
Legalization & Consumer Trends in US Cannabis



 BRIGHTFIELD GROUP

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US Cannabis Consumer Insights:
Survey fielded quarterly. Responses are collected online from a census-balanced sample of 3,500 unique cannabis users age 21+ in the United States.

Evergi™ Consumers:
Survey fielded semi-annually online with 5,000 US consumers age 21+. The first wave was fielded December 2020. This is a general population survey, census-balanced on age, gender, and geography.

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The Road to Cannabis Legalization



The US cannabis industry has been hopeful since President Joe Biden and the Democratic party gained control of the federal government in November 2020. Senate Majority Leader Chuck Schumer has committed to cannabis policy reform and kept advocates on their toes by saying a bill will come “soon.” Media outlets went as far as to say April 20, 2021, would be “the last illegal 420.”

Despite the hype, federal cannabis legalization will likely be an incremental process that starts with decriminalization. National legalization won't be as easy as state legalization, which is already a messy process. The road to nationally legal cannabis will be long and winding, and the next major milestone will likely be the passage of the SAFE Banking Act.

The federal government may not be ready for sweeping cannabis reform, but the general population appears to be. Recent reports show 91% of Americans say cannabis should at least be legal for medicinal use, with 60% agreeing it should be legal recreationally too. The changing cultural atmosphere plus increased cannabis use Brightfield reported on throughout the pandemic make it clear: the American people are ready whenever the federal government is.

Implications of the SAFE Banking Act for Brands



Banking has been a significant challenge for cannabis businesses during federal prohibition. The SAFE Banking Act aims to lift penalties on financial institutions that work with cannabis-related legitimate businesses (CLBs), giving the industry access to formal banking services. This will make it easier for cannabis brands to do business and for new companies to gain the capital and security necessary to enter the space.

Legal banking provides opportunities for major players to enter and expand in US cannabis. Companies in similar industries—like tobacco, alcohol, and even wellness supplements—see a future for themselves in US cannabis. That future will become a reality only if banking access is legal for CLBs. As it stands, companies using federal banking services with existing portfolios cannot risk their core business by getting into cannabis. Without this barrier, US cannabis is closer to receiving an outpouring of investment from players currently too concerned to enter the market.

Legal banking will encourage more states to legalize cannabis. The current model of cash-only cannabis establishments has left some state governments on the fence. Regulating a market operating outside of traditional financial infrastructure is no easy task. With the SAFE Banking Act, this barrier will be lifted. CLBs will have access to banks and credit unions, allowing them to act largely as any other business would. The ability to write checks, accept credit cards, and use payroll providers will make it easier for states to regulate safe, legal cannabis markets.

Consumers Are Ready When Legislators Are



Cannabis is no longer a strictly partisan issue. Republican and democratic voters are saying “yes” to legal cannabis.

Four states with republican governors—Arizona, Mississippi, Montana, and South Dakota—saw their citizens vote for cannabis legalization in November 2020. To further illuminate cannabis’ bipartisanship, 57% of Montana voters said “yes” to legalizing cannabis while 57% also voted for former republican president, Donald Trump.

But republican state governments are not siding with their voters. Mississippi voters will not see legal medical cannabis despite 74% voting for it. The state’s supreme court ruled the ballot initiative unconstitutional in May 2021, the first case of a state overturning a cannabis ballot initiative. South Dakota will likely follow in Mississippi’s steps after republican Governor Kristi Noem took adult-use legalization to court. Ballot initiatives legalized medical and adult-use cannabis in South Dakota, with programs set to begin July 2021. If the administration is successful—which looks likely—the state will only see a medical cannabis program.

Conflicts between state governments and the will of their citizens may continue as part of the long road to national legalization. State supreme courts have made it harder to legalize with ballot initiatives. In addition to Mississippi and South Dakota, the Florida Supreme Court ruled to prevent cannabis from coming to the ballot in April 2021. Political party members have not always adopted a cannabis friendly stance, even when voters have. This further shows the difference of opinion on cannabis between the government and the people it serves.

Increased Use Further Normalizes Cannabis

44% of cannabis consumers report using more cannabis due to the COVID-19 pandemic, whereas at the beginning of the pandemic, only 34% thought they would increase use. Brightfield's report on Changes in Cannabis Consumer Behavior Due to COVID-19 outlines increases in usage frequency, spend, and product types used.

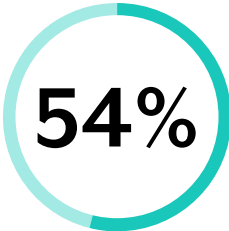
Increased cannabis use to deal with common struggles like stress and boredom is normalizing consumption. All occasions of use rose in 2020. 45% of consumers reported enjoying cannabis while relaxing at home in Q1 2020—now 82% report using at this occasion! Cannabis use at a family gathering rose from 23% in Q1 2020 to 45% in Q1 2021. With many more examples like this, it's clear the pandemic helped normalize cannabis use across occasions.

Highlights from the October 2020 Report

Of all cannabis consumers:



Say cannabis helps them deal with the stress of the pandemic



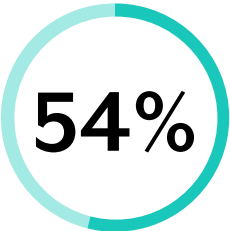
Report using higher doses and/or for longer sessions



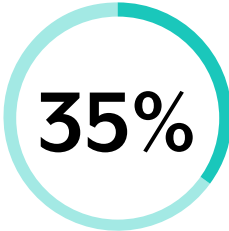
Are smoking more to deal with stress



Are smoking more to deal with boredom



Have increased their cannabis spend

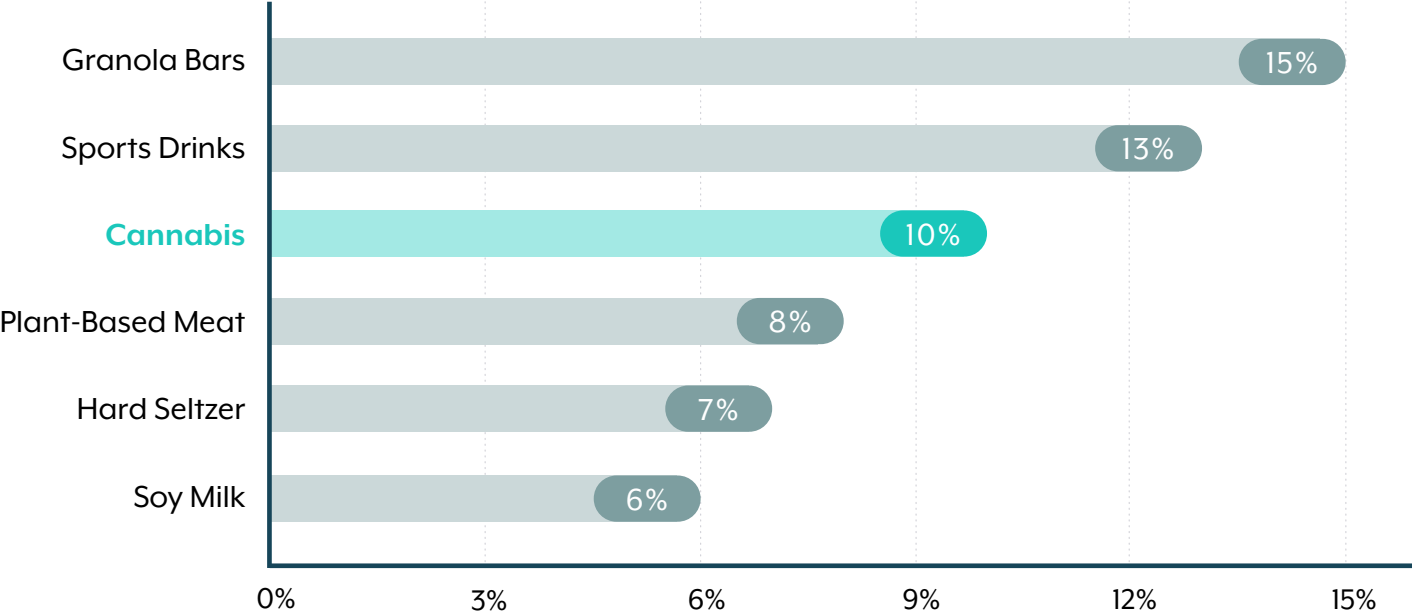


Are using more edibles

10% of Americans reported using cannabis in the past 3 months in a December 2020 survey of the general population. Cannabis flower is the most prevalent product type used , and millennials are most likely to use cannabis, with 13% reporting use. This data comes from Brightfield’s Evergi platform, which explores how Americans stay well with the products they buy. For context, cannabis use in the last 3 months is more prevalent than the use of hard seltzer (7%), soy milk (6%), and plant-based meat (8%).



Cannabis in the Wider View of Wellness
% of US population that reports using product in last 3 months



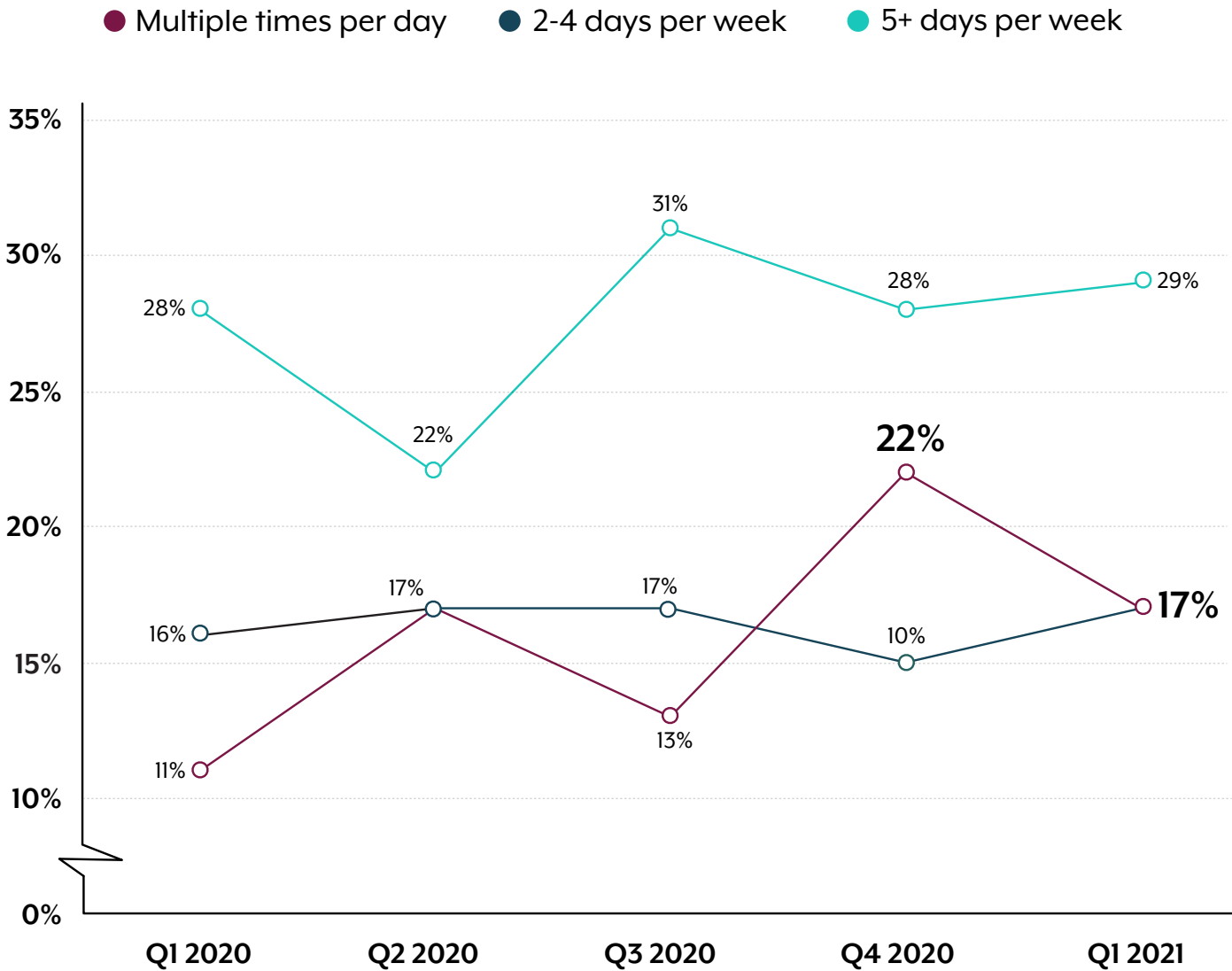
Staying Competitive Means Knowing the Consumer of Today, not Yesterday

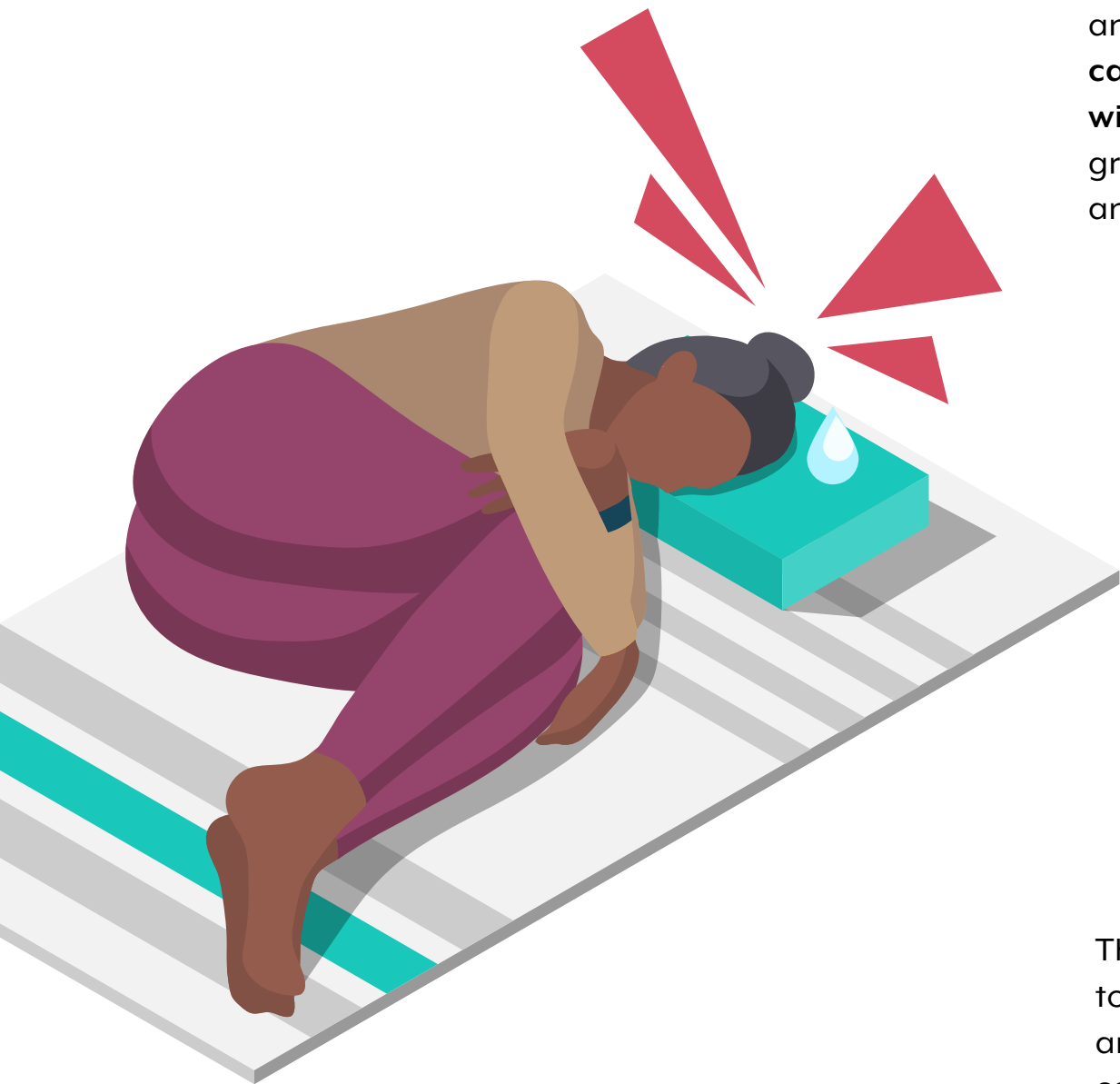
Consumer Highlight: Newbies

New recreational cannabis users made up 6% of cannabis consumers in 2020. They are more diverse in sexual orientation and ethnicity, and 59% are women. They are younger, with 22% of new users being Gen Z. Many people in this generation are coming of age with access to cannabis. Turning 21 doesn't just mean legal drinking—in many states it means legal THC, too.

New recreational users in Q4 2020 saw the heaviest use. 50% use cannabis 5 days per week or more, with 22% reporting using multiple times per day—significantly more than in previous quarters. Though this has declined slightly in Q1 2021, new users are entering the market using cannabis more frequently than they were pre-pandemic. A clear factor in this phenomenon is stress and anxiety.

New Recreational Consumers Cannabis Use Frequency
% reporting usage rate, Q1 2020 – Q1 2021





A whopping 54% of new recreational users in Q4 2020 reported using cannabis to treat anxiety, and 74% desired relaxation from cannabis use. **People who had never used cannabis before dove head-first into the industry, adopting daily use to help cope with stress and anxiety.** The pool of additional potential users from this consumer group is vast—Evergi Consumers data shows 56% of Americans say they are often anxious and stressed out.

Top 3 Desired Product Effects
Q4 2020 New Recreational Users



Relaxation



Sleep



Emotional relief

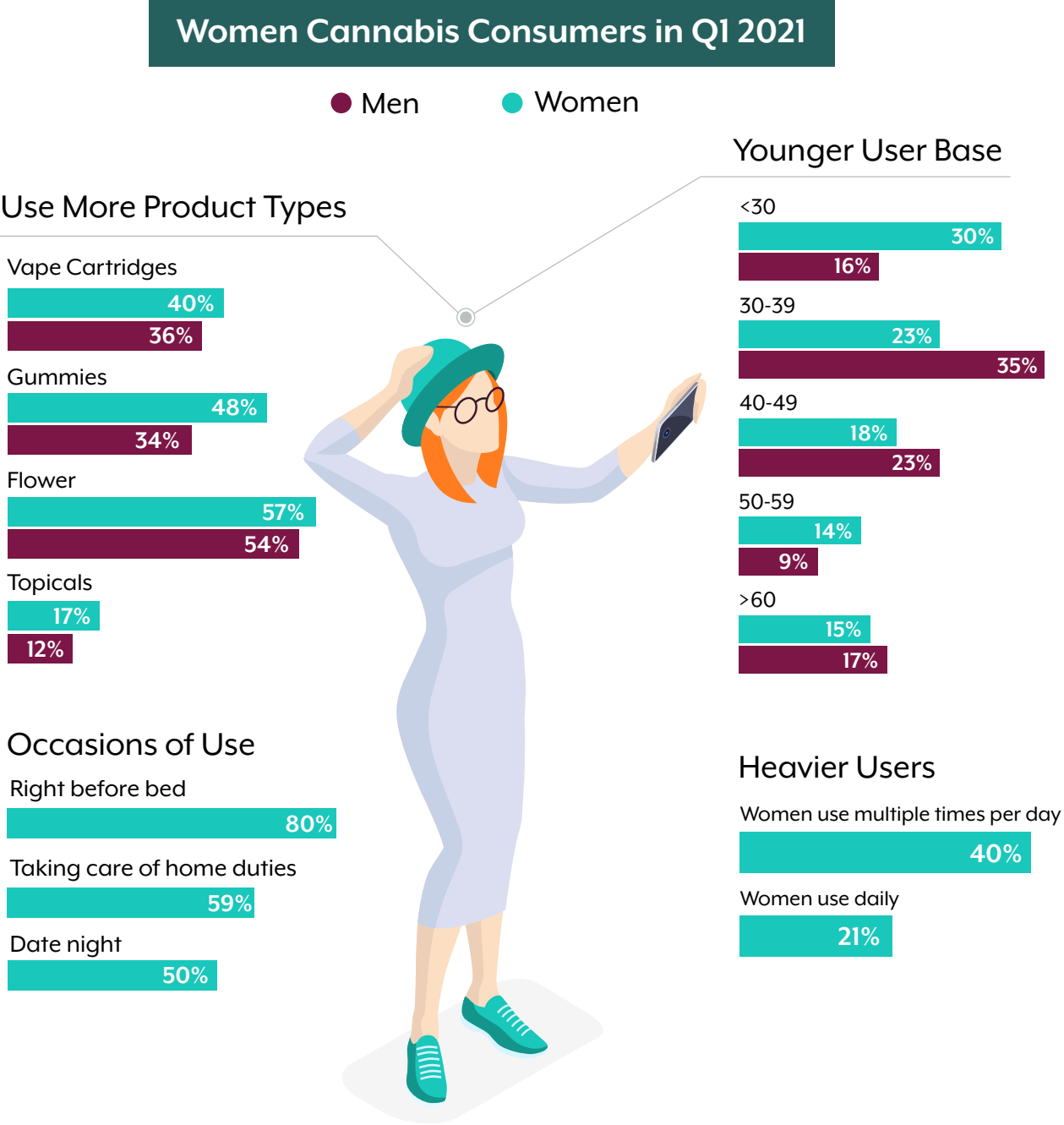
The heaviest users are the best customers, and new recreational users are less likely to be loyal customers compared to the average consumer. With the right offerings and messaging, brands can gain the following of these valuable new, heavy-using consumers as they mature in the cannabis market and begin to establish brand loyalty.

Consumer Highlight: Women

The male cannabis user stereotype is losing steam as more women enter the market. The portion of female cannabis users steadily rose through 2020, reaching 51% in Q1 2021! Women cannabis consumers skew younger and are heavier cannabis users than men. Creating a following of young, heavy consumers is any cannabis brand’s dream. But that dream will stay fictional for brands focused exclusively on the traditional user.

To successfully appeal to female purchasers, brands must account for women’s distinctive approaches to cannabis. Women use more product types than male cannabis consumers—especially gummies—but choose more specific occasions of use. Women desire more effects from their cannabis use, while also using cannabis to treat mental and physical health conditions more than men. Consumers conscious of their cannabis use are also more receptive to brand messages than those who are not. If the consumer knows why they use cannabis, it’s easier to send a message that resonates.

This equal gender balance varies by state. In Michigan, 59% of cannabis consumers are women. In California, that number goes down to 43%. And the differences cannot be chalked up to market maturity alone—older markets like Colorado and Washington both have majority (>58%) female consumers. Understanding who is shopping in each market provides a better view of who your brand is selling to, as well as what drives them to purchase.



Key Takeaways

Americans are ready for legal cannabis. They are expanding consumption and occasions of use while legislators catch up. State-level legalization efforts and potential federal reform hover in the background as cannabis normalization continues. All types of people are entering the market, and they are enjoying cannabis for distinct purposes, at different times of the day, and in varying formats.

Traditional cannabis consumers are continuing to make up less of the legal market as consumer needs evolve. Knowing the customer of today and tomorrow gives brands a competitive edge.

Strong brands who understand the consumers will fare the best through waves of cannabis policy reform. It will be critical to respond to the changing demands of the market as cannabis normalization and consumer diversification continue.



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