

PERSONA SPOTLIGHT

Canadian Cannabis Newbies

September 2020 Report



INTRODUCTION

Growth in Canadian market and the general impact of COVID

The Canadian cannabis market is expected to grow from \$1.6 to 2.7 billion CAD this year, approaching \$8 billion through 2025. Though falling short of prior expectations, the market has continued to witness steady growth even with the backdrop of a global pandemic and cannabis vaping illness crisis (right as 2.0 rolled out), as well as onerous regulatory structures and supply volatility. The nuanced patchwork of laws and regulations surrounding cannabis have presented costly logistical challenges in reaching new consumers with appealing, reasonably-priced products – limiting conversion to the legal market as well as brand awareness, consideration and adoption within it.

Despite these challenges, the industry is beginning to better hone in on consumers and appeal to their needs, which will drive significant growth for the market.

What was expected in a growing market vs. what happened

The rollout of Cannabis 2.0, which brought edibles, beverages, vapes and topicals into the market, was lauded as an opportunity for LPs to finally pull in the new consumers that would fuel a vast Canadian cannabis market. As newer consumers tend to be deterred by smoked products (a 2020 Truss Beverage study found that 71% of Canadians of legal age cite smoking as the primary barrier to consuming cannabis), the sentiment in the industry was the introduction of more familiar and discreet formats that did not require much canna-savvy would draw in swarms of new users. The industry also expected to see a great deal of innovation to accompany the launch of new product formats, especially given the tremendous amount of CPG know-how and investment in the space.



However, the reality in 2020 was quite different:

Innovation stalled as provinces banned certain product formats, particularly vapes and edibles.

The bulk of beverages didn't hit the market until at least Q2. Many beverage products experienced unforeseen delays in getting to market given the uniquely challenging packaging process. Manufacturers were not prepared for drinks to leach THC and lose potency.

Most of the market growth among Newbies in the 2.0 market has been in **flower**. In Q2 2020, there was a substantial increase in Newbies reporting flower use: 43% in Q2 vs 28% in Q1. However, they used 2.0 products - including gummies, chocolates, and drinks - at about the same rate in Q2 as in Q1.



Why are we seeing this trend in Newbies?

First, Newbies have been drawn into the market by more alluring and accessible price points, and there has been a surge in budget brands largely focused on flower and pre-roll rather than 2.0 products. This is particularly important during a pandemic, when consumers are generally more budget sensitive.

Second, many Newbies have grown more comfortable with flower since they've been on the market, and those open to this option have it more readily available given its broad presence throughout the provinces, and have access to a great deal of variety to choose from within the category (e.g. ratios, dosage, brands, positioning, pricing tier). These factors have both driven up sales in the category overall and for the Newbie.



If companies expect the market to grow, they need to bring in new consumers. How are they doing so far?

With product menus expanding, various formats improving and prices becoming more illicit market competitive, formal cannabis markets are slowly but surely garnering more new consumer interest in Canada. The ranks of new consumers have seen an incremental rise this year: 23% of consumers surveyed in Q1 were new users, and 25% were new users in Q2 – a substantial pool. For this figure to sustain or grow over time, however, companies must work to further expand and improve their menus as well as their positioning and messaging in order to truly tap into the wants and needs of new consumers.

25%
of Canadian cannabis
consumers were new
users in Q2

Who are the Newbies?



About our Personas

We have conducted a segmentation of the market, identifying groups of consumers thinking about and using cannabis in different ways, and want different things out of their cannabis experience. As part of our brand health data, we match relevant survey respondents to defined consumer personas.

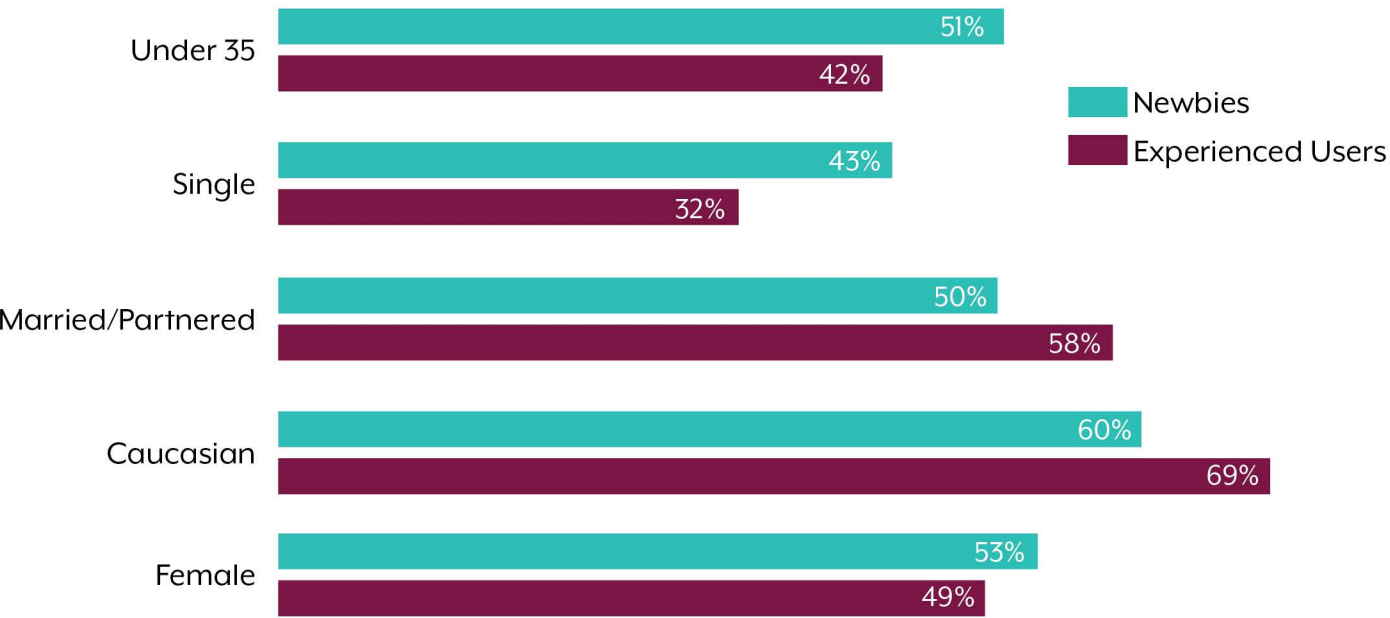
Our quarterly syndicated surveys on cannabis consumers have been collecting for over 2 years resulting in a rich knowledge base of over 30,000 US and Canadian users.

Consumer Data Methodology

N = 3,000 Canadian Cannabis users, collected Spring 2020. This data is collected on a quarterly basis and is balanced on age, gender, and geography in line with official Canadian statistics.

Newbies are those who are new to cannabis (not specifically the formal market), having used for less than two years. This consumer group is more likely to be younger, single, more ethnically diverse, and female than more experienced users.

Newbie & Experienced User Demographics



Newbies are less likely to be registered medical users, with the vast majority of those signing on to the formal market heading to recreational channels rather than going through the medical registration process. In Q2 2020, 20% of Newbies were registered medical users compared to 26% of more experienced users.



Newbies prefer the regulated market

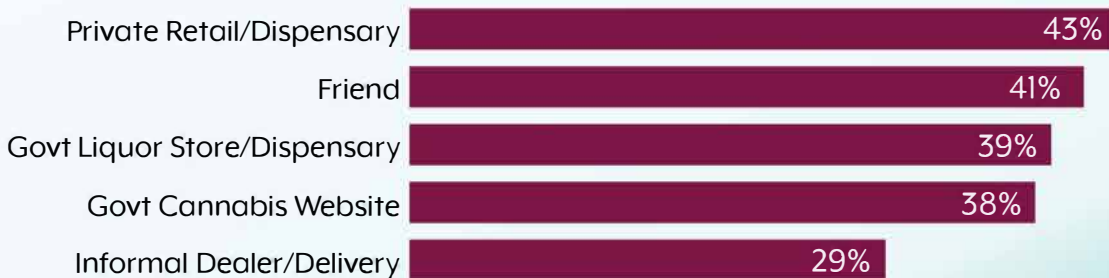
Newbies are more likely than others to be occasional users, with only 17% using daily or multiple times per day (compared to 41% of more experienced users) and 42% using cannabis only a few times a month or less (compared to 23% among more experienced users).

Following general market trends, Newbies are most likely to purchase their cannabis at private retail locations or dispensaries. However, they are much less likely than more experienced consumers to obtain cannabis through illicit or gray market sources such as from a friend or an informal dealer/delivery service. They are also much less likely to grow their own cannabis.

Newbie Purchase Locations



Experienced User Purchase Locations



Newbies tend to value and use more trusted, regulated formal channels, especially under COVID and post-vaping crisis. They are particularly drawn to formal channels due to their inexperience with cannabis. They may not know or trust an informal dealer, have little confidence in home grows, and have concerns around safety and quality.



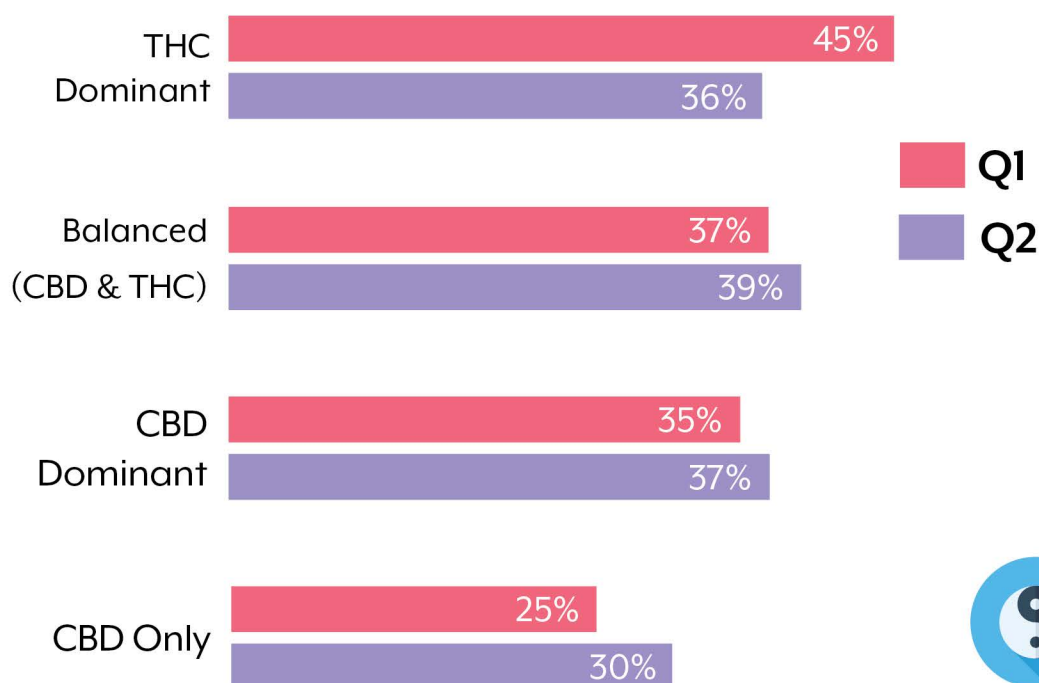
Newbies are getting more educated and adventurous.

Newbies are using a more diverse range of product ratios than their more experienced counterparts, venturing away from the THC-tastic tastes of their predecessors.

New users are much more likely than others to use CBD-only and CBD-dominant products. In Q2 2020, 37% of Newbies had used CBD-dominant products and 30% had used CBD-only products. This is compared to 34% and 21% of more experienced users, respectively. Additionally, a higher proportion of Newbies reported using CBD products in Q2 2020 than Q1.

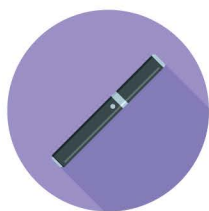
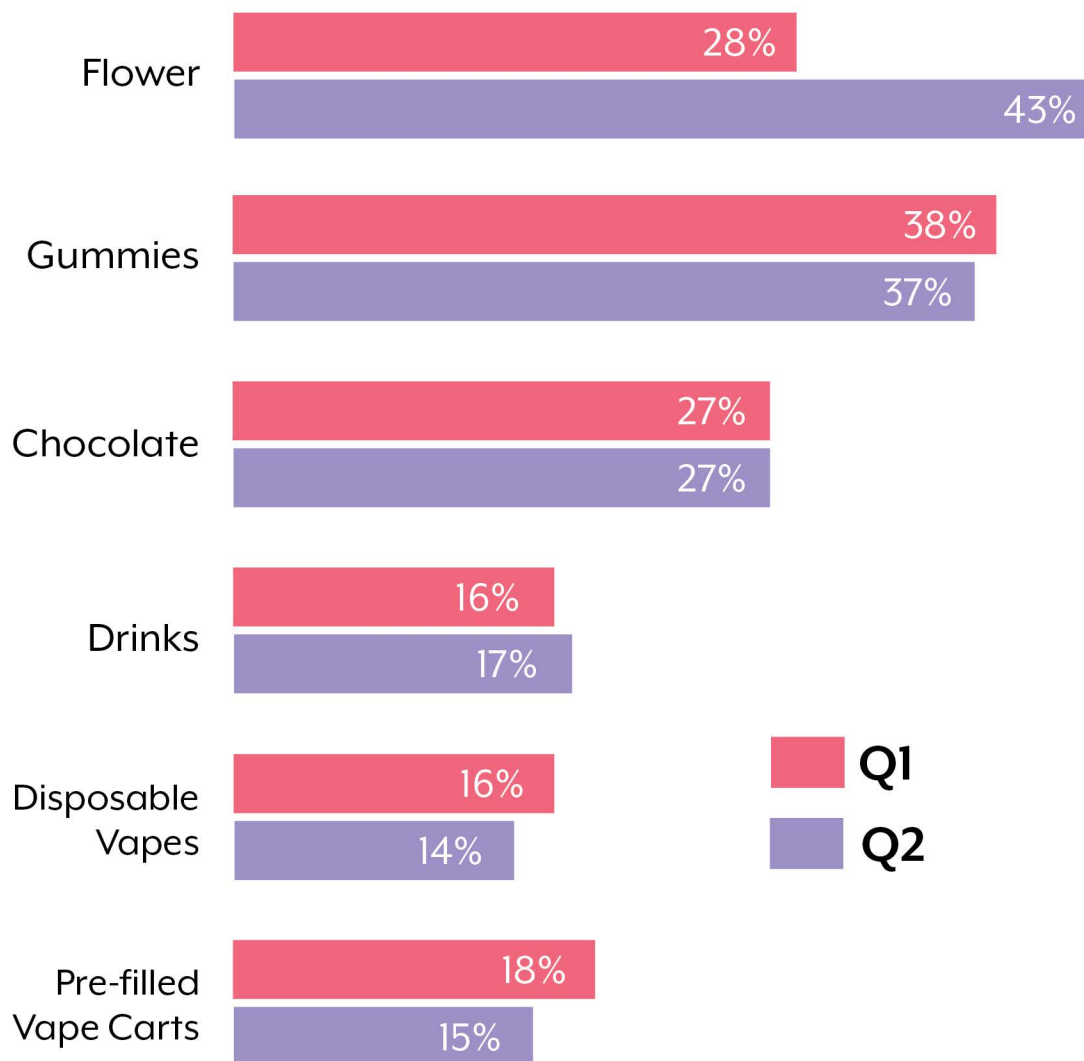
THC-dominant usage shrank from 45% of Newbies in Q1 to only 36% in Q2. In fact, in Q1 2020, THC-dominant products were the leading product type among Newbies, but in Q2 they fell behind both CBD:THC Balanced and CBD-only products.

Newbie CBD & THC Use by Quarter (2020)



Overall, Newbies are using more and more flower (43% in Q2 vs 28% in Q1), though their use of 2.0 products has remained relatively stagnant in the first half of the year.

Newbie Product Types by Quarter (2020)



Key Takeaways for Brands

1

Newbies will be a key consumer segment in your future. They are the next generation of cannabis consumers - they prefer to buy through legal channels and could be much more open to branding if handled well.

2

Newbies will grow in value over time. In our US Cannabis data, most new medical and recreational consumers used infrequently in 2019. Today, they are using cannabis one or more times per week.

3

Newbies are price sensitive. They are willing to try cannabis but will watch their budget, particularly during a pandemic, so high price points or premium products may prevent trial, which is the goal today.

4

So far, Newbies prefer inhalables. Whether from the supply shortages, prohibitive pricing or general trepidation, consumers are not yet embracing the much-touted drinks and edibles. Jury is still out on whether this will reverse in 2021.

5

Newbies love CBD. They are more open to varied product ratios and are looking for a more balanced experience, as opposed to getting the most THC for their buck.



The Most Comprehensive Canadian Cannabis Data

Our portals are designed to give you a 360° view of the industry in a single platform. Marketing, Insights, and Innovation teams leverage our data and team of experts to strengthen customer relationships, hone in on their brand, and develop a data-driven innovation pipeline.

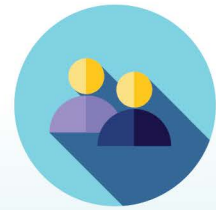
[Click here to schedule a demo](#)



Market Landscape



Brand Health



Consumer Insights

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 we can do for you at

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