MiQ

DISSECTING CANNABIS CONSUMERS

AND BEHAVIOURS IN BRITISH COLUMBIA (B.C.)

IN THIS STUDY, YOU'LL LEARN:

- The trends in the cannabis industry post legalization of recreational cannabis
- What the online audiences for cannabis-related content look like
- The forms of cannabis beyond the dry buds
- The importance of having physical retail outlets
- A set of guidelines for planning your cannabis marketing campaign

INTRODUCTION

A recent national cannabis survey conducted by Statistics Canada during the first quarter of 2019 puts the declared cannabis population across Canada at 5.3 million. That represents 18% of the Candian population above the age of 15 years, a 4% increase compared to last year pre-legalization. Male audiences aged between 45- 64 years of age were the biggest drivers of this growth, with consumption increasing from 16% to 22%

5.3mn
DECLARED CANADAIAN CANNABIS POPULATION

18%
OF THE CANADIAN POPULATION ABOVE THE AGE OF FIFTEEN

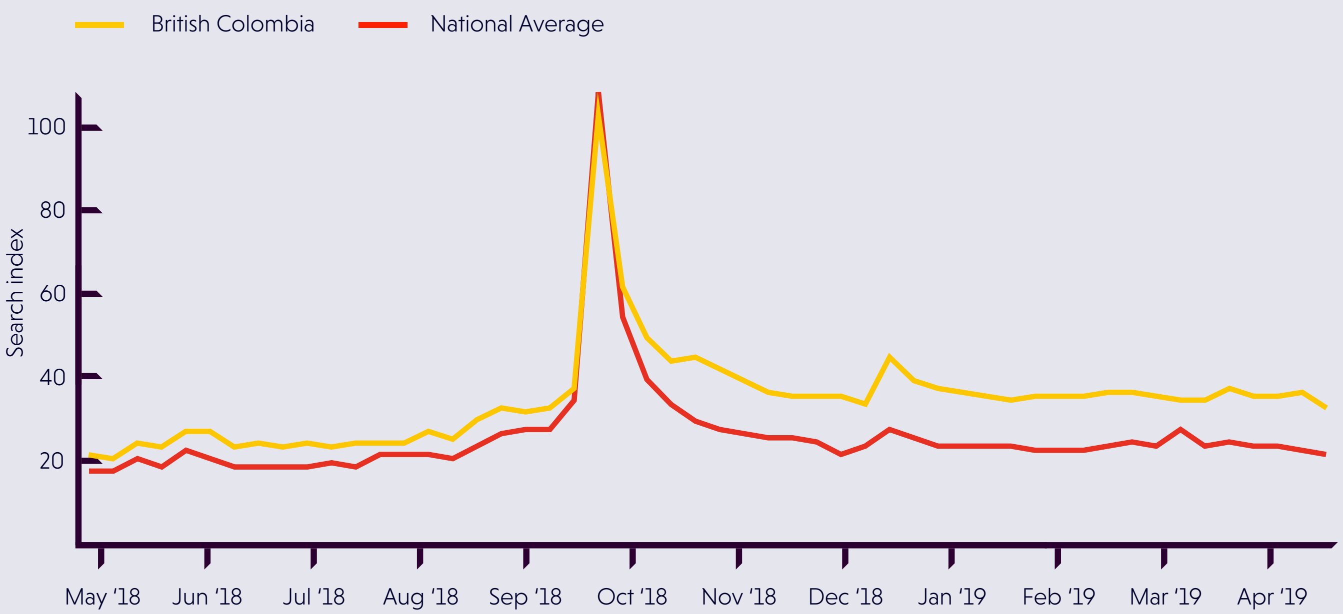
45-64yrs
BIGGEST DRIVER OF GROWTH

The sale of cannabis for both medical and recreational purposes has seen a major uplift of 42% in sales post-legalization, with cannabis for recreational purposes being the strongest driver. Cannabis in dry form has been preferred by recreational users, whereas the bud oil has been the preferred form of consumption for medical cannabis users. Amid the fluctuating supply and dwindling sales, the revenue figures have been well below the expected mark across Canada before the legalization came into effect. However, cannabis marketers are hopeful of a stronger 2019 season.

B.C. is recognized as the third largest provincial market in Canada behind Ontario and Quebec. Around 767,400 users or 19% of the entire province population over the age of 18 years, consumed cannabis during the first quarter of 2019. Despite the slow rollout of cannabis in B.C., primarily due to the lack of sufficient physical retail outlets combined with a fluctuating supply chain, cannabis brands are still betting heavily in this market given the growth potential. A survey by a Canadian research organization puts B.C. as the fastest growing market by 2024 with its share expected to rise from the current 3.4% to 14% of all the cannabis sales in Canada.

Historically, B.C. has always had an affinity towards cannabis, a fact bolstered by the research behaviour of the audiences. B.C. residents were 6-7% more likely to search for cannabis information or content than audiences anywhere else across the country. This divide has only augmented post-legalization. As audiences in the province are 1.7 times more likely to search for cannabis topics online compared to the national average with over 71K people in Canada reading about cannabis on a daily basis.

SEARCH INTEREST FOR CANNABIS PRODUCTS - B.C. VS CANADA

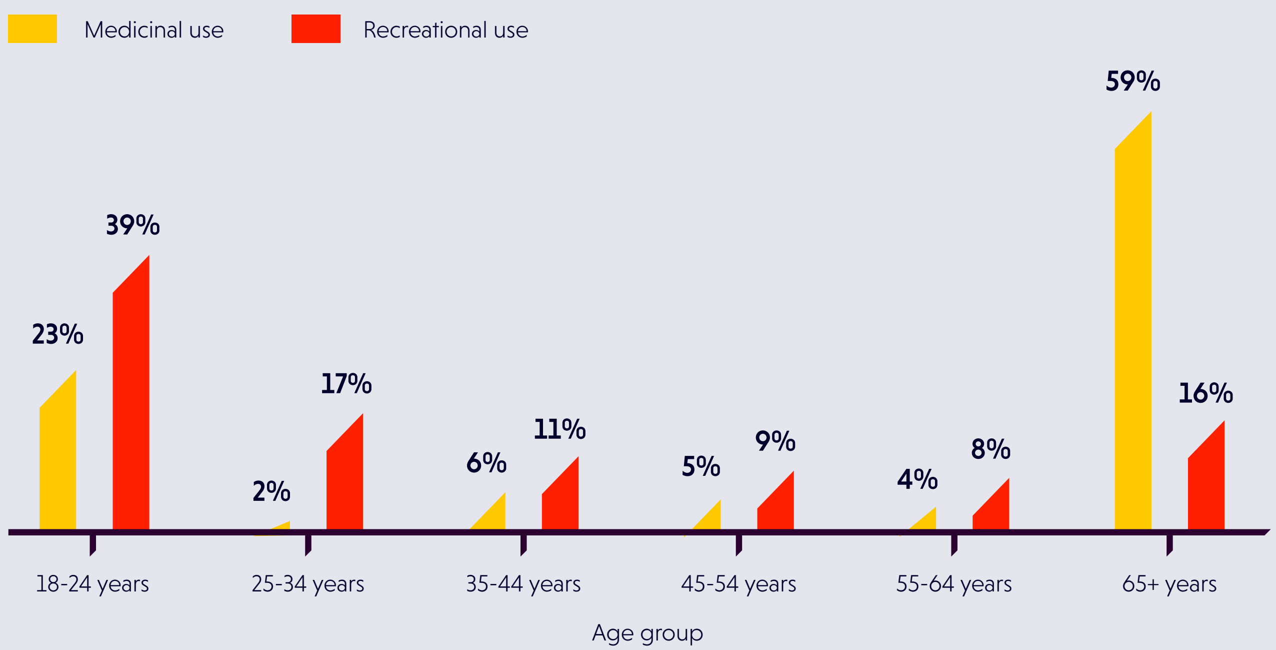


MAPPING THE RESEARCH BEHAVIOUR

Examining the audiences and reading about cannabis-related topics online revealed some interesting insights. In contrast to the national cannabis survey, where men aged 25-34 were the most extensive users of cannabis, we observed a greater research propensity for cannabis amongst audiences in the age group of 18-24 years and those over the age of 65. This indicates the rise of two new target audiences for cannabis brands.

In terms of the research behaviour, the older audience showed a higher propensity (3.2 times higher than the millennials) to read about the medical use of cannabis, whereas the younger group were more focused on recreational use, with a majority researching the forms of cannabis available and the economics behind its sale.

RESEARCH AUDIENCE FOR CANNABIS, SPLIT BY TYPE OF USAGE



Six of 10 cannabis researchers in B.C. preferred mobile devices for carrying out cannabis-related research, and the average reader consumed three to four pieces of content around cannabis every day. Despite the prevalence of mobile for research, we found that the audiences reading on their PC made almost twice as many cannabis-related searches during every sitting, contributing to higher cumulative search volumes on PC.

6/10

CANNABIS RESEARCHERS IN B.C. PREFERRED MOBILE

ONLINE INTEREST FOR CANNABIS RELATED CONTENT, BY PLATFORMS

DIFFERENT FORMS OF CANNABIS

Since legalization, there has been a 32% increase in search interest for different forms of cannabis, with users open to experimenting with a wide variety of options. Cannabis-enthusiasts have started comparing the different types of cannabis, using news articles and blogs to supplement their research to decide on the form they want.

There have been major developments in interest for alternate forms. The brands open to diversifying their offering beyond the traditional forms are more likely to succeed in attracting this growing faction of 'craft' cannabis users.

The rising interest in 'craft' cannabis commodities is comparable to the interest in craft breweries when they first became popular. Whether it is bud oils or concentrates, edible products, dried buds or topical creams and ointments, all alternative forms of cannabis have seen a major uplift in search interest since legalization. Despite the illegality of edibles, it is becoming an increasingly popular category, with recipes involving the use of cannabis for baking seeing a major uplift in readership by 13% post-October.

The 'craft' use cases are likely to be an easier sell to millennial audiences (age 25-44 years) who have displayed a higher level of acceptance, with men more interested in oils, creams, and ointments and women displaying a greater inclination towards edibles.

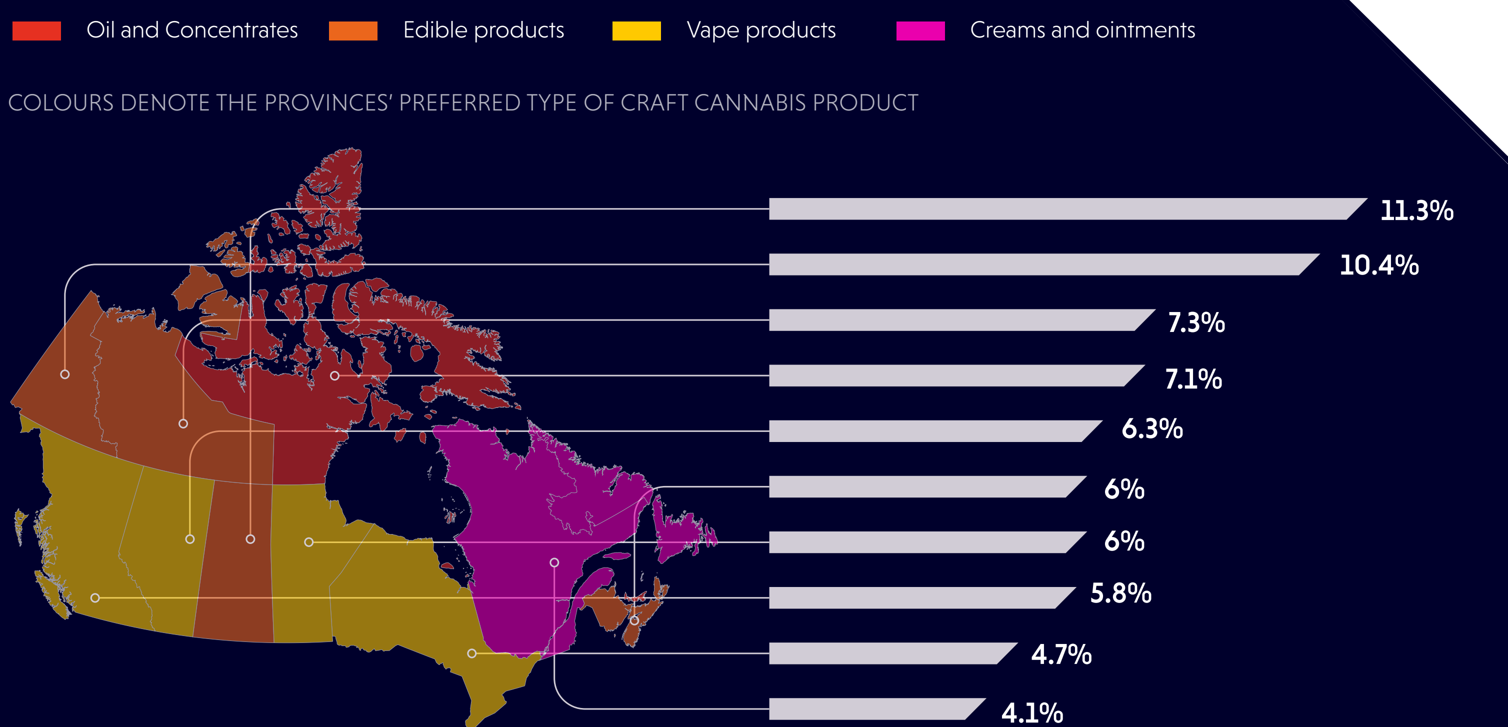
Nova Scotia, Saskatchewan and the Yukon territories accounted for most craft product searches in percentage terms. But there were differences in the preferred form of cannabis across different provinces in Canada. Bud oil and concentrates were preferred in Nunavut whereas vape and edible forms of cannabis were popular in Ontario, B.C. and Alberta. Creams and ointment were particularly sought after in Quebec.

In B.C. specifically, audiences have shown a higher affinity towards edible cannabis and oils or concentrates. The province also has the highest proportion of audiences looking for recipes using cannabis in some form. Cookies and brownies baked with cannabis as the secret enhancement are particularly popular among the audience using weed for self-baked edible products.

Diving deeper into the geo trends reveals that, although the cities of Vancouver, Victoria and Surrey account for 47% all cannabis-related searches in the B.C. province, the 'craft' products have been more popular in Richmond and Nanaimo.

We also observed a massive uplift of 1.7 times in the search interest for recipes with cannabis over the weekend rather than weekdays, indicating that audiences are seriously considering the baking options on weekends when they can spare time for recreational activity. Younger men and women (the under 35) are equally likely to enjoy baking with cannabis.

PERCENTAGE FOR CRAFT CANNABIS RELATED SEARCHES



A TOURISM PULL

Legalization has put the brakes on a rapidly growing illegal economy and is expected to act as a big tourism pull for certain American states. Americans constitute a big chunk of the inbound travellers to Canada every year and with the legislation allowing travellers to possess 30gms of cannabis for recreational purposes, the number of inbound American tourists are expected to rise massively.

Despite this, the discrepancies in the provincial policies around the legal source of purchase and restrictions around public consumption are going to be a major hindrance for tourists looking to obtain recreational cannabis from legal sources. Cannabis marketers must make a conscious effort of tapping into this audience segment by running awareness campaigns that inform travelling audiences of the appropriate sources for legally obtaining their recreational cannabis.

With B.C. welcoming around six million inbound travelers every year, 93% of whom are over the legal consumption age, this audience can play a major role in enhancing the bottom line of cannabis retailers. That means identifying these audiences and using an effective hyper-local targeting to reach them when they are near legally-approved cannabis stores is a good way to increase footfall.

93%

OF ANNUAL B.C. TOURISTS

are over legal consumption age

PHYSICAL STORES MATTER, BUT BRANDS NEED TO CONNECT THE DOTS

Despite Alberta accounting for only 12% of the Canadian population, it was the biggest contributor to legal sales, accounting for nearly 38% of national sales.

So, what were the reasons behind the success of Alberta? What did Alberta do differently to drive incremental sales?

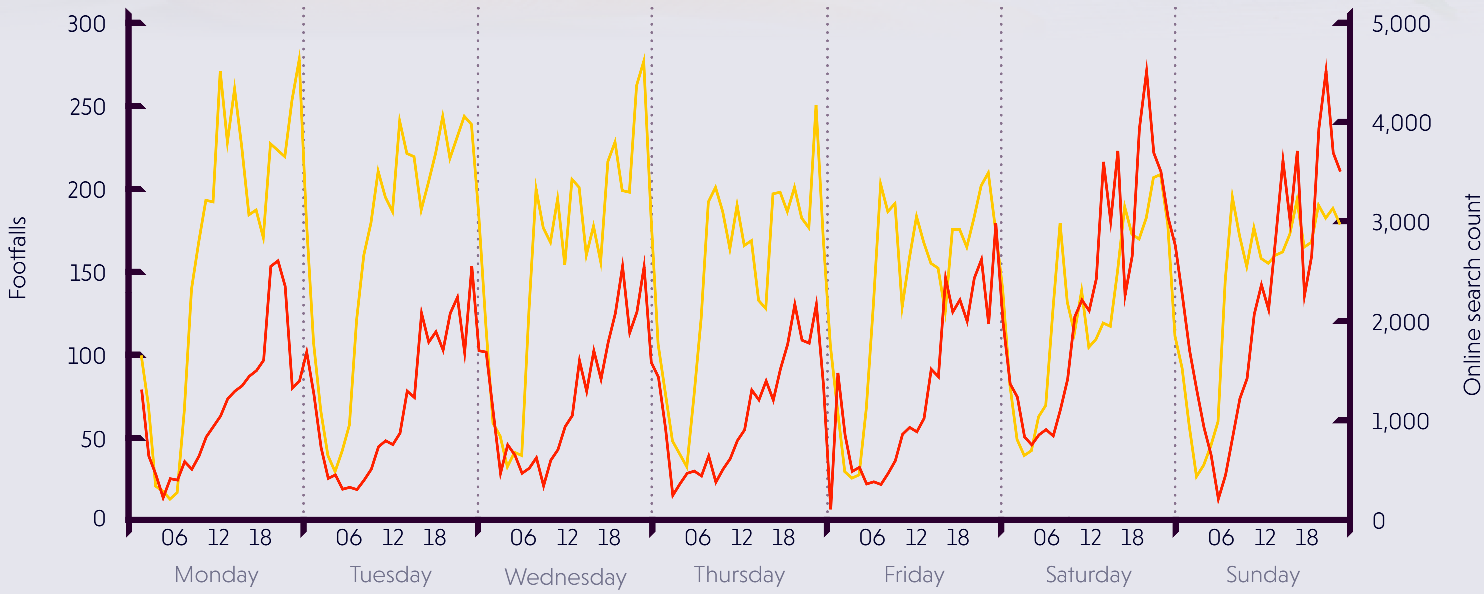
The interest of private parties in selling cannabis commodities has been the biggest factor for Alberta's success. There was so much interest in operating private-sector cannabis stores in Alberta that the government had to step in and put a freeze on the issuing of new retail licenses just weeks after legalization. The presence of easily accessible retail outlets, which were able to handle the demand-supply gap was the biggest factor for the successful roll out of legalization in Alberta.

Having easily accessible physical stores is important -- the study shows that 68% of cannabis audiences across Canada rate the quality of cannabis they buy as the primary influencer for their purchase and this is what drives them to the store. A store equipped with the right variety at the right price is going to sell much more than any other online marketplace. The fact that users get to physically see the cannabis varieties before making a purchase make offline stores a better prospect for sales.

With 14 new licensed offline retail outlets already approved, and another 27 waiting for approval, cannabis brands in B.C. seem to have taken their cue from Alberta's success and are slowly but surely switching their focus to their offline brand positioning. With B.C. having the most competitive pricing for cannabis commodities across Canada (due to competition from non-legal sources), an offline strategy could be the push the cannabis industry in B.C. is looking for.

To get a better understanding of the behaviour of cannabis audiences who go offline, we analyzed footfall at 23 locations including outlets for B.C. cannabis, cannabis boutiques and seed labs. Based on the online and offline interactions of over 23K distinct audiences, we unearthed some trends every cannabis marketer should be aware of while setting up their offline campaigns.

TEMPORAL COMPARISON OF ONLINE SEARCH AND OFFLINE FOOTFALL:



There was a stark difference in the online and offline behaviour of the audiences looking for cannabis products. The most notable was the difference in the temporal trends for offline footfall and online search. Online loads over the weekends are 2.3 times the search loads over the weekdays, with peaks coming later at night. Whereas the offline footfall at cannabis stores is comparatively higher during the weekdays, with footfall peaking between 6-10pm.

In terms of demographics, the audiences visiting the offline stores were older in age, with 67% audience over the age of 45. Younger audiences were more active online, with 42% of all audiences looking for cannabis falling in the 18-34 age bracket. Women were more likely to search online, but were more hesitant in making the offline journey.

Interestingly, the offline audiences resembled the online audiences for medical cannabis in more ways than one. Both were generally over the age of 45 and both segments were male-dominated with household incomes of over 100K CAD a year. This is a particularly significant indicator that cannabis brands are yet to effectively penetrate the younger recreational audience segment.

There was also a small overlap audience segment who made an online search around cannabis before their visit to an outlet or after they bought cannabis from an offline store. On average, around 3% of the audience read an article or a blog post around the use of cannabis within a week of visiting the dealership, whereas 1.8% of offline audiences consumed cannabis related content within three to four days after their visit.

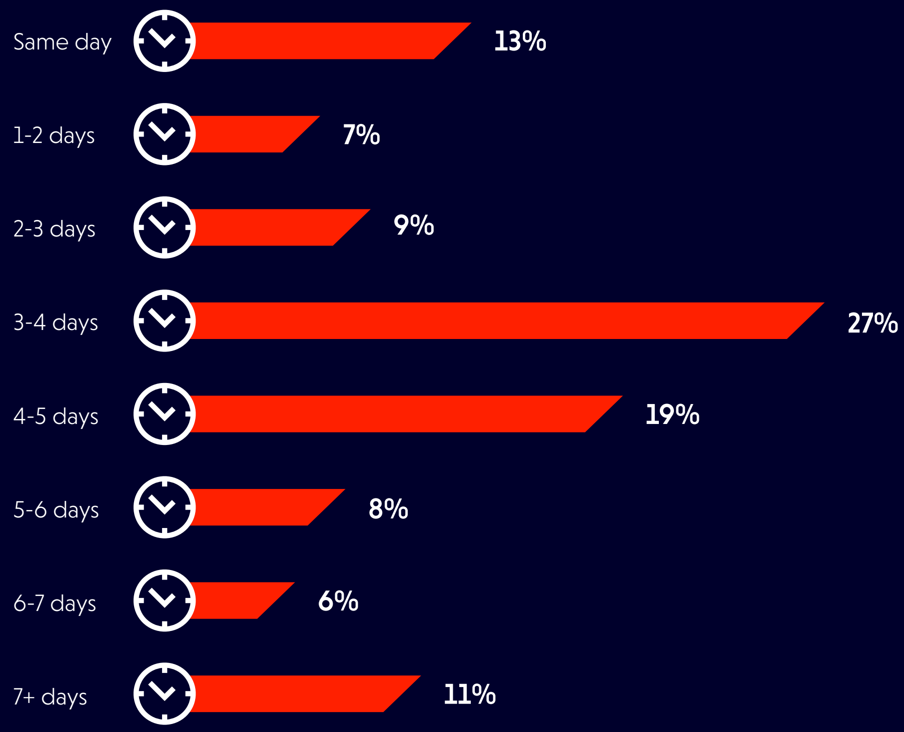
Users researching prior to a visit read about the medical effects or pricing on news sites and blogs. Whereas the audiences researching after buying cannabis were more interested in recipes and the ways to consume their purchase. Canadian entertainment and lifestyle domains like thecureparlour.ca were fairly popular for this.

> IT IS SAFE TO ASSUME THAT A MAJORITY OF OFFLINE SALES ARE CARRIED OUT BY AUDIENCES ON WEEKDAYS WHILE RETURNING HOME FROM WORK.

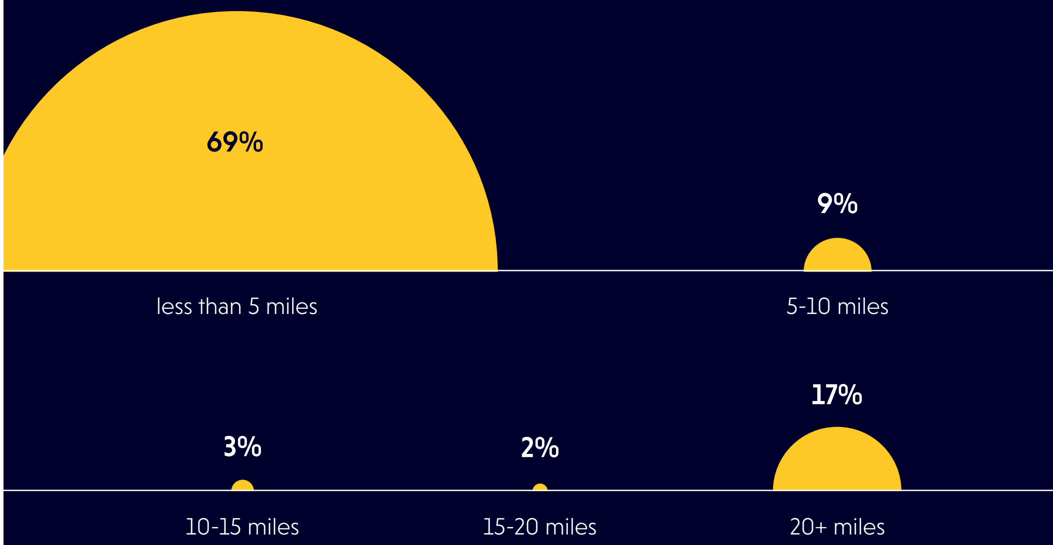
The distance of the retail outlet from consumer centres also played a crucial factor in driving audience footfall to a store with 81% of audiences visiting outlets living/working in a 15-mile vicinity of the outlet. Putting these insights with the temporal trends, it is safe to assume that a majority of offline sales are carried out by audiences on weekdays while returning home from work. A few heavy consumers of cannabis (2% of all consumers) even made multiple trips to a cannabis outlet near them within a week.

Cannabis brands with a significant offline presence have anywhere between 7 and 10 days to reach their audience to influence an offline purchase, during which a consumer is likely to read six to seven pieces of cannabis content online (mostly on their phones). Having a strongly connected hyper-local and mobile campaign strategy is a must for cannabis marketers looking to drive incremental footfall.

TIME TAKEN FOR TRANSLATION BETWEEN ONLINE AND OFFLINE FOOTPRINTS



DISTANCE MATTERS



REACHING THE ELUSIVE CANNABIS AUDIENCE

Despite legalization of recreational cannabis, there are still a lot of regulations which are controlled at the provincial level. These include the legal age of consumption, the regulations around consumption in public places, the localities in which the retail outlets can be set up, the pricing of different forms of cannabis and even the ways of cannabis can be marketed.

Cannabis brands looking to market their products online or offline must be mindful of the provincial regulations around their marketing. It is highly advisable to consult a legal counsel before kicking off any ad campaigns to make sure they don't fall foul of provincial guidelines.

In terms of digital marketing, the basic challenge is to identify and target audiences that are over the legal age of 18. Any ad agency working on these campaigns should be absolutely sure of who these ads are being shown to. Safeguards must be put in place to prevent any instances of exposing children to such ads.

PIPA regulations in B.C. advise cannabis marketers to keep a tab on the kind of information they are collecting from the POS both online and offline. Personal information has been a bone of contention across online and offline, with a lack of clarity in certain legal rulings. Brands are currently dealing with the problem of how much personal information should be stored and how it should be used.

While coming up with the messaging for their creatives and campaigns, brands must avoid the use of any testimonials or endorsements which may appeal to young audiences. Brands should also avoid communicating pricing and distribution information through creatives. Any messaging that evokes a positive or negative emotion or 'way of life' that includes glamour, recreation, excitement, vitality, risk or daring are in danger of getting flagged. Even if all the above conditions are satisfied, there is still a chance that creatives might get rejected by certain ad serving platforms.

All these challenges limit the potential for creativity and increase the responsibility cannabis marketers must have. However, with every challenge comes an opportunity. In order to fully grasp this opportunity, marketers must choose the right partner with relevant tools and transparent methodologies. This relationship will help foster the right mix of creativity and accountability to run campaigns that will engage audiences and drive results.

ABOUT MiQ

MiQ is an independent marketing intelligence company with the people and technology that help businesses win. It is our vision to reimagine the value of marketing by connecting data and discovering insight to drive business outcomes.

Founded by Lee Puri and Gurman Hundal in 2010, MiQ currently employs over 550 people across 15 offices located in North America, Europe and APAC. The world's leading brands and media agencies such as American Express, Avis, Lenovo, Unilever, Microsoft, GroupM, Publicis and IPG work with MiQ. In the last year, MiQ has won various awards including Fastest Growing Tech Company of the Year at the Stevie Awards, Most Effective Use of Data at The Drum's Digital Trading Awards USA, and The Sunday Times International Track 200.

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