



Our Guide to CBD Market Research



BRIGHTFIELD GROUP



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Introduction

Before the hottest products hit the shelves, before your competitor enters a new store, and before expansion into a new region begins, one big thing happens: market research. All companies of all sizes conduct market research. It is essential to ensuring your business can be successful across product categories, distribution channels, and geographies. In CBD, where new regulations and consumers are emerging nearly every day, the landscape is so dynamic that each company has a responsibility to get the most up-to-date facts and analysis.

Market Sizing and Forecast

The first question that many people wonder when beginning market research is: where is the market going to go? Understanding trends driving the market and forecasting where retail sales are heading over the next five years is an excellent first step to plan the growth of your business. If a market like CBD is expected to have strong growth, you can feel a bit more confident in the decisions you make.

There are many ways to break down the size of the CBD market. The two primary ways are across product category and distribution channel.

Defining product categories involves understanding the use cases, consumer segments, and form factors across a larger group of products. For example, Beauty & Skincare products may seem similar to Topicals. The use cases for Topicals, however, is primarily for health and pain-relief and not cosmetic use.

PRODUCT CATEGORY



Because of this variation across use cases, consumer segments, regulatory dynamics, and channel performance, each product category will have its own growth path that may, or may not, align with the total market forecast. Gaining a strategic understanding of which products will outpace the total market, and which may be losing ground helps CBD brands identify white spaces and where their next big opportunity may be.



This is also true of distribution channels. For many emerging markets, there are few distribution channels in the beginning. As the market grows, so does its presence across other channels (mass market retailers, gas stations, online, etc.).

DISTRIBUTION CHANNELS



These channels vastly impact how products are sold to the public, who has access to them, and the growth of individual CBD brands. Combined with a deep understanding of key consumer targets and the right product mix, correctly identifying the right distribution channels for a brand can truly unlock growth.

Competitive Landscape

It's always important to know what other people are doing in the industry in which you operate. Competitors can be role models, threats, or even opportunities for work you eventually want to do. The competitive landscape drastically varies across industries, and in CBD, we are rapidly seeing more business consolidation. On top of that, the overall market is becoming increasingly fragmented as various countries have vastly different approaches to the CBD industry.



The nature of CBD allows it to cross different product categories and provides opportunities for a wide variety business types. As a result, there are many different kinds of companies dominating the CBD landscape today. One of which are the disruptors: CBD brands little-known prior to 2019, even in CBD circles, who have made tremendous headway over the course of months, many being picked up by large retail chains and thrust into the spotlight. These companies often prioritize marketing strategies unique to their brand that spans across events, PR, social, SEO, and more.

Company Sales

Total
Industry Sales



Market
Share

All of these companies, including the disruptors, share a slice of the CBD industry pie. This is known as market share. Market share is calculated by taking the company's sales over a given time period and dividing it by the total sales of the industry over the same period. This metric is used to give a general idea of the size of a company in relation to its market and its competitors. With new CBD brands entering the fold every day, the share of market is always changing.

When researching the competitive landscape, it's important to look at your business and understand where the opportunities lie and why you are destined for success.



Enter, the SOAR Analysis.

SOAR analysis is a strategic planning technique which helps organizations focus on their current strengths and opportunities and create a vision of future aspirations and the results they will bring. In contrast to SWOT analysis, the SOAR model uses appreciative inquiry to focus the business on what is known to work, rather than internal weaknesses or perceived threats that might not eventuate. The technique is more action-oriented than a SWOT analysis and is focused on meaningful outcomes.



Strengths
Opportunities
Actions
Results

Regulatory Environment

Every industry has rules and regulations. CBD is no different and, in many ways, is significantly more difficult to navigate. Laws vary across countries, states, and even cities so it's important to understand the specific regulations for the areas in which your business will operate now and in the future.

In CBD, regulations heavily influence the growth of the market. In the United States, for example, the FDA's decision on hemp-derived CBD will significantly impact market forecasts.

Across the world, there are varying perspectives on CBD regulations, making it difficult for businesses to plan for entrance and expansion. Canada's adult-use market includes both CBD and cannabis while Europe's market is heavily fragmented on a country-by-country basis.



Product Type Analysis

Analyzing product types across CBD is essential for growing business. This helps determine new product development, marketing strategies, and business expansion. Each product type is unique in that it fits specific consumer segments, regulatory environments, and businesses' brands and goals.



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"New product types are entering the market every day"

CBD is an emerging industry (no surprise there.) With all emerging industries, new product types are entering the market every day. From new topicals and drink powders, to beverages and edibles, businesses are constantly innovating in order to capture consumer attention and market share. Tracking these innovations is integral to understanding market and consumer trends as well as identifying new opportunities for business development.

Innovations will drastically shift across product types. What may work in Beauty & Skincare may not work in Sports & Fitness. The best part about innovations is, they will always exist. Businesses will continue to push the boundaries on what CBD products enter the market and it is up to the consumers to decide what continues to live on in the market.

Distribution Analysis

CBD companies need to get their products to consumers. Business development, research, and marketing teams are heavily involved in looking at the strategy around distribution channels, how they differ, and which channels are right for the brand (This is the Place in the classic 4 "P's" of Marketing).

Distribution channels range across all industries and for CBD, they can involve chain retailers, online (marketplaces or brand websites), gas stations, natural food stores, and more. The distribution channel or channels selected can dictate what the rest of the marketing strategy would be, as they influence the consumer directly. The marketing mix would then need to properly align with the chosen distribution channel and potentially influence new channels and opportunities (link that last phrase to business expansion solution).



Clinical Trials



New products, especially ingestibles, do not enter the market until they are tested.

Clinical trials can study many things, such as:

- **New drugs not yet approved by the U.S. FDA (Food and Drug Administration),**
- **New uses of drugs already approved by the FDA,**
- **New ways to give drugs, such as in pill form,**
- **Use of alternative medicines, such as herbs and vitamins,**
- **New tests to find and track disease, and**
- **Drugs or procedures that relieve symptoms.**

Zooming out, the efficacy of CBD itself is constantly being tested by universities, brands, and pharmaceutical companies. More research around CBD can open new doors for innovation and further legitimize emerging industries.



While pharmaceutical companies led much of the CBD clinical trials in the past, changes in legislation legalizing medical CBD usage have spurred an increase over the past few years in clinical trials from universities. There has also been an increase in studies sponsored by multiple organizations, including pharmaceutical companies, universities, non-profits, and hospitals. Notably, there has been an increase in clinical trials being conducted in countries where legislation has been passed or eased regarding medical marijuana. This has created pathways for local institutions to explore CBD's effectiveness in treating conditions. The United States is still leading in total number of CBD clinical trials currently active and completed, but countries like Canada and Israel have several in progress trials testing the effects of CBD on conditions such as arthritis, cancer-related pain, epilepsy and seizures, and psychiatric disorders.



International Market



While eyes have been focused on the North American CBD market following the 2018 Farm Bill, many players are now looking for their next big opportunity in other parts of the world like Europe, Asia, and Latin America. As with any new market expansion, companies will need to be grounded in the unique consumer demographics, product preferences, competitive landscape, and regulatory environments of each region in order to identify the best opportunity to succeed.

One of the first steps toward strategic international expansion is identifying where demographics and regulations come together to create fertile ground for future growth of CBD. For example, where do consumers have enough disposable income to afford high-priced 'luxury' items like CBD? Do local or regional policies allow for open and accessible sales of CBD products? Germany is a leading market in Europe thanks to its large consumer base, high per capita income, and CBD-friendly regulations. However, not all European markets are created equal, with a patchwork of regulations and approaches across the region. These foundational considerations have a huge impact on the market potential and market size forecast for each country and region, helping companies identify the best geographies to concentrate their efforts.

Next, players must consider the best way to compete in each market. Enter product trend, distribution channel, and competitive landscape analysis. Demographics and regulations are important here again, but local culture, shopping styles, and perceptions of health and wellness also come into play. While a market like Switzerland views CBD flower as a substitute for tobacco, beauty and skincare products are more likely to succeed in Latin American countries like Mexico and Colombia. Surveying the players already present in each market, levels of fragmentation or consolidation, and white spaces in product offerings will let new entrants know how, or not, they can fit into and succeed in the global CBD market.

We're Brightfield Group, and we provide consumer insights and market intelligence for the CBD and Cannabis industries. Fusing intelligent machines with real human analysis, we help you navigate the dynamic CBD and Cannabis markets as data-driven storytellers. With us, you don't just get the numbers; you get a trusted partner, providing a robust picture of the landscape and an actionable plan for the road ahead. See what our products can do for you at www.brightfieldgroup.com.

