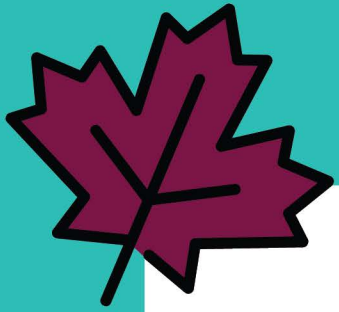




Cannabis on a Budget:

The Rise of Value Brands in Canada

With contribution from:

ADCANN

INTRODUCTION

In our [report](#) on Canadian cannabis brand performance, there was strong data to show a great deal of brands have not yet developed strong relationships with their customers. Many Licensed Producers (LPs) are now re-thinking their approach to the market - diversifying their brand portfolios and adapting messaging in an effort to become more consumer-centric. Some brands are positioned for affluent women or new consumers while others focus on the heavy user. Each of these brands comes with its own brand kit, value proposition, messaging, and other elements you'll find among traditional consumer-packaged goods brands.

Methodology

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



The illicit market is still a big player in Canada and LPs are looking for ways to convert customers as well as bring new users into the market.

The positioning that has truly surged in recent months is budget brands. Canadian cannabis companies have successfully developed and marketed economy brands to consumers and are reaping the benefits. Many budget brands are experiencing boosts across the entire purchase funnel – consumer awareness, consideration, purchasing, and loyalty.

Budget brands are well-positioned to compete with the illicit market as they are now comparable in price. The heavy economic impact of COVID will also make consumers more likely to look for cheap bud as opposed to treating themselves to luxury or novel items. Many consumers, especially those new to cannabis, are straying away from illicit channels and prefer to purchase from the formal market.

Of all Canadian cannabis consumers,

44%

buy cannabis from a “friend”

27%

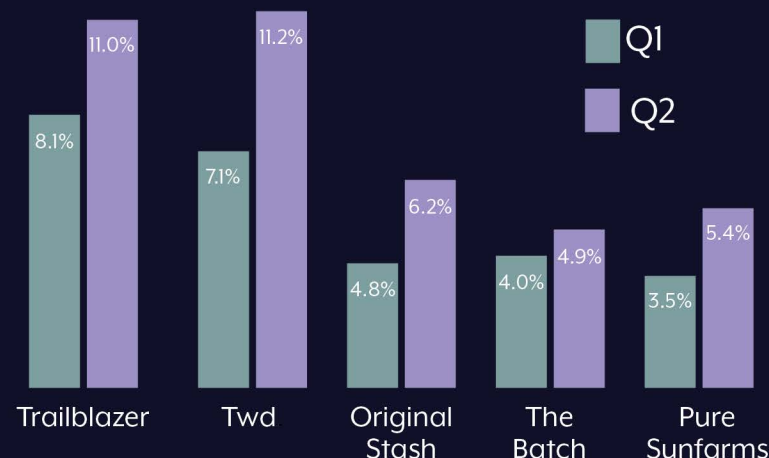
buy cannabis from an “informal dealer”



Nearly all budget brands are gaining awareness among consumers.

Canadian Consumer Brand Awareness

% of all consumers aware of brand by quarter



As consumers become more familiar with budget pricing, these brands risk being seen as a commodity. LPs need to heavily consider how their budget brand best competes with others in the space, not just how their brand is growing the bottom line.

When everyone is pitching price, how can you stand out?

Daily Special

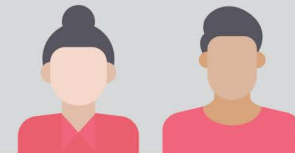
Aurora's budget brand is about as no-nonsense as it gets with just two strains aptly named "Sativa" and "Indica". They attract a younger and more diverse audience compared to other brands in Canada, not just budget brands. Daily Special heavily over-indexes among consumers who identify their gender as neither male or female and skew younger Millennial and Gen Z.

What they're doing well

- Product positioning directly aligns with brand messaging
- Remaining compliant with restrictions while clearly communicating brand message - "the best for less, served daily"



TOP PERSONA:



Stressed Out Millennials

Pure Sunfarms

Pure Sunfarms – a JV between Emerald Health Therapeutics and Village Farms International - emphasizes simplicity in its production line while branding with expressive design to convey a sense of luxury. This brand has resonated well with women and Stressed Out Millennials who often look to budget but while still yearning for a luxury lifestyle which incorporates wellness.

What they're doing well

- Combining luxury branding to drive awareness and budget pricing to drive sales.
- Succinct messaging and imagery throughout website
- Consistent, purist branding on Instagram



TOP PERSONA:



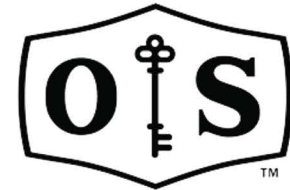
Stressed Out Millennials

Original Stash

This budget brand from Hexo is centered around being “straightforward and uncomplicated.” Its black, white and gold branding combined with bold messaging connects well with high-income men – 41% of male respondents who considered the brand in their purchase decision make \$100k+.

What they're doing well

- Early budget brand with bulk products, targeting a core consumer need
- Bold, simple website with a clear target audience
- Consistent branding on Instagram, emphasizes quality equivalency to legacy market - “real old school”, “a great reason to go legal”



**ORIGINAL
STASH**



TOP PERSONA:



Liberal Elite

Tw.d.

Canopy's Tw.d. uses similar, straightforward branding to their mass-market brand Tweed. This has benefited Tw.d. by appealing to a wide range of consumers with more affordable products. They overindex on nearly all top personas of Canadian cannabis consumers, allowing them to climb quite rapidly in the awareness rankings since its launch.

What they're doing well

- Intentionally simple branding makes the experience easy on consumers
- Leveraging the Tweed brand to gain greater awareness and further communicate the value positioning

Tw.d.



TOP PERSONA:



Liberal Elite

MARKETING FOR BUDGET BRANDS

Value brands purport to offer the most benefit for the lowest cost. In Canada, a cannabis brand's competitors include both other Licensed Producers and the illicit market. Many consumers that have previously purchased from the illicit market have become accustomed to lower pricing when purchasing bulk quantities. This is why most budget-conscious brands initially launched with 14/15-gram and 28-gram dried flower SKUs, matching the quantity, quality and price point expectations of legacy market consumers.



Provided by:

ADCANN

The majority of these brands follow a simple equation for their entire marketing strategy: more weed for less money. There are a few standouts, however, most of the positioning, imagery and copy are quite similar. HEXO's Original Stash appears to be the inspiration for many of these brands, being the first to outwardly adopt a budget strategy with their 1oz bags.

Most value brands have a minimal digital presence consisting of an Instagram account and a website landing page. These Instagram accounts typically feature a photo "grid", 9-12 photos posted at once, that describe the brand's philosophy and product offerings. The majority of these pages are inactive, not having posted since the account's inception. It's apparent that large Licensed Producers have decided to largely neglect digital marketing and community engagement. Most marketing spend from value brands is allocated to B2B (business to budtender and retailer) education and in-store materials.

A number of Canadian value brands have no marketing or digital presence at all, instead relying on budtenders and provincial website algorithms to suggest their products to financially savvy consumers. Simple Stash and TWD. (both from Canopy Growth) are two examples of value brands with no website, no social media channels and no merchandising presence in-store. This strategy is likely implemented due to the belief that the majority of frugal consumers are brand-agnostic and are searching for the lowest price for the highest amount of flower (or highest THC percentage).



One standout in the category is The Batch, which comes from Tilray / High Park. The Batch feels like a real, well-thought out and developed brand. They use similar slogans as the other brands (“just good weed” and “burn your weed not your wallet”) but their graphic design and digital content are admirable. Their product strategy is unique, launching “quints” (the first 5 pack of pre-rolls on the market) and labelling their 3.5g and 7g options “quarters” and “half-quarters” (the slang used in Ontario and other parts of Canada for those measurements). Their “thumbs up” logo is simple but recognizable. They follow this hand logo theme with a 5 finger symbol used on their “quints” packaging and a 1 finger symbol used for their “solo” pre-rolled joint packaging. They have a sizeable social media following (over 1500) and consistently post creative and playful content.



Pure Sunfarms and Trailblazer also have fairly large social media followings (~3500 and ~1500 respectively), but, as mentioned previously, these brands do not necessarily position themselves in the value segment. They are placed in this category due to their pricing and product strategy, not because of their marketing copy or brand ethos.

Recently, we've seen the budget positioning trend extend into the retail space as well. One Nova Cannabis location in Alberta changed its name to Deep Discount Cannabis. This strategy is reportedly being implemented by ALCANNA (the parent company of Nova Cannabis) in areas of heavy saturation of cannabis stores to help the shop differentiate itself from the competition. These new Deep Discount Cannabis stores will target the budget-conscious consumer and will solely stock value brands and bulk offerings.

CONCLUSION

The popularity of budget brands has been soaring in Canada in recent quarters. Budget brands are winning because when asked to choose between premium cannabis and cheap bud, consumers chose cheap bud. The market is becoming saturated with budget brands and they'll need to find other means of differentiation – through more targeted messaging, better branding, compelling content, and increased product quality.

When consumers are asked to choose between 10 brands of cheap bud at similar price points, **which brand will they choose?**

A strong brand is built by creating an emotional connection with a consumer, not by being the cheapest option in-store at the time. Price was the second ranked product attribute Canadian consumers care about in both Q1 and Q2 2020, but during that period, the importance of price declined a few percentage points. Consumers are watching the price tag closely but this won't last for most consumers, brands, and product types forever. Budget cannabis will continue to grow as one part of the larger brand landscape in Canada.



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.



Brand Health



Market Landscape



Consumer Insights

Click here to
schedule a
demo

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 www.brightfieldgroup.com.