



ESSENTIAL CANNABIS

INSIGHTS

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BRAND AVAILABILITY DEEP DIVE

You Can't Buy What You Can't Find: The Importance of Distribution in Cannabis

Form factor, product quality, price point, product features and marketing are all essential aspects of building a successful cannabis brand. But even when a company nails down product, branding, price, and messaging, they must also ensure the product is available in the right stores and in a sufficient number of stores within a single market or across markets to sustain a business.

We understand that you are probably thinking “wow, this is so insightful, BDSA” (in the most sarcastic tone). The importance of distribution or availability is critical in all businesses and not a new phenomenon to cannabis. However, unlike a “surrogate” industry such as traditional CPG, cannabis brands cannot buy trial or repeat via large marketing spend NOR can cannabis brands benefit from one or two major retailers driving national distribution. Cannabis is handcuffed by limited marketing tactics, a fragmented retail landscape in many markets, and by the fact that every state is like operating in a new country (this is for the CPG players out there who might be reading this).

With all that cannabis brands are up against, it is still possible to win. Winning can mean being the largest brand in the largest market. BUT winning could also be about succeeding within a more niche market. AND the most influential driver of brand awareness and purchasing in cannabis is what happens in the dispensary. Is the product or brand available in the right stores? Was the brand/product recommended by a reliable source (friend, family, budtender)? AND is it a familiar brand that the consumer has a good past experience with?

So, let's jump in to some specific examples highlighting the importance of distribution coming from BDSA's NEW(ish) Brand Availability metrics. The availability metric allows BDSA clients to assess availability of a brand and the associated sales volume (dollars and units).

• **Overview of BDSA’s Brand Availability metric**

- BDSA’s Brand Availability metric provides a measure of the probability that a consumer can find a given brand in store. It is derived from assessing the number of stores on the BDSA panel by state that is carrying a specific brand.
- Important to note: BDSA’s Brand Availability metric is not a projected metric, does not take into account store size, and is not an indication of sales velocity or total sales.

• **BDSA’s Brand Availability metric ranks brands based on availability across BDSA’s panel of retailers in every state tracked:**

- **4:** State-Wide
- **3:** Widely Available
- **2:** Somewhat Available
- **1:** Most Limited

BDSA’s Brand Availability metric provides a measure of the probability that a consumer can find a given brand in store

I am guessing most are not surprised that the top brands are also the most widely available. It goes hand and hand when we talk about how incredibly important distribution is to sales (it is almost linear to sales). To add more fun to this analysis, if we look at a market like Pennsylvania, where BDSA has 100% coverage of the market and is calculating brand distribution, average weekly item distribution (ACV), and item velocities, we can dive in even more.

THE TOP BRANDS IN EVERY MARKET ARE ALSO THE MOST AVAILABLE (JULY 2021), *well, except for one:*

State	Top Brand	Brand Availability
AZ:	Timeless Vape	4: State-Wide
CA:	Stiiizy	4: State-Wide
CO:	Wana	4: State-Wide
IL:	Cresco Cannabis	4: State-Wide
MD:	Curio Wellness	4: State-Wide
MA:	Rythm	4: State-Wide
NV:	Cookies	2: Somewhat Available
OR:	Wyld	4: State-Wide

Source: BDSA Retail Sales Tracking

BDSA's **Average Item velocity** allows for a **CLEAN** understanding of if two items are available (removing the number of stores from the equation), which one performs better or turns faster. Looking at the top 5 brands in the PA market in July 2021, we can quickly see that all of the top 5 brands are **WIDELY** distributed. However, we do see some item velocity differences. Green Leaf Medical has lower monthly sales, but when available, it turns faster than two of the brands outselling it in total dollar sales for the month.

You can start identifying brands or products early on that have indications of potentially being a top brand contender IF greater availability or more points of distribution were possible

Brand	Total Sales (\$M)	Average Weekly Brand Distribution	Avg Item Velocity (\$K)
Cresco Cannabis	\$ 16.9	100%	\$ 279.25
Rhythm	\$ 11.8	95%	\$ 231.86
Moxie Seeds and Extracts	\$ 8.3	100%	\$ 170.71
Terrapin Care Station	\$ 7.8	94%	\$ 145.87
Green Leaf Medical	\$ 6.7	94%	\$ 169.47

Source: BDSA Retail Sales Tracking

These examples are likely elementary for most, but this gets **INCREDIBLY** insightful and actionable when looking at the mid-tier (or long tail) of cannabis brands that are less available in a single market or across markets. You can start identifying brands or products early on that have indications of potentially being a top brand contender IF greater availability or more points of distribution were possible.

- With brand availability metrics on top of unit and dollar sales, **RETAILERS** can ensure they are stocking the right products for their shoppers. These might not just be the top sellers, but the more niche/targeted products that will move with your shopper base.
- **BRANDS** can use availability metrics and velocity calculations to drive powerful retail sales stories for their brands or specific products. Further, they can assess competition, see competitive trends earlier on, drive successful innovations, track performance, and beyond.
- **INVESTORS** can find those brands with great potential that might just need a bit of capital infusion to expand.