

# The CBD Effect:

## The Growth and Future of Legal Cannabis and Cannabinoids

Presented by:

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# Legal Cannabis is a Game Changer

- ✓ Legal cannabis is new, cannabis is not
- ✓ Consumption is purposeful, multi-faceted, and complex
- ✓ Legal cannabis is and will continue to DISRUPT every consumer industry
- ✓ Diverse needs drive diverse solutions & innovation opportunities
- ✓ Constantly evolving—*keep up*

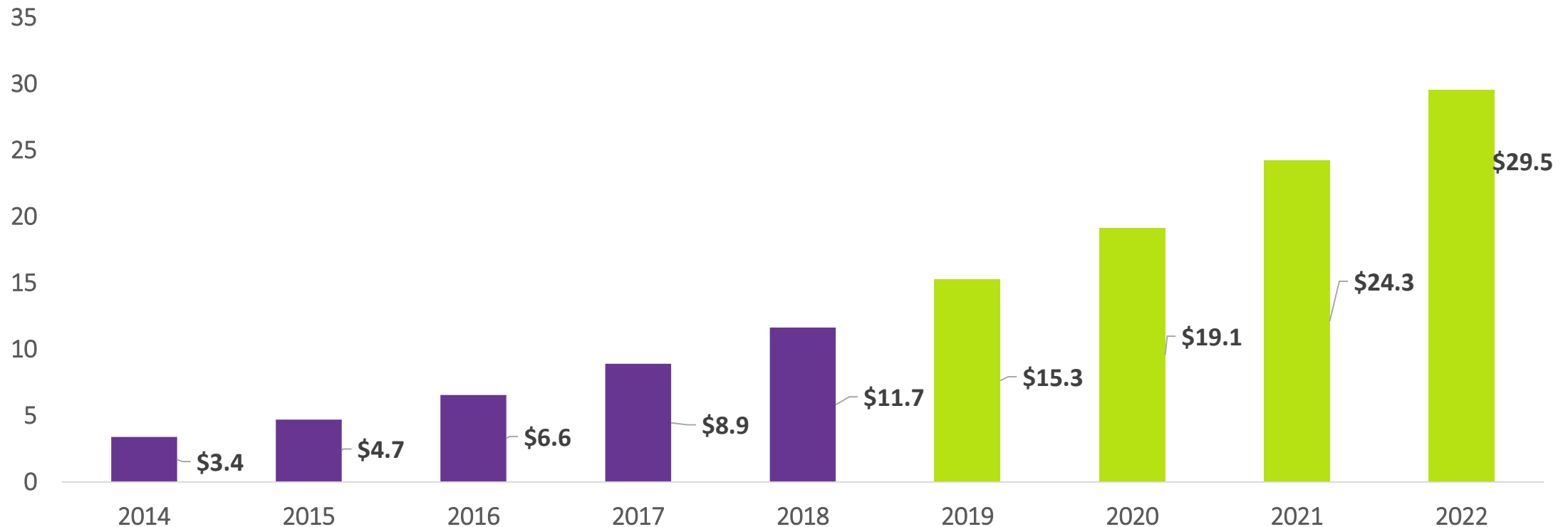


Legal Cannabis is...

**Growing**

# We project a ~25% CAGR for the next 4 years to \$30 Billion

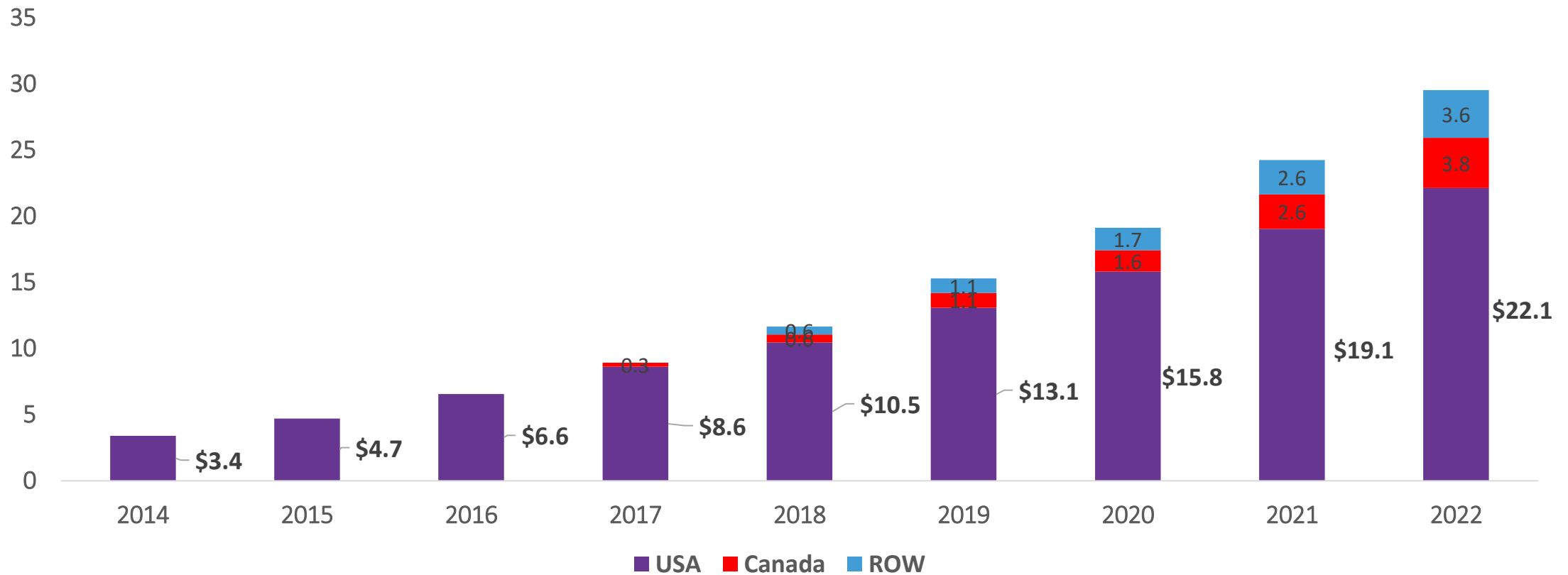
Historic and Projected Global Legal Cannabis Spending (\$USD Billions)



Source: Arcview & BDS Analytics Cannabis Intelligence Briefing

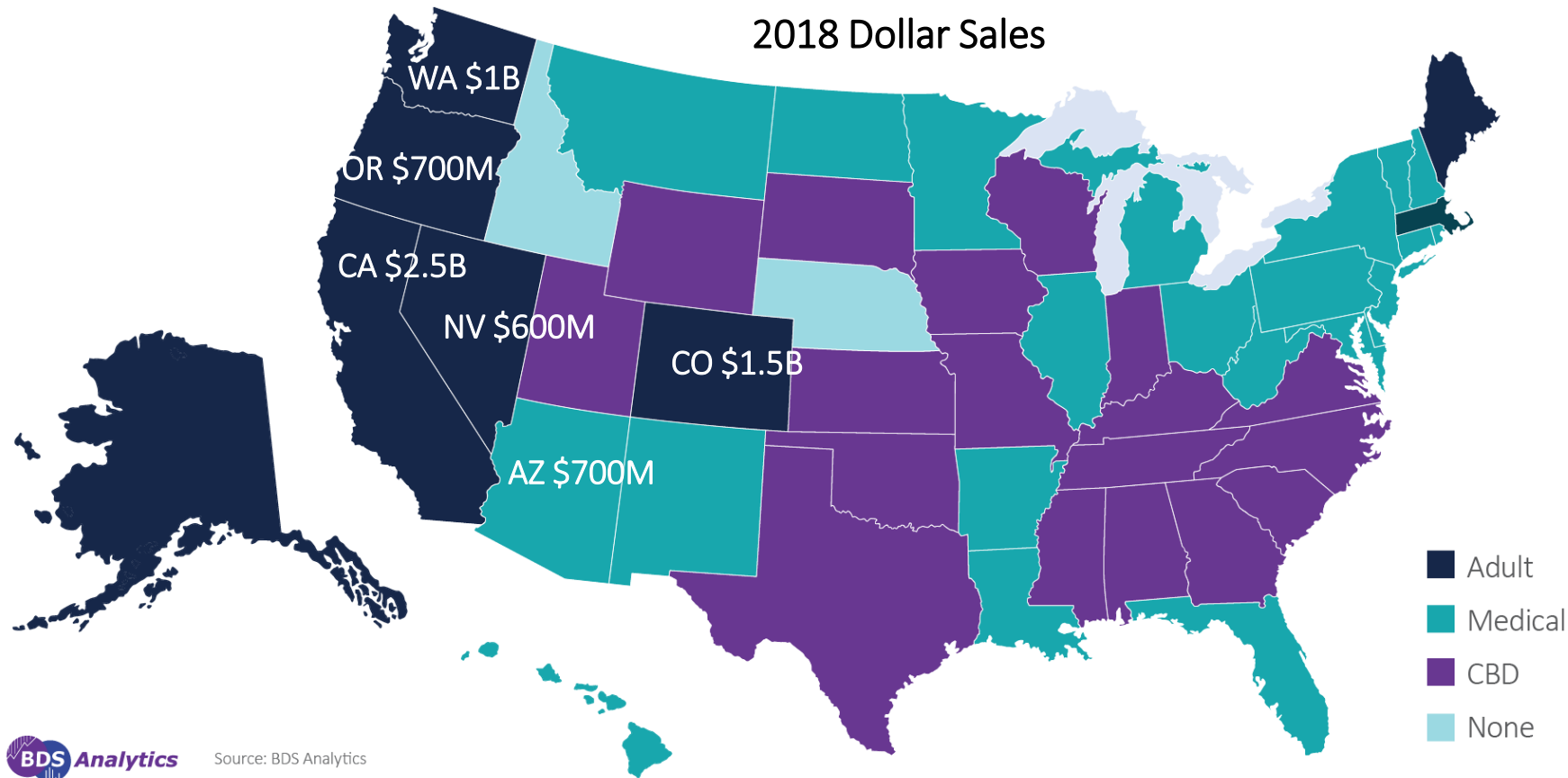
# The US will continue to be the world's largest market

Global Legal Cannabis Spending by region (\$USD Billions)



Source: Arcview & BDS Analytics Cannabis Intelligence Briefing

Although the top six markets account for 2/3 of USA 2018 dollar sales, it's no longer a “Western State” phenomenon

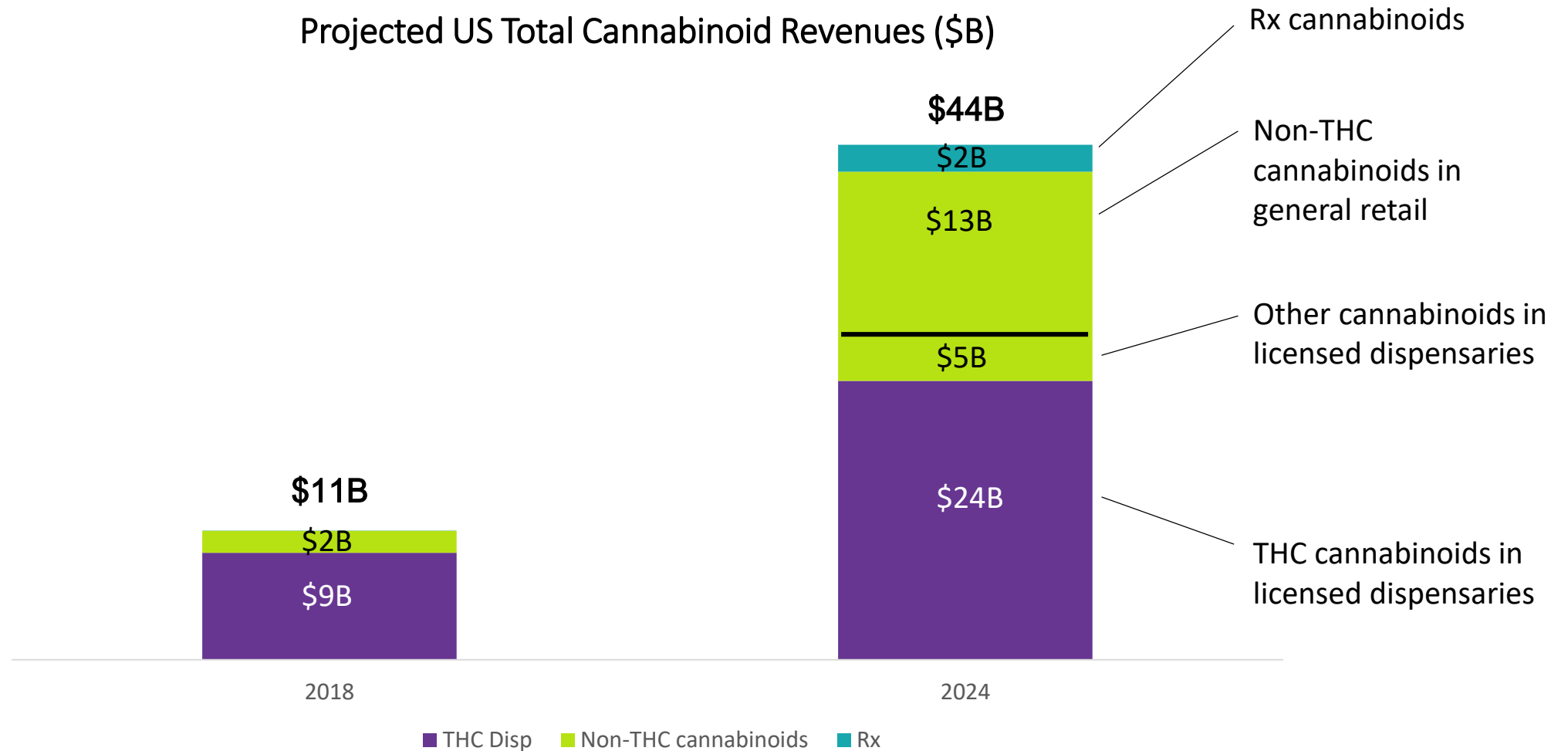


Up and Coming  
Major States:

FL  
MA  
MI  
IL  
NY?  
NJ?



# With cannabinoids like CBD crossing into General Retail, we project a ~\$45B US Total Cannabinoid Market in 2024



Source: BDS Analytics CBD Market Monitor and Arcview Market Research



Legal Cannabis is...

**Evolving**



# Majority agree with some form of legalization

~80%

of US and CAN adults  
agree there should be  
**some form of legal  
marijuana usage**



64%

in US

88% Consumers in Med/Adult States

57%

in CAN

agree  
marijuana  
**has medical  
benefits**



There are Consumer, Acceptors and Rejecters™



...of adults 21+ in Fully Legal US States have Consumed Cannabis in the Past Six Months

~ **32%** are **Acceptors**  
(would consider in the future)

~ **36%** are **Rejecters**  
(would not consider in the future)

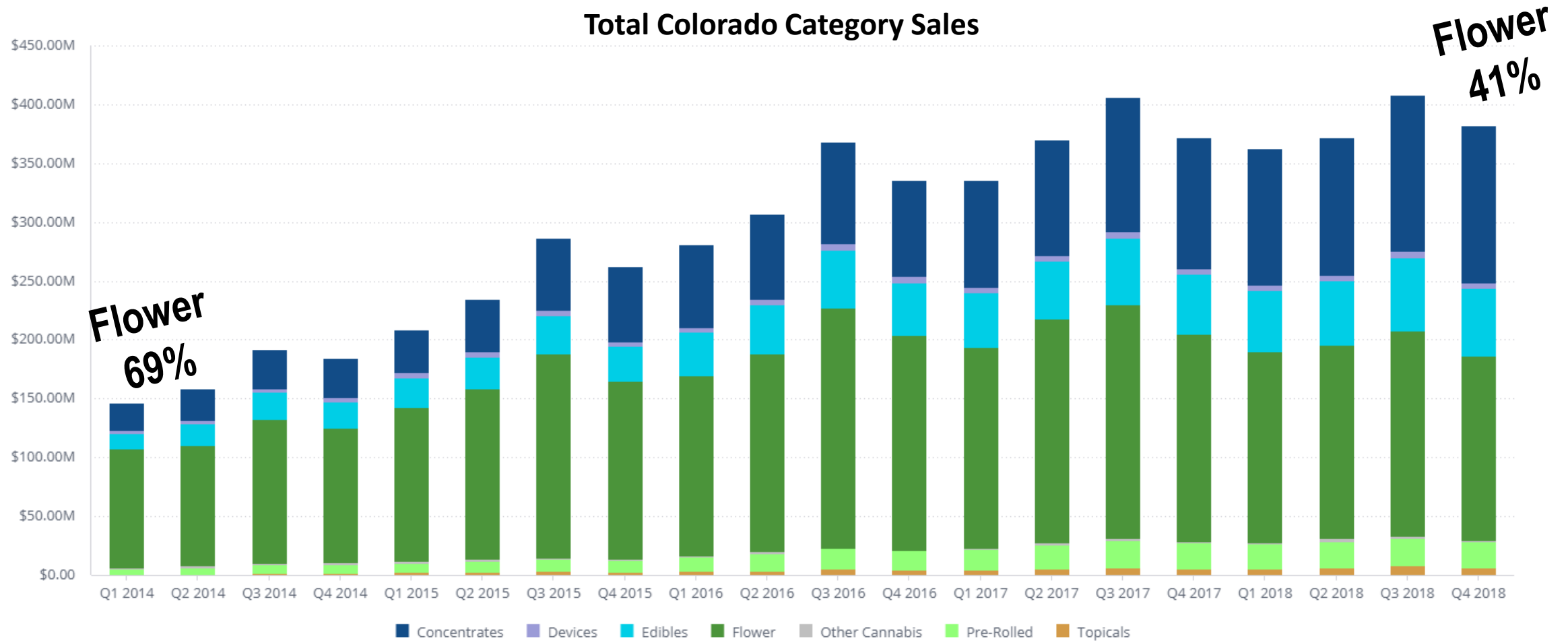
Branded products continue to see tremendous growth—~45% of sales

Colorado Cannabis Retail Dollar Sales  
Branded vs. Generic Products

COLORADO EDIBLE SALES:  
96% BRANDED

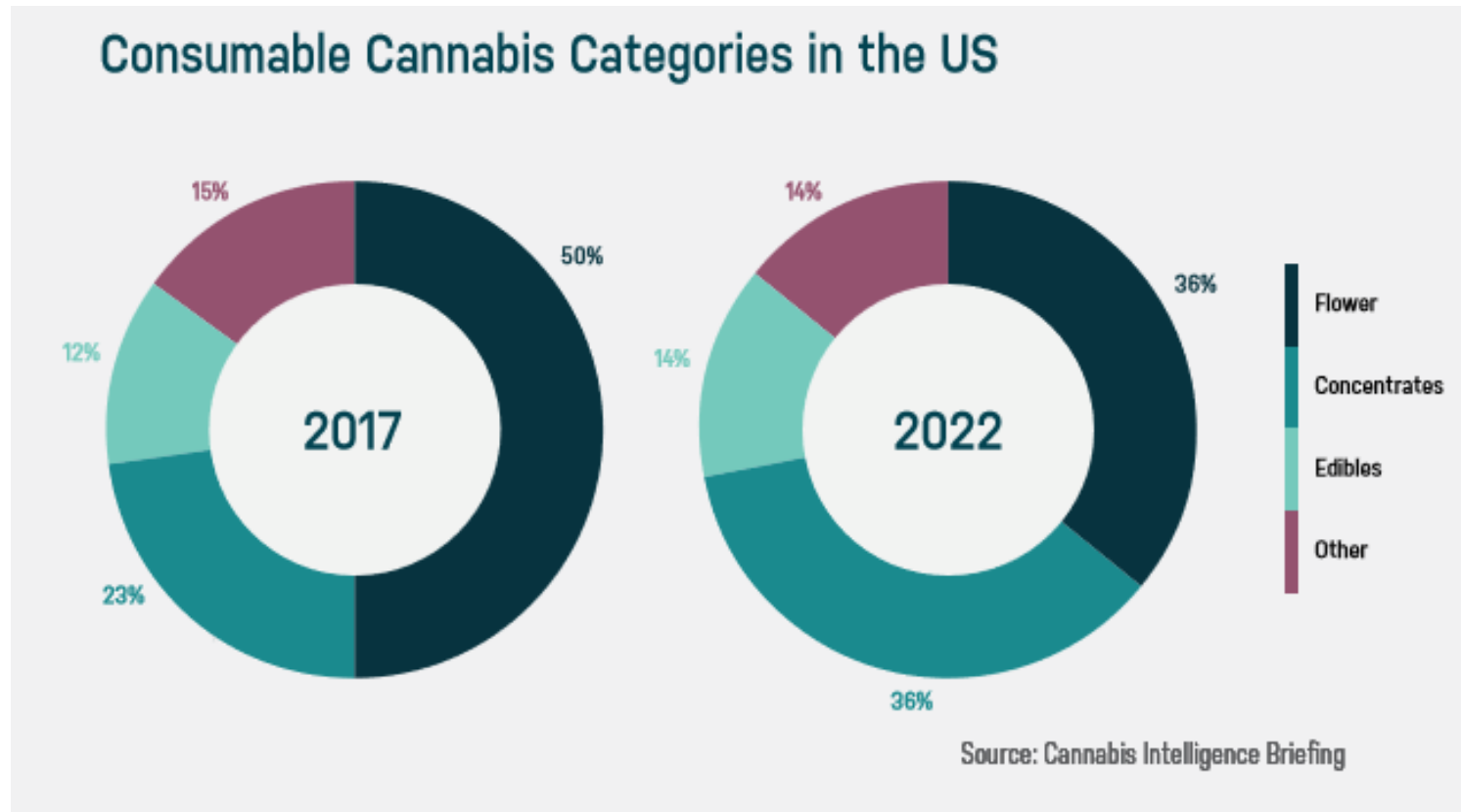
\*BDS Analytics GreenEdge Retail Sales Data

# Market share is shifting, as seen in Colorado over the past 4+ years



\*BDS Analytics GreenEdge Retail Sales Data

Across the total US, this trend will continue



Source: Arcview & BDS Analytics Cannabis Intelligence Briefing



Published by:  
**ARCVIEW**  
Market Research

In partnership with:  
**BDS Analytics**

# Convenience of the Consumption Form is a Top 5 Influencer for Consumers

**50% of Consumers are Largely Influenced by the Convenience of the Consumption Form When Choosing a Product**



**+67%**

Vape  
\$ Sales



**+28%**

Edibles  
\$ Sales



Consumers seek trust in the product, brand, and the experience, and they look to others for confirmation



Consumers are **STRONGLY** influenced by familiarity/recommendations...

It is something I have used before (60%),

Friend/Family Recommendation (45%), Budtender Recommendation (41%)

# Control, Dosing, Experience Matters

**33%** of Edibles Consumers  
Prefer Low-Dose (<10mg)



\$ Sales

Micro (<2.5mg): +108%

Low (>2.5, <10): +71%

*Edibles:* +28%

**40%** of Edibles Consumers Have  
Chosen Products Based on CBD Content

Of these...

**27% PREFER 10:1 or HIGHER**  
**High CBD \$ Sales: +67%**

While only a few  
brands are overtly  
touting these  
benefits, faster onset  
and shorter duration  
also play here



# Consistency AND trust matter; Consumers want a good experience

## Among Consumers...



## Top Hurdles Among Non-Consumers...

**#1:**

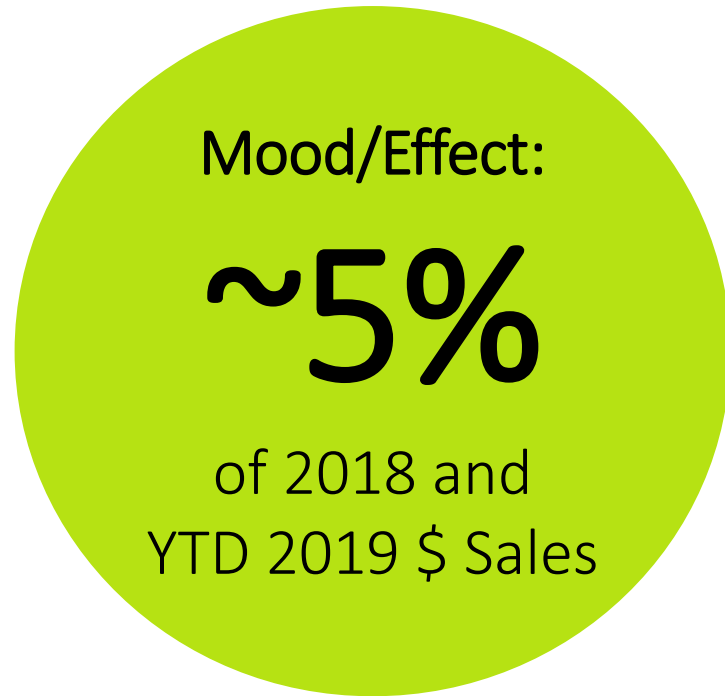
It does not fit my lifestyle

**#2:**

I don't like how it makes me feel



Thus, brands offer “promised” experiences—286 *unique “moods” identified thus far*



36% of Cannabis Consumers in fully legal states are strongly influenced by **Mood/Effect Labeling** when selecting a product



\*BDS Analytics GreenEdge Retail Sales Data  
BDS Analytics Consumer Research: US adults 21+ Level 1 States

# Consumption is multi-purposed and multi-faceted



**71%** Recreational  
& Social



**56%** Health or  
Medical



**33% US Consumers**  
Consume for **BOTH**  
**Recreational & Social**  
**AND Health or Medical**  
reasons

# It is NOT just about THC—CBD is exploding



## Why CBD Hemp Oil Could Be an Important Part of a Healthy Lifestyle

By Michael Jacobs | August 15, 2018



## A More Palatable Cannabis Edible

These next-gen CBD snacks won't make you loopy — and some of them even taste good. Oh, and they're legal!

BY CLAIRE VOON

PUBLISHED JULY 24, 2018  
1 COMMENT



Green Roads frog gummies from CBD Kratom PHOTO: JEFF MARRIN



TODAY, non-intoxicating, general market Hemp / CBD product purchasing largely falls within ingestibles (or edibles)

CONSUMER CLAIMED PURCHASING OUTSIDE OF DISPENSARIES:



**11%**

Inhalables



**53%**

Ingestibles

- Oils, Tinctures
- Food
- Pills, capsules, tablets
- Supplements/Vitamins
- Beverages



**24%**

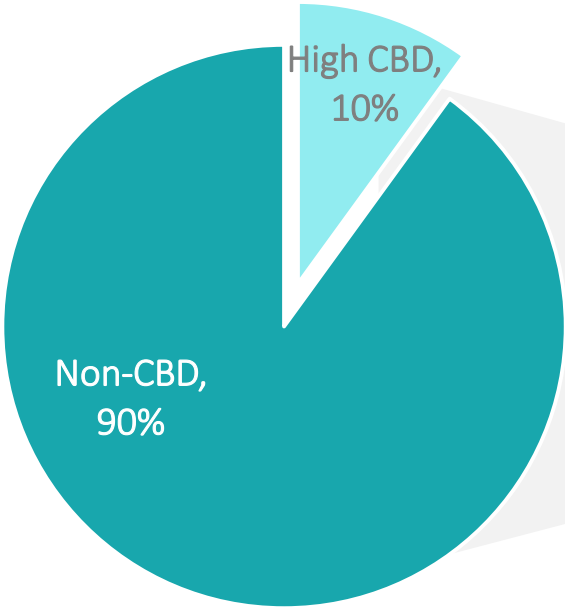
Topicals

- Creams, balms, salves
- Beauty Care
- Skin Care
- Patches

# Consumer claimed purchasing in the general market mirrors the regulated dispensary channel

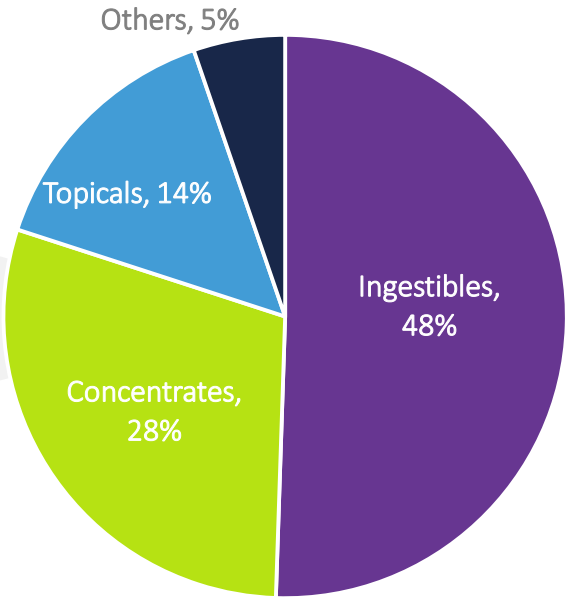
*The dispensary channel AND shoppers are a lead indicator of where the CBD market will go*

ALL BDS ANALYTICS' TRACKED DISPENSARY CHANNEL 2018



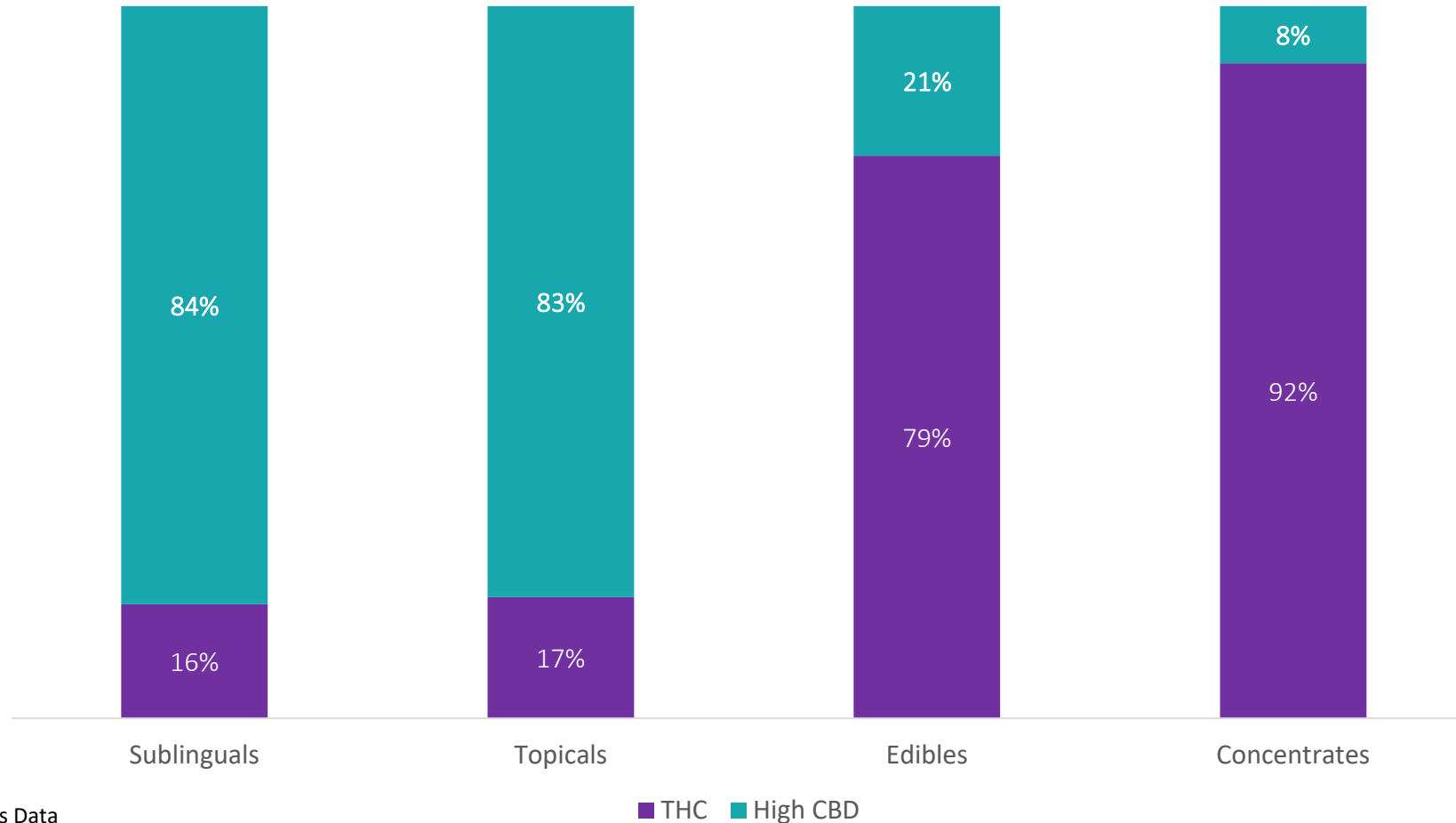
Up from 5% in 2017

DISPENSARY CHANNEL HIGH CBD MARKET SHARE 2018



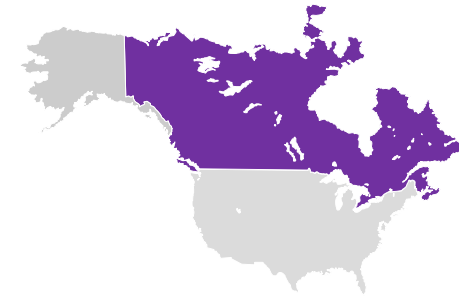
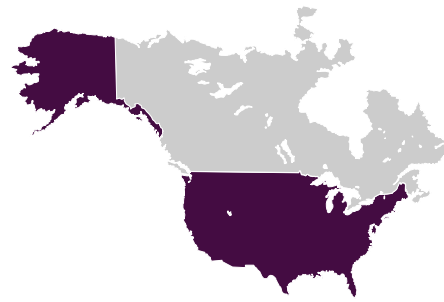
\*BDS Analytics GreenEdge Retail Sales Data

While smaller overall contributors to dollar sales in dispensaries, most sublinguals and topicals are positioned and sold to consumers for the CBD benefits



\*BDS Analytics GreenEdge Retail Sales Data

# Education is Needed—*retailers and manufacturers!*



There are no differences in the effects of  
CBD or THC

**69%**

incorrect or do not know

**69%**

incorrect or do not know

Any product containing hemp  
will cause effects such as feeling high,  
relaxed, sleepy, etc.

**66%**

incorrect or do not know

**65%**

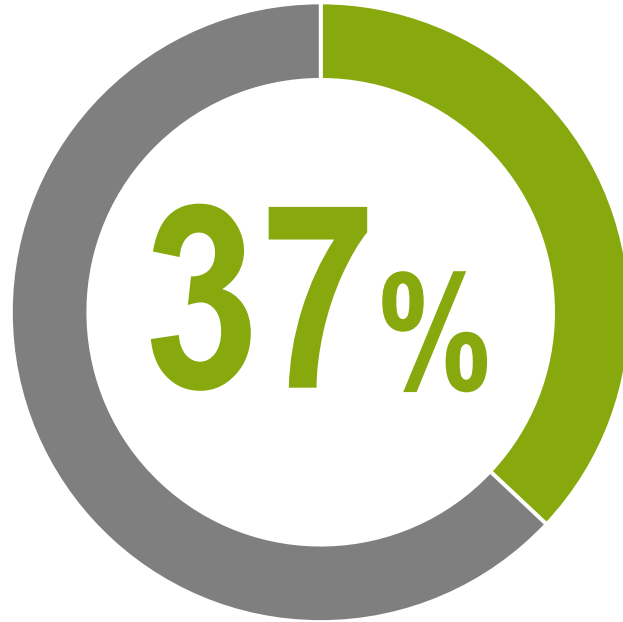
incorrect or do not know

A dark blue background with a pattern of hemp leaves, which are serrated and pointed, filling the entire frame.

Legal Cannabis is...

**Now Hemp-Derived CBD**  
*(and other cannabinoids)*

## CANNABINOID Consumer, Acceptors and Rejecters™



...of Adults 21+ in Fully Legal US States have Consumed CANNABINOID products in the Past Six Months

**As a reminder, 32% of Adults 21+ are legal/regulated CANNABIS Consumers**

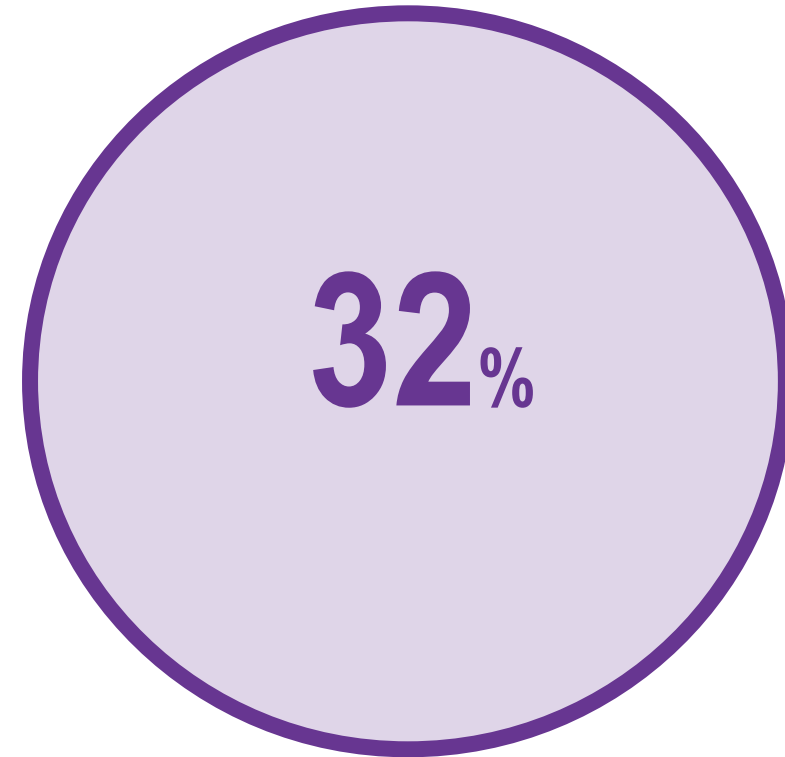


Of Adults 21+ in FULLY legal cannabis markets...

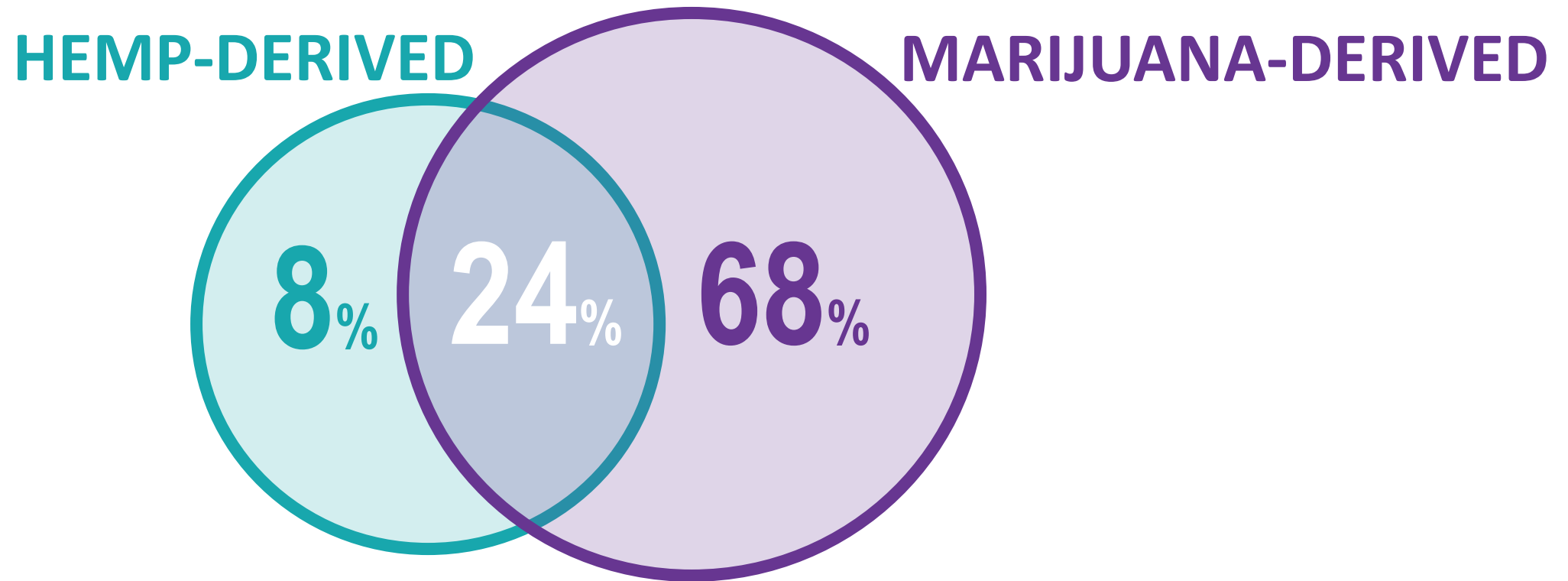
## HEMP-DERIVED



## MARIJUANA-DERIVED

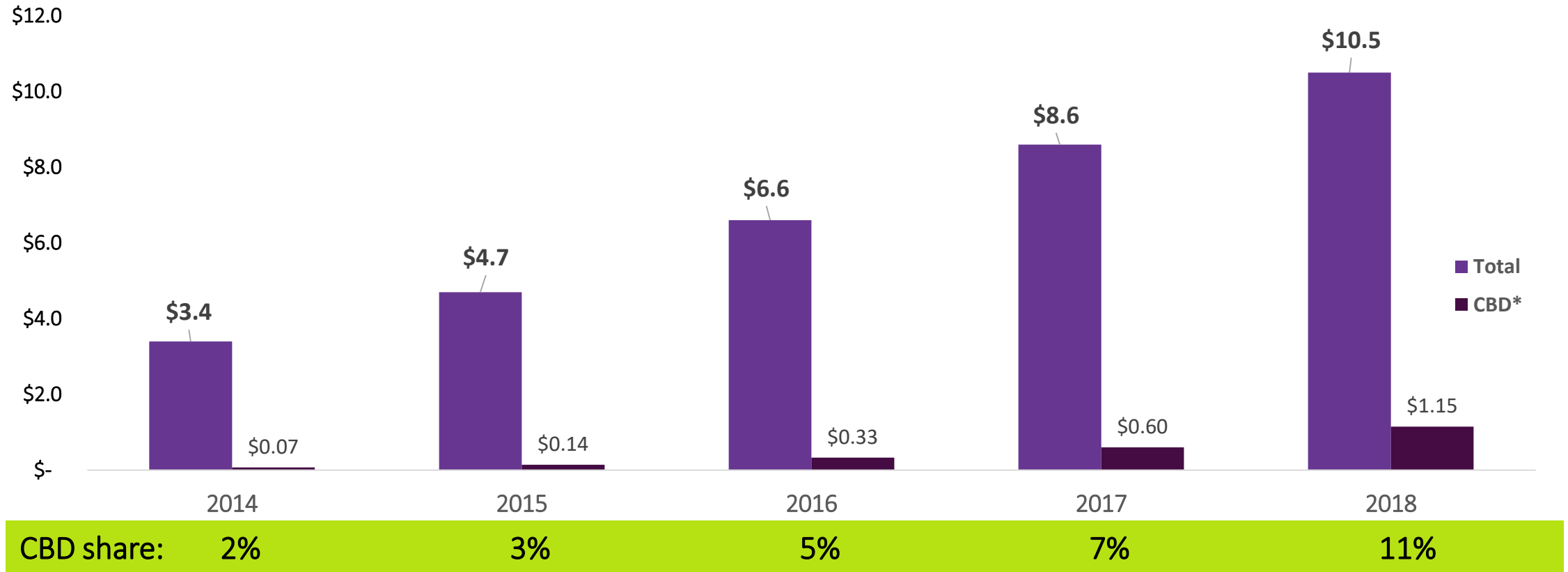


There is substantial overlap among Cannabinoid Consumers



# From almost nothing, CBD sales have been growing even faster than overall sales in the dispensary channel

Total USA Legal Cannabis Spending and CBD share (\$USD Billions)

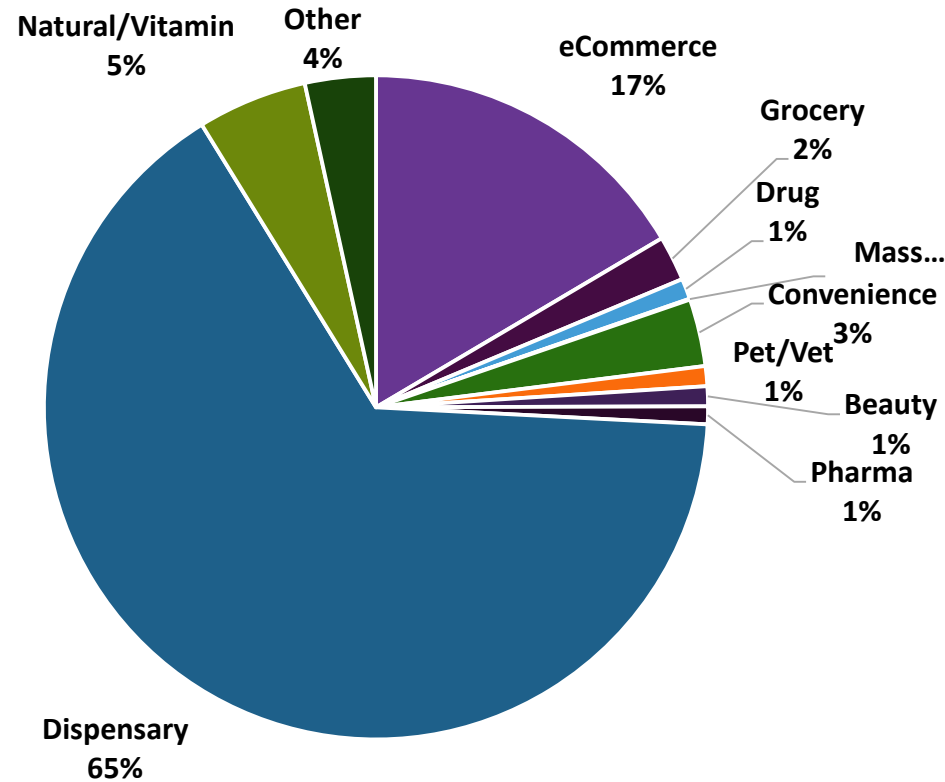


Source: BDS Analytics CBD Market Monitor, Arcview & BDS Analytics

\*Products containing a substantial proportion of CBD

# The dispensary channel dominates high-CBD sales today; many other channels are just getting started

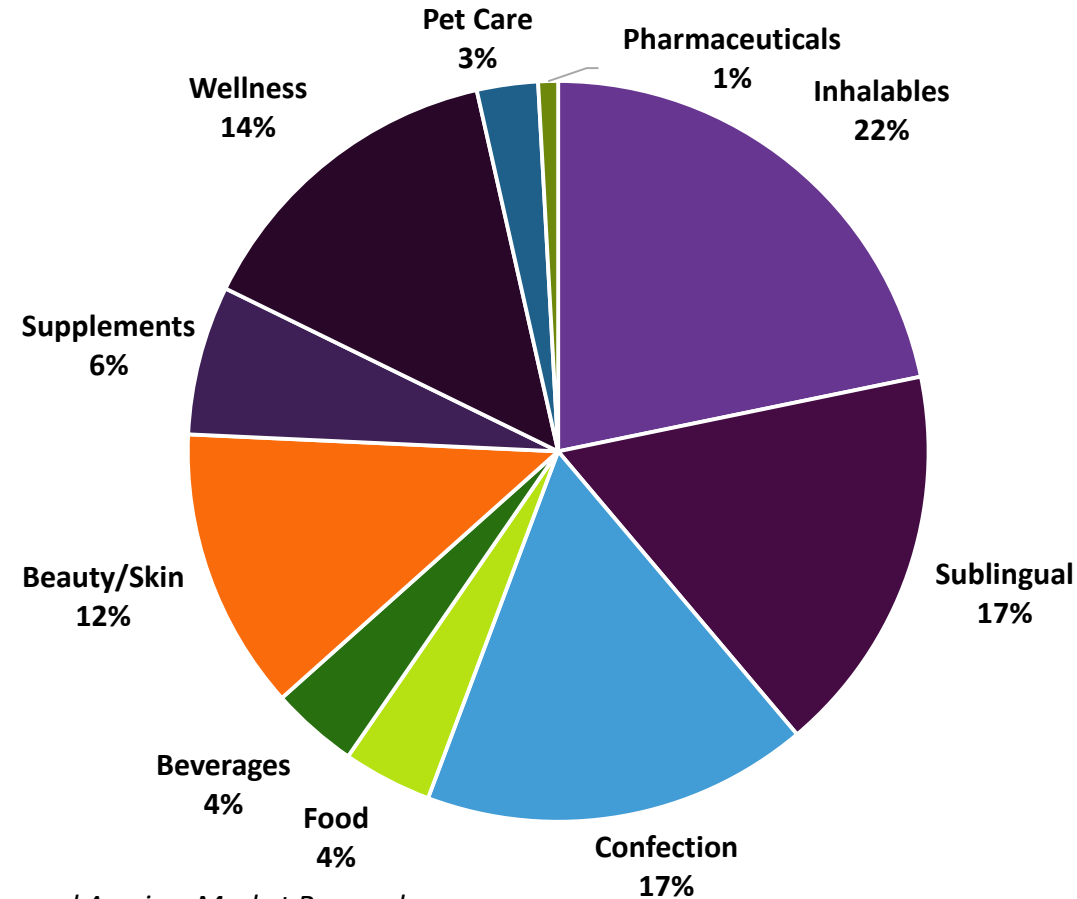
Total BDS Analytics' Projected US CBD Market 2018 by channel: \$1.9 billion



Source: BDS Analytics CBD Market Monitor and Arcview Market Research

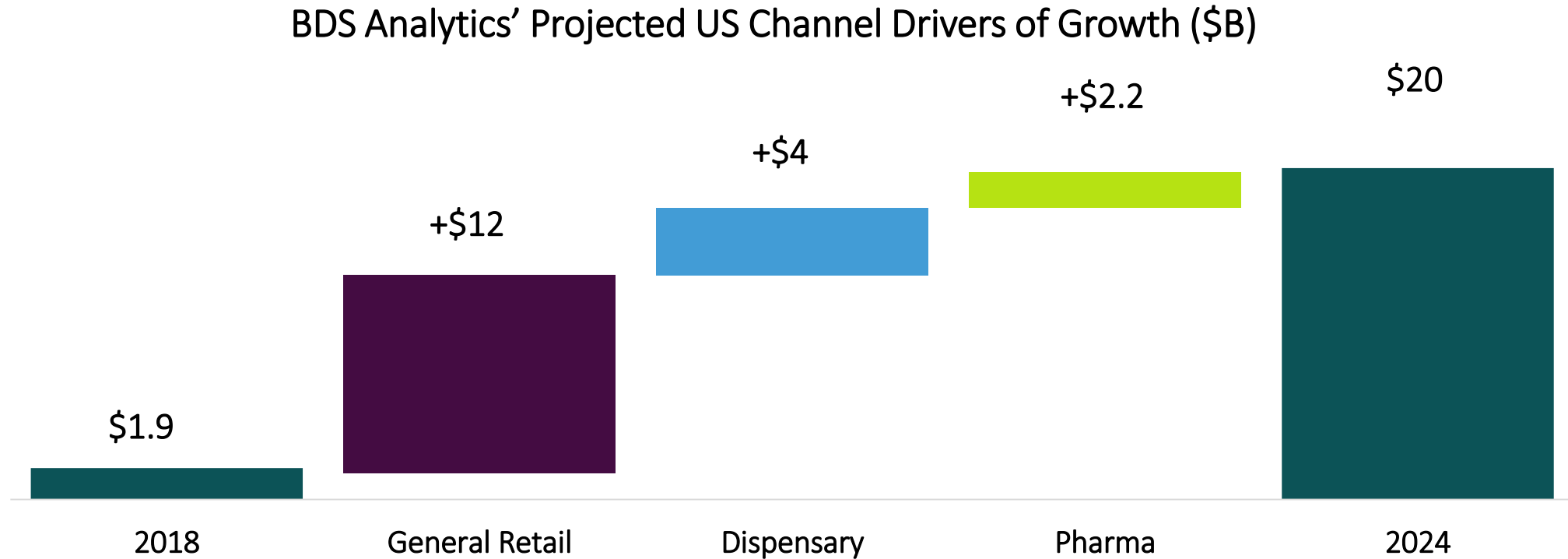
# And CBD is already included in many product categories

BDS Analytics' Projected US CBD Market 2018: \$1.9 billion



Source: BDS Analytics CBD Market Monitor and Arcview Market Research

# We project dramatic growth driven especially by general retail channels

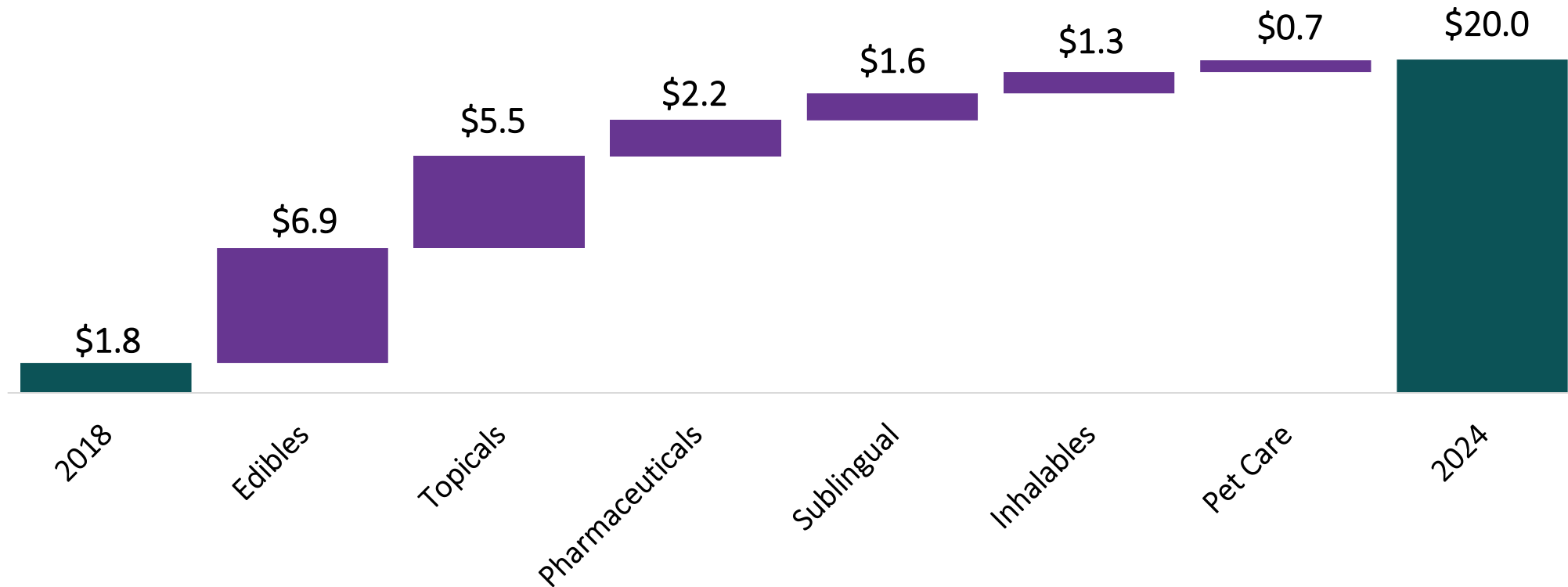


Source: BDS Analytics CBD Market Monitor and Arcview Market Research



# General Market Retail growth is driven by category growth; new and different product offerings within Edibles and Topicals

BDS Analytics' Projected US Category Drivers of Growth (\$B)



Source: BDS Analytics CBD Market Monitor and Arcview Market Research

To understand the full opportunity over the next five years, we have assessed the landscape, overlaying categories and channels

### Product Categories:

- Wellness
- Beauty/Skin
- Confection
- Food
- Sublingual
- Beverages
- Supplements
- Inhalable
- Pet Care

### Retail Channels:

- Food
- Drug
- Mass
- Convenience
- Natural/Vitamin
- Ecommerce
- Dispensary
- Pet/Vet
- Beauty
- Other specialty

Source: BDS Analytics CBD Market Monitor

# What is next?

## CBD MARKET MONITOR

### AVAILABLE TODAY

#### BDS Analytics' CBD Market Monitor

On-going, dynamic, and drillable access to the most essential and complete CBD data and insights

## STRATEGIC PARTNERSHIPS

### MORE TO COME!

Key partnerships to solidify BDS Analytics' expertise and coverage in tracking the entire cannabinoid landscape, globally

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- ✓ Legal cannabis is and will continue to DISRUPT every consumer industry
- ✓ Diverse needs drive diverse solutions & innovation opportunities
- ✓ Constantly evolving—*keep up*

# IT'S A NEW GAME.

What does that mean for  
your business?

Presented by:

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