

WHAT SHOULD A CANNABIS BUSINESS CREATE?



A BDS Analytics White Paper



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Where to Start

It attracts driven entrepreneurs, seasoned Fortune 500 veterans and savvy investors for good reason — **cannabis is the fastest-growing consumer products industry in North America**, with room for immense expansion across the next few decades. Companies and brands that establish sturdy footholds today have a shot at building commercial powerhouses — lasting, dynamic corporations with broad product lines and potent capital reserves for continued investment.

Consider: The U.S. legal cannabis industry experienced 31 percent growth in 2017, reaching \$8.5 billion in sales. The cannabis market should hit \$11 billion by year end, and \$23 billion by 2022 according to [The State of Legal Marijuana Markets, Sixth Edition \(SOLMM6\)](#) by [Arcview Market Research](#) in partnership with [BDS Analytics](#).

Growth like this thrills. In most established industries, 3 percent growth is cause for celebration. But a heady marketplace by itself does not lead inexorably to retail triumph.

With every passing quarter cannabis grows increasingly competitive, even as the industry's legal and regulatory complexities routinely erect fresh roadblocks. The combination of increased competition and ever-changing regulatory challenges should at least give pause to every entrepreneurial spirit: **Prosperity in cannabis is no sure thing.**

A vital first step — choosing to manufacture the right product.

The touch-the-plant cannabis marketplace is divided roughly into two equal parts: flower, which is normally sold by weight; and branded products like chocolate bars (edibles), vape pens (concentrates) and salves (topicals).

While growers increasingly dabble with branded cannabis, the flower industry more closely resembles an agricultural sector than a consumer packaged goods market. Business concerns revolve around yields, energy costs, pests and a myriad of other factors having to do with the plant itself rather than manufacturing, branding and marketing.

In this white paper, we focus on the other half of the market — the branded products that rely upon cannabis as an ingredient, but then head in a wild diversity of directions, everything from pills to popcorn to vape pens full of distilled Purple Urkle.

If you are contemplating entering the branded cannabis marketplace, this is the white paper for you, regardless of whether this is your first foray into cannabis, or if you are considering pivoting to a different market within the industry.

By the end of the white paper, you will:

- **Understand key risks and opportunities with all areas of branded cannabis**
- **Become familiar with the range of products on the market today**
- **Learn about select areas of branded cannabis that are expanding**
- **Encounter data that highlights important trends**

THE CANNABIS MARKET SHOULD HIT

**\$11
BILLION**

BY YEAREND, AND

**\$23
BILLION
BY 2020**

Concentrates

This broad and booming category of cannabis products offers concentrated THC and CBD in different forms — everything from pliable nuggets of hash that people can smoke in bowls, to brittle nuggets of “shatter” consumed through dab rigs, to battery-operated vape pens filled with THC oil. (Confused by the retail lingo? Check out our glossaries at the end of each category section.)

Concentrates is the fastest-growing big cannabis category, far surpassing flower, edibles, and topicals in terms of sales expansion. Last year in California, Oregon, Colorado and Arizona alone, consumers spent \$1.3 billion on concentrates, and with \$1.3 billion in sales in these states through the first three quarters of 2018, this year could easily reach \$1.7 billion. By comparison, consumers in those same states last year dropped \$651 million on edibles. (This and other retail sales data featured in this paper was pulled from BDS Analytics’ GreenEdge™ Retail Sales Tracking Platform.)

So who is the concentrates consumer?* Our research identifies them as the youngest, on average, of the non-flower cannabis consumers: 36 years old.

At 37 percent, less than half have college degrees; 67 percent are employed, and a large percentage of them, 78 percent, use concentrates for recreational purposes. That number is smaller for edibles and topicals consumers, which we will discuss later in this paper.

Just as the category supports a variety of products, so does it attract a diversity of customers. Some people embrace concentrates because the products can deliver powerful highs — nobody routinely inhales shatter from a dab rig for a mellow buzz. But the fastest-growing type of concentrate, vape pens, are often entry points for cannabis newbies. The pens are discrete, simple, familiar, and it is possible to draw on a vape pen and indeed achieve a gentle elevation.

In addition, concentrates appeal to people who don’t want to inhale smoke for health reasons, but

prefer the inhalation experience to eating their cannabis. For them, vape pens and other vaporizer tools create THC vapor, rather than smoke, for inhalation.

With immense growth and product variety, concentrates are potentially strong candidates for new product launches. But creating concentrates

comes with challenges.

The first one: identifying your market, which will also help determine your product. If you envision a boutique market, full of knowledgeable cannabis connoisseurs who will go crazy for your high-quality shatter or Live Resin, then the rest of your decisions will follow suit. If instead you want to manufacture large volumes of oils that are mostly destined for vape pens manufactured by other brands — in other words, you seek treating your concentrates more like a commodity — then your path forward is clear.

CONCENTRATES IS THE FASTEST-GROWING BIG CANNABIS CATEGORY, FAR SURPASSING FLOWER, TOPICALS AND EDIBLES IN TERMS OF SALES EXPANSION

THE CONCENTRATES CONSUMER

AVERAGE AGE: 36

COLLEGE DEGREE OR MORE: 37%

EMPLOYMENT:

- 67%, yes
- 54%, full-time

REASON FOR CONSUMPTION:

- 78% Recreation/Social
- 55% Health/Medical
- 45% Quality of Life

Entering the boutique market is easier. Well maybe not easier, but definitely less cost prohibitive upfront. Your space needs will be relatively small, and equipment costs could remain below \$200,000. (A CO2 extraction machine, which has become an industry standard, will cost somewhere close to \$150,000.) The boutique route of course comes with lots of other costs, including rent, licensing, employees and more; but, if the scale is small, then all of those costs should be significantly lower than they would be for a large operation.

The commodity approach will involve a larger investment: one CO2 machine won't cut it, and you will likely need to invest in the largest sizes available. In addition you will need more space and more staff. All of the expenses rise, the known and the unexpected.

A Big Risk for Boutique

The product must be superb, otherwise persnickety concentrates connoisseurs won't buy it. In addition, the small-scale operators must always watch their backs — investors with deep pockets could craft high-quality extracts in much higher volume, and sell their product at a far cheaper price point than yours.

A Big Risk for Commodity

Commodities revolve mostly around cost, rather than quality. If your CO2-extracted oils are far more expensive than your competitors', good luck with long-term success. It will be difficult. The model involves smaller margins, but higher volume. The upside: If you emerge as one of the market leaders in commodity concentrates, the payoffs are far in excess of what can be achieved taking the boutique route.

A Must Do

Nail the branding, marketing and sales. The concentrates market is crowded, and

differentiation is challenging. Where an edibles company can manufacture bags of snickerdoodle cookies and represent the only snickerdoodle brand on the market, your shatter or wax will be one of many.

Another Must Do

Cement partnerships. **While branding and marketing are important, the quality and drive of your sales team may be even more so — they must be top-drawer and well-connected.** And a team like that will come with a price tag. The commodity approach hinges on cost, and quality must be commensurate with the competition. But low cost and solid quality will only take you so far if the sales team isn't constantly pitching your products, taking clients out for social outings, and meeting-and-greeting at industry events. If all of the competitors sell cannabis oil for roughly the same price, and the quality is fairly equal, commercial triumph will depend upon networking and forging partnerships.

Get It Right!

Crush it with your supply-chain efficiencies. Slip-up just once — for example, guarantee a delivery of product on a Tuesday, but it turns out you can't deliver until Thursday — and the people waiting impatiently for the truck to show up might never work with you again. Making sure the production line is a well-oiled machine takes work and money - money for software, a tight team, in-house technicians, and engineers who can quickly fix problems with complicated machines. And make sure you establish highly dependable relationships with vendors, like the growers who supply you with the cannabis that you turn into concentrates.

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CONCENTRATES GLOSSARY

VAPE This category involves both pen-shaped devices and oil-filled cartridges that fit into the devices. The battery-operated pen heats the oil, which then turns to vapor. And then people inhale the vapor.

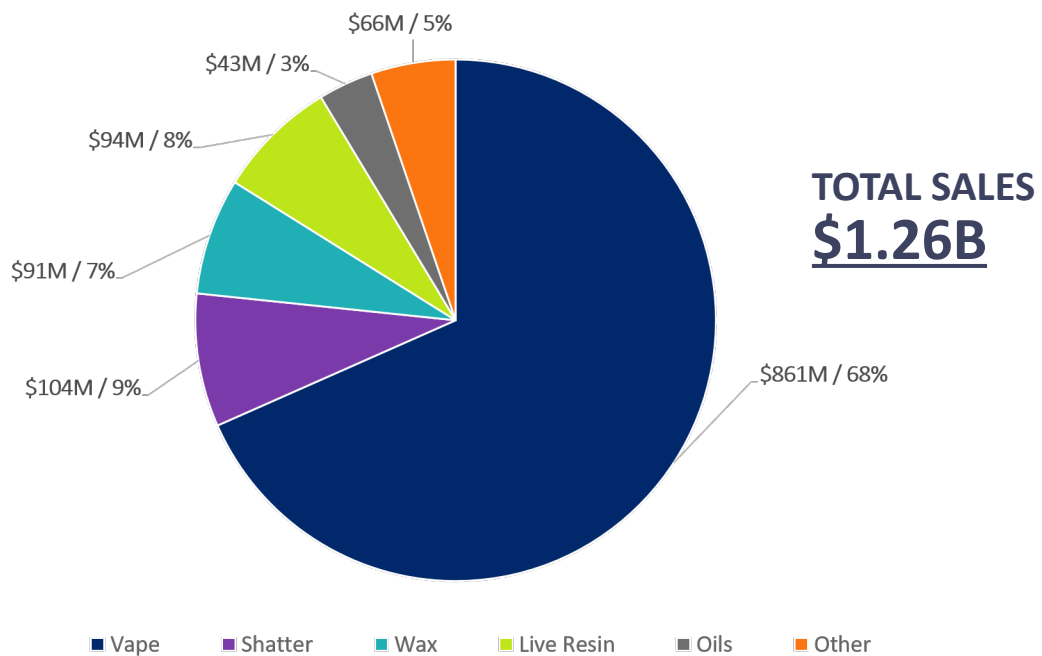
WAX A pliable form of cannabis concentrate. It is often consumed using a “dab rig,” which involves heating a nail, adding wax to the nail, and then inhaling the wax when it ignites.

LIVE RESIN A concentrate that involves storing and extracting frozen cannabis, to retain all of the terpenes and other aromatic and beneficial compounds. Like wax it gets used in dab rigs as well as vaporizers and even bong.

SHATTER This concentrate is nearly identical to wax, but tweaks in the extraction process produce a concentrate that is more like a shard of glass than a nub of wax. Among other things, shatter fans trumpet the appearance — the shard can be translucent and full of patterns.

TOTAL CATEGORY SALES - CONCENTRATES

Jan - Sept 2018 - AZ, CA, OR & CO



Source: BDS Analytics’ GreenEdge Retail Sales Tracking Platform

EDIBLES

While the growth of the edibles market has not reached the level of concentrates, specific kinds of edibles, like gummies, have experienced rocket-like growth in recent years. And overall growth still is impressive, as well as market share. For the first three quarters of this year in California, Colorado, Oregon and Arizona, edibles sales represented 15 percent of the market, up from 13 percent in 2017. Sales last year in Colorado, Oregon, California and Arizona hit \$651.5 million, and this year's \$612 million for the first three quarters puts edibles on track for close to \$1 billion.

Edibles represent the most complex slice of the cannabis pie, offering everything from mint-flavored pills promoted as sleep aids, to CBD-rich brownies, to kombuchas, sacks of caramel corn, and boxes of cheddar-cheese crackers. The range of products, though, fall into a handful of broad categories: candy, chocolates, tinctures, beverages, infused foods and pills.

Candy is the edibles market leader. Between California, Colorado, Oregon and Arizona, candy sales for the first three quarters of this year harnessed 44 percent of the edibles market, compared to 17 percent for tinctures and 15 percent for chocolates.

The big edibles story for several years was gummy candies, and they remain a potent force, capturing 33 percent of all edibles sales

during the first three quarters of 2018. But tinctures — liquid normally taken via droppers or sprays — are fast-rising too, capturing 17 percent of all edibles sales during the time period. Just two years ago, market share for tinctures was in the single digits.

The typical edibles consumer, according to our research, is 38 years old; 69 percent are employed — among the non-flower consumers, employment is highest among those who imbibe edibles. Our research shows that 42 percent have a college degree or more. And as with concentrates, recreational and social uses are the most popular reasons for consuming; among edibles consumers, 75 percent point towards these reasons for munching THC-infused bon-bons

or pouring water-soluble, granulated THC into their coffee.

The panoply of products speaks to a wide spectrum of customers, with two exceptions (outside of those who only consume flower): hardcore cannabis enthusiasts who geek-out over equipment, like dab rigs, and seek ever-higher experiences from concentrates; and cannabis connoisseurs, who savor the plant genetics behind their

favorite concentrates. Beyond these cannabis consumers, the market is wide open to edibles manufacturers.

THE EDIBLES CONSUMER

AVERAGE AGE: 38

COLLEGE DEGREE OR MORE: 42%

EMPLOYMENT:

- 69%, yes
- 55%, full-time

REASON FOR CONSUMPTION:

- 75% Recreation/Social
- 56% Health/Medical
- 41% Quality of Life

PEOPLE WHO SEEK

MINOR BUZZES

RATHER THAN FULL-BLOWN HIGHS

EMBRACE EDIBLES,

ESPECIALLY THOSE SOLD IN "MICRODOSE" FORM, WHICH NORMALLY MEANS 5 MILLIGRAMS OR LESS PER SERVING

Cannabis novices often turn to edibles. People who seek minor buzzes rather than full-blown highs embrace edibles, especially those sold in “microdose” form, which normally means 5 milligrams or less per serving. These consumers seek the “two glasses of wine” experience, rather the pot-equivalent of being drunk. Microdosing offers one approach towards that small-buzz effect. Another straightforward reason for consuming edibles: rejection of anything to do with inhaling, regardless of whether it involves smoke or vapor.

The customer base ranges from 28-year-olds who welcome what for many is a novel way to consume their favorite plant, to 70-year-olds seeking to manage knee pain through cannabis pills.

Edibles success is all about finding niches and exploiting them with fresh, exciting products. The rewards are manifold, but so are the challenges.

A key first step is thorough analysis of the edibles market in your state. If the state already supports seven gummy brands, then sweet-and-sour candies may not be the smartest move for your first or next product.

We recommend combining analysis of product diversity on shelves with real sales data revealing trends to help make your decision.

For example, in Colorado sales of chocolate bars were on the decline; for the first half of 2018, sales were down 4 percent compared to the same period last year. Meanwhile, multiple brands sell chocolate bars. So it’s time to pivot away from chocolate for your big product launch, right? Not so fast. Chocolate pieces, like truffles, saw explosive growth in the state this year, up 152 percent compared to last year. A close review of the data might suggest that competition remains fairly weak for chocolate pieces. Is it time to start pumping-out hazelnut truffles? Could be.

A Big Risk

Manufacturing the wrong product, one that does not resonate with consumers. In the early days of adult-use cannabis legalization in Colorado, brands depended upon the opinions of friends and family, as well as far too much gut instinct, to decide upon what to make. And back then, when the market supported just a few brands, it worked – or at least for awhile. Even shrink-wrapped wedges of THC-infused baklava had a good run.

No more. The edibles marketplace today is dense, diverse and extremely competitive. Winging it with your product development is just an all-around bad idea.

A Must Do

Conduct in-depth market analysis, and start concepting features that differentiate your product from the competition. Does the market support a line of edibles that delivers different effects, such as sleep, energy and bliss? Is there a THC-infused cold-brewed coffee or kombucha on the shelves? And are beverages a promising market? Are trend-lines and sales data surrounding strain-specific tinctures promising?

And remember: With edibles, the nature of the product will often determine the equipment that you purchase. Baked goods, for example, require industrial ovens, while chocolates might demand bespoke assembly-line equipment that injects molds with liquid chocolate. Making the right product development choice from the beginning impacts the bottom line in so many ways, especially capital-heavy equipment investments. You don’t want to buy industrial ovens only to find that instead of cookies the market eventually directs you to make tinctures.

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Another Must Do

Study the competition with immense focus, and always interrogate the price-value proposition as you build a product.

I spent decades launching brands within the nutraceuticals industry; among other things, one of my former companies was the first to popularize probiotics to mainstream consumers. Our team spent hundreds of hours over the years buying our competitors' products from market shelves and then working to make sure our products were better, and cheaper. The price-value proposition buttressed much of our work. Faced with a better and cheaper product, retail buyers are hard-pressed to deny you shelf space.

In addition to the store buyers who decide what products to stock on shelves, you've got to appeal directly to consumers. Which brings us to consumer marketing. Where marketing at the brand level is fairly inconsequential for flower, it is absolutely foundational with edibles. The best brands stand out not just in terms of their products (e.g., the only THC-infused mint tea on the market), but with their branding and marketing, too. **With edibles, storytelling and brand voice are key, and like the product itself, data must inform the branding and marketing.**

Thinking of manufacturing a line of gluten-free, paleo power bars that are infused with specific strains, like Blue Dream and OG Kush? If the data and market analysis guides you into making this decision, then we say "go with gusto and embrace your capital idea!"

Now comes the next step: to whom will you market the bar? Don't think "everybody;" That approach is a pipe dream and rarely works anymore in cannabis. Instead, consider the demographic for gluten-free, for paleo, and for power bars – and craft a story and vibe that speaks to your consumers. Branding that celebrates your love of monster truck rallies probably isn't the best idea. But a brand that winningly celebrates health and fitness might work wonders.

With edibles, it can be tempting to pump out more and more products. If you've got those industrial ovens and already make three kinds of cookies, why not make cake? Pie? Energy bars? Our recommendation: Resist the temptation!

It's much better to be No. 1 in one category, like gummies, than to be No. 5 in three categories. Pivot to new products only if your original product concept is a homerun.

**STUDY THE
COMPETITION
WITH IMMENSE
FOCUS, AND ALWAYS
INTERROGATE THE
PRICE-
VALUE
PROPOSITION
AS YOU BUILD A
PRODUCT**

EDIBLES GLOSSARY

CANDY This is the most popular broad-style of cannabis edibles, which includes gummies — the No. 1 type of edible in the marketplace. Hard candies, taffy, mints and caramel candies are among the types of candy products for sale in dispensaries.

CHOCOLATE This category consists of only two types of products: traditional looking chocolate bars infused with THC and individual-serving chocolate pieces, like truffles.

TINCTURES These liquids are sold in dropper bottles and sprays - often somewhat syrupy (if in dropper bottles), but sometimes more like traditional herbal tinctures (which taste of alcohol). They are increasingly popular.

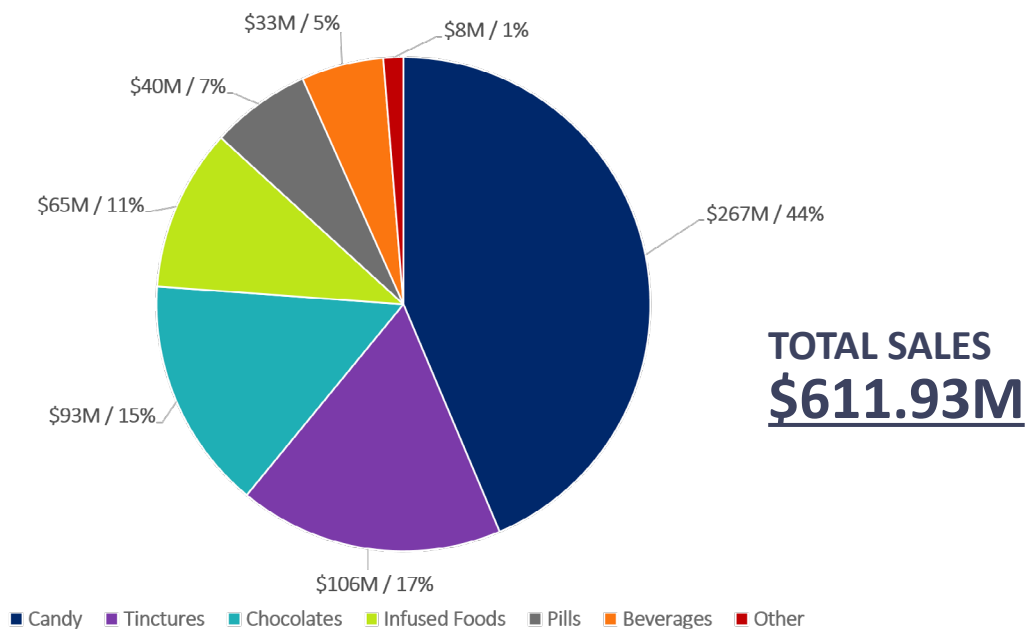
PILLS Another increasingly popular form of edible is the pill. Capsules — hollow pills that contain THC in powder or liquid form — were the most popular style several years ago, but now tablets are the most popular.

BEVERAGES Carbonated soda, kombucha, powdered coffee, fruit juice — with the exception of alcoholic beverages, most types of beverages now have a cannabis corollary.

INFUSED FOODS Love brownies? Good news — most dispensaries sell brownies, cookies, cakes and more that are infused with THC concentrate.

TOTAL CATEGORY SALES - EDIBLES

Jan - Sept 2018 - AZ, CA, OR & CO



Source: BDS Analytics' GreenEdge Retail Sales Tracking Platform

TOPICALS

Deciding to manufacture a concentrates or edibles product is generally a fairly straightforward proposition: You want to become part of the historic cannabis industry because you see widespread opportunity and are passionate about cannabis (if the industry doesn't excite, it's probably the wrong one for you).

But topicals is trickier. Where concentrates and edibles are psychoactive — people consume them, and feel different — topicals like salves, creams and massage oils generally lack psychoactive effects. The topicals consumer represents a narrower slice of cannabis enthusiasts. **Your reasons for entering the topicals market should revolve, at least in part, around your interest in wellness and health because that is a principal reason behind consumers purchasing these products.**

Indeed, when we examine topicals consumers 72 percent of them point towards health and medical reasons for consuming, versus 61 percent for recreational and social reasons.* The topicals consumer, too, is the oldest of the non-flower consumers, at 42 years old. Our research shows that 40 percent have college degrees, landing between edibles (42 percent) and concentrates consumers (37 percent). And 65 percent of them are employed, the lowest among non-flower users, which could be related to age.

The market is small. With \$59 million in sales during 2017 in California, Colorado, Oregon and Arizona, it's less than 2 percent of last year's overall \$4.88 billion cannabis market.

But growth is strong, with close to 40 percent expansion during the first nine months of 2018. And opportunities abound.

Like other broad categories, the topicals market is divided into different subcategories: balms/salves led with 45 percent of topical sales during the first three quarters of this year, followed by creams with 17 percent market share. Patches came in at 10 percent. Other niche categories harness much smaller market shares.

One potential roadblock for entering the topicals market is the potential need for a research and development budget. While simply buying bulk lotion and saturating it with THC oil is one fairly simple approach, it also poses risks.

Companies which have already had success in the category, and who operate with experienced R&D teams, are entering the cannabis marketplace. They will wisely leverage their R&D and science for a market advantage — “Our team of PhDs spent more than a year perfecting a formula that maximizes transdermal transmission of valuable cannabinoids into skin, joints and the bloodstream.”

Half of the market specifically targets health (balms/salves and patches aim to assist with pain and healing, among other things). And other categories, like massage oil and lubricant revolve more around general wellness. The science part of the equation matters. This is one cannabis category where

THIS IS ONE CANNABIS CATEGORY WHERE YOU HAVE TO INVEST IN STAFF WITH SCIENCE BACKGROUNDS

THE TOPICALS CONSUMER

AVERAGE AGE: 42

COLLEGE DEGREE OR MORE: 40%

EMPLOYMENT:

- 65%, yes
- 51%, full-time

REASON FOR CONSUMPTION:

- 61% Recreation/Social
- 72% Health/Medical
- 41% Quality of Life

you have to invest in staff with science backgrounds.

A Big Risk

Your product gets lost on the shelves. All cannabis must be purchased at highly regulated dispensaries, where space often is at a premium. Jars of aromatic flower often dominate the center row of display cases. Colorful packages of edibles fill other glass cabinets, and often decorate the walls behind the display cases. Topicals? Some dispensaries champion them, but at others they become dust-collectors, poorly displayed and pushed off into a lonely corner. This is not good! You want dispensaries and bud tenders to trumpet your line of stimulating lubricants.

A Must Do

Educate. Translating the benefits and differentiating attributes of your topical product to consumers demands rigorous consumer education, as well as bud tender training. On your website. Dispensaries' sites. Through social media. During visits at

dispensaries. At industry events. Anywhere and everywhere you can champion the benefits of your topical products, do it.

Another Must Do

Seek underserved consumers. Your state might support a dozen different salve brands, but only one for massage oils — and you know who buys massage oils, outside of couples that like to massage each other? Massage therapists. Your region already probably has hundreds (if not thousands) of massage therapists and salons that offer massages. While the legal contours must be explored, before you decide massage oil is the way to go, make sure that massage therapists can use it on their customers and patients. This is a powerful point: find niches, and then fill them. And consider potential ambassadors, like massage therapists, who could buy your product, fully embrace it and then evangelize on your behalf.

**TRANSLATING THE
BENEFITS
OF YOUR
TOPICAL
PRODUCT
TO CONSUMERS
DEMANDS RIGOROUS
CONSUMER EDUCATION**

TOPICALS GLOSSARY

BALMS/SALVES Got an elbow ache? An itchy scratch? In the past you might have grabbed a traditional salve to help ease the pain, but now the cannabis world supports numerous balms and salves as well. They are the most popular style of topical.

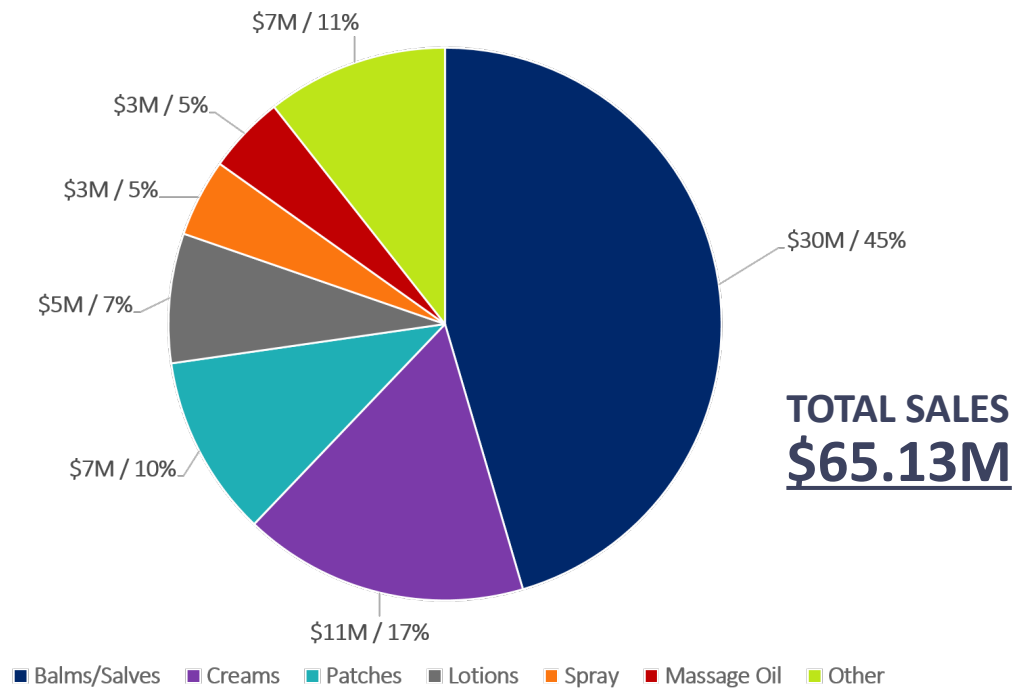
PATCHES People wrestling with chronic pain are drawn to patches, which are pieces of adhesive fabric saturated with cannabis extract and other botanicals. These transdermal patches slowly release cannabis into the bloodstream over long periods of time.

SPRAY Some people turn to cannabis sprays to help manage pain for a variety of injuries, such as sore ankles.

MASSAGE OIL Oils infused with cannabis are popular among massage therapists in pot-legal states. Masseuses say the cannabis oils help their patients sink into deeper states of relaxation.

TOTAL CATEGORY SALES - TOPICALS

Jan - Sept 2018 - AZ, CA, OR & CO



Source: BDS Analytics' GreenEdge Retail Sales Tracking Platform

CONCLUSION

The cannabis market across the United States remains effervescent with commercial possibility and consumer benefits. These are the early days. In 10 years the market will look much different. I worked in the natural foods industry for decades, and witnessed the transformation of natural foods from food co-ops selling bulk oatmeal, frozen buffalo meat and canned soup to today's brand bonanza. The food co-op has evolved into Whole Foods and the natural foods industry looks nothing like it did just 20 years ago.

When Colorado welcomed legal adult-use cannabis sales in 2014, the retail marketplace seemed awfully familiar to me (reminiscent of the food co-op days of natural foods). But just four and a half years later, the pivot towards a more mature consumer packaged goods market is well underway. Dispensaries are paying close attention to the consumer experience, incorporating pleasing lighting, smart displays and natural materials like wood and iron into the decor. They are investing, too, in training consumer-facing employees to fully understand the products for sale, and how different products might appeal to varying kinds of consumers. And the brands are crushing it. More and more products have contemporary and clever packaging. Product lines are growing increasingly diverse. At this point there are probably a handful of pleasing cannabis products for every kind of consumer. And brands are finally emerging as trusted partners with consumers; they are beginning to develop lasting brand loyalties akin to what is commonplace in traditional markets.

Most of the leading brands today began their journeys with data-backed decision-making, and then followed it up with quality production and smart marketing.

With data leading the way, whether a company is a start-up or a burgeoning consumer product behemoth wanting to wade in the cannabis pool of commercial opportunity, the first go-to-market steps taken are more times than not the right steps.

OUR KEY TAKEAWAYS

- **Research is Essential:** With increased competition and an ever-evolving regulatory landscape, cannabis is not the right kind of market to just wing it.
- **Data is Key:** When the cannabis marketplace was young, entrepreneurs tended to canvass friends and family for guidance on what to manufacture. Today, that is a first step towards commercial failure. Consult cannabis sales data and market research with intense scrutiny as you explore manufacturing and branding options.
- **With Concentrates, Going Big or the Boutique Route Are Both Strong Options:** With the proliferation of vape pens, cannabis oils have become commodities. Targeting the vape market could prove extremely lucrative, but the strategy will revolve around high volume and low margins. Alternatively, focusing on cannabis connoisseurs with high-quality products like Live Resin and wax offers another route towards commercial success.

BRANDS ARE FINALLY EMERGING AS TRUSTED PARTNERS WITH CONSUMERS; THEY ARE BEGINNING TO DEVELOP LASTING BRAND LOYALTIES AKIN TO WHAT IS COMMONPLACE IN TRADITIONAL MARKETS

- **Edibles Are Consumer-Branding**

Bonanzas: Nothing compares to edibles when it comes to opportunities for targeted manufacturing and marketing. From pills to tinctures to chocolate truffles and microdose-style gummies, each product can potentially be marketed to different segments of the cannabis consumer market, such as seniors, 30-something moms, health-conscious 20-something male yogis, and so on. This is one area that especially requires intense data analysis.

- **Topicals Are From Another Planet:**

The rest of the cannabis world revolves, at least in part, around getting high. Topicals on the other hand fall squarely into the realms of health, wellness and medicine. People seek these products to help heal minor injuries, manage pain, relax muscles, savor massages and more. Entering the topicals marketplace requires a deep understanding of this market's unique quirks — a commodity lotion infused with THC might not cut it. Success here is similar to how it unfolds in the traditional topicals marketplace. Aroma, effects, texture, branding — all of these matter to the people slathering salves on their sore knees.

For companies or investors wanting to thrive in the cannabis industry, we recommend licensing BDS Analytics' industry-leading GreenEdge™ Retail Sales Tracking Platform, and purchasing our market-leading consumer research and our slate of industry intelligence reports, including *The State of Legal Marijuana Markets, 6th Edition*, produced in partnership with Arcview Market Research. Learn more at bdsanalytics.com.

* Source: Public Attitudes and Actions Toward Cannabis in the US, Q1 2018
(in states with adult recreational and medical consumption approved and available)

This white paper was written by Roy Bingham, Co-Founder and CEO of BDS Analytics. In addition to his thought leadership, content was derived from analyzing real cannabis retail sales tracking data, primary consumer research, and analysis provided by BDS Analytics' Industry Intelligence team.