

Changes in CBD Consumer Behavior Due to COVID-19

JULY 2020

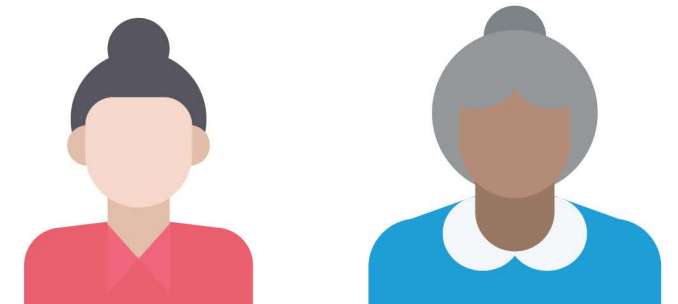
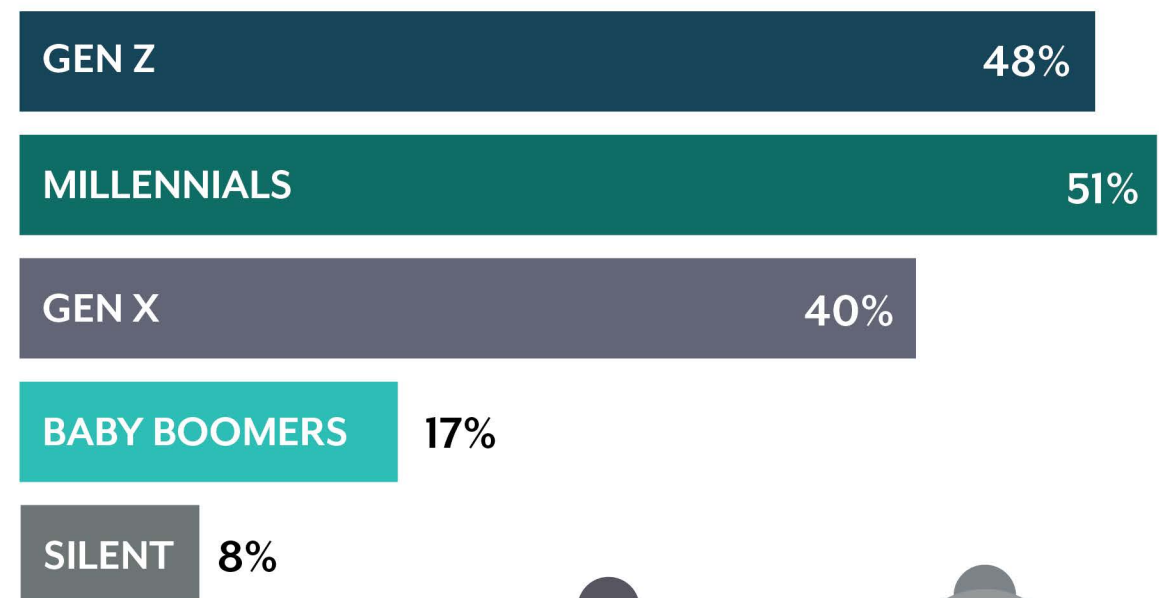


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Increased CBD Use by Generation

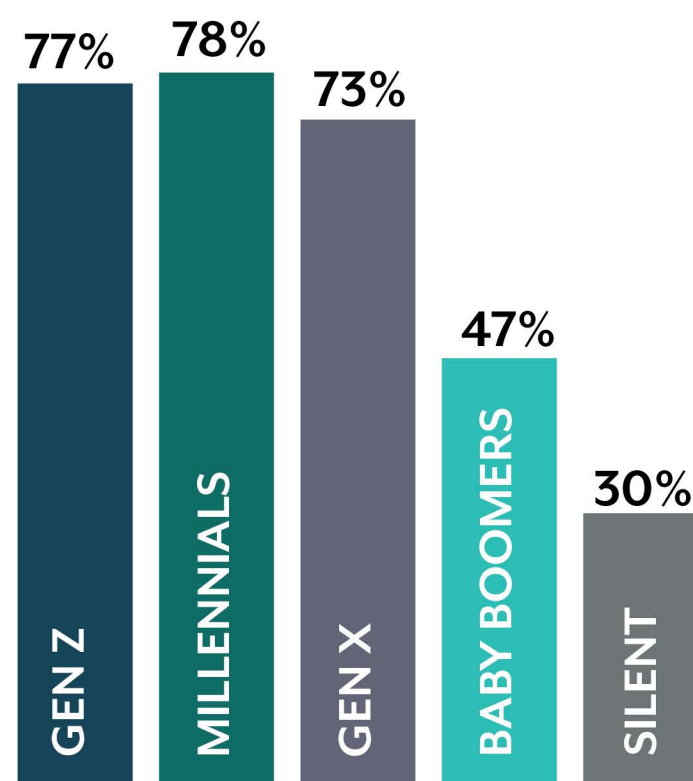
Younger consumers are more likely to increase their CBD usage in response to the COVID-19 pandemic. More than half of Millennials (51%) and 48% of Gen Z have upped their CBD usage frequency, compared to only 40% of Gen-X and 17% of Boomers. Notably, a growing number of Millennials are increasing CBD usage compared to March results where only 45% planned to increase their CBD usage frequency. These younger age groups are also the most likely to be using CBD to manage anxiety, which is likely heightened during this crisis.

% USING CBD MORE FREQUENTLY BY GENERATION



“CBD helps me deal with the stress of the pandemic”

% AGREE

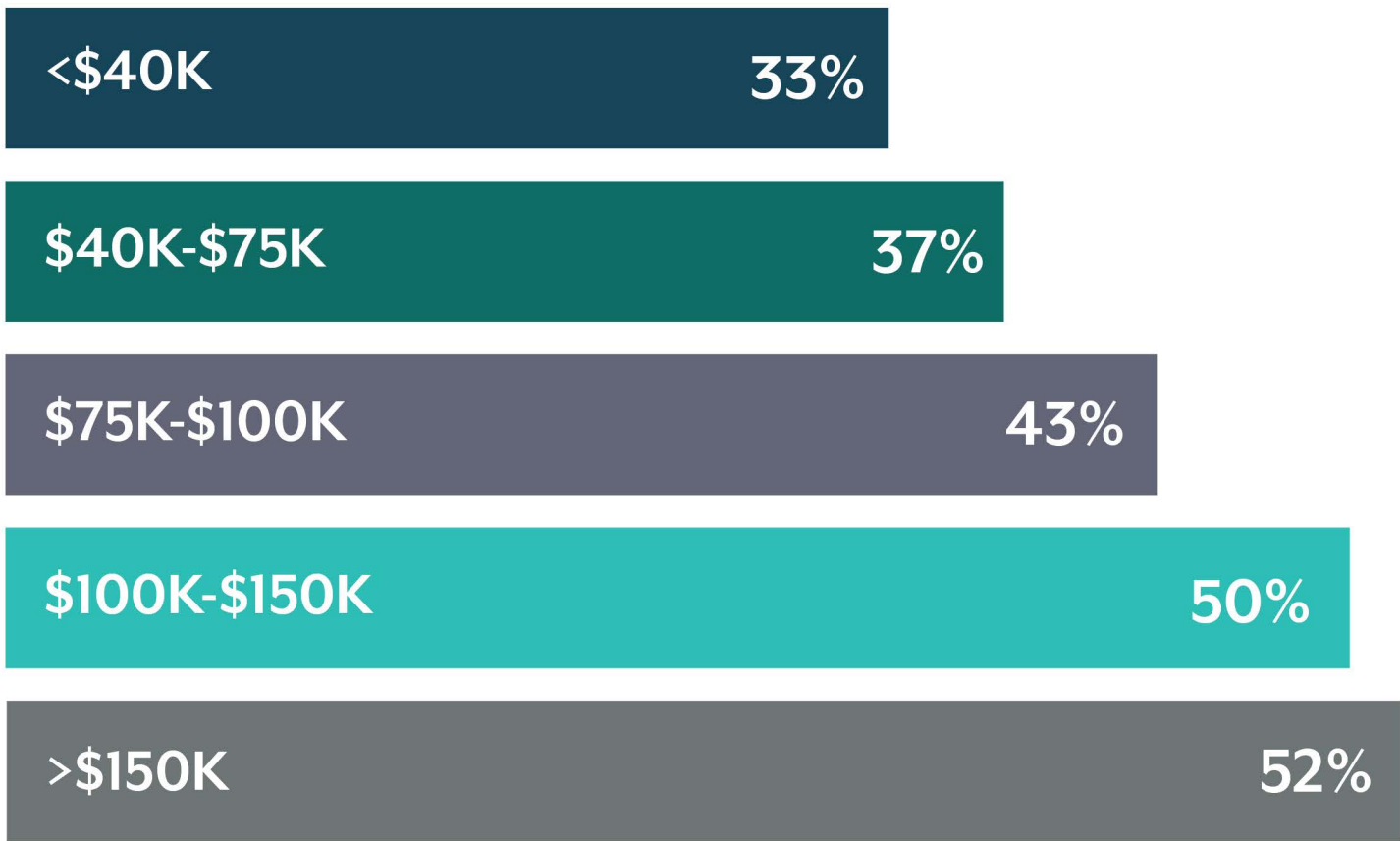


The ongoing stress of the pandemic and uncertain future is driving Millennials to look for ways to manage the stress of juggling work, family, financial, and health concerns. This is generating increased demand for CBD amongst this group. 77% of millennials said CBD helps them deal with the stress of the pandemic, compared to 69% of CBD consumers overall.



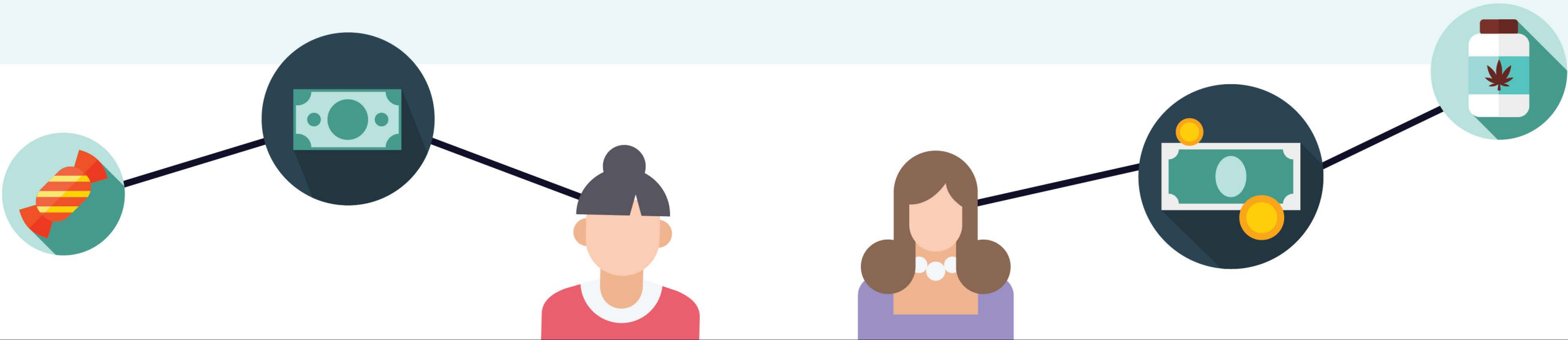
Increased CBD Use by Income

% USING CBD MORE FREQUENTLY BY INCOME



Those with higher household incomes are more likely to be using CBD more frequently as a result of the coronavirus crisis. This is not surprising given their increased disposable income allows them to spend on CBD products, which often carry a high price tag.

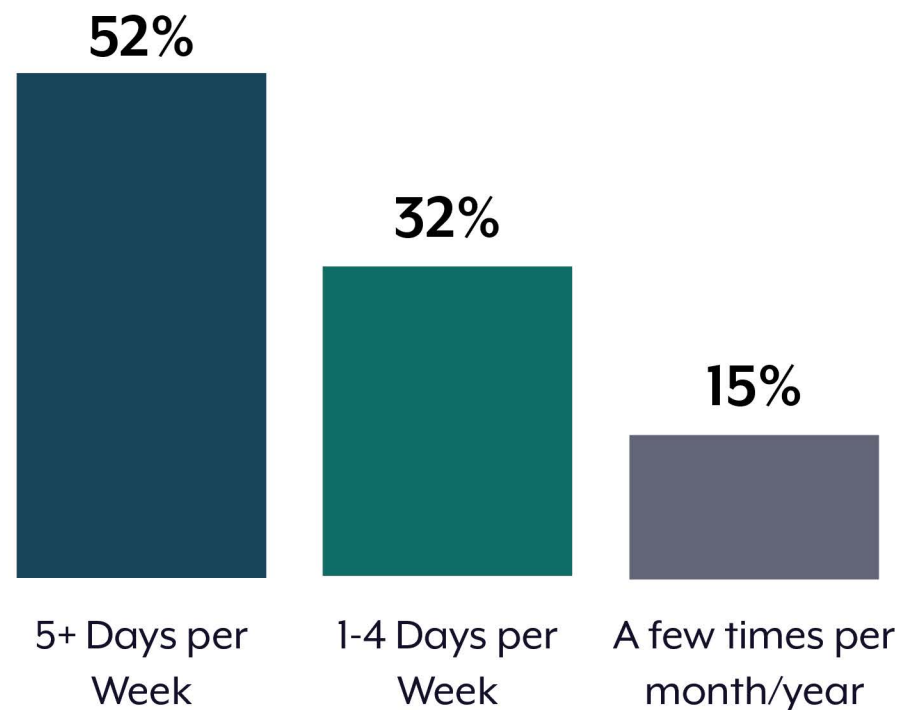
However, even among those with a household income of less than \$40,000, 33% of CBD consumers are using CBD more frequently. As economic uncertainty and financial hardships continue, those with lower incomes may struggle more to increase or maintain their current levels of CBD use. While demand is strong across the board, this further highlights opportunities for budget positioning or promotions to help all consumers meet their needs.



Increased CBD Use by Usage Rate

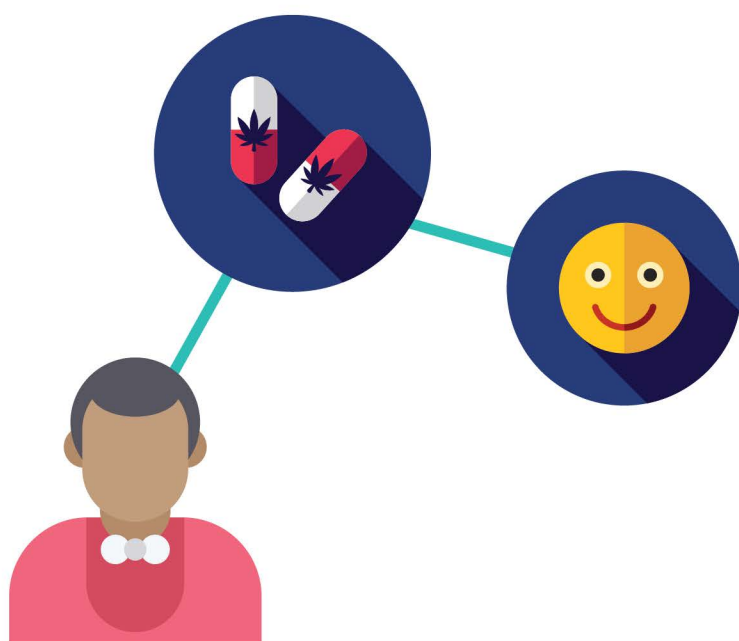
% USING CBD MORE FREQUENTLY

BY USAGE RATE



Not surprisingly, those already using CBD five or more days per week are most likely to use CBD more frequently in response to COVID. 52% says they have increased usage compared 32% of those who use a few times per week, and 15% of those who use only a few times per month or year. Since March 2020, the share of heavy users increasing usage has gone up (from 45% to 52%), further highlighting CBD as an important wellness mainstay and stress reliever in the lives of heavy users, who make up over half of the CBD consumer base in 2020. In fact, 76% of heavy

users said CBD helps them deal with the stress of the pandemic, compared to 67% of moderate users and 51% of occasional users.



“CBD helps me deal with the stress of the pandemic”

% AGREE



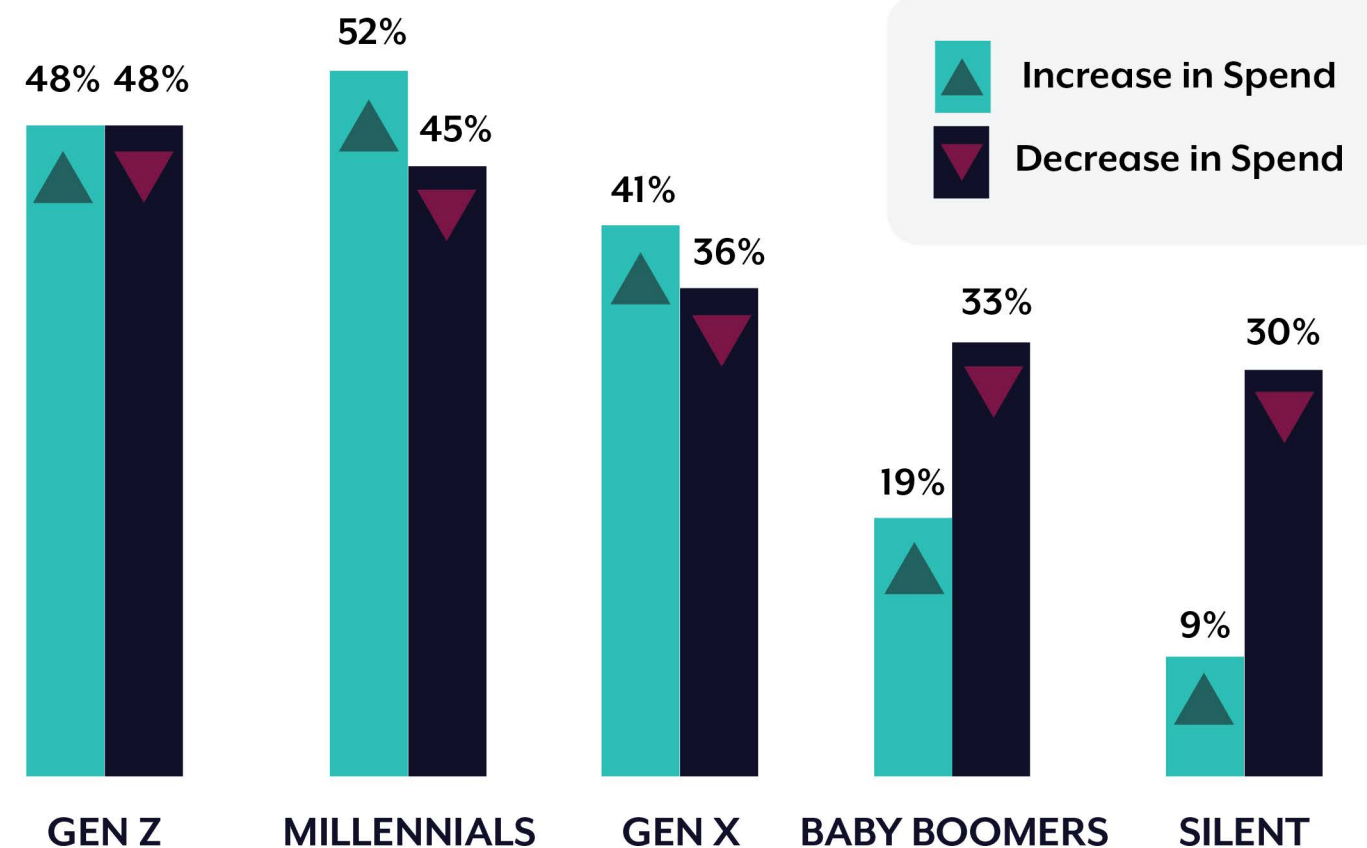
However, nearly one-third (32%) of moderate users (using CBD 1-4 days per week) are using CBD more frequently, representing an opportunity to convert these more occasional users into daily users with effective and high-quality products that can inspire increased levels of consumer loyalty.

Changes in CBD Spend

Only 21% of CBD consumers planned to reduce their CBD spending in March 2020. By June, however, 40% said they have reduced their spending on CBD as the pandemic continues. Additionally, 41% of consumers have increased their spending on CBD, with younger consumers much more likely to have done so than baby boomers or older. Heavy users (using 5 or more days per week) are the most likely to have increased their spending on CBD in line with their frequent CBD usage, highlighting the growing value of this consumer segment that relies heavily on CBD for physical and emotional relief.

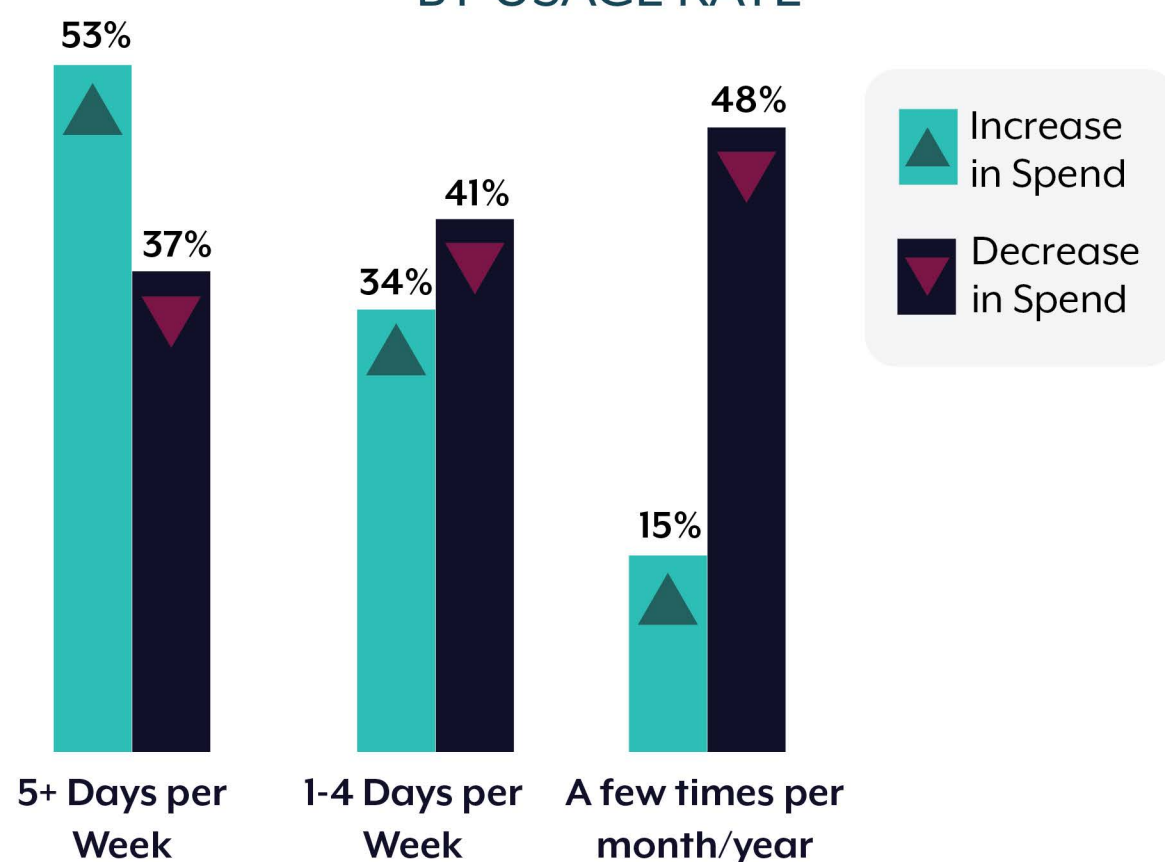
CHANGE IN CBD SPEND

BY GENERATION



CHANGE IN CBD SPEND

BY USAGE RATE

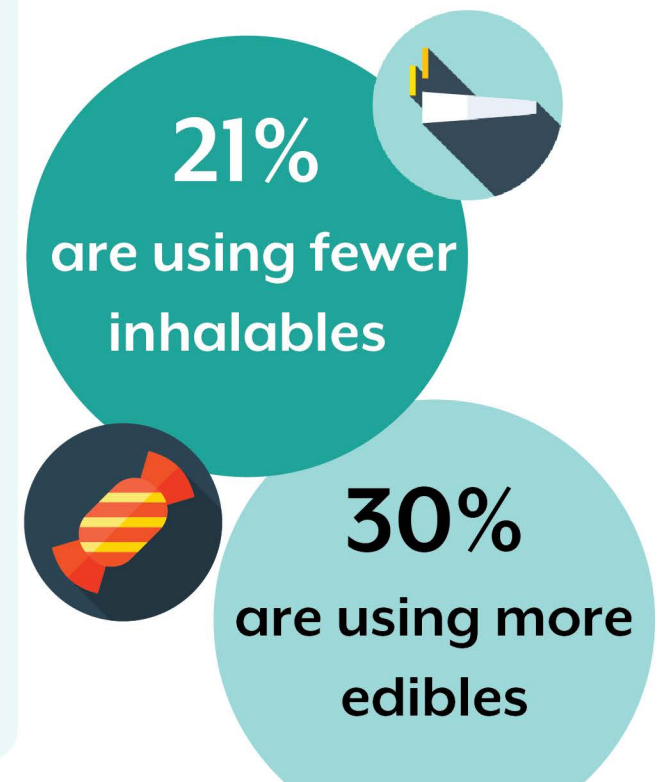


Younger generations (Gen Z and millennials) are most likely to both decrease and increase spending on CBD, uncovering a divide with this age segment. While this group relies on CBD for relief from stress and anxiety, many are struggling with job loss or other financial struggle. Finding ways to meet their needs while staying within a more restricted budget will be important for a substantial subset of these young consumers.

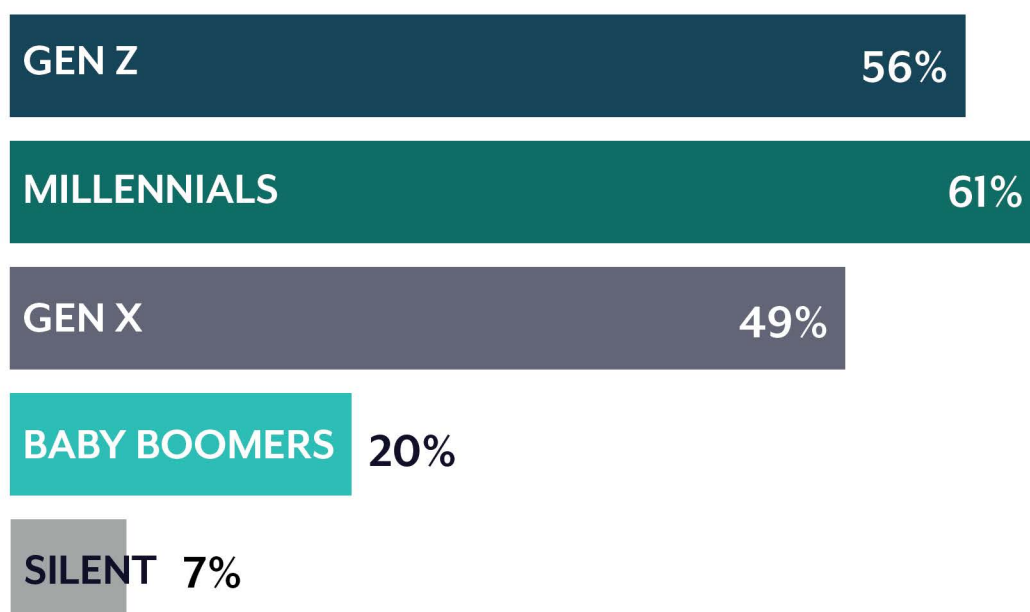
Higher Doses & Changing Product Types

In March, consumers planned to stick mostly to their current product formats, with only 4% saying they plan to use fewer inhalable products like flower and vapes in reaction to this respiratory virus. However, three months later and well into the pandemic, consumers are reporting a stronger decrease in inhalable use and uptick in edibles, and many are also reporting switching to a higher dosage. 21% say they are using fewer inhalables, compared to only 4% who planned to cut back in March. Nearly half (47%) are using a higher dose than before the pandemic, which can be attributed to a growing need for effective stress relief and the launch of more high-dosage products in the first half of 2020.

Of all CBD consumers,



% USING HIGHER DOSAGE SINCE PANDEMIC BY GENERATION



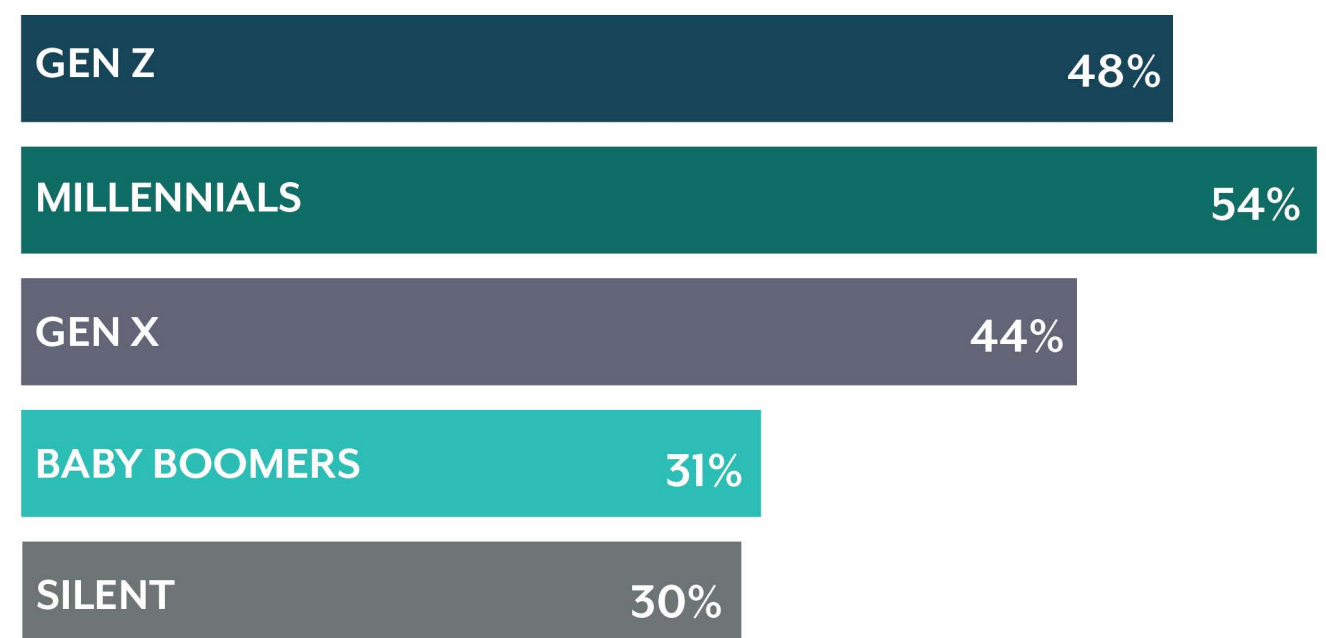
Millennial and Gen Z consumers are the most likely to have changed their product preferences in the face of the COVID-19 crisis, with a slightly higher proportion of these groups switching away from inhalables (like vapes and flower) and toward edibles. They are also the most likely to be using a higher dose of CBD, with a remarkable 61% of millennial CBD users switching to higher dosage products. Dosage could be increasing due to higher stress levels. Higher dosage products also tend to be a better value in terms of milligrams of CBD per dollar spent, so this may be a strategy to get more CBD for less money. Younger consumers appear more

likely to switch product types and dosage levels to suit their needs - currently, they are demanding more edibles and higher doses, rewarding brands with recent launches in gummies and high dose products from topicals to tinctures.

Changes in Purchasing Channel

Nearly half (45%) of CBD consumers have moved their CBD purchases online as a result of the coronavirus crisis. Millennial shoppers are the most likely to have switched to e-commerce for their CBD needs, with 54% reporting switching from brick and mortar stores to online as they also increase their usage and spending during this stressful time. With early stay-at-home orders shuttering retailers and many consumers still preferring to avoid trips to physical stores, a strong online presence has been crucial for CBD brands during this time. Market leaders have seen online sales increase dramatically in the first half of 2020 but are still making efforts to expand in brick and mortar retailers to set up for future success and broader brand awareness.

% SWITCHING TO ONLINE CBD PURCHASING BY GENERATION



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