Cannabis Industry Overview

- Customer Segmentation
- Usage and Purchase Behavior
- Political Pulse – Likelihood of Legalization
- Emerging Trend Behavior

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Who, When and What

- This inaugural cannabis market study by Green Rush Insights (GRI) uncovers trends and preferences at the consumer-level. This differentiates it from other studies in the market that have focused on larger-scale macro trends.
- Data was collected via online panel between July 21 and July 31, 2017. Overall, 1,500 individuals responded with two-thirds from cannabis legal states (either medical or recreational) and one-third from states where cannabis is not legal.
- For cannabis consumers the questions focused on:
  - Usage habits, including number of years consuming cannabis
  - Purchase patterns, including choice factors for dispensaries
  - Product preferences, including strains and methods for consuming; reasons for consuming cannabis
  - Cannabis-related media
  - Political attitudes as they relate cannabis
  - Attitudes toward their relationship to cannabis
- For those in non-legal states the questions focused on:
  - Religious and political measures
  - Likelihood to vote for medical and recreational measures if they were to appear on state ballots
  - Reasons for a thumbs up or down vote
- Areas where there was overlap between the groups:
  - Perceived benefits and drawbacks from legalization
  - Comparison of cannabis to other substances including alcohol, prescription pain medications, heroin, cocaine and methamphetamine.

1,500 responses collected

1,000 from cannabis legal states and 500 from non-legal states

38% from recreational states, 29% from medically legal states and 33% from non-legal states

Key Findings - Legalization

- There is a movement in non-legal states to make cannabis available. This will be an easier task for proponents of medical legalization with over 60% indicating a yes vote if a measure were to appear on their state ballots.
- One's political leanings play a determining factor in their views toward legalization. The percentage indicating a likely yes vote for medical marijuana ranges from 37% for those most conservative to 75% for those who are most liberal.
- Overall, 51% reported they would vote yes for recreational cannabis consumption, making this a virtual tie. Strength of political affiliation is also a key driver for potential recreational adoption. Although, in this case, the likelihood of adoption by political conservatives is even less.
- Other variables were also examined for their relationship to cannabis voting preferences. Income played little role in thoughts on medical cannabis adoption, but more so in recreational adoption.
- Positive views toward adoption were seen by younger age groups. Males were more inclined to give a positive vote for recreational adoption than their female counterparts. This gap narrows for medical marijuana.
- On the no side for medical, abuse potential was the main reason reported. This is countered by a perceived need for greater options in treating medical conditions, and the belief that adults can make an informed decision for themselves.

Key Findings - Legalization

- On the recreational side, those against see the potential for increased cannabis use among minors as the chief complaint. This is followed by a lack consistent regulation and the perception that it would lead to an increase in criminal activity.
- Those in favor of recreational legalization see additional tax revenue for their states as the primary benefit. This is followed by the desire to allow adults to make their own choices, a potential decrease in crime, and an increase in jobs as the legal cannabis industry begins to hire.
- Respondents from states where cannabis is legal in some form have seen several benefits. Two-thirds reported it has provided access to effective medical treatments. Six out of ten noted the increase in revenues to their state. Other benefits frequently mentioned include an increase in jobs, creating an environment where adults can make informed choices, and a perceived decrease in crime.
- Over half (51%), reported they have not observed any drawbacks from legalization. For those who did report perceived drawbacks – 25% mentioned the difficulty in regulating the industry and 24% believe it has promoted cannabis usage amongst minors.

Key Findings – Consumption

- Nearly six out of ten cannabis consumers (58%) reported they had consumed the product, in some form, within the prior 30 days.
- Consumption varies significantly across market segments. Daily consumption ranges from four percent for the casual consumer and safer alternatives segments up to 54% of the engaged consumer segment.
- The bud is king! Over 80% reported they had consumed cannabis in flower (bud) form in the last year. They will typically roll a joint, purchase a pre-roll, or use their pipe.
- No significant strain preference - of those who consumed in the prior year half reported they did not hold a preference for a particular strain.
- Sixty percent of the market has consumed a cannabis infused edible, either beverage, food or dessert item, in the last year. Consumers hold a preference for pre-made edibles.
- Vape users, both portable and/or desktop, account for approximately 30% of the market.
- Relaxing and having fun is the key reason people consume cannabis. Three out of four mentioned this reason. Half mentioned medical reasons and 16% mentioned cannabis enhanced their spiritual experience.

Key Findings – Purchase

- One-third of the respondents reported they had purchased cannabis within the last week. This ranged from 9% for the casual consumer segment up to 63% for the cannabis culture segment.
- Over half (53%) mad a purchase from a recreational or medical dispensary.
- On the low end, 38% reported they had made five or fewer purchases in the last year. On the upper end 22% reported making 25 or more purchases during the last year. This equates to two purchases a month. Significant variance across segments.
- The median number of purchases made by all respondents during the prior year was nine, with a median spend per purchase of $50.
- This equates to $450 per year with a range of $102 (casual consumer) up to $1,440 (engaged consumer).
- Flower (buds) was the most common form of cannabis purchased (84%), followed edibles (54%) and concentrates (30%).
- There is interest in the concept of purchasing cannabis from a big box retailer. Over 40% indicated they would definitely purchase, while 49% reported they would be willing to consider purchasing from a big box retailer.

The average consumer makes nine cannabis purchases in a year.

They typically spend a median of $50 per purchase

This translates to an annual spend of $450, although this does vary significantly by segment.

Key Findings – Dispensary Choice

- Respondents were asked to indicate which factors were important to them when selecting a medical or recreational dispensary to purchase from.
- Price and product selection were the most frequently mentioned choice factors.

- However, dispensaries cannot simply assume they will corner their market, assuming they have competition, by being the price leader or the store with widest product selection.
- How far the patron has to travel between the dispensary and their home or work comes into play. This was mentioned as a key criteria by nearly half of the respondent base.
- Employee friendliness and knowledge cannot be underestimated. The general cannabis consumer sees poor service, and a lack of employee knowledge, as a deal breaker. It will send them to another dispensary.
- The store's physical environment, e.g. cleanliness and perceived safety, is also a critical factor. The importance of this aspect increases for female consumers. Dispensaries aiming to serve the female cannabis consumer must take this into account.
- Tertiary factors, those that are not on the top of the consumers list but can make a competitive difference, include availability of discounts, varied payment options, and recommendations.

Key Findings – Segments

- The US market for cannabis has five distinct segments within those states where cannabis is legal, either for medical and/or recreational.
- The Casual Consumer segment accounts for 13% of the market. As the name implies this segment consists primarily of infrequent consumers.
- The Just on Weekends segment accounts for 21% of the market. Members of this segment like to unwind after a long week at work with a joint and a few friends.
- The Engaged Consumer segment accounts for nearly 30% of the market. It has the highest percentage of daily consumers and has an annual spend that is three times the norm ($1,440 vs. $450).
- The Cannabis Culture segment is the second most active segment in terms of consumption and spend. Members of this segment are most likely to identify as a cannabis activist.
- The Safer Alternatives segment is the second largest of the five US segments. They are not daily users, but they certainly do view cannabis as an alternative, a safer one at that, to prescription medications.

Casual Consumer
13%

Just on Weekends
21%

Engaged Consumer
29%

Cannabis Culture
12%

Safer Alternatives
26%