

THE RISE OF
**Cannabis
Retail:**

FINDING THE BEST BALANCE
BETWEEN EDUCATION
AND CONVENIENCE



A FAST-GROWING, FAST-CHANGING RETAIL SEGMENT

Cannabis and hemp products such as CBD are capturing the imagination of retailers — and the wallets of consumers — with good reason: legal sales are expected to grow at a compound annual growth rate (CAGR) of **14%** over the next six years, reaching nearly **\$30 billion** by 2025, according to a study by [New Frontier Data](#). CBD already is making a significant impact on retailing, with a massive and fast-growing presence at stores nationwide.

“The biggest trend that we have seen is that the number of traditional brick-and-mortar retailers has really increased,” said Rick Maturo, Associate Director of Client Services in the Cannabis Practice at [Nielsen](#) in an interview with *Retail TouchPoints*. “At the beginning of [2019] there were about **10,000** places stocking these products, and at the end of the year we saw a nearly **fivefold** increase in the number of stores that were carrying at least one CBD item.”

Medical and recreational cannabis are making waves as well, with **975** cannabis-related bills moving through state legislatures and Congress during 2020 sessions, according to [Forbes](#). The fresh, chaotic and rapidly expanding nature of this industry means retailers looking to dive into cannabis and CBD should keep in mind several factors:

- **Education is paramount:** Trials to determine health benefits of these goods are still in the clinical phases, and the recent legalization of recreational cannabis in some states is drawing a flood of first-time users, so education is a key ingredient in a successful strategy;
- **There isn't a silver bullet for any ailment:** The potential benefits of cannabis and CBD products aren't yet FDA-approved. This means retailers need to help shoppers find the right products for their needs without accidentally making false claims;
- **The retail infrastructure is being built from the ground up:** Cannabis and CBD don't come with decades of expectations like other retail segments, meaning companies can explore and define their own presence. However, achieving the right balance between convenience and engagement is still important; and
- **The future is fluid:** State laws surrounding cannabis products differ across the country, and some larger players are showing an interest in CBD. The cannabis and CBD markets of today may be vastly different from what they'll look like next year, particularly if larger retail players become involved.

CANNABIS USE BY THE NUMBERS



33 STATES

and Washington, D.C. have legal medical marijuana markets



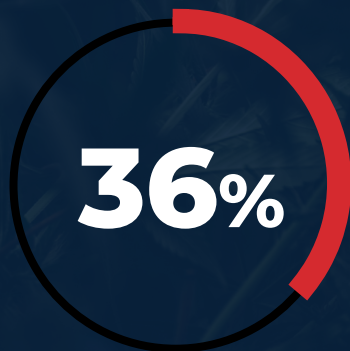
10 STATES

and Washington, D.C. have legal recreational markets

Medical sales are expected to grow at **17% CAGR** through 2025, reaching **\$13.1 billion**



Recreational sales are expected to grow at **16% CAGR** through 2025, reaching **\$16.6 billion**



36% of cannabis consumers use cannabis daily



59% of cannabis consumers use cannabis at least once per week

SOURCE: NEW FRONTIER DATA

“Part of our responsibility as a leader in this market is taking the time to speak with customers and educate them about the products.”

THOMAS WINSTANLEY, THEORY WELLNESS

EDUCATION TAKES PRIORITY REGARDLESS OF THC CONTENT

Retailers and industry experts agree that the need to educate customers is a critical component of cannabis and CBD sales. Legal cannabis in particular is a whole new world even for experienced users, because the wide variety of options now available lets them better pinpoint the medical or recreational effects they want. This means the most successful cannabis retailers are putting education first at their dispensaries.

“Education is a very critical component for what we do,” said Thomas Winstanley, Director of Marketing at [Theory Wellness](#). “We say that we’re in an emerging market, and that’s true — part of our responsibility as a leader in this market is taking the time to speak with customers and educate them about the products.”

Consultations are the norm: different strains can have very different effects for different people, whether they are looking for a certain kind of high or treating a particular ailment, so shoppers need a clear understanding of what they’re buying. This necessitates educated associates at dispensaries and makes proper education a vital trust-building exercise: after all, if a shopper doesn’t get the high or relief they were expecting, they’re unlikely to return again.

Education is no less important for hemp-based CBD products; while they may not have the psychoactive effects of THC, customers still expect benefits. The same pressures that led to the rise of organics and made shoppers pickier about their makeup choices mean smart retailers need to have a deep understanding of the CBD products they stock, and have the ability to explain their choices to customers.

“The public wants to know more,” said Steven Kraus, President of [Functional Remedies](#). “You start looking at cosmetics, and people are becoming much more educated on what’s going onto their skin and especially what’s going into their body. You won’t rewind the clock to where the grocery store was 25 years ago. I think more and more people are investigating label claims and looking at ingredients. They want to know what they’re putting in their bodies, and they’re educating themselves.”

THE BENEFITS OF A TWO-PRONGED APPROACH TO CANNABIS EDUCATION

Mission Dispensaries primarily handles education through its “bud tenders,” who walk customers through the buying process. Taking extra time for in-store education, however, can put pressure on shoppers.

“In my experience actually being in those lines and getting your chance to step up to the person who’s going to be helping you, there’s this line behind you and you feel the pressure to make a quick decision,” said Glenn Backus, President of Mission Dispensaries in an [interview with Retail TouchPoints](#). “You don’t have a chance to kind of breathe, relax and educate yourself. You feel the pressure of other people there even if the person is trying to be very nice.”

The retailer eases the stress by offering product cards containing heaps of relevant information, including the strain, effects and price for each item. This lets shoppers learn at their own pace and build confidence before beginning their consultation.


At the moment retailers need to help shoppers find products that work for them, rather than authoritatively state that a certain cream helps with certain symptoms.

THE JURY IS STILL OUT ON CBD'S SPECIFIC BENEFITS, SO DON'T MAKE CLAIMS YOU CAN'T BACK

One of the biggest challenges in the CBD industry is its youth: medical research on hemp's effects were legalized alongside its sale only as recently as the 2018 Farm Bill. This means many clinical trials are currently ongoing, and the FDA has not yet approved any specific medical claims for CBD products.

This will change in the near future as more trials are completed and better research comes to light, according to Kraus. However, **at the moment retailers need to help shoppers find products that work for them, rather than authoritatively state that a certain cream helps with certain symptoms.**

This also means retailers should be wary of stocking products that make specific CBD-related health claims. These benefits may be powered by non-CBD ingredients, which could harm the relationship between the customer and retailer as shoppers become more educated about what various CBD products can and can't do.



Attractive experiential spaces, knowledgeable associates and friction-cutting technologies are all just as effective in a dispensary as they are in more traditional store formats.

DISPENSARIES CALL FOR NEW LAYOUTS, BUT DON'T FORGET TRADITIONAL RETAILING PARADIGMS

The many retailers interested in opening dispensaries are getting a crash course in store design. The nature of cannabis shopping puts an emphasis on consultations, and regulations mean grab-and-go solutions aren't viable. Retailers need to take an approach that balances service with speed, but often without the decades of experience that other retail segments can study and learn from.

However, this doesn't mean tried-and-true approaches don't have their place. Attractive experiential spaces, knowledgeable associates and friction-cutting technology, such as variants on buy online, pick up in-store (BOPIS) services, are all just as effective in a dispensary as they are in more traditional store formats.

"One of the biggest lessons I think that we've taken away from developing our stores is **the emergence of things like pre-order and the demand for quick in-and-out business for our customers,**" said Winstanley. "Not only are we mitigating the flow and trying to adjust towards retail customer needs, we're also finding the things we didn't necessarily factor in our earlier stores like accessory displays. A lot of what you see when walking in doesn't seem like anything special, but there's a lot of foresight that went into the overall architectural flow."

PRO TIP: STORES SHOULD ACCOMMODATE CANNABIS CUSTOMERS WHO DON'T HAVE TIME TO WAIT

Cannabis may help people relax, but the shopping experience isn't any different from buying groceries — many people want to grab their purchase and go. The “old-school” model of dispensaries resulted in wait times of **30 to 40 minutes**, which is fine for newcomers looking for an education but frustrating for regular customers picking up their usual order. Paul Henderson, President of **High Times**, is also the former CEO of **Grupo Flor**, where the retailer created a store layout that combines wandering associates and an online ordering system.

“We really wanted to master getting people in and out very quickly if they already knew what they wanted,” said Henderson in an [interview with Retail TouchPoints](#). “They're able to spend as much time as they want — to be educated, ask questions and look around — but if you walk in and you know what you want, you can get out quickly. We created a model that allowed consumers to be in and out of the store with their purchase in as little as **three minutes**. Then word got out and that's become a very big selling point.”

The biggest driver of change won't be whether Walmart decides to carry CBD ointments; it will be how the government treats the burgeoning industry.

CANNABIS IS EVER-EVOLVING, SO RETAILERS MUST STAY INFORMED

Another effect of the cannabis and CBD industry's youth is that no one can be entirely sure where it's heading next. Cannabis' patchwork of state-by-state regulations may give way to nationwide legalization, and CBD's grassroots image may change as more major retailers, in segments ranging from [healthcare](#) to [apparel](#), enter the space.

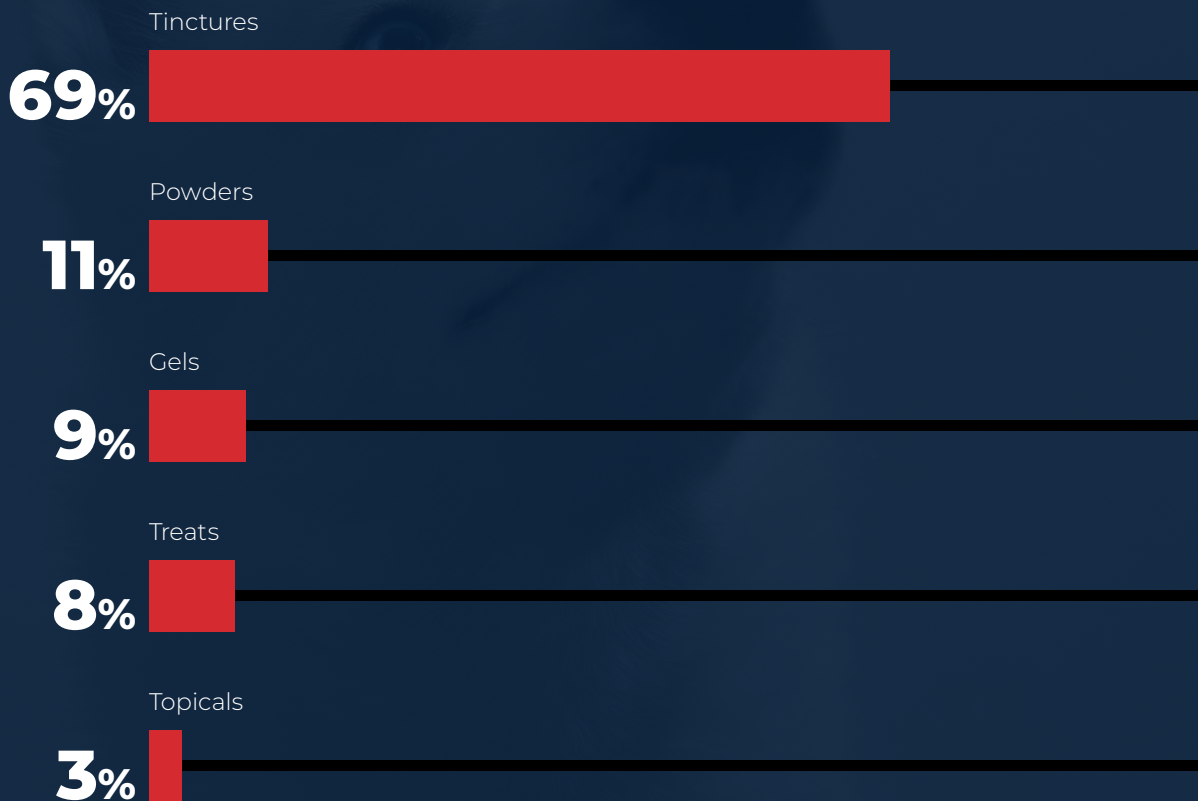
"This whole space is mirroring what we saw in organic and the rise of healthy living," said Nielsen's Maturo. "Originally, a lot of those brands were doing a great job in the natural grocery space and getting a lot of exposure. But then we saw some of these larger chains starting to stock some of the same brands in their healthy living and natural channel, and people weren't necessarily making separate trips to the natural grocer. **They were purchasing these products where they were already shopping.**"

However, the biggest driver of change won't be whether **Walmart** decides to carry CBD ointments; it will be how the government treats this burgeoning industry. FDA approval of CBD food supplements or confirmation of medical benefits, or nationwide legalization of medical or recreational cannabis, could change the state of the industry overnight — and some retailers may not be ready for even more rapid and drastic changes.

"The best thing that retailers can do today is keep a very close eye on the FDA and Congress," said Maturo. "Those could drastically accelerate the rate of growth, and retailers need to stay updated on the state of regulations. Certainly, I think they also need to do their own homework and understand their normal, typical customers: **is this something their shoppers want? Will there be backlash? How will it impact brand equity?**"

CBD ISN'T JUST FOR PEOPLE — PETS ARE DRIVING SALES TOO

Shoppers don't just want cannabis products for their own health — they're also treating their furry friends. Pet-focused CBD products are a large and growing market, and will contribute to between **\$2.25 and \$2.75 billion** in hemp-based CBD sales in 2020. The top categories for dog and cat hemp-CBD products are:



SOURCE: [NIELSEN](#)

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