



ESSENTIAL CANNABIS

INSIGHTS

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BATTLE FOR THE CANNABIS CONSUMER BASE: HOW CAN RETAILERS ATTRACT AND RETAIN CONSUMERS?

As the cannabis retail landscape in legal states becomes more competitive, the need for cannabis retailers to attract and retain a substantial portion of the consumer base will become increasingly important. While customers are drawn to brands and products they have used before, the convenience of store location and trustworthiness of budtenders and other staff are also leading factors determining where consumers buy their cannabis. When rubber meets the road, having a holistic approach to attracting consumers in a way tailored to the shoppers of a given location is the sure way for retailers to win business. By setting up in a convenient location, maintaining a staff of informative budtenders, and ensuring stock of preferred/high performing brands, retailers can attract and retain shoppers and win at retail.

Location and trustworthiness are top drivers of consumer shopping choice.

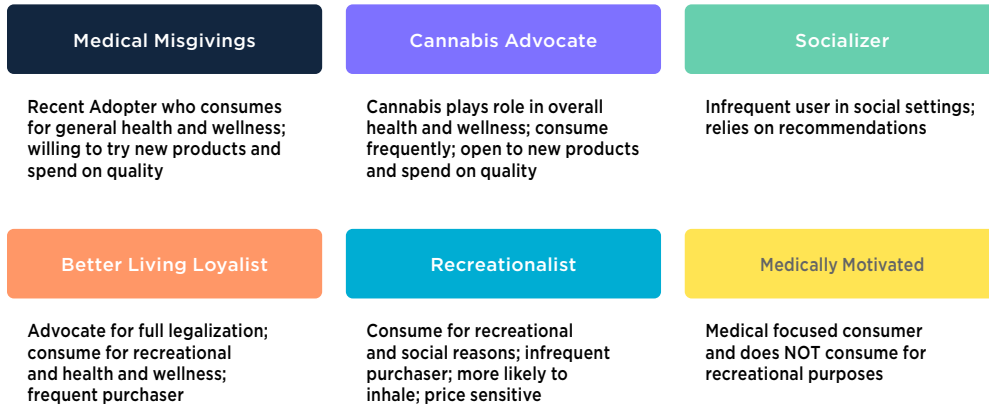
Among dispensary shoppers, BDSA's Consumer Insights data from Spring 2021 shows that a convenient location is the most important factor in determining where consumers shop. 45% of dispensary consumers in adult-use states claim that a retailer being convenient to their home, workplace or other destination is one of the most important factors when choosing where to shop for cannabis, more than any other factor listed.

The trustworthiness of a retailer also is a main consideration. 41% of dispensary consumers in adult-use states report that trustworthiness is a top factor when choosing where to shop. What trustworthy means, though, can differ based on the consumer. An experienced consumer who is a Cannabis Advocate is more likely to seek out new cannabis form factors and high-quality products, and will be drawn to retailers that place these

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front and center on their shelves. Contrastingly, a consumer in the Medical Misgivings segment is more likely to be drawn to a retailer that provides a range of health and wellness related products, and focuses on consumer education and building relationships rather than the latest exotic high-potency flower.

BDSA Consumer Segmentation



Source: BDSA

That said, just having a convenient location and trustworthy image are not enough to consistently win and retain consumers. With the surge in online ordering and cannabis delivery in the pandemic, consumers expect more than just a convenient location and trustworthy retailers, they also expect a convenient EXPERIENCE. By offering the ability to order online and streamlining the shopping experience to lower wait times, retailers can optimize their strategy for the consumer who expects a modern, efficient shopping experience.

The importance of quality staff

While location and trustworthiness of the retailer are important in driving consumer shopping decisions, the impact of having quality, trained staff cannot be overstated. Budtenders are often a main source of information to the consumer, on both store choice AND product choice. 28% of dispensary shoppers in adult-use states report that a store having professional staff is a main influencer on store choice, while 23% of these shoppers claiming that a budtender making reliable recommendations is a main factor influencing their decision of where to shop.

Meanwhile, 26% of dispensary shoppers in adult-use states report that the recommendation of a budtender is a main influence of their product selection.

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Familiar brands, top products, and low prices consistently attract consumers.

Product attributes such as brand and low price also factor into consumer store choice in a major way. 34% of dispensary shoppers in adult-use states claim that a store carrying the strains and brands that they like. This importance of brand familiarity carries through heavily to product choice as well. 28% of dispensary shoppers claim that a brand being one that they have used before is a main influence on product choice.

32% of dispensary shoppers in adult-use states claim that low prices are a major influence of their store choice. Among low-income shoppers, low prices carry even more importance, with 36% of low-income shoppers claiming that low price is a top factor when choosing where to shop.

Aside from having quality and affordable products in stock, retailers can assure that they win the largest share of consumer possible by having an inventory that caters to all segments of their consumer base. Having connoisseur level products may be important to the Cannabis Advocate and the Socializer, but retailers should not ignore the importance of medical consumer segments, who are more likely to be drawn to products that see a smaller share of total cannabis sales, such as topicals or pills. It's important to note that not all retail locations are created equal, so tailoring product mix for each dispensary location is a must.

Retailers must know their shoppers

The implication with all this is it is imperative that retailers know their shoppers – what motivates them, what products they are looking for, and how to gain their trust and tailor product assortment to their needs.

BDSA's Consumer Segmentation show that there is not one cannabis consumer, but a whole variety of consumers who are all drawn to cannabis for different reasons, and who all have different needs in a retail environment. The budtender is a key piece of identifying which segment a consumer falls into, and targeting their dispensary experience to provide effective education, recommend new products that best suit their need state, strengthening consumer retention in the process.

While a cursory glance of BDSA Consumer Insights data show that factors like store location are the biggest driver of consumer attraction, retailers can overcome a less than ideal location by maintaining an informed and reliable staff of budtenders and ensuring consistent stock of top brands and products. An approach that incorporates all three of these consumer attraction and retention drivers (right product portfolio, great store location, and engaging staff) is a must for any store looking to become a leading retailer in their respective market.

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