



The Next Chapter of US Cannabis

Brand Health Findings from the World's Most
Mature Cannabis Markets



BRIGHTFIELD GROUP

Introduction

From Bethany Gomez, Managing Director

The cannabis industry has been watching and waiting for the inevitable but far off day when cannabis is federally legal. Then, the biggest alcohol and tobacco companies can enter and aggressively play in the space. Cannabis brands knew they had a limited window of time to capitalize on their early advantage, and many have used the time wisely.

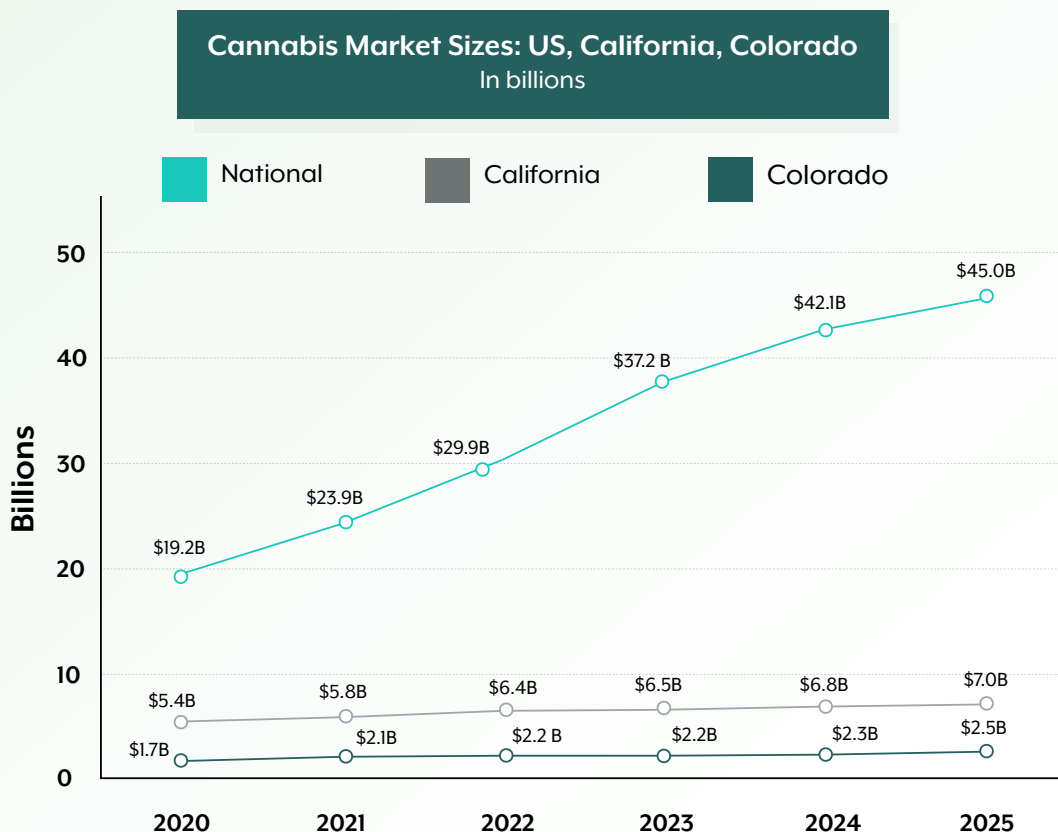
Innovators are developing great brands that will compete when big companies enter the space; others will successfully position themselves as an acquisition target when these companies start shopping.

We have seen an incredible pace of innovation and brand development since adult-use markets started to become a reality. The

west coast has been the epicenter of that innovation. California and Colorado are among the most mature cannabis markets in the world, with some of the most sophisticated and discerning consumers. They have hundreds of brands of cannabis to choose from—so who are they choosing and why? With federal legalization on the horizon, that first mover advantage is starting to end.

We wanted to find out which brands are well-positioned to win through this next chapter of the cannabis industry.

Measuring brand health comes down to understanding where your brand is in the minds of consumers. They will ultimately decide which cannabis brands make it past this chapter of US cannabis.





Let's dive into the findings

Methodology:

This research was conducted to understand consumers' awareness and purchase habits of various cannabis brands in California and Colorado. The research was conducted via an online survey fielded in February and March 2021. Respondents are residents of California or Colorado, 21 years of age or older, and have used one of the qualifying product formats in the past 6 months: flower, pre-rolls, baked goods, chocolates, gummies, drinks, vape cartridges or disposable vapes. Only brands with a sample greater than 50 were included for statistical significance.

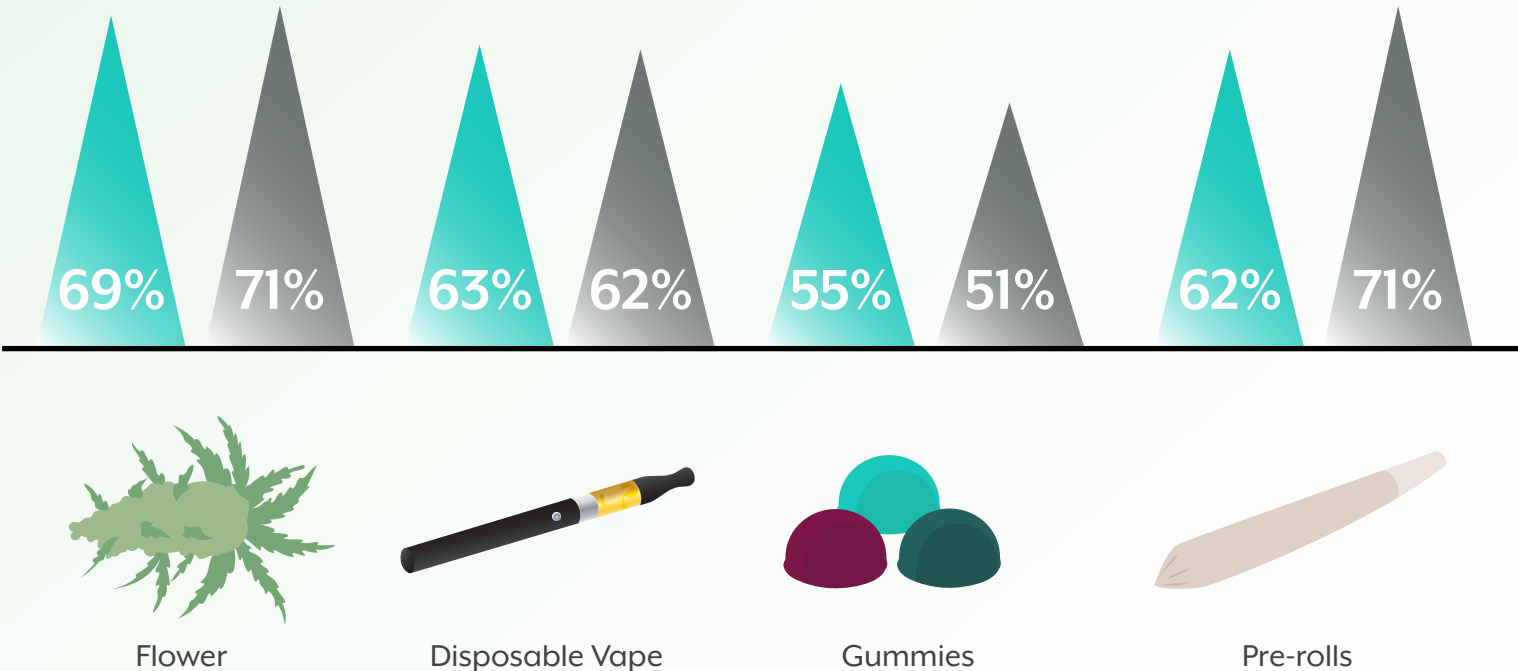
Happy Consumers in the Funnel

Once a cannabis consumer enters a brand’s purchase funnel in California and Colorado, they are likely to continue to convert down it. In other words—there’s a high likelihood they’ll buy your product, love it, and intend to repurchase once they’re aware of your brand. Most consumers are very satisfied with all products they are using; all brands had extremely high satisfaction.

Some brands are seeing upwards of 90% of consumers reporting to be “satisfied” or “very satisfied” with their product.

Highest Reported Brand Satisfaction
by Product Type

California Colorado



It's clear why consumers are so happy when comparing illegal ways of obtaining cannabis to legal channels. Illicit market shoppers had to buy cannabis from inconsistent sources with unknown quality. Stories of unmarked bags of subpar cannabis and dealers not answering their phones are not uncommon among illicit market shoppers.

Brands in California and Colorado have been creating high quality, safe, and consistent products for many years.

Consumers are very happy to have these more reliable products, and it shows in their intent to repurchase.

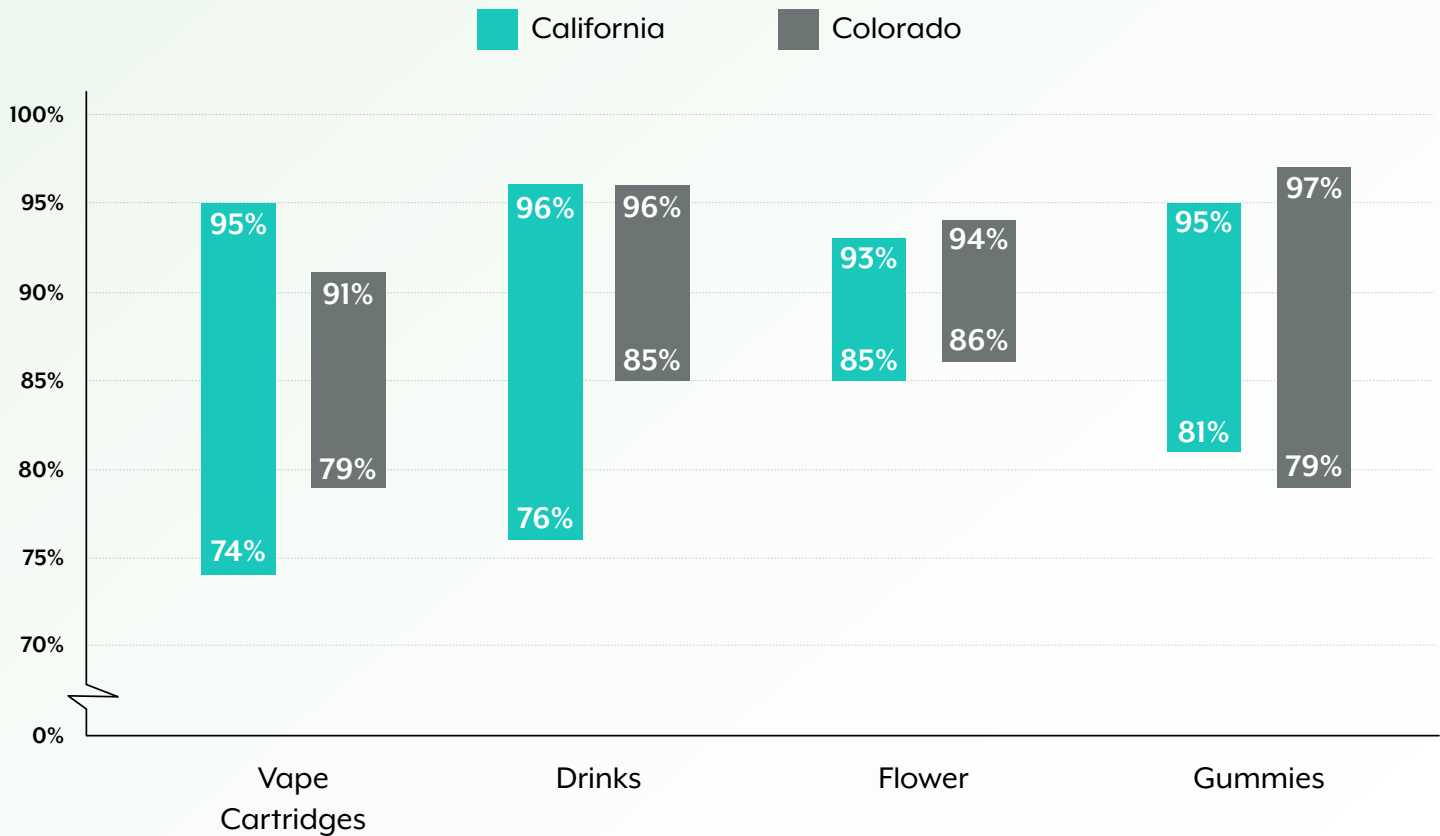


The percent of consumers likely to repurchase products is staggering. Across both markets, the average brand repurchase rate is 88%. However, each product type has its nuances by market. For vape cartridge brands in California, the lowest repurchase rate for a single brand is 74%.

In other words, out of all the vape cartridge brands consumers report purchasing, the brand with the lowest intent to repurchase rate comes in at 74%. Even the lowest repurchase rate is much higher than other industry standards, and a few brands saw 100% of consumers saying they'd repurchase!



Range of Repurchase Rates
Highest and lowest % of reported repurchasing from brand

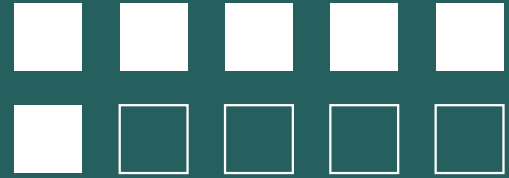


The Sea of Sameness

In any new category with little brand equity or loyalty, brands use messaging around product attributes and functional benefits to give consumers a rational reason to buy. Cannabis is no different. Messaging on quality, safety, and usability provides the rationale consumers need. Nearly every cannabis brand does this. It helps ensure sales and grow the consumer base. But if every brand does this, consumers don't see a big difference in products when they are at the dispensary. There is not much stopping a consumer from buying your competitor's product instead.

Today, many consumers view cannabis brands as the same. Most don't even factor in the brand itself when making a purchasing decision. In fact, 62% of Colorado users and 65% of California users agree cannabis brands don't matter to them, and they buy based on what the product has to offer. Even when their desired product is out of stock, most cannabis consumers will just find another comparable product.

It gets harder for consumers to rationalize buying a specific brand's product versus another when everything seems the same. And when everything is the same, it comes down to price and a race to the bottom is not a long-term strategy.



6 in 10 cannabis users in California and Colorado say, *"Cannabis brands don't matter to me; I buy based on what the product has to offer."*

82%

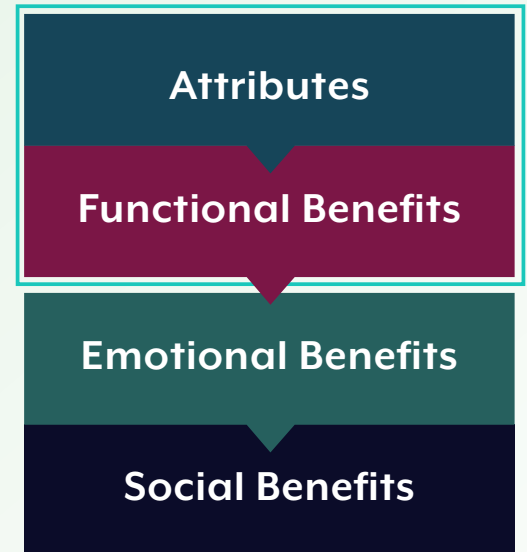
of cannabis consumers agree if the brand they are looking for is out of stock, they will choose a similar product from another brand.*



Brands need to continue their path along the brand ladder by moving past just product attributes and into emotional and social benefits. This requires knowing the consumer you're going after and the brand you want to become.

There are brands who have begun to move along the brand ladder to connect with consumers emotionally. Brands like Cookies, Stiiizy, and Native Roots are all described by consumers as brands they trust. These brands have built a trusting relationship with their customers by being consistent with their products over a longer period of time than most brands.

Brand Ladder



Most brands position themselves around product attributes while others are starting to build some emotional ties



The benefits of competing on price, distribution, or the “first mover advantage” will quickly evaporate as competition increases and bigger companies enter the industry. Some brands have been able to break through the noise and show early signs of developing a brand connection with consumers.

Some might ask—why should I invest in branding and consumer segmentation when people buy my product already? It’s not about who your customer is today, it’s about who your customer will be when a national US cannabis market floods dispensary shelves with new products. Big brands get to that size because of branding.

Brands will need to differentiate themselves to attract new and existing consumer segments as these markets keep growing

and consumer have higher expectations. In a year’s time, what will your brand offer that’ll make consumers choose your products over someone else?

Overall, brands in California and Colorado make amazing products that consumers enjoy. The strong satisfaction metrics can be attributed to the high-quality products these markets have been producing for the last several years. Consumers are primarily making their purchasing decisions at the product level, so brand preference is still an open field for both markets in all product categories. These cannabis companies will need great branding to make their products successful over the longer term.

Brands consumers are “willing to go out of their way” to purchase



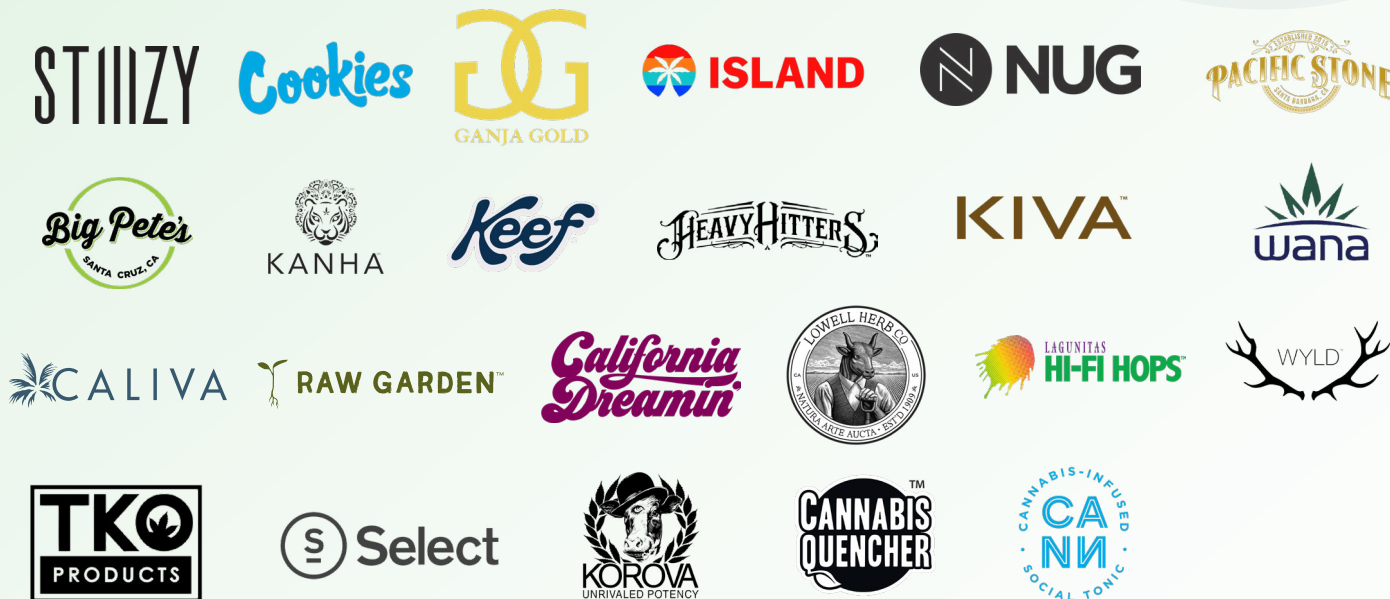
Brand Winners:

Our California and Colorado Brand Health study identified the brands winning over cannabis consumers. These are the brands that outperformed the rest on specific metrics like Favorite Brand, Most Trusted Brand, Brand Winning with Women Consumers, and many more.

Brands on our winners list include:



California:



Colorado:



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