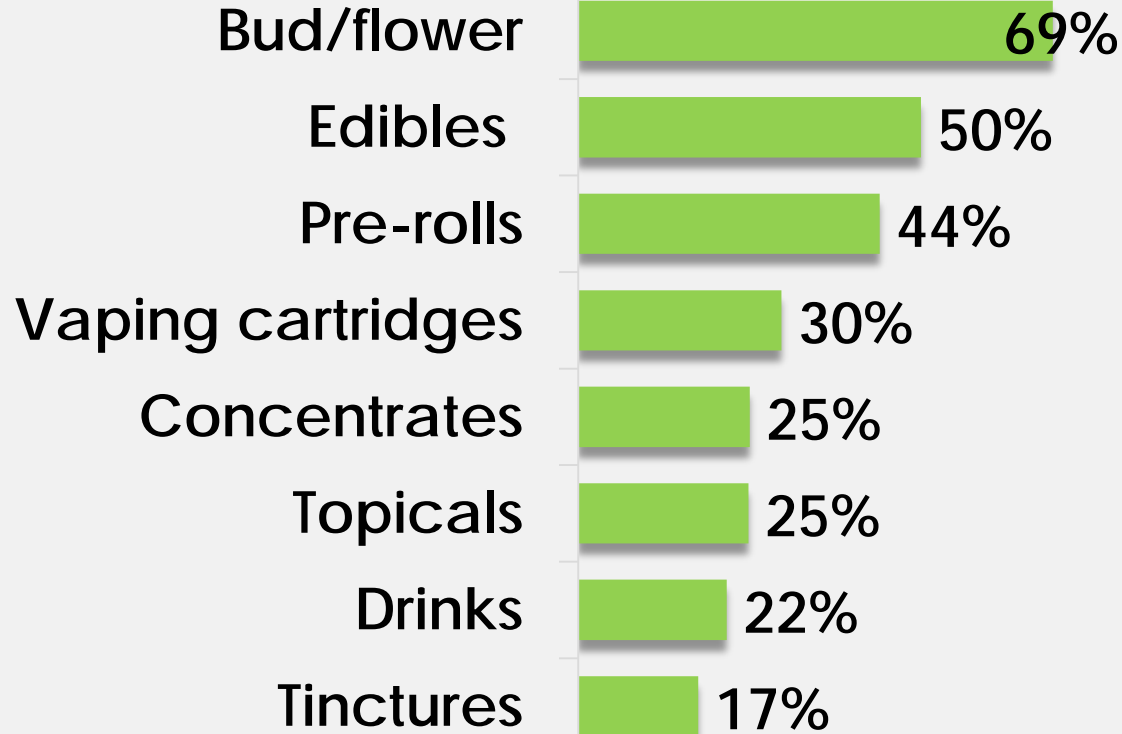
40 years or less 61%

<\$90K HHI 75%

Married 43%

Full-time 51%

Preferred product type is bud/flower, edibles and pre-rolls with **heavy users** preferring ***bud/flower and concentrates.***



Oregon consumers spend ***significantly less per visit*** and purchase ***less often*** than other states, a function of income levels.

California	Colorado	Nevada	Oregon	Washington
\$59	\$59	\$60	\$44	\$54
Once/ week	A few times/ month	Once/ week	A few times/ month	Once/ week



Current users: Female vs. Male

Female cannabis users are younger and have lower financial resources than male users.



Skew younger
21 to 30 years



37% 25%



Lower Percent
Working Full-Time



45% 56%



Lower Household
Incomes <\$90K



80% 72%

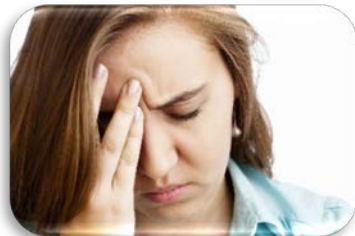
Female cannabis users have ***higher rates*** of ***anxiety, depression, headaches and insomnia.***



Anxiety



45% 26%



Depression



33% 20%



Headache



22% 9%



Insomnia



27% 20%

Therefore, they look to cannabis for anxiety and pain relief, and sleep aid.



Anxiety Relief



70% 53%



Pain Relief



68% 59%



Help Sleeping



66% 52%

When purchasing cannabis products, ***affordable prices, non-drowsy, and high CBD*** are more important to women than men.



Affordable
prices



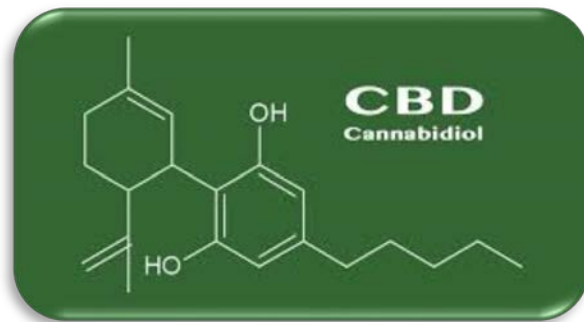
70% 62%



Non-
drowsy



39% 31%



High CBD



32% 25%

When *visiting a dispensary, affordable price, knowledgeable budtenders and the inviting atmosphere* are more important to women than men.



Affordable
prices



71% 63%



Knowledgeable
Budtenders



57% 44%



Warm and welcoming
atmosphere

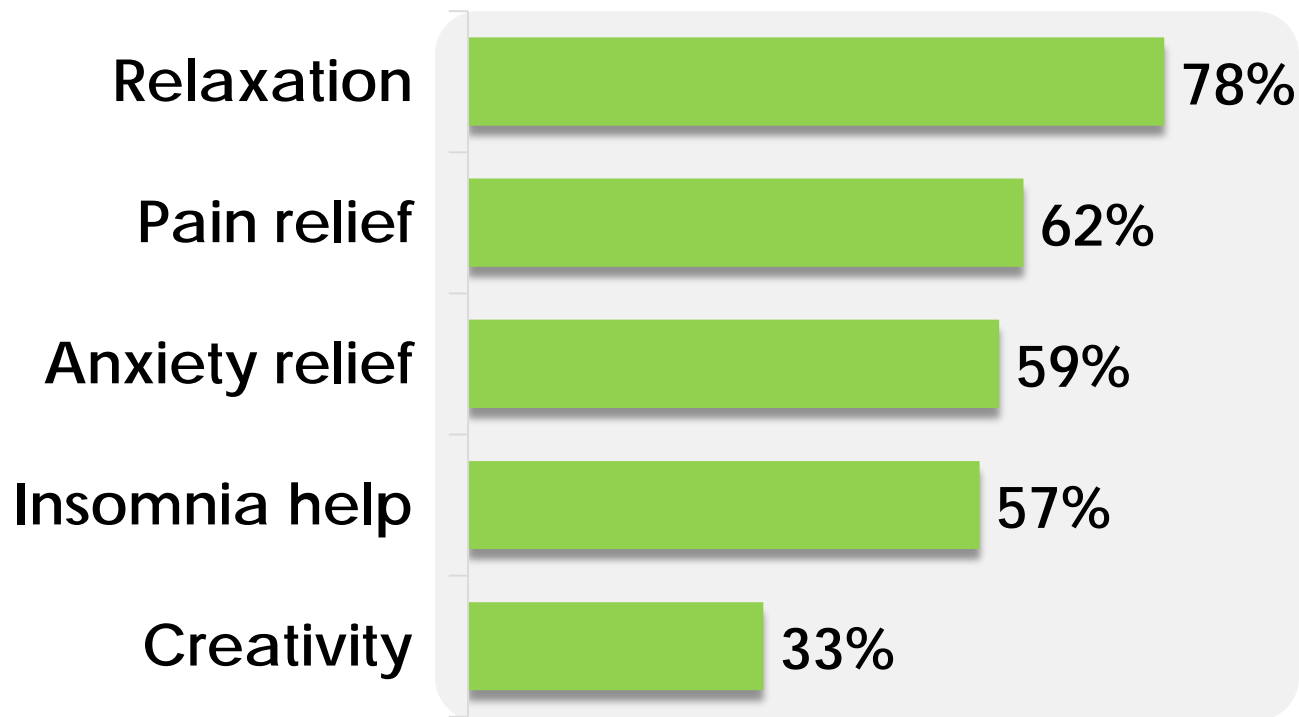


53% 41%

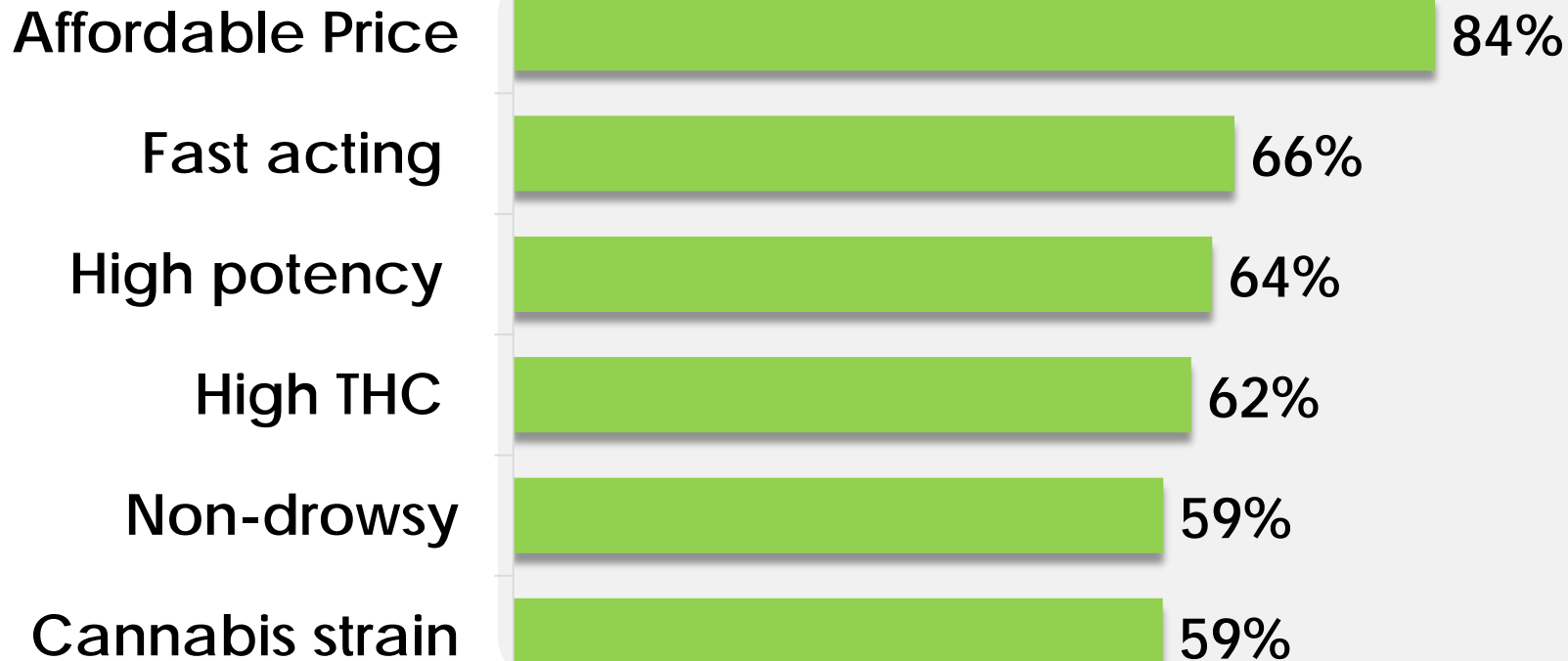


What are they looking for?

Relaxation is the main effect cannabis users are looking for, with **relief from ailments** a close second. Heavy users are more likely to look for pain and insomnia relief.



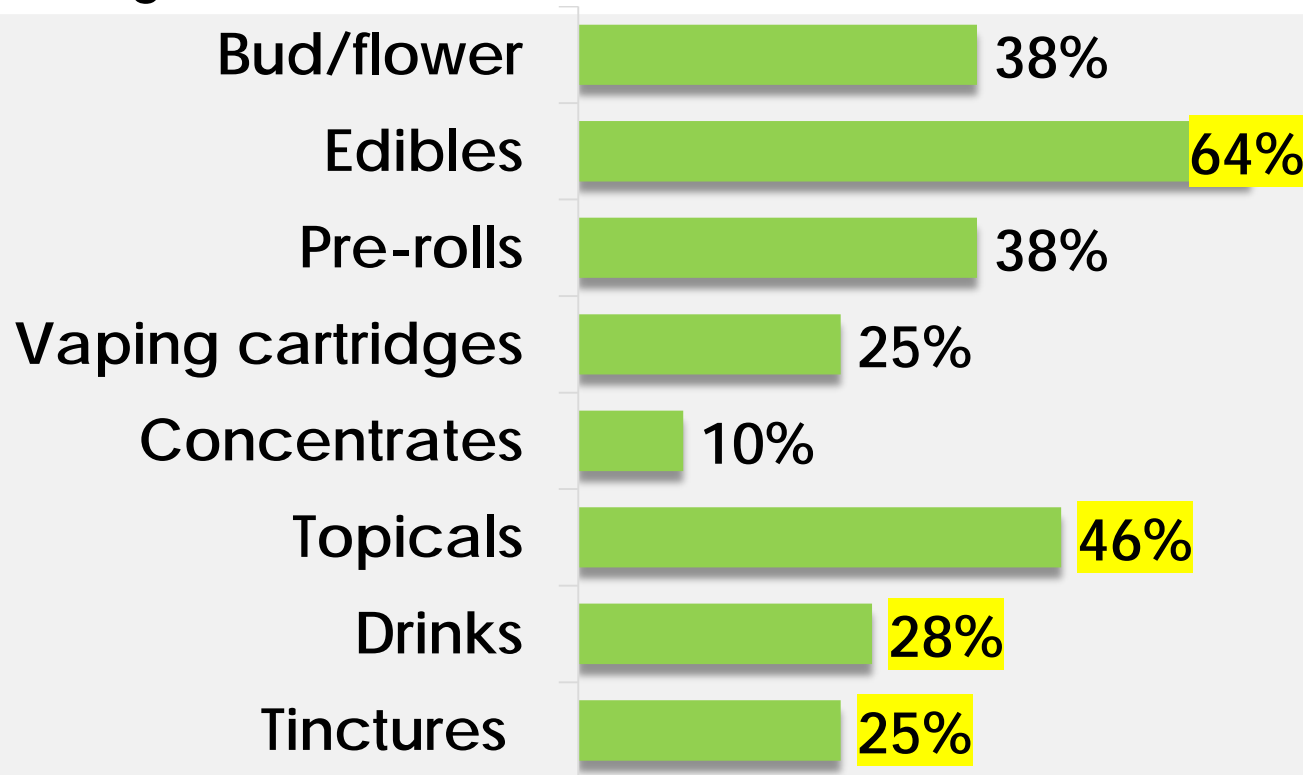
Affordability (price/value), **fast acting**, **high potency**/THC and **non-drowsiness** are important **purchase drivers**. Heavy users putting more emphasis on potency and strain.





Potential cannabis users: 50% Female and over 51 yrs. of age (31%)

For ***potential users***, ***non-smoking formats*** are significantly more appealing.



When asked about future purchases, **women** are more likely than men to say they will purchase **edibles and topicals** in the next 6 months.



Edibles



56%



46%

Candies 61%
Butter/oil 35%



Topicals



33%



19%

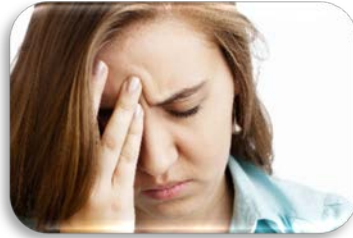
Potential female consumers also have higher rates of anxiety, depression, headaches and insomnia.



Anxiety



42% 18%



Depression



31% 15%



Headache



25% 12%



Insomnia



32% 16%

Therefore they look to cannabis for pain and anxiety relief



Pain Relief



70% 55%



Anxiety Relief



66% 48%

When purchasing cannabis products, ***female potential users*** are more interested in ***products that are discrete and non-drowsy.***



Discrete
products



32% 19%



Non-
drowsy



35% 19%



How is cannabis perceived?

Attitudes towards cannabis are consistent across all 5 states, with **heavy users** more likely to use it as **medicine**.

Cannabis is medicine 46%

Cannabis is a way to relax, unwind and have fun 43%

9%

I was not interested in cannabis until I recently started learning about its medicinal benefits.

3%

There's still a lot of research needed to prove the potential benefits of cannabis.

When looking at ***potential users***, marketing message should focus on its ***positive and medicinal benefits***.

Cannabis is medicine

29%

Cannabis is a way to relax, unwind and have fun

34%

I was not interested in cannabis until I recently started learning about its medicinal benefits.

28%

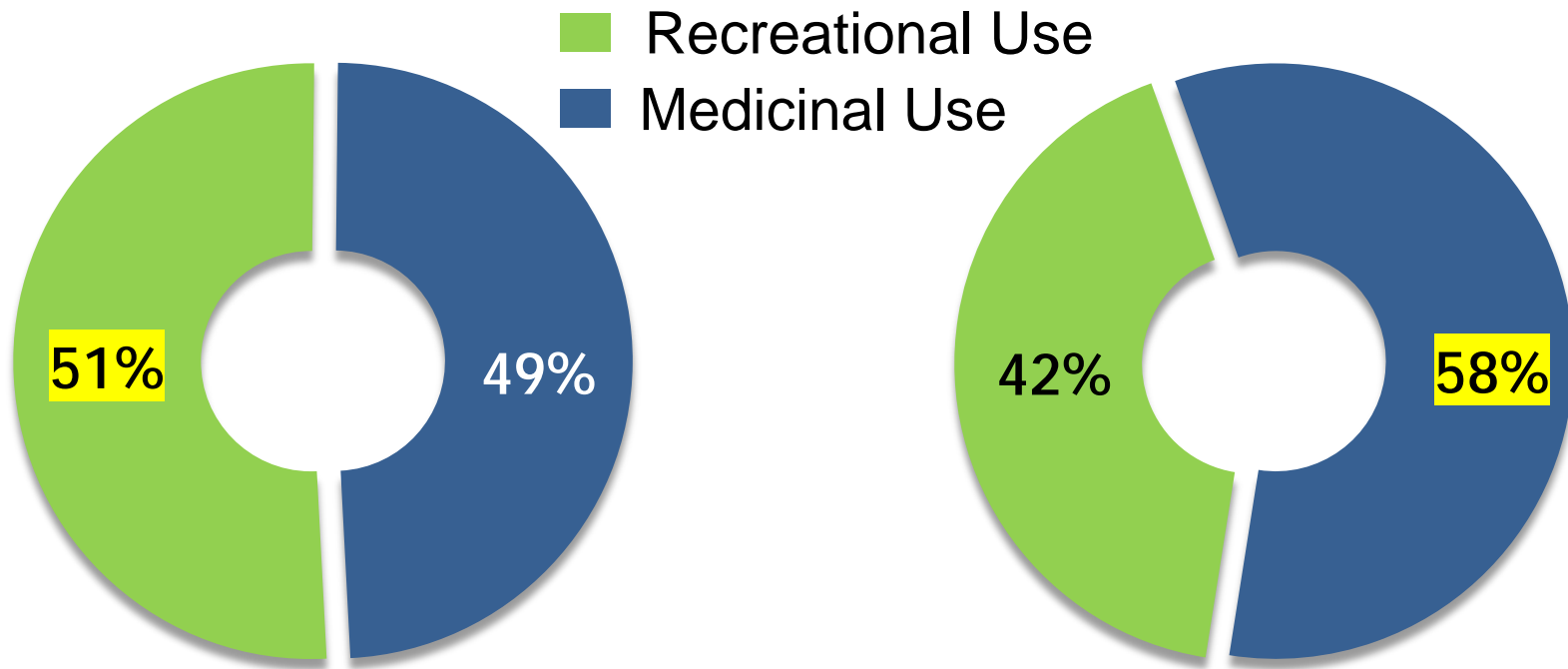
vs. 9% of
current users

9% *There's still a lot of research needed to prove the potential benefits of cannabis.*

Using cannabis, ***recreationally vs. medically***: **Potential** consumers are more likely to use cannabis for ***medicinal reasons***.

Cannabis Users

Potential Users





DELIVERY

VS.

STOREFRONT

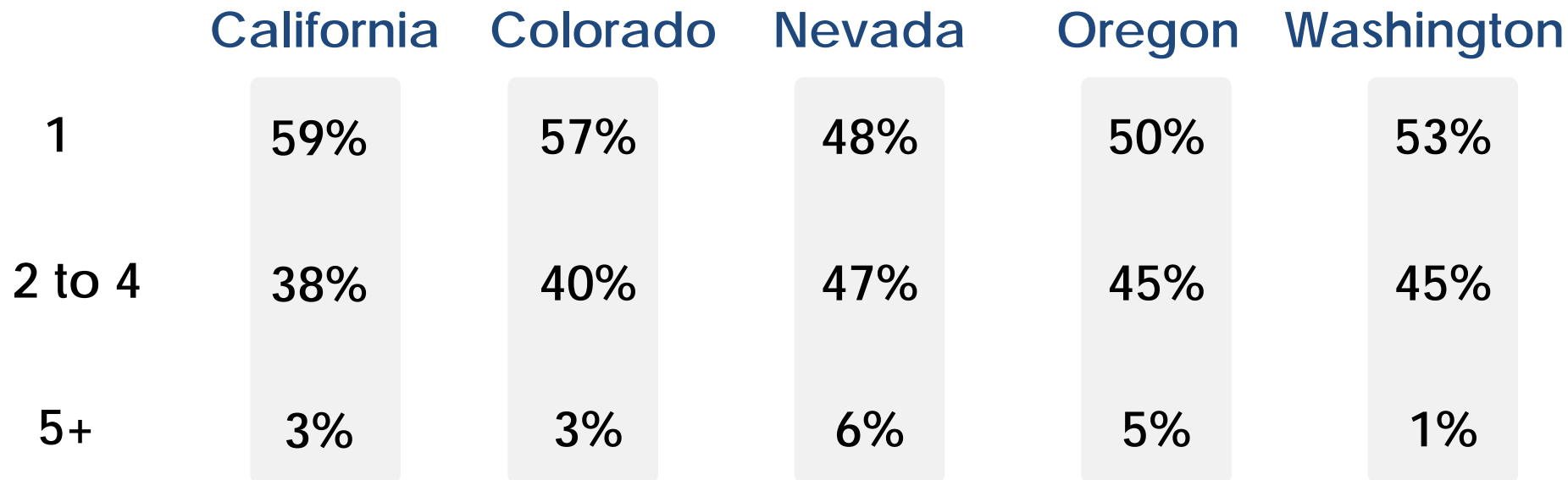


Retailing

California has a significant **home delivery business** compared to other states.

	California	Colorado	Nevada	Oregon	Washington
Go to Dispensary	67%	89%	84%	90%	91%
Delivery	27%	7%	14%	6%	7%
Other	6%	4%	2%	4%	2%

Dispensary Loyalty: About ***half of consumers are loyal*** to one dispensary.



What consumers want most *from dispensaries* is similar across all states: ***High quality products, affordable prices, and consistent availability***

- High quality products 88%
- Affordable prices 87%
- Consistent availability 80%
- Wide selection 78%
- Knowledgeable budtenders 76%



How to reach them?

A strategic approach: Your competitive advantage

Market

- Number of competitors
- Partners



You

- Current position
- Brand



Product

- Unique
- Differentiators

Top 3 ways to communicate with consumers is through ***social media, samples, and budtenders.***





Case Study 1: User, Male 25 – 40 yrs. old

Similar across all five states

- Prefers to smoke bud/flower, edibles and pre-rolls
- In CA, NV and WA, they spend around \$59 once a week, and \$44 in OR and \$59 in CO a few times a month
- They're looking for relaxation and affordable prices

Product: Bud/flower

- Main strains (i.e. Gorilla Glue, Blue Dream, Purple Kush, Sour Diesel, GSC)
 - High trichome count
 - Use top-shelf seed
 - They're pungent and dense with above average terpene content
 - High THC content (around 30% or more)
- Curated strains that deliver special effects
 - Relaxing, pain, anxiety, insomnia, creativity

Packaging is Everything



But it also increases cost, how to keep them low:

1. Value add promotion

- They're spending an average \$59, make it on your product
 - Buy X oz. of your brand, get a glass container free

2. Loyalty cards (60% goes to only 1 dispensary)

- Buy 9 1/8 oz., get 10th 1/8 oz. free

Product: Pre-rolls

- On-the go package/storage
- Two sizes (regular and mini)
- Natural paper (no dyes)
- With a filter vs. traditional
- High THC content
- Curated strains



Marketing message

- *Unwind your day*
- *Good for your:*
 - *Pain ('Relief')*
 - *Anxiety ('Calming')*
 - *Insomnia ('Night time')*





Case Study 2: Edibles

Appeals to both men and women equally

Similarities:

- Potential users: They're both older (>40)
- They both see it as medicinal
- They'll look for affordable prices

How to reach women: Product

Candy and butter/oil

- High quality ingredients
- 'Organic'
- Lab tested and certified
- Right dosing
 - X mg of THC per dose
- Non-drowsy
- High CBD



How to reach women: Marketing message

Medicinal Benefits

- Anxiety –
'Calming/Comforting'
- Depression – *'Awaken'*
- Headache – *'Relief'*
- Insomnia – *'Night time'*



How to reach men: Product

Sweet baked goods, candy and chocolate

- High potency
- Cannabis strain
- Lab tested and certified
- Right dosing
 - X mg of THC per dose



How to reach men: Marketing message

Unwind your day

And Medicinal Benefits

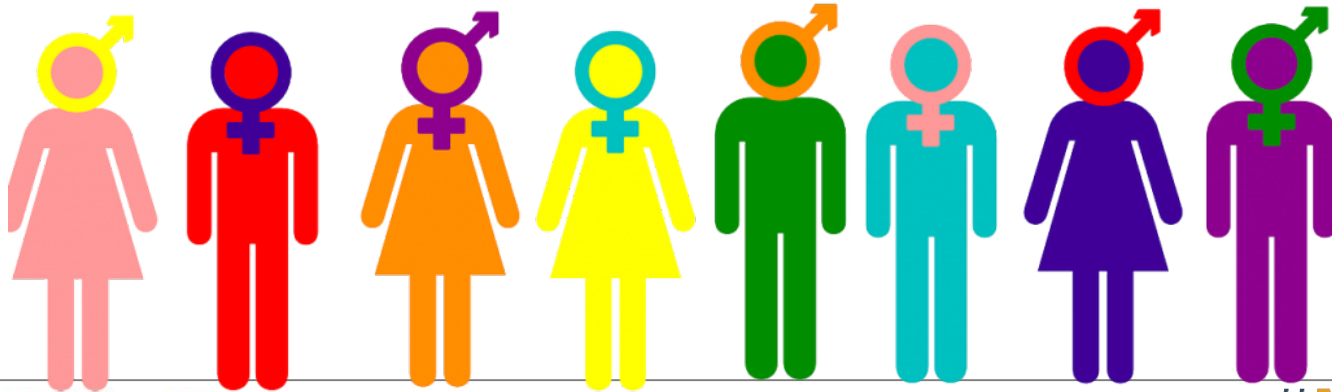
- Pain - 'Relief'



Can an edible appeal to both men and women?

ABSOLUTELY.

1. Best way to do it: Offer a product line (different flavors, strain types, formats)
2. There's no one product that only appeals to one gender



How do I market without making health claims? Do it like the Nutraceuticals



In a nut shell:

1. There are more similarities than differences across states
2. Create and market products that deliver on key target needs
3. When you face a hurdle, look at how others are solving it
4. And remember: You play a key role in shaping the industry

THANK YOU!



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What's New in Washington DC: Federal Policy Update



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THANK YOU!



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