



# PRICING COMPRESSION IN AN EVOLVING CANNABIS MARKET

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# TODAY'S PANELISTS

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**CMO**



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**Grön**  
**VP Global Sales**



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**Schwazze**  
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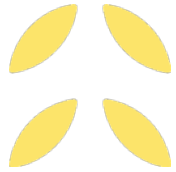


# **BDSA PROVIDES A COMPLETE VIEW OF THE GLOBAL CANNABIS MARKET OF TODAY AND TOMORROW**



## **RETAIL SALES TRACKING**

Know exactly what is selling where, when, and at what price point



## **CONSUMER INSIGHTS**

Understand consumer (and non-consumer) segments, sizing, behavior, consumption patterns, purchase habits, and more



## **MARKET FORECASTS**

Gain a comprehensive understanding of market size and future opportunity



## **Menu Analytics**

Uncover menu listed pricing and availability of brands and products at a local and store-specific level



# STATE OF THE CANNABIS INDUSTRY



# THE CANNABIS INDUSTRY IS AT A TURNING POINT



**Economic Inflation**



**Price Compression**

**Regulatory  
Uncertainty**

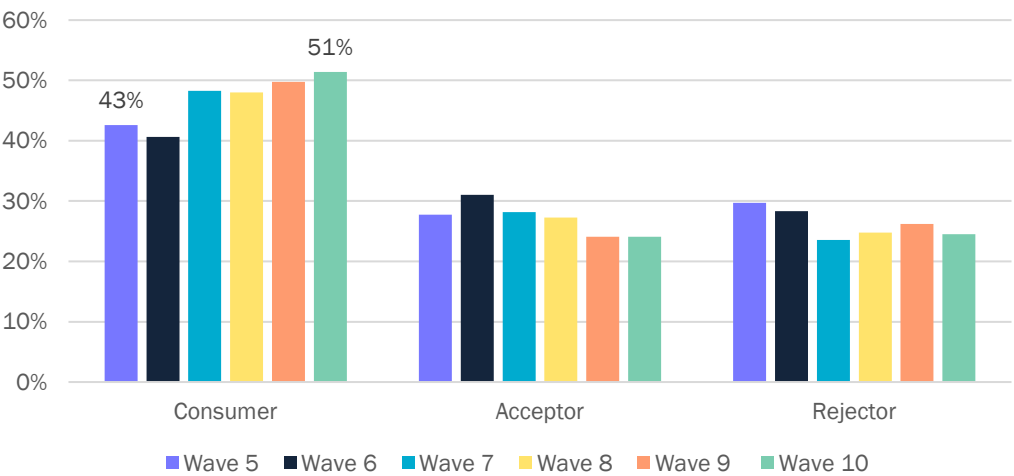


**Reliance on  
Promotions**

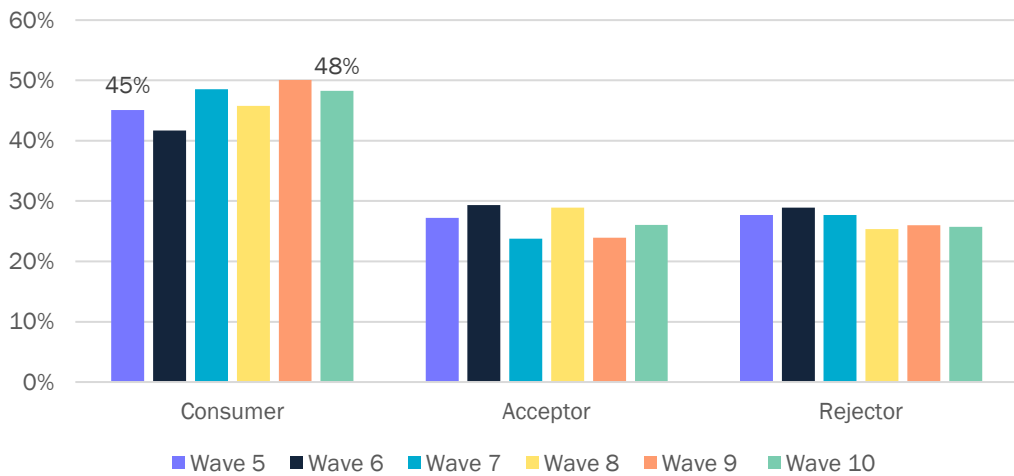


# DESPITE INDUSTRY HEADWINDS CONSUMER RATES REMAINS STRONG, EVEN IN MATURE MARKETS...

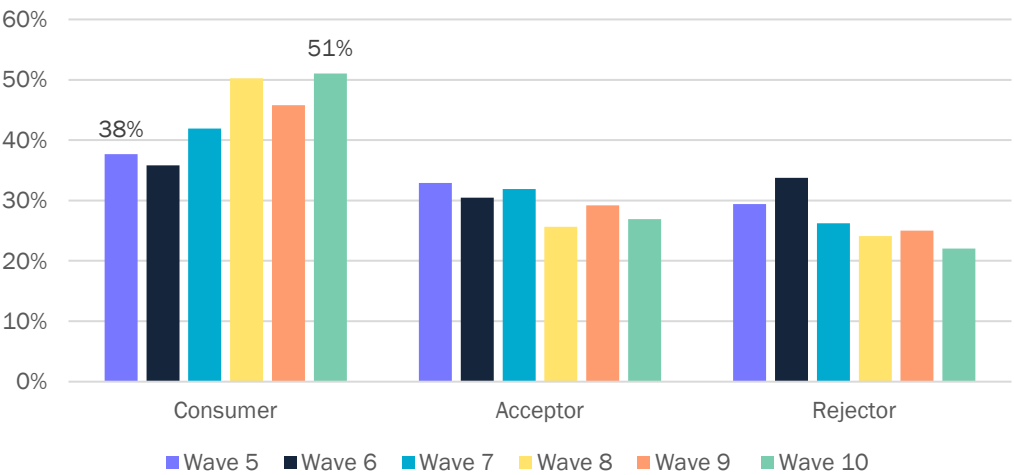
Colorado



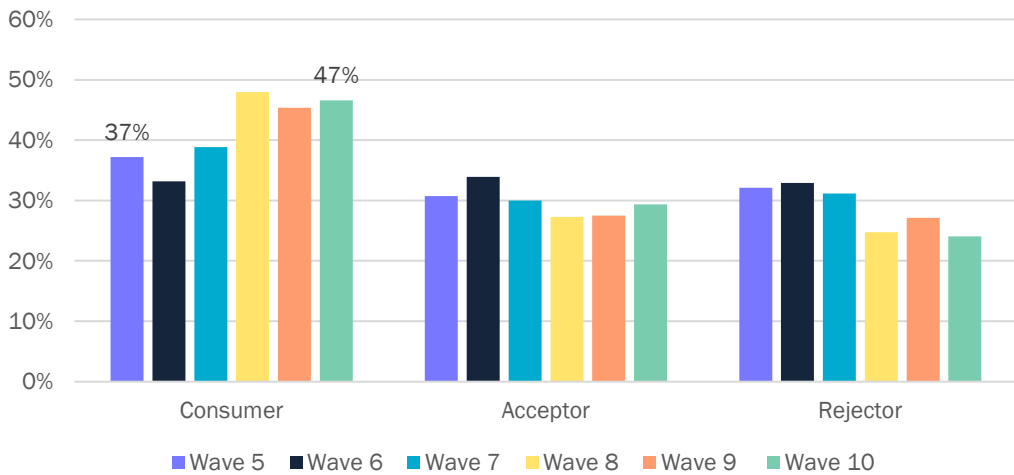
Oregon



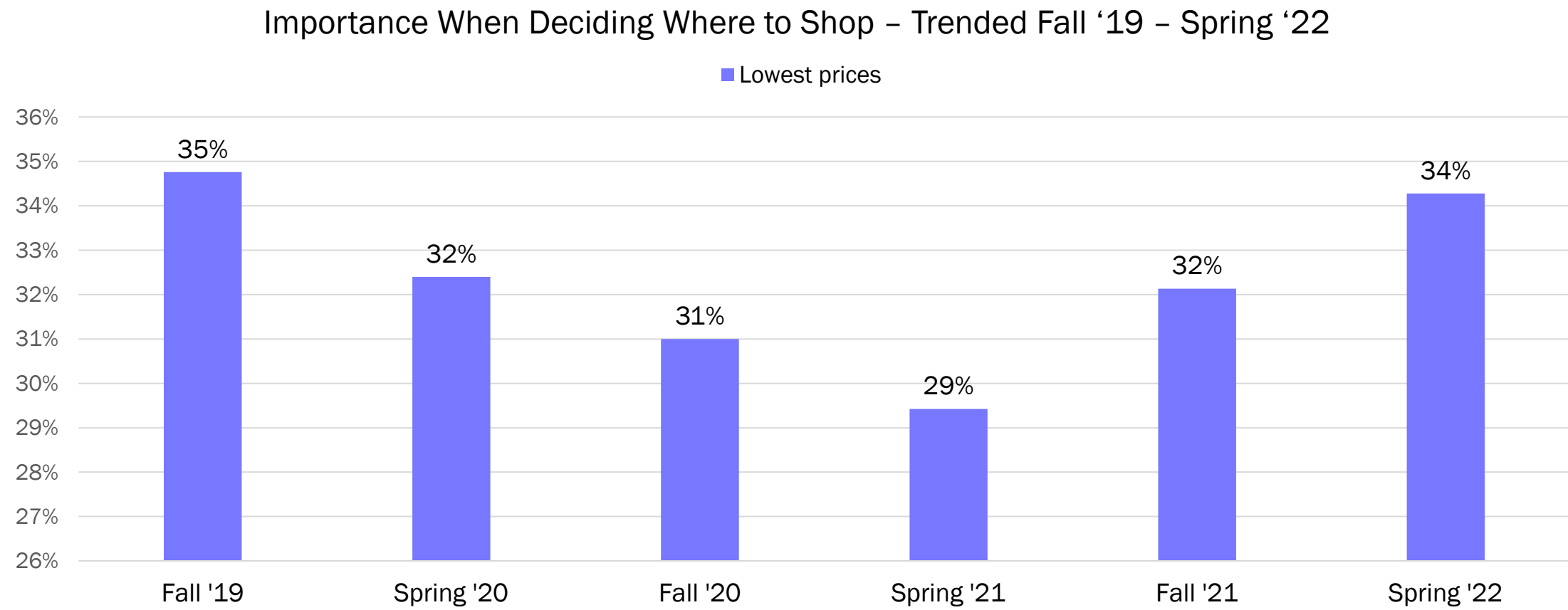
Washington



California



# PRICE CONTINUES TO BE A SIGNIFICANT FACTOR IN CONSUMERS' DECISION ON WHERE TO SHOP



Source: BDSA

# PRICE IS A KEY DETERMINIANT FOR CONSUMER PRODUCT PURCHASING

Top-15 Product Decision Drivers - % Selected as “Influencer”

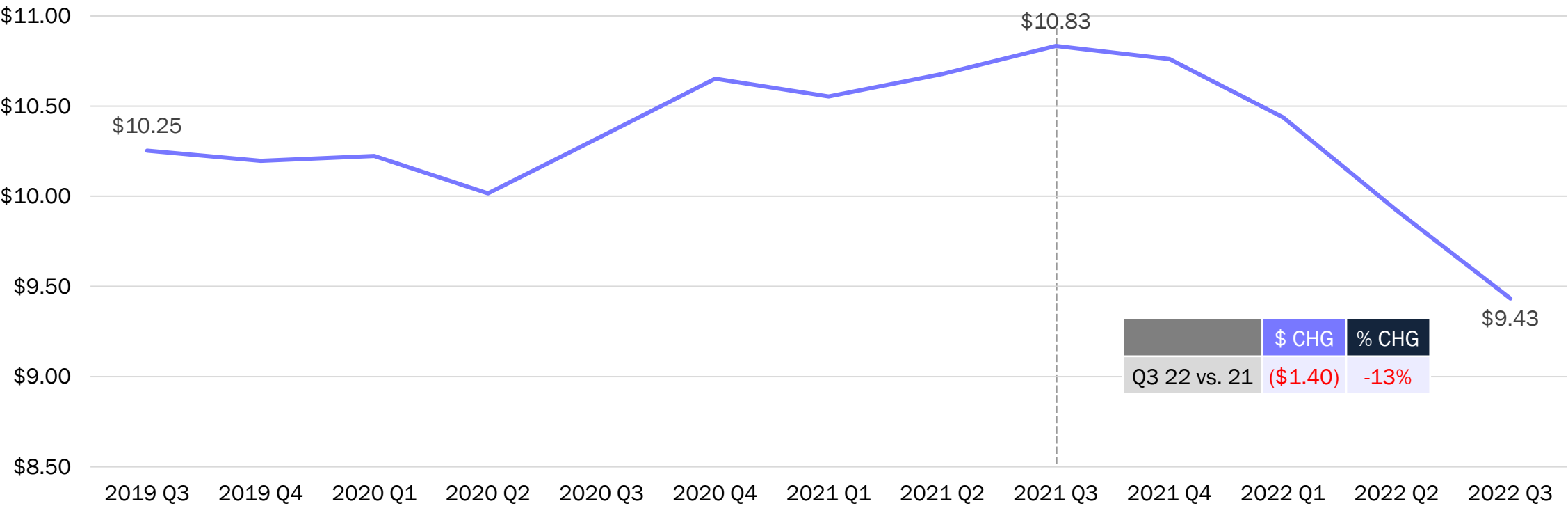


Source: BDSA



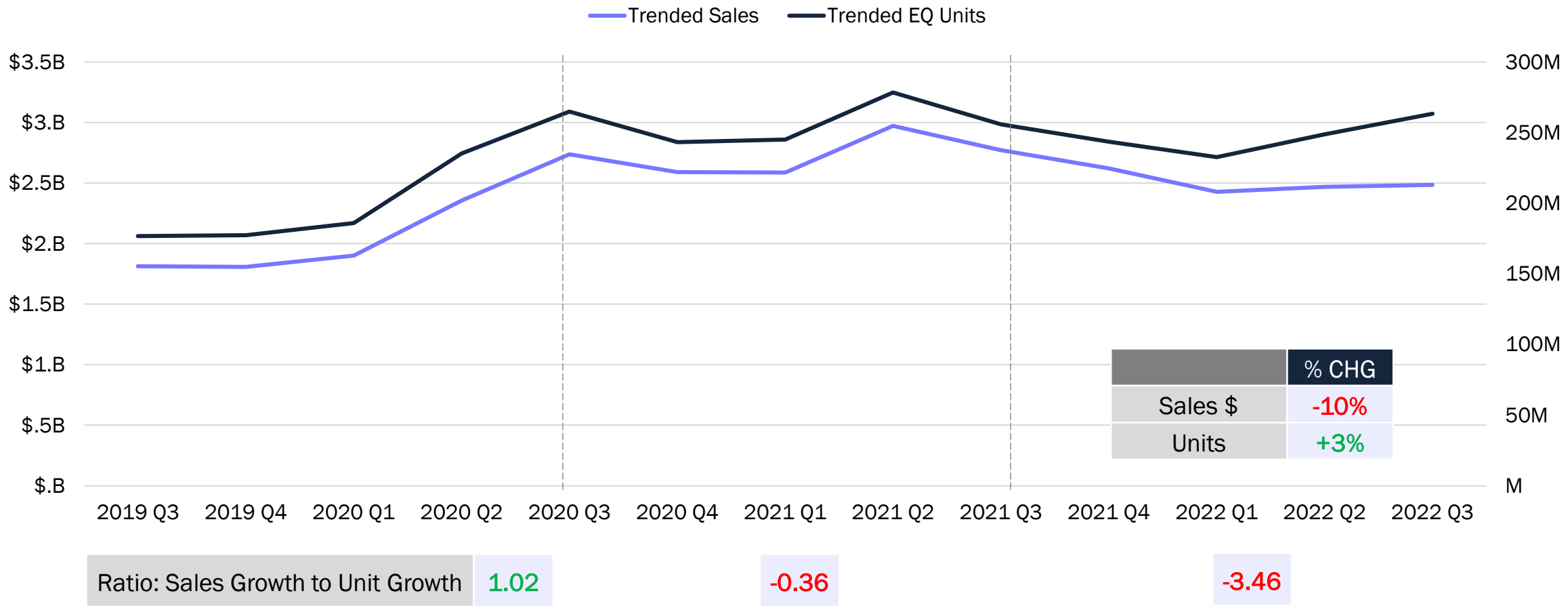
# RETAIL SELLING PRICES DROPPED PRECIPITOUSLY OVER PAST 12 MONTHS

\*Mature Market Trended EQ Average Retail Price of Cannabis Q3 19 - Q3 22

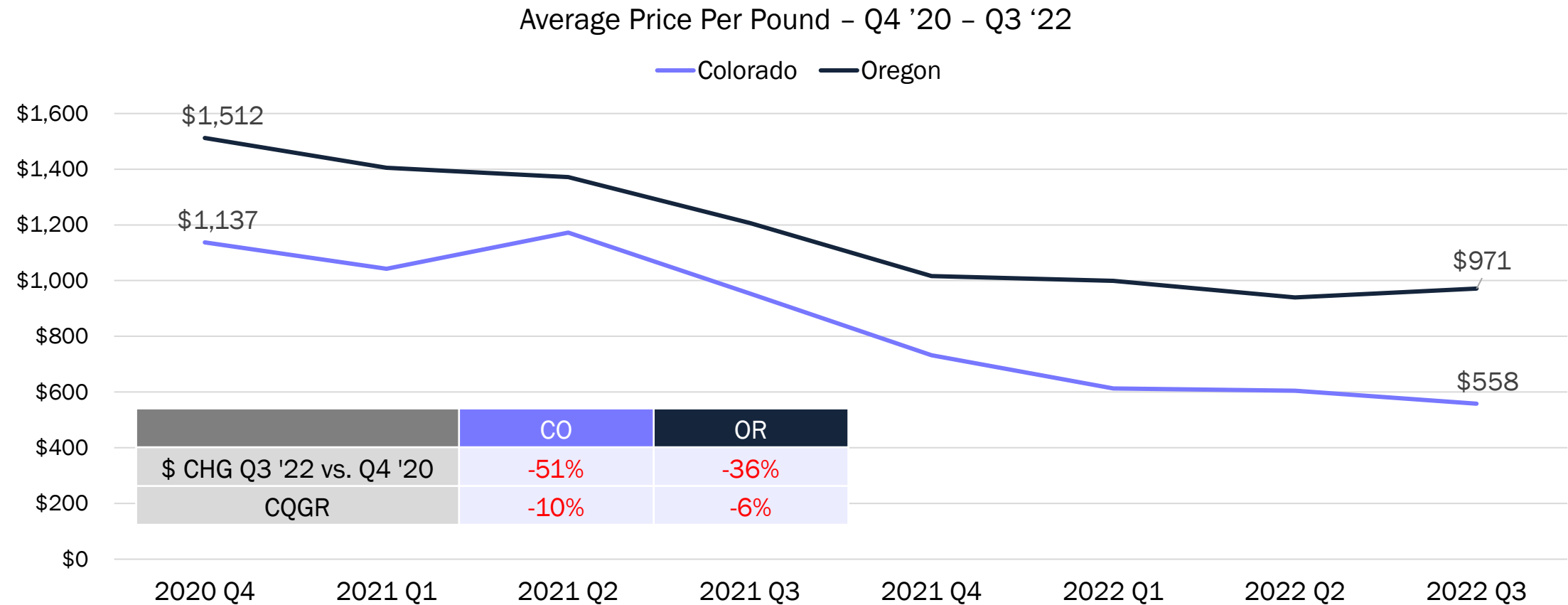


# MAJOR PRICE DECLINES INCREASED UNIT DEMAND, BUT NOT ENOUGH INCREMENTAL UNITS AT THOSE LOWER PRICES TO GROW SALES

\*Mature Market Trended Cannabis Sales & EQ Units Q3 19 - Q3 22



# WHOLESALE PRICING ALSO DECLINED SIGNIFICANTLY, ESPECIALLY WITHIN WESTERN “MATURE” MARKETS



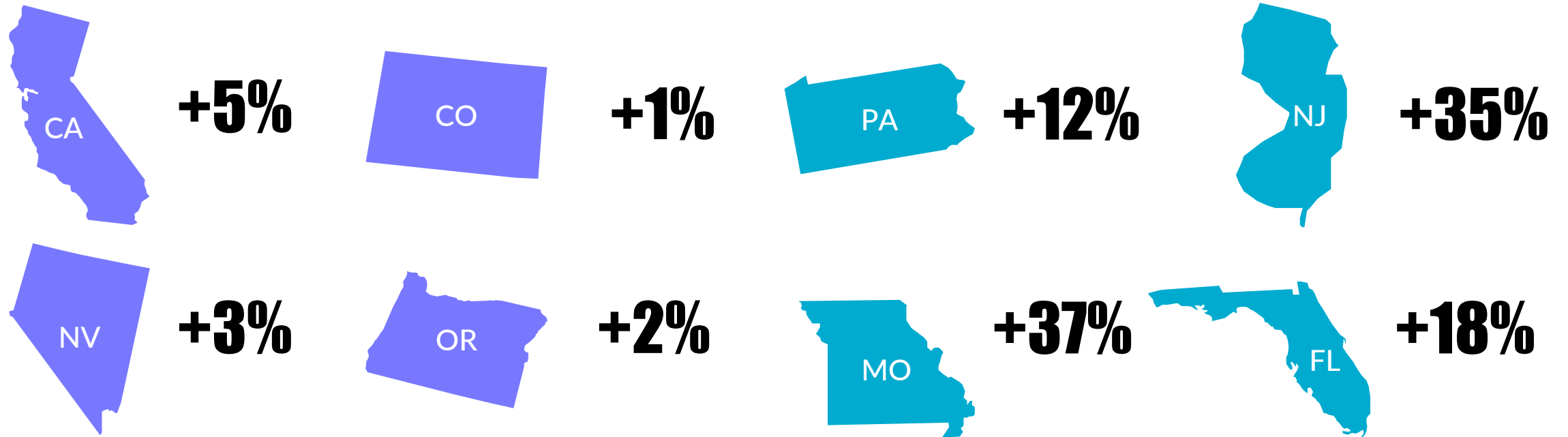
# ...SO GROWTH IN ESTABLISHED MARKETS IS LIMITED

Mature markets' future growth potential pales in comparison to new and emerging markets' growth

2022 – 2026 CAGRs

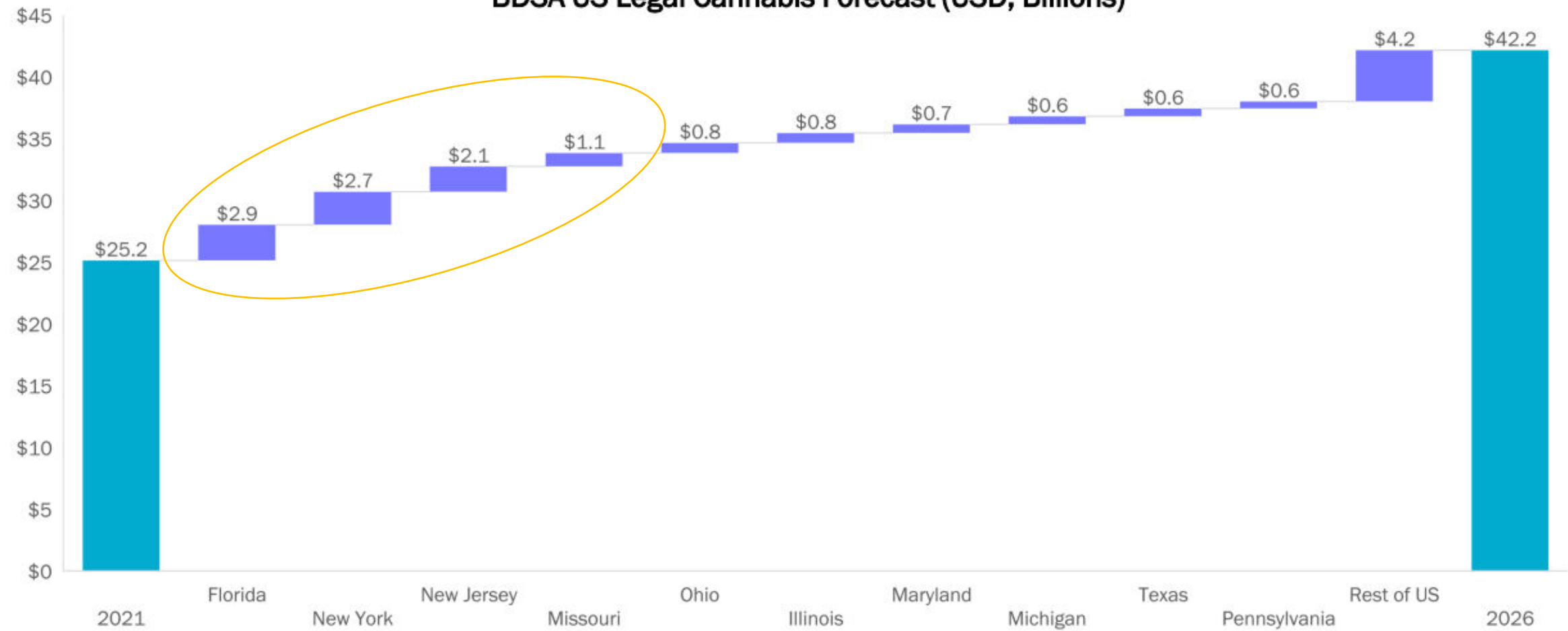
## “MATURE” MARKETS

## NEW / EMERGING MARKETS



# FUTURE GROWTH PRIMARILY TRACES TO NEW MARKET EXPANSION & DEVELOPMENT

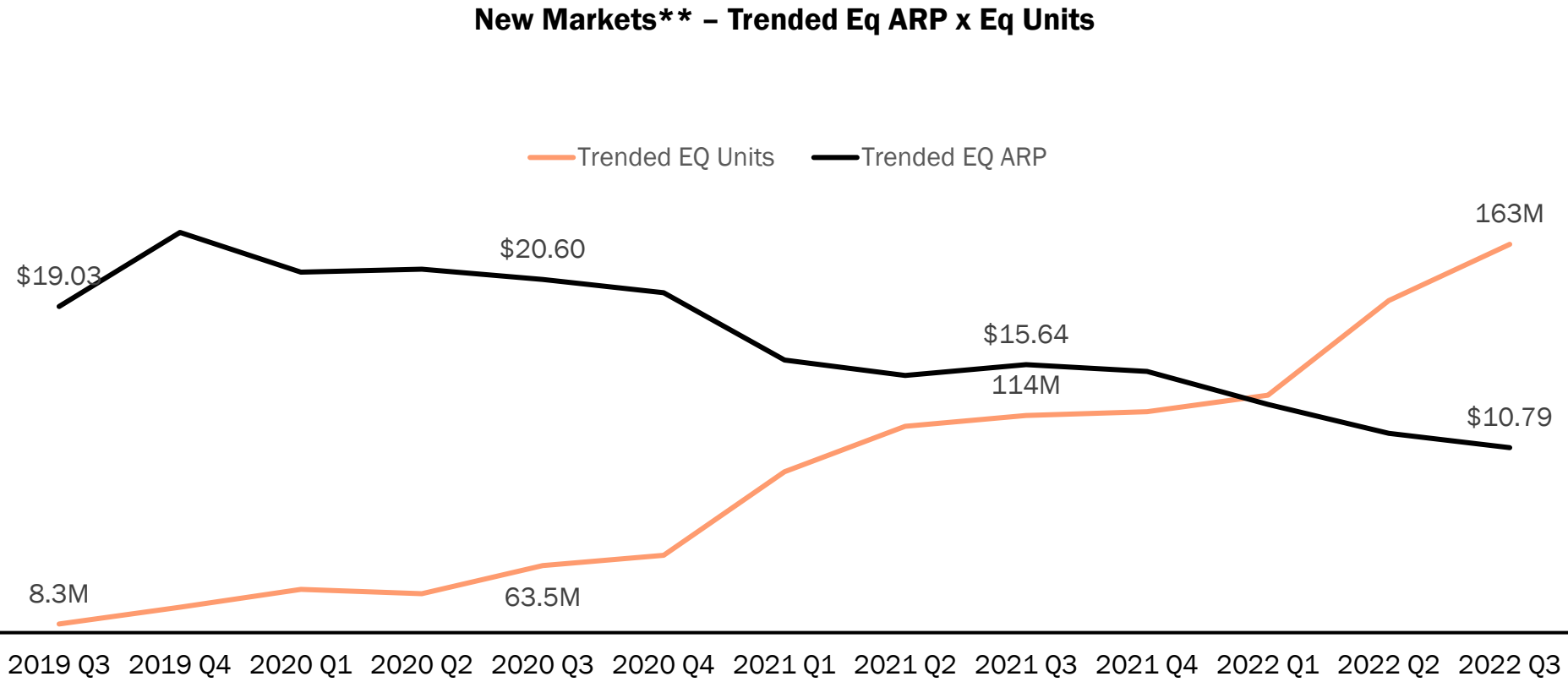
BDSA US Legal Cannabis Forecast (USD, Billions)



Source: BDSA

# DROPPING PRICES AND TIGHT MARGINS ARE THE REALITY

Even new markets are seeing prices drop, accelerating maturity in new markets



# EQ ARPS DECLINED ACROSS BOTH CATEGORY AND CHANNEL

Adult-Use (incl. CA)				Med-Only (excl. CA)		
	EQ ARP \$ CHG - Q3 '22 vs. '21	EQ ARP % CHG - Q3 '22 vs. '21	Sales \$ % CHG - Q3 '22 vs. '21	EQ ARP \$ CHG - Q3 '22 vs. '21	EQ ARP % CHG - Q3 '22 vs. '21	Sales \$ % CHG - Q3 '22 vs. '21
Edibles	(\$2.25)	-14%	+1%	(\$2.69)	-13%	+2%
Flower	(\$2.19)	-27%	-4%	(\$2.34)	-26%	-7%
Pre-Rolled	(\$1.30)	-10%	+16%	\$0.17	1%	+3%
Shake/Trim	(\$2.05)	-35%	+8%	(\$1.16)	-23%	+78%
Sublinguals	(\$2.99)	-8%	-23%	(\$6.32)	-15%	-33%
Topicals	(\$1.21)	-4%	-18%	\$2.32	9%	-22%
Dabbables	(\$4.55)	-17%	-15%	(\$5.53)	-14%	-21%
Vape	(\$5.92)	-17%	+7%	(\$7.51)	-19%	+11%

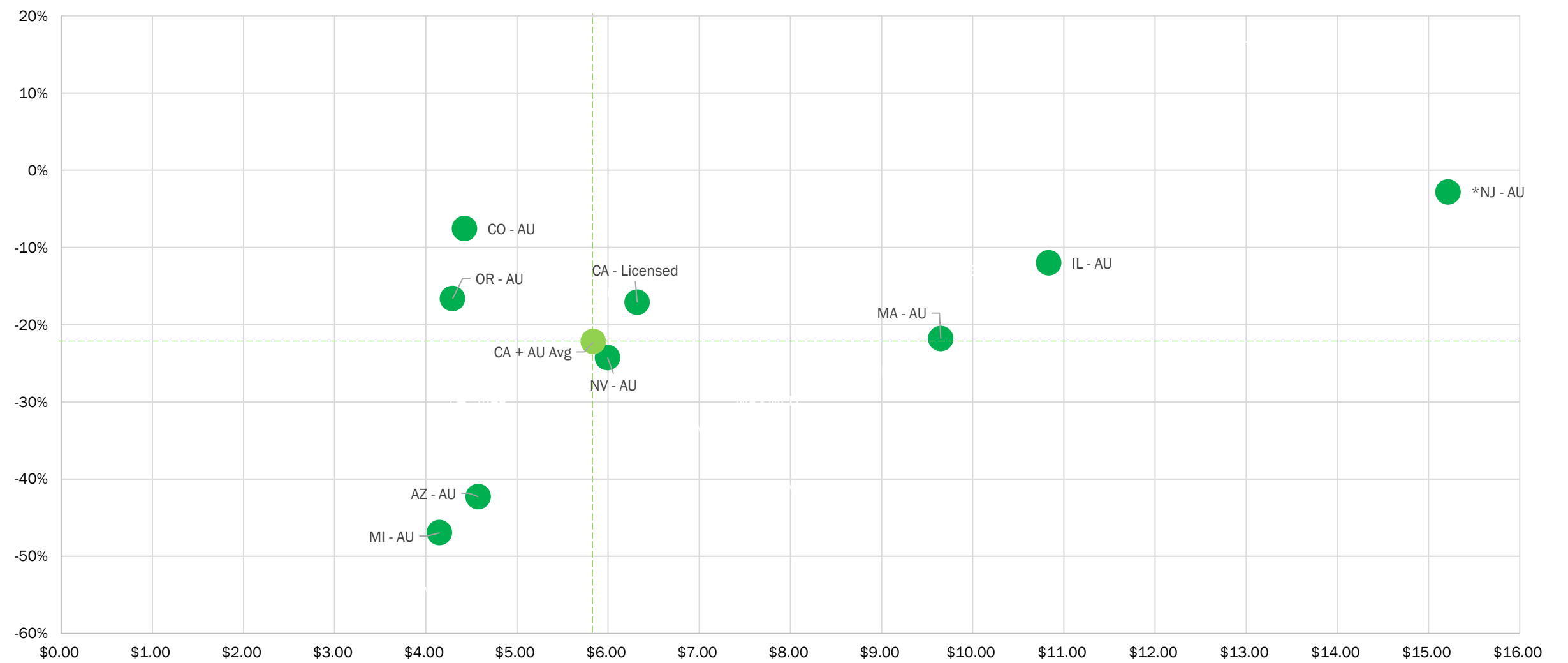
Source: BDSA – RST Q3 '21, Q3 '22

AU Sales include - CA, CO, IL, MA, MI, OR, AZ; does not include NJ

MED Sales include – AZ, CO, FL, IL, MD, MA, MO, MI, NV, OR, PA, NJ

# NEWER AND MORE OLIGARCHIC MARKETS SAW LESS VOLATILITY IN PRICING

US Flower EQ ARP % CHG – Oct vs. Jan '22 by Oct '22 Flower EQ ARP







## **IMPACT OF PRICING CHANGES**



# WITH PRICING SO VOLITILE, VISIBILITY FOR FORECASTING AND MODELING IS CHALLENGING

Parent Brand  
Wholesale

BDSA – RST  
(Out the door pricing)

BRAND A  
Dollar Share

61% / 39%

BRAND B  
Dollar Share

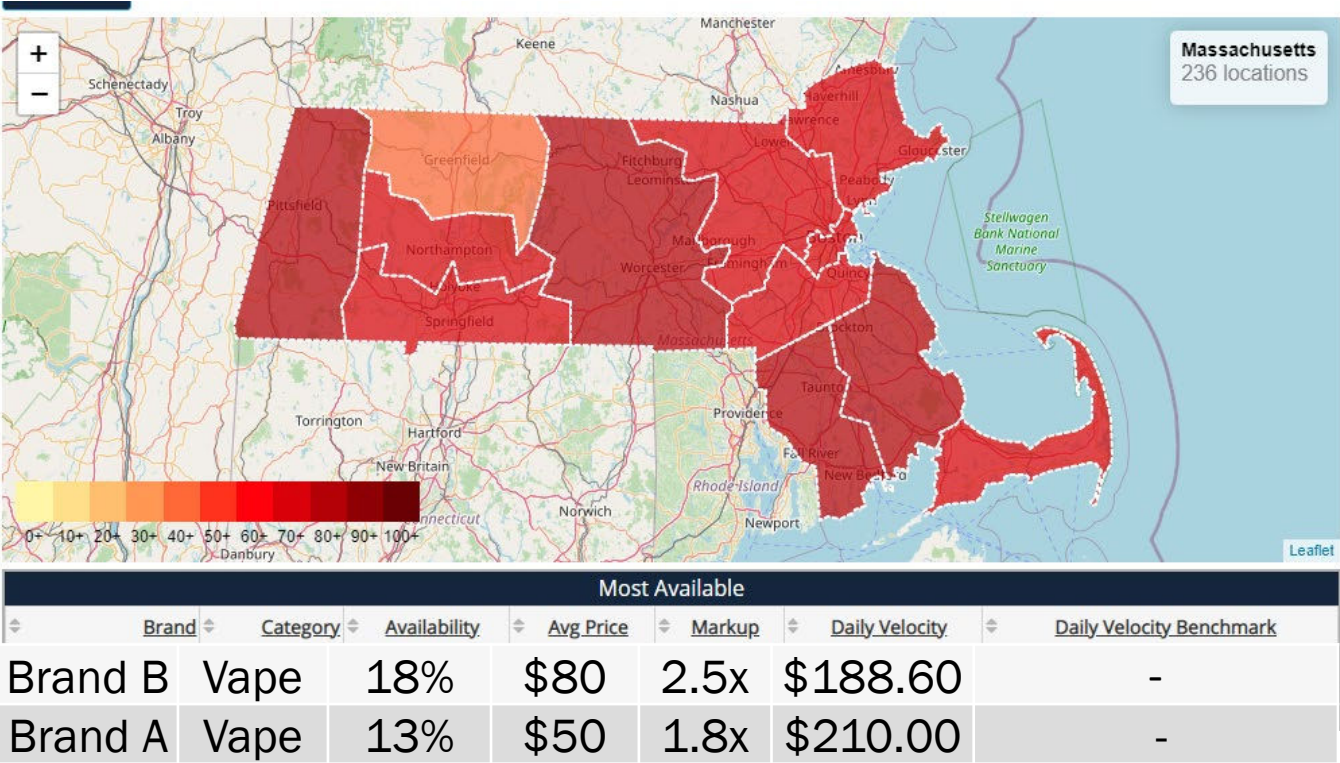


BRAND A  
Dollar Share

34% / 66%

BRAND B  
Dollar Share

# ADVERTISED PRICING DOES NOT ALWAYS ALIGN WITH OUT THE DOOR PRICING



\* Avg RST price vs listed price

## Menu vs RST Pricing\*

	Menu Price	RST Price
Brand B	\$84.74	\$56.62
Brand A	\$50.00	\$66.21

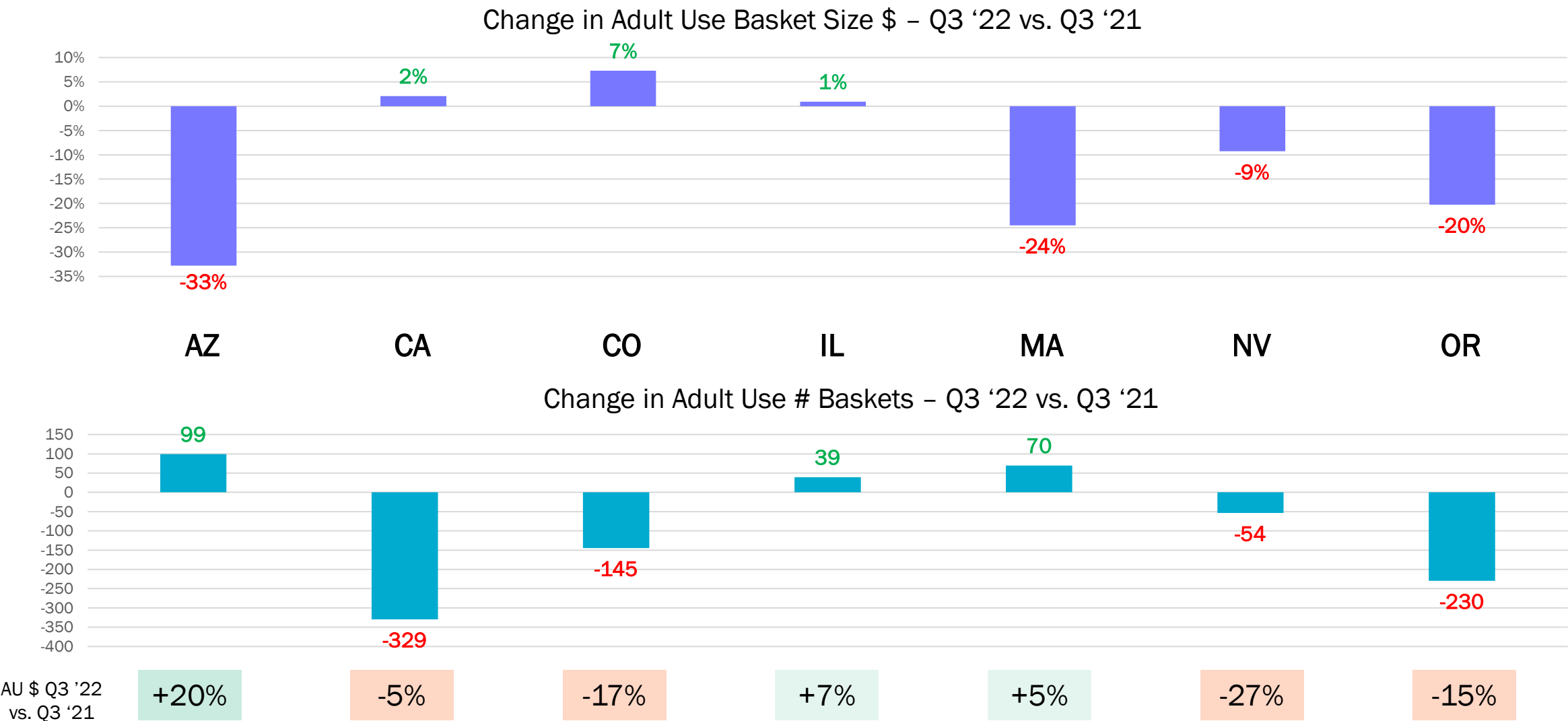
BRAND B  
1g Vape

BRAND A  
1g Vape

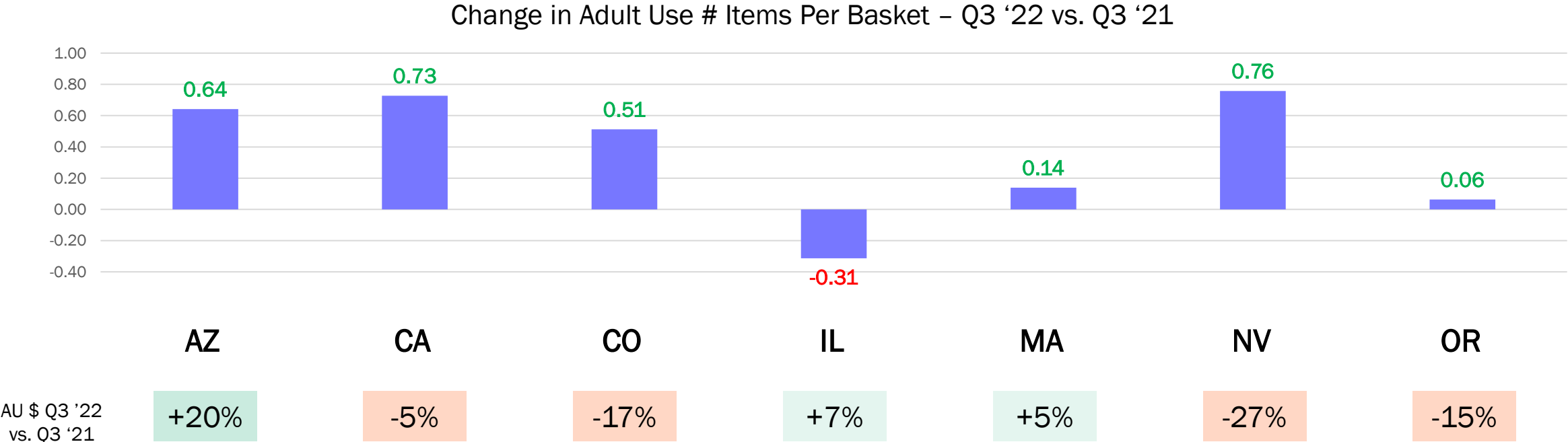
-50%

+24%

# LOWER NUMBER OF DAILY BASKETS LEAD TO LOWER AU SALES VS. YAGO IN LESS CONCENTRATED MARKETS



# REGARDLESS OF MARKET MATURITY OR CONCENTRATION, CONSUMERS ADDED MORE ITEMS TO THEIR BASKET



# AS FLOWER PRICES DECREASE, ELASTICITY FOLLOWS MAKING DEALS AND PROMOS LESS EFFECTIVE AT INCREASING DEMAND

Market	Flower Price Elasticity of Demand		Flower EQ ARP	
	7/6/20 – 7/26/21	8/2/21 – 8/22/22	Week of 7/6/20 – 7/26/21	Week of 8/2/21 – 8/22/22
CA	-1.56	-0.63	\$9.08	\$7.45
CO	-1.65	<i>null</i>	\$4.80	\$4.16
IL	-1.21	-1.08	\$14.87	\$12.50
MA	-1.39	-1.05	\$11.98	\$9.21
MD	-1.67	-0.77	\$13.51	\$11.42
NV	-1.31	-0.32	\$8.22	\$7.59
OR	-1.65	<i>null</i>	\$5.39	\$4.82
AVG.	-1.49	-0.95	\$10.25	\$8.35

# KEY POINTS

1. Price compression presented challenges for the cannabis industry in 2022 and will likely continue into 2023. Prices are unlikely to return to past Covid-era highs in 2023 without significant mitigating factors
2. The road to growth and a mature market will face some near-term headwinds in the form of supply, pricing, and regulatory challenges, but long-term outlook remains strong - short term growth will primarily come from New and Emerging markets in the US
3. Markets with fewer players and more concentrated shares tend to see lower price declines than more “open”, “fragmented” markets
4. In less concentrated markets, lower number of daily baskets led to lower AU sales, despite consumers adding more products to their basket
5. Significant price declines too far, too fast can negatively impact elasticity making in-store promos less effective
6. With more aggressive pricing and promotional strategies at POS, brands and wholesalers need to consider out-the-door pricing in conjunction with keystone (or MSRP) in forecasts and models for more accuracy



## **Q&A – PANEL OF EXPERTS**





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**IT'S A NEW GAME.  
DATA. DEEPER.**

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