

# CANNABIS

## RETAILER

Business Magazine for Canadian Retailers

**BENCHMARKING YOUR PERFORMANCE**

Compare your Sales and Traffic to Industry

Averages  
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Artisanal Products are Finally Coming to Stores

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# CANNABIS

## RETAILER

Summer 2019



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Analyze Sales Data, Revenue Trends, Inventory Levels, and Store Traffic



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# EDITOR'S NOTES

by Joyce Hayne

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Cannabis Retailer Canada

Stores are starting to see inventory levels rise as the supply of flower is finally starting to catch up with demand. As a result of the steady increase in supply, Alberta Gaming Liquor & Cannabis lifted its moratorium on accepting new retail licence applications and is starting to issue 5 new retail licences each week. This is a relief to the 115 licensees who have been approved and can now look forward to receiving a licence. Many of these store owners have been paying for rent since October with no revenue to offset their expenses. Thanks for hanging in there.

Other provinces are also opening more stores as municipalities have set their policies regarding cannabis stores and are starting to issue business licences. The mantra "Start Low & Go Slow" apparently just doesn't apply to consumers.

In this issue, we're outlining analytics you can put into place to start tracking your store's performance so can continually improve your revenue and profits.

Craft cannabis will start to be an important product line as consumers look for locally grown artisan products. Read about the organic methods these growers and the importance of authenticity.

Staffing will continue to be a focus in Cannabis Retailer since employees are critical to the success of your business. See what PEI Cannabis and Hobo Recreational Cannabis are doing to educate their staff.

We are excited about the possibilities of cannabis tourism and there are many ways that you can start encouraging tourists to come visit your shop. It's just one more way we can grow this exciting new industry.

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A magnifying glass with a black handle is positioned over a document. The document contains various data visualizations, including a line graph on the left, a pie chart on the right, and a table of numbers in the center. The magnifying glass is focused on a specific row of numbers in the table. The background is a light blue color with a subtle grid pattern.

# Benchmarking your Performance

by Amy Watkins

Taking a ‘pulse check’ can help you to see how your business is performing and give you ideas about ways to improve. When it comes to benchmarking your performance, there are several key performance indicators (KPIs) that can be examined to see how you are doing in comparison with other retailers. Comparing your sales to those of your competitors gives you an idea of whether you need to implement more marketing measures to step up sales, and looking at store traffic data can help you decide if you need to change your staffing schedules or inventory levels.

## Analyzing Sales Data

So, how are you doing compared to other retailers? While many other retailers might use the holidays and Boxing Day sales as a benchmark, in the cannabis industry it makes sense to take 4/20 as a date for comparison and look at your sales against the national average. This one-day snapshot of sales, on likely the busiest day of the year,

can give you a pulse check for benchmarking your business against other retailers and yourself year-on-year.

According to COVA, a cannabis retail POS company that operates both in Canada and the US, the average sales in Canada per store on April 20, 2018 were \$7,300 and post-legalization this jumped to \$12,300 on April 20, 2019. While average sales went up, the average price per transaction went down from \$72.04 in 2018 to \$47.00 in 2019.



Average transactions per store were up from 101 in 2018 to 263 in 2019.

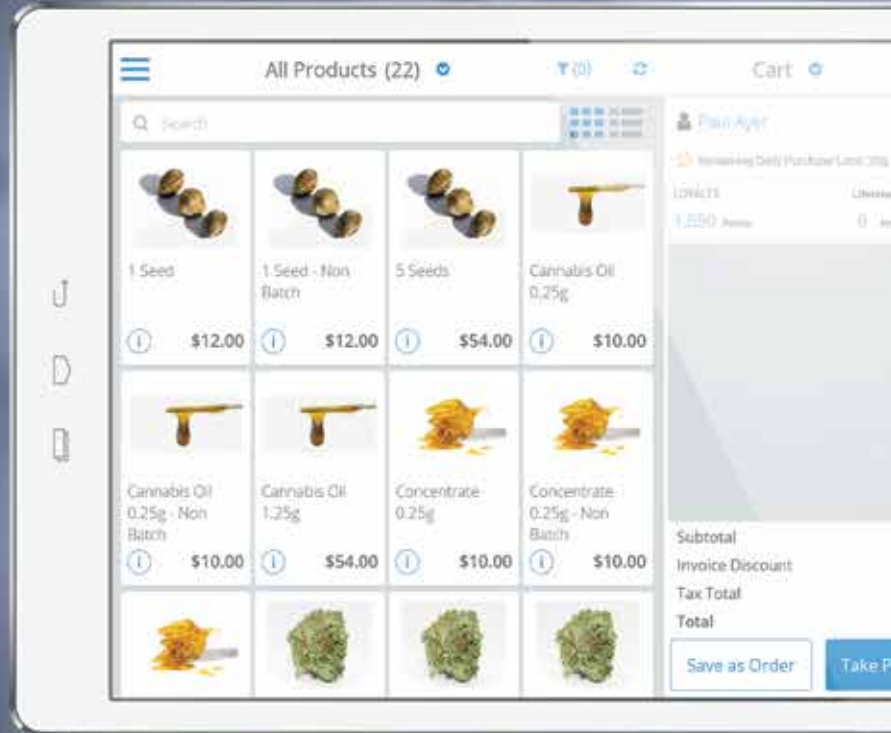
Average transactions per store were up from 101 in 2018 to 263 in 2019. These statistics are based on average data collected by retailers using COVA’s point-of-sale system (in Canada but excluding Ontario).

## Looking for Top Performers

Headset, an analytics service provider for the cannabis industry in both Canada and the US, collected information from US retailers to capture a picture of 4/20 this year. Most of the top-performing products were ready-to-consume ones such as pre-rolls, edibles, and beverages, which bodes well for the legalization of edibles later this year. The report, *4/20 The greenest day of the year:*

*Insights and predictions based on four years of data*, states that “Pre-rolls—usually a category with low item prices—saw a bigger increase in units than in overall sales... Right now, category trends indicate that the most effective specials are concentrated on

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those single-serve items, but cannabis is still relatively new to the world of retail.”

## Understanding Revenue Trends

“Cannabis retail is similar to general retail in that the profit equation remains identical,” says Phil McDonald, Headset’s director of regional strategy, Canada. “A deep understanding of revenue trends across time, products, categories, and vendors will allow savvy retailers to pull the right growth levers. Whether that’s optimizing their pricing and product mix, staffing to meet demand, or rolling out well-timed promotions.”

## Managing Inventory Levels

McDonald suggests that specific metrics can be used to make informed business decisions and act as a benchmarking tool when it comes to issues such as inventory management. “In much the same way retailers should be laser-focused on managing costs and margins across the same dimensions. As supply issues in the market begin to stabilize, sound inventory management will win the day,” says McDonald. “The Stock-Coverage-Ratio, for example, is a useful metric that tells a retailer how many times it can cover the demand for the particular product in a chosen date range. It’s important because an operator can determine if there’s too little inventory, which can lead to stock-outs and lost sales. Conversely, if there’s too much inventory it suggests too much capital is tied to inventory, which could be better invested elsewhere such as staffing, marketing or store upgrades.”



## Tracking Store Traffic

POS analytics can help with benchmarking performance, but tracking store traffic is another useful tool to help you evaluate your success in the market. Mark Ryski is founder & CEO of HeadCount, a company that helps retailers turn store traffic and conversion data into better sales results. “Store visitor traffic defines the store’s sales opportunity and is an important indicator of consumer demand,” says Ryski. “Sales are a function of three things: number of people who visit the store (traffic), the percentage of visitors who actually purchase, also referred to as shopper conversion rate, and how much each buyer spends (average sale). Store performance

is most commonly benchmarked based on sales results and financial metrics, but since stores don’t control the amount of traffic they receive, a better way to benchmark store performance is to compare shopper conversion rates and average sale values – the two variables store teams can influence. Without store traffic count data, there’s no way to calculate shopper conversion rates, which essentially leaves retailers with only sales and POS data to rely on for benchmarking store performance.”

Modern store traffic counters are usually installed above the front entrance to capture a top-down view of customers (to maintain privacy) and count traffic to combine with

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sales transaction data to calculate shopper conversion rates. Shopper conversion rates are a KPI in store performance benchmarking, especially when comparing store locations. POS data could show that one store is outperforming another in terms of transactions and sales, but adding in traffic counts may show that the actual conversion rate is lower.

While retailers can take advantage of this data to benchmark performance, conversion

rates can also help with other aspects of the business. Ryksi suggests that shopper conversion data can help with: “Scheduling frontline staff to traffic visits to minimize over/under staffing; measuring store experience (via shopper conversion); forecasting store activity (monitoring trends like what happens when edibles launch); refining/optimizing store operating hours (based on traffic trends); measuring the impact of marketing initiatives (did it

drive more traffic into the store?); and benchmarking performance across stores.”

Whether you choose to use POS analytics, shopper conversion data, or a direct comparison with national averages, benchmarking your performance is a useful way to get a snapshot of how your business is doing and provide inspiration about ways you might be able to take your store to the next level. ▴

## April 2019 Sales in Washington State

Flower: \$44M  
Tinctures & Sublinguals: \$2.35M  
Concentrates: \$11.97M  
Edibles: \$8.7M  
Beverages: \$1.52M  
Pre-Roll: \$11.30M  
Topical: \$1.65M  
Vapor Pens: \$19M  
Capsules: \$730.9K

Source: Headset

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# TRENDS

## Are Black Market Sales Declining?

by Pat Angove

In our long, national conversation on the merits of cannabis legalization, a key argument in its favour has always been the likelihood of a reduction in the scale of the black market. From protecting minors against unscrupulous drug dealers, to giving government its tax share of a multi-billion dollar industry, to decriminalizing the behaviour of millions of Canadian adults, the suppression of the black market for cannabis has been a politically effective way to argue for the creation of a legal and regulated market for cannabis.

From the logic of fighting the black market also flow other widely held hopes like reducing burdens on the criminal courts, freeing up law enforcement dollars for more pressing priorities (think Fentanyl), and starving organized crime of easy revenue. The question is, with seven months of legal recreational cannabis in our rear-view mirror, has the black market share of Canadian consumption been reduced? Recent Stats Canada figures indicate that it has, but it may not be that simple.

Stats Cannabis figure comparisons hail a reduction in the percentage of cannabis purchased by Canadian consumers from illegal sources, stating that black market cannabis fell from 51% to 38% as a share of total cannabis purchased. The flip-side of this figure shows that legal sources gained ground, rising from 23% to 47%

of the total. It should be noted that this comparison is being made between the first quarter of 2018 and the first quarter of 2019, and legalization did not come into effect until October 2018.

Other figures also support this conclusion, such as the increase in average price paid, estimated as +17.4%, given that legal prices continue to be significantly higher than that of the black or grey market. To their credit, Stats Canada gave respondents the option to choose from a selection of possible sources, not merely a binary choice between legal and illegal.

One figure that should be of particular concern to government, beyond the price gap, is the difference between average purchase size in the legal market versus that in the illegal market. Figures from 2018 indicate that the average legal purchase was for 8.3 grams (4.7 retail, 9.1 online) while the average quantity purchased illegally was 17.2 grams. This might indicate that people who consume heavily, and are responsible for a large share of total cannabis consumed nationally, are not adopting the new system. This could be due to price, selection, or perceived quality concerns.

Jams in the supply chain, lack of access to brick and mortar stores in many communities, exclusion of edibles and concentrates, as well as general confusion among consumers about what sources are legal versus illegal, have all



conspired to slow the uptake of legal cannabis. As these impediments are removed, and as prices hopefully come down, we should expect to see the legal share of the market continue to rise. Convenience is king, as long as the legal market can offer a comparable product at a comparable price, black market sellers should be increasingly concerned for their livelihood.

### Things to watch going forward:

- Will legal prices go down as greater supply capacity comes on line, increasing the appeal of legal sources to heavier users?
- As more legal retailers gain licences, will increased pressure to close competing grey market shops steer more people toward legal sources? This will be especially relevant in BC.
- What other developments beyond price reductions might entice long-time consumers and 'canna-sseurs' to opt for a legal source? The much-anticipated large-scale entry of craft cannabis into the market from newly licensed small producers could be an example of this.
- What will the impact be this fall when edibles and concentrates are added to legal offerings? Convenience products like pre-filled vapourizers are likely to make an impact.



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# Promoting Social Responsibility

by Danielle Leroux

## Education Starts From Within

Cannabis retailers play an important role in Canada's emerging cannabis industry. Beyond being the primary means by which Canadians get cannabis, retailers must educate customers on how to consume cannabis in a safe and enjoyable way, all while battling the stigma the plant and its users still face.

It is no surprise then that leading retailers are putting social responsibility and staff and consumer education at the forefront of their operations.

## The Importance of Customer Education

Since cannabis has only been legal for less than a year, it can still be difficult for consumers to find credible, trustworthy resources and make informed purchasing decisions. Natalie Wood, HR Director of Meta Cannabis Supply Co. and NewLeaf Canada notes, "The long prohibition on cannabis has led to a lot of misinformation."

It is largely up to retailers to fill that gap. "As retailers, we really need to educate. It's on us, first and foremost," says Andrew Gordon, Senior Vice President of Strategic Partnerships & Community at Kiaro. He emphasizes the need to create a "positive, purposeful, and meaningful exchange" with customers, not just a transaction.

Besides guiding the customer, accurate and accessible information supports the industry as a whole. "Education provides confidence and clarity in the market," explains Gordon. "When you engage, inform, and empower customers and the community you can really change minds and hearts to end that stigma."

Education serves as the foundation for these retailers' operations and is a value integral to their success. "As a neighbourhood store, we're in a great position to help correct the record and support people who are navigating through a new world of brands and choices," says Wood. "We meet customers where they are—whether they are seasoned consumers or brand new to

cannabis. Education is what ultimately helps consumers feel comfortable, confident, and informed with their choices."

It's also what keeps customers coming back and brings new ones in. Gordon believes that customer education and engagement are the hub of the retail experience and set retailers apart from the competition. Don't forget that customers serve as your store's advocate. Add value to the customer experience and you'll not only ensure they return, you'll see them positively represent your store, helping grow your customer base.

## Building a Retail Education and Social Responsibility Program

Gordon shares the four pillars Kiaro is using to build their retail education and social responsibility program:

### 1. Train and Develop Staff

A positive customer experience and a solid retail education program starts from within

by training your staff and investing in their professional development.

Wood agrees, "Responsibility and education are woven through every step of our onboarding, from recruitment through to our online and in-store training. Our training grounds our staff in the responsibilities and the boundaries of providing support and education to cannabis consumers."

First, retailers should be aware of any mandatory training programs specific to the province they operate in. For example, Alberta has SellSafe, a mandatory social responsibility training program designed to help retail cannabis staff understand what their responsibilities are to their customers.

Many retailers go above and beyond mandatory programs, seeking out third-party training and industry experts. "We invest in the best-in-class training for our team," says Gordon. "We make sure our consultants are really well educated to guide people through that cannabis journey." This includes working with CannaReps, an education company that offers a cannabis sommelier course, a dispensary entrepreneur course, and other related workshops.

At FOUR20 Premium Market, they have their own in-house trainer. Amber Craig, Vice President Marketing, says, "To ensure our retail staff have the highest level of knowledge to help educate consumers, we developed our own unique learning management system utilizing the expertise of our in-house cannabis expert, Dr. Ife Abiola."

Quality education won't just benefit your staff and customers, it may also help secure your retail location. Notably, Westcoast Adventure College and GrowX Global's recent partnership on an educational program for cannabis retailers that prioritizes health and safety, helped change the minds of Sooke City Council and allow an increase in the number of cannabis retail outlets in the municipality.

## 2. Exchange Information with Your Supply Chain

Gordon suggests establishing strong relationships with your suppliers, in comp-

liance with provincial and federal regulations. Not only can they provide useful information for your education program, they can help customers fully understand how the product goes from seed to store and the parties involved in the process.

## 3. Engage and Invest in Your Community

Gordon believes that part of social responsibility is actively listening to and participating in your community. Speak on panels and webinars and work with other businesses. Attend a town hall or city council meeting and hear the community's concerns. Get involved in local events and establish yourself as a trusted contact and resource.

Retailers also have an important opportunity to involve First Nations communities when opening and establishing their stores. Recognize you are operating in their territories and make an effort to understand the First Nations' perspective.

## 4. Educate Consumers

Each of these steps contributes toward a solid customer education program. Put your customer first, design content with different market segments in mind, and make resources available online and in-person.

"Customers don't follow a script, so we don't either," says Wood. "Everyone is different. We adapt to the needs of the person in front of us. Some prefer to subscribe to our newsletter and explore our blog as ways to get more information discreetly, but most prefer to come in and talk to a person. Cannabis is social culture, and with so many locations and a well-trained staff, most prefer to come in and talk with one of our retail experts."

Build trust with your community, prioritize your customer's health and safety, and support them with quality education, and you'll establish yourself as a socially responsible and successful retailer. ▀

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# Craft Cannabis: Small but Mighty

by Sujinder Juneja

Courtesy of Sundial Growers

As Canadian retailers struggle with supply shortages, product quality concerns, and the sluggish pace of retail licensing, consumers are looking forward, with cautious optimism, to the day when pre-prohibition, quality-driven craft cannabis products will become widely available on the regulated market.

But what exactly is 'craft cannabis', and how will the small craft growers differentiate their products from the standard licensed producers? Perhaps more importantly, how will they navigate the regulatory hurdles to be able to sell in the legal marketplace? We talked to the experts.

## What is Craft Cannabis?

"We've been debating the definition of craft cannabis for some time," admits Sarah Campbell, director of the Craft Cannabis Association of British Columbia. "A simple definition is that it is produced at a relatively small scale, say 20,000 sq. ft. or less indoor, and one acre or less outdoor, by local independent artisans. They recognize the cannabis plant as the star of the show."

A craft producer is therefore not specifically measured by its size, nor does it necessarily have to be thought of as a micro cultivator as defined by Health Canada (approx. 2152 sq. ft. of total canopy space).

disease control, integrated pest management, and other practices that are intended to reduce the human impact on our environment. The result of this enriched connection between the grower, their plants and their community,

Ethical consumerism is a trend that continues to grow.

Comparably, Barinder Rasode, co-founder and CEO of Grow Tech Labs, a Vancouver-based cannabis business accelerator, says that "a true craft grower has mastered the art of cannabis growing and uses natural methods to produce high-quality products across a number of different strains. They are mindful of keeping their products as organic as possible and are able to showcase the unique properties of a particular plant in a way that is recognized by consumers."

Utilizing artisanal methods, these growers are likely to apply farming techniques such as hand harvesting and hand pruning, organic pest and

is likely to result in a better finished product.

Jamie Shaw, Director of Communications and Culture for Pasha Brands, a brand house dedicated to prohibition-era cultivators and processors, goes further to say that craft growers embody the ideals of authenticity and integrity.

"Authenticity is an issue for both sides of the market. Consumers can tell the difference between flowers grown with purpose and integrity," she suggests. "Integrity is about doing what's right, versus what's most profitable or what's easiest at the time, or even what's legal. Prohibition-era growers that were producing for patients like Charlotte [Fig], the namesake

of Charlotte's Web, or Hayley Rose of Hayley's Comet, were breaking the law, but they were growing quality products with integrity and for the right reasons." Both Figi and Rose were famously treated with high-CBD cultivars for symptoms related to severe epilepsy.

Additionally, craft cannabis products, grown with purpose and care, are by their very nature likely to showcase vibrant, natural colours, upfront aromatics and flavours, balanced humidity, and overall freshness, characteristics which remain in questionable supply in the current market.

### Craft is Craft, Whether it's Brews or Buds

Shaw says that while the beverage alcohol industry may be a poor comparison on almost every other level, the idea of 'craft' is well-understood by beer-loving Canadians.

"If you consider the craft brewery model in BC, it is one that has been set up for success and you see that reflected in their local communities," Rasode says. "In order to maintain the business integrity of a small independent grower, it's



Courtesy of Zenabis

important for them to have a farm-to-table model where they can educate people and provide products that can be sold directly to consumers. It's not only great for the craft cannabis industry, but also for BC tourism and for the economy."

Just like the craft brewing industry, there's also the tight-knit social side to craft cannabis

products. "We have seen that consumers support craft cannabis. Ethical consumerism is a trend that continues to grow," explains Campbell. "Craft products generally make people feel good. The industry brings people with shared interests together while encouraging the sharing and exchange of information."



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Courtesy of We Grow BC

## High Barriers to Entry

While there are 6,000 small growers registered with Health Canada, it's been suggested that there may be as many as 17,000 unregulated growers in BC alone, who have collectively contributed more than \$7.1 billion to the economy, according to some reports. That said, BC may have the most to lose if craft products are not brought to market quickly.

"BC Bud has a great reputation. There are many reasons for this, but one key part of it was that here in BC, politicians and the police took a 'light handed' approach to cannabis (compared to the crackdowns in the rest of Canada and the United States)," suggests Mathew Stockton, Head of Marketing & Brand for We Grow BC Ltd, a licensed producer based in Creston. "This meant that growers weren't being shut down, they had the opportunity to learn, innovate, and hone their craft. There is deep history and knowledge in BC."

Health Canada also recently made significant changes to the licensing process, which may hamper the efforts of small producers hoping to bring their products to market sooner. One of the biggest changes is that

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new applicants must now have a compliant and fully-built site at the time of application. This means that small growers are forced to lay out large sums of capital without any guarantee that their licence will be approved.

At time of writing, Health Canada has received approximately 150 micro cultivator and micro processor applications. Across the entire country, just one BC-based micro cultivator has received its official licence.

"If there is too much of a regulatory burden on craft growers, we stand to lose not only the integrity of their farming methods, but also the high-quality strains and the livelihood of small business owners who have contributed so much to the economy," muses Rasode.

## Partnering to Get to Market

Given these high costs of entry into the legal market, it's no wonder that some growers are turning to partnerships with co-ops, brand houses, or licensed producers (LP) who can help them with finances, marketing, and distribution.

Canopy Growth and its investment arm, Canopy Rivers, have pledged to award financial support to select growers while reportedly allowing for brand independence. Top Leaf, a former prohibition-era online dispensary with access to high-quality genetics, recently entered into an agreement with Alberta-based Sundial to produce craft-at-scale products under the BC Weed Co. brand. Vancouver-based Zenabis Global recently launched its own Zen Craft Grow program with an exclusive supply agreement with an as-yet-unnamed late stage micro cultivator, to be marketed across Canada under the Founders' Reserve brand. We Grow BC, which sells recreational products under the Qwest brand, leverages decades of experience from legacy growers to produce small-batch offerings through hand-crafted methods.

"The upside for an LP is obvious—they benefit from the expertise the craft operators bring, while the growers add credibility to the LP brand," says Campbell. "Micro businesses are still extremely costly, and many small farmers are not able to fund their projects alone. These types of relationships could provide a much-needed bridge, and a way for the legacy grower to gain valuable experience that could help down the road."

## My Canada Includes Craft

Health Canada has already announced that new cannabis products will be regulated for legal sale across the country, including edibles, topicals, tinctures, and concentrates.

"We know that those craft formats such as edibles and concentrates, along with bath bombs and arthritis creams, are already being sold in the grey market and in illicit dispensaries," notes Shaw. The fact that these popular products will now be available is a boon for the retail industry.

"The first wave of small batch cannabis grown by people with passion for the plant will ideally bring uniqueness, diversity, personality, quality, and locality," concludes Campbell. "Retailers will find it easy to position these products as they fit the new trend towards ethical consumerism. Retail customers will respond to those desired craft attributes such as uniqueness (genetics), sustainability (regenerative, sun-grown, closed-loop), personality, handmade processes, and small batch (exclusive and scarce)."

Plus, she adds, "Craft products are cool." ▴



## > CHALLENGES IN RETAIL MARKETING

With the ultra-conservative rules regarding marketing, retailers have had to be clever about developing ways to promote their stores and communicate with consumers, according to Nick Kuzyk, CSO & SVP Capital Markets at High Tide, which runs Canna Cabana with 16 locations in Ontario, Alberta, and BC. He says that everyone is trying to overcome the stigma of cannabis, but it's difficult given the current regulations. He hopes that they will be given a longer leash so they can improve communications with customers on premise. He feels that with the current restrictions it's difficult to make a dent in the black market and they keep being "thrown curveballs".

**Continue reading:** [www.cannabisretailer.ca/2019/challenges-in-retail-marketing/](http://www.cannabisretailer.ca/2019/challenges-in-retail-marketing/)



## > PREPARING FOR CANNABIS 2.0

Canadians are eagerly waiting for October when concentrates, edibles, and beverages will be legal. Licensed producers are starting to get ready to develop new products to bring to market. At the recent Lift & Co Cannabis Business Conference, Niel Marotta, president of Indiva, shared that they want to target the edible space and are in conversations with a company that makes chocolate along with infused sugars and salts. Indiva has hired individuals with experience from Nestle and General Mills to help them curate new products. The company has already ordered equipment and will move forward based on the proposed regulations, hoping that they can make minor adjustments if needed should the final regulations change.

**Continue reading:** [www.cannabisretailer.ca/2019/preparing-for-cannabis-2-0/](http://www.cannabisretailer.ca/2019/preparing-for-cannabis-2-0/)



## > EDIBLES COULD BE A \$2.7 BILLION MARKET IN CANADA

Deloitte is predicting the soon-to-be legalized edibles market in Canada will be worth \$2.7 billion and will generate higher profits for retailers than cannabis products that are already legal. In their new report *Nurturing new growth: Canada gets ready for Cannabis 2.0*, Deloitte says "the legalization on October 17, 2019, of edibles [...] will create new product mixes that will reach consumers who may have been reluctant to try traditional cannabis consumption methods that are currently available. Many of these novice or "cannabis-curious" consumers will be older, often female Canadians who will prefer more familiar consumption formats, notably edibles such as baked goods."

**Continue reading:** [www.cannabisretailer.ca/2019/edibles-could-be-a-2-7-billion-market-in-canada/](http://www.cannabisretailer.ca/2019/edibles-could-be-a-2-7-billion-market-in-canada/)



## > ALBERTA'S MORATORIUM LIFTED

Due to a steady increase in AGLC's cannabis supply, the moratorium on accepting new retail licence applications and issuing new retail licences has been lifted.

AGLC will be issuing five licences per week while monitoring supply to ensure that retailers continue to receive adequate inventory and that both existing and new retailers have a consistent amount of product. Should the stability of inventory take a drastic downturn, AGLC will evaluate reinstating the moratorium.

Alberta currently has 473 pending applications and 115 have been approved and are waiting for a licence. AGLC has maintained a queue of approved retailers on a first-in, first-out basis to ensure an equitable process as the moratorium is lifted.

**Continue reading:** [www.cannabisretailer.ca/2019/albertas-moratorium-lifted/](http://www.cannabisretailer.ca/2019/albertas-moratorium-lifted/)



## > VANCOUVER ILLEGAL DISPENSARIES LOSE LEGAL BATTLE

Nine illegal dispensaries in Vancouver lost their court battle against the City of Vancouver and have been ordered to close their businesses after the Court of Appeal for BC turned down their request for a stay. Not only did these stores not have a municipal business licence, they also don't have a retail cannabis store licence.

The nine stores include 4 WEEDS stores, Canna Clinic, Green Cross Society of BC, Karuna Health Foundation & Metta Lounge, Lotusland Cannabis Club, and The Medicinal Cannabis Dispensary.

The city also plans to take legal action against other illegal dispensaries that were not part of the case. Those stores include 3 Canna Pharmacy stores, BC Pain Society, Stepping Stone Holistic Living, Better Living Society, Cannabis Culture, Greencity Cannabis Boutique, Herbs R Us, and Lotusland Cannabis Club.

**Continue reading:** [www.cannabisretailer.ca/2019/vancouver-illegal-dispensaries-lose-legal-battle/](http://www.cannabisretailer.ca/2019/vancouver-illegal-dispensaries-lose-legal-battle/)



## > FINAL EDIBLE, EXTRACT & TOPICAL REGULATIONS SET

The federal government announced amendments to the Cannabis Regulations setting out rules for the legalization of cannabis edibles, concentrates, beverages, and topicals on October 17, 2019. However, the government says Canadians will have to wait until December 2019 before any of these products can be sold.

Canadians are likely to see a limited selection of products gradually appear in-store and online no earlier than mid-December since licensed producers must notify Health Canada 60 days before any new product can be sold and they won't be able to submit any of the new products prior to October 17.

**Continue reading:** [www.cannabisretailer.ca/2019/final-edible-extract-topical-regulations-set/](http://www.cannabisretailer.ca/2019/final-edible-extract-topical-regulations-set/)



FEATURED RETAILER

# High North, A Family Affair

by Myles Shane

In the early weeks of October 2018 High North, the only cannabis retailer in Labrador City found itself in the middle of national breaking cannabis news coverage because their shop had run out of cannabis. How could a little store in the middle of Newfoundland generate such an extraordinary amount of press?

Rewind to the beginning of October 2018...At 4:20 pm on October 17th, Labrador's first cannabis store was unveiled to the public. High North is owned by Brenda and Trevor Tobin and their spouses Ed and Krissy. Trevor recalls, "We wanted to open at 4:20 to separate ourselves from other retailers, and because the number is significant among cannabis activists."As the clock ticked closer to 4:20, hundreds of patrons could be seen forming a line around the block. At that time, the owners revealed their logo and business sign, which was the colour of the Labrador flag around a stylized cannabis leaf lighting up the sign. Flashbulbs flickered non-stop and microphones were everywhere. Cannabis had put Labrador City on the map as hordes of media covered opening day. Whether High North planned on opening at 4:20 is irrelevant. The store couldn't have let in its initial wave of clientele any earlier since the company didn't obtain its preliminary delivery of legal cannabis until 1:30 pm that day. Once the masses were finally allowed through the door, customers bought everything on the shelves in under three hours.

The High North store is an 800 sq. ft. facility sparkling with fresh paint and bright colours. There is a 42-inch monitor on the wall with live stats of products in stock, the size of the container, the amount of THC in the product, and its price. The walls are lined with cannabis posters and accessories including a wide array of beautiful, glass bongs.

For several days after October 17th, High North was stocked with cannabis for a total of one hour. In the interim, the owners implemented a new daily practice of explaining their dilemma to hundreds of callers and turning away an equal number of potential consumers. Brenda recounts, "We'd say, 'Sorry, we're still out of product.'" She remembers customers were forced to leave without product and told the Tobins they'd find their cannabis on the black market if they had no other choice. A frustrated Trevor emphatically states, "At one point we went 10 straight days without any supply. The producers kept saying there would be some bumps in the road, but at the time it wasn't a bump, it was a gigantic pothole." Brenda admits, "I'm paying staff members to sit around with fingers crossed until we receive new stock. I can't keep operating the shop and losing money every day, and paying staff when there is no product to sell."

The store is successful when they have cannabis to sell, at which time they also have large sales of accessories. "30-40% of our sales are the accessories," explains Brenda.

Initially the Tobins expected to be making an 8% profit on cannabis sales but they've found that margin of profit to be unattainable. "With the HST and the Excise tax, we're only taking in 5-6% profit. No one's going to become rich selling cannabis."

The business has been dealing with financial difficulties from the minute they received the green light. The bank refused to allow them to open an account, even with legalization on the horizon. Trevor explains, "The minute we said we're selling cannabis, a red flag went up. The bank informed us that they couldn't give us an account and would freeze other accounts that we have." Eventually



the Newfoundland and Labrador Credit Union let the family open a business account. Even though funds were tight, the Tobins found a way to carry on. Brenda estimates they spent more than \$100,000 out of pocket.

In the interim, the Tobins declared they've pleaded with their supplier to speed up the delivery process by shipping to Labrador along a more direct path. Trevor says, "Orders that have been delivered to High North were first routed through Montreal and St. John's, NL—a city that is about 2,000 km away by car and ferry, bypassing Labrador City. The direct route from Toronto to Labrador City is a 1,800-km drive."

The Tobins are experienced retailers. Brenda says, "This isn't our first time in a retail business. My family goes back four generations. My parents had the first convenience store in Codroy Valley, NL back in the late 1950s." That expertise is helping them deal with their current challenges, but the situation is beginning to change. The Tobins hope they have worked the bugs out of the system. Brenda elaborates, "We've spoken to our producers and we should be receiving new orders every week. We are really looking forward to the future and believe we can make this work." ▀





# Bringing Premium and Sustainable Craft Cannabis to Stores this Fall

Freedom Cannabis, a purpose-driven, private, seed-to-sale company is leading the way in creating premium cannabis products in a sustainable and responsible way.

Based in Alberta, Freedom Cannabis was founded by Julie Girard Potestio, Troy Dezwart and John Frank Potestio in 2017 and received its cultivation and sales licence from Health Canada in April 2019.

The founders come from the hospitality, retail and real estate industries and were excited by the opportunities around medical and recreational cannabis. Dezwart says the name Freedom Cannabis “symbolizes the freedom for people and consumers rights to choose and to live their best lives. With the legalization of cannabis, people now have the option to use a product that has changed lives and treated illnesses for many years, without fear of repercussions.”

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## Premium Craft Cannabis

Driven by the mindset of purpose, plan, and people—described by Dezwart as the company’s ‘true north’—Freedom Cannabis is committed to their people and community, growing quality product utilizing innovative growing techniques, and providing optimism and opportunity for all.

Dezwart says, “When we were studying the competitive landscape in Canada and the rest of the world, we decided if we were going to get into the cannabis industry, we wanted to compete at the highest level and with the highest standards.” Freedom Cannabis assembled a team of experts, experienced professionals, and highly-skilled growers and is now producing products set to service the medicinal and adult use markets this fall.

The company’s initial construction of a 65,000 sq. ft. facility was completed in December 2018, giving them an annual potential growing capacity of over 3,000kg, with additional products from their extraction lab coming in late 2019. Freedom plans to complete phase two of construction in mid 2020, increasing the size of their facility to 126,000 sq. ft. with annual potential growing capacity increasing to over 15,000kg.



# We Believe in Freedom

## High Growing Standards

When deciding on its growing methods, Freedom Cannabis looked to the experiences of other growers. “We learned early on that some growers in larger facilities were having challenges with crop loss due to contamination, and quality” says Julie Potestio, so they looked at options to deal with that issue.

Freedom learned of a unique design strategy that other operators were using: smaller growing areas of 1,500 to 2,000 sq. ft.. “These growing areas served as ‘risk mitigation’ against any type of contamination or predator threats,” explains John Potestio. “If any threats made it past their defense mechanisms, producers could contain the threat, tear it down, and destroy the contaminated crops without losing their much larger facility. A smaller growing area also allows producers to create and control a very consistent environment for plants to thrive in.”

Freedom Cannabis adopted those innovative growing methods, using fully-isolated growing rooms, robust environmental controls and systems, automated water and nutrient delivery systems, and small batch cultivating techniques to produce higher yields and premium quality crops.

“We also believe there is an important relationship between the gardening team and the plants themselves,” adds Dezwart. “Growers must nurture the plants and give them the attention and care that is necessary to grow really high quality, premium products.” Smaller growing areas help facilitate this care. Freedom’s lead gardener Mario Giannini has over 20 years of experience and is committed to ongoing innovation and the art of gardening. He leads their team of passionate growers.

## Commitment to Sustainability

As part of their unique growing methods, Freedom Cannabis is committed to sustainable production. The company uses systems for water reclamation and this summer will install Canada’s largest rooftop solar strategy. Dezwart says this will offset the company’s power demands by up to 8-10%.

## Sales Channels

Freedom Cannabis will have three main sales channels: online retail presence for medicinal card holders, supply to retail storefronts, and a future export model.

Freedom has researched leading global genetics and carefully selected over 200 different high quality strains of cannabis cultivars and look to service the broad range of demand in the market. The company will start selling to retailers through Alberta Gaming, Liquor & Cannabis and select provinces this fall. In anticipation of ‘legalization 2.0’ in October 2019, Freedom Cannabis is also working on a variety of products derived from extracts including edibles.

ADVERTISING FEATURE







Mario Giannini, Lead Gardener and his team



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# Training Wheels

by Anne Henry

Courtesy of PEI Cannabis

## How Retailers Are Preparing Their Front-Line Staff

Every industry relies on the most up-to-date training practices for its frontline workers, to ensure profitability reaches its maximum potential. However, what if you are in a newly-legalized, emerging sector that is learning how to adapt to constant change? Such is the challenge for Canada's cannabis retail market that is not even a year old.

In an effort to understand how brick-and-mortar cannabis stores are implementing best practices for training budtenders, managers, and owners alike, *Cannabis Retailer* reached out to a number of businesses to share their ideas.

## Prairie Cannabis Encourages Learning

"I looked for cannabis knowledge [when hiring]. That was the biggest factor I was interested in," says Jim Southam, president & CEO of Prairie Cannabis in Prince Albert, SK. Southam added that when training his employees he focuses on their ability to

speak with people and how "friendly and relatable" they are. "I even encouraged my budtenders who are dealing with customers, to lean on fellow co-workers, as nobody knows everything in the cannabis industry. Don't be afraid to tell people 'I don't know that' and look it up on Google."

We're looking for those unique individuals who have a lot of engagement and enthusiasm for the cannabis industry.

Southam and his staff took the mandatory CannSell course required for retail operators in Saskatchewan, which he felt was adequate based on the early days of legalization that the country is in. He expects items will be added to the course as time goes on.

"It was a good starting place for employees to get an understanding of what to expect, and some good basic information about the laws and regulations that are in place today," he said.

## PEI Cannabis' Training Model

Meanwhile at the east end of the country on Prince Edward Island, PEI Cannabis has its own methods to ensure a trained and knowledgeable staff.

"Very early in the planning phase, we

knew the primary themes of our customer experience strategy were going to be verifiable product education, responsible consumption, and friendly service," said Zach Currie, Director, Cannabis Operations. "To achieve this, we first structured job ads to attract candidates with things like cannabis training credentials, experience in retail sales, experience working with controlled substances (e.g. beverage alcohol, pharmaceuticals, etc.), and knowledge of the

emerging legislative framework surrounding adult-use cannabis in Canada.”

Currie added that they did extensive testing as well before hiring any candidates. This testing included knowing “verifiable attributes” of the cannabis plant, methods of consumption, and potential unpleasant effects when someone has taken too much.

Moving forward with its staff, PEI Cannabis is taking the same detailed approach to adapt and prepare for the ongoing modifications that will exist in the cannabis sector. “While recognizing the regulatory changes that are anticipated to come into force in October 2019, we are currently preparing to provide new training modules on the new formats that will be available for sale (i.e. extracts, edibles, and topicals),” says Currie.

“To supplement our primary training efforts, we are also partnering with suppliers to provide short in-store employee training sessions. Topics covered include the unique attributes of their products, their cultivation/processing practices, and the general history of the supplier and their brands.”



Courtesy of PEI Cannabis

PEI Cannabis is also heavily focused on employee retention, in order to keep the well-oiled machine that they have built running. “We are continuously evaluating new ways to ensure we’re always recruiting the best people, and providing them with an engaging on-boarding experience. We

have also been very fortunate to have strong employee retention to-date, so our current focus is maintaining strong levels of employee engagement, product knowledge, and job satisfaction.”

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## Hobo Recreational Cannabis Promotes Self-Education

Hobo Recreational Cannabis has a store in Ottawa and three stores set to open in Vancouver in the near future. They have implemented standard practices for finding and training employees which they use for all planned locations.

“Candidates can come in all sorts of different varieties,” said Stuart Ryan, Director of Training and Development for Hobo. “We’re definitely not looking for one cookie-cutter image of someone to be a part of the Hobo team. We’re looking for those unique individuals who have a lot of engagement and enthusiasm for the cannabis industry.”

Similar to PEI Cannabis, Hobo reaches out to their suppliers to educate the staff on their products.

“One of the biggest things we’re doing is leaning on our licensed producer (LP) partners to have them come into the store and facilitate their own training about their brand-specific products. We’ve had multiple



Courtesy of Prairie Cannabis

LPs come in both on the East Coast and West Coast. Every single brand is so different that by having them come in and present to the staff, it gives them the ammunition and

credentials to be able to reiterate that and convey the message [to the customers].”

Ryan added that Hobo is developing a learning management system (LMS) program for its employees as well, in order to encourage as much study as possible for employees. He explains, “The staff can cater to their own education and really take ownership of what they’re learning.”

An added perk that comes along with a position at Hobo is the implementation of shared experiences outside the store. “We do culture trips with our staff,” said Ryan. “We take them around the city showing them things that we love about [it], and showing them a good time. It’s not all about coming to work and just working for 8 hours, sometimes it’s great to take a couple of hours and go and have a brewery tour to see how a local beer is made, or introduce ourselves to the neighbours, or give back to the community by doing an afternoon where we go out and, maybe, pick up garbage.”

As the Canadian cannabis industry continues to emerge both domestically and on the world stage, so too will training practices that reflect the growing needs of customers. Considering that Canada is the world’s first G7 country to legalize recreational cannabis, it’s a fair assumption that these practices will be adopted by other countries that choose to do the same. ▀

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# RESEARCH

by Danielle Leroux

## Managing Multiple Sclerosis with Cannabis: New Research in Canada and Beyond

Earlier this year, the Multiple Sclerosis Society of Canada joined the Canadian Institute of Health Research to provide \$1.5 million in funding for research into how cannabis can be used to manage multiple sclerosis (MS) symptoms.

Evidence-based cannabis health research in MS is limited at best in Canada—given the plant’s previously illegal status—and across the world. Much remains unknown about the health and safety effects of using cannabis to treat MS and other diseases. New funding could help accelerate research, validate the potential therapeutic benefits of cannabis, and better understand its risks and harms.

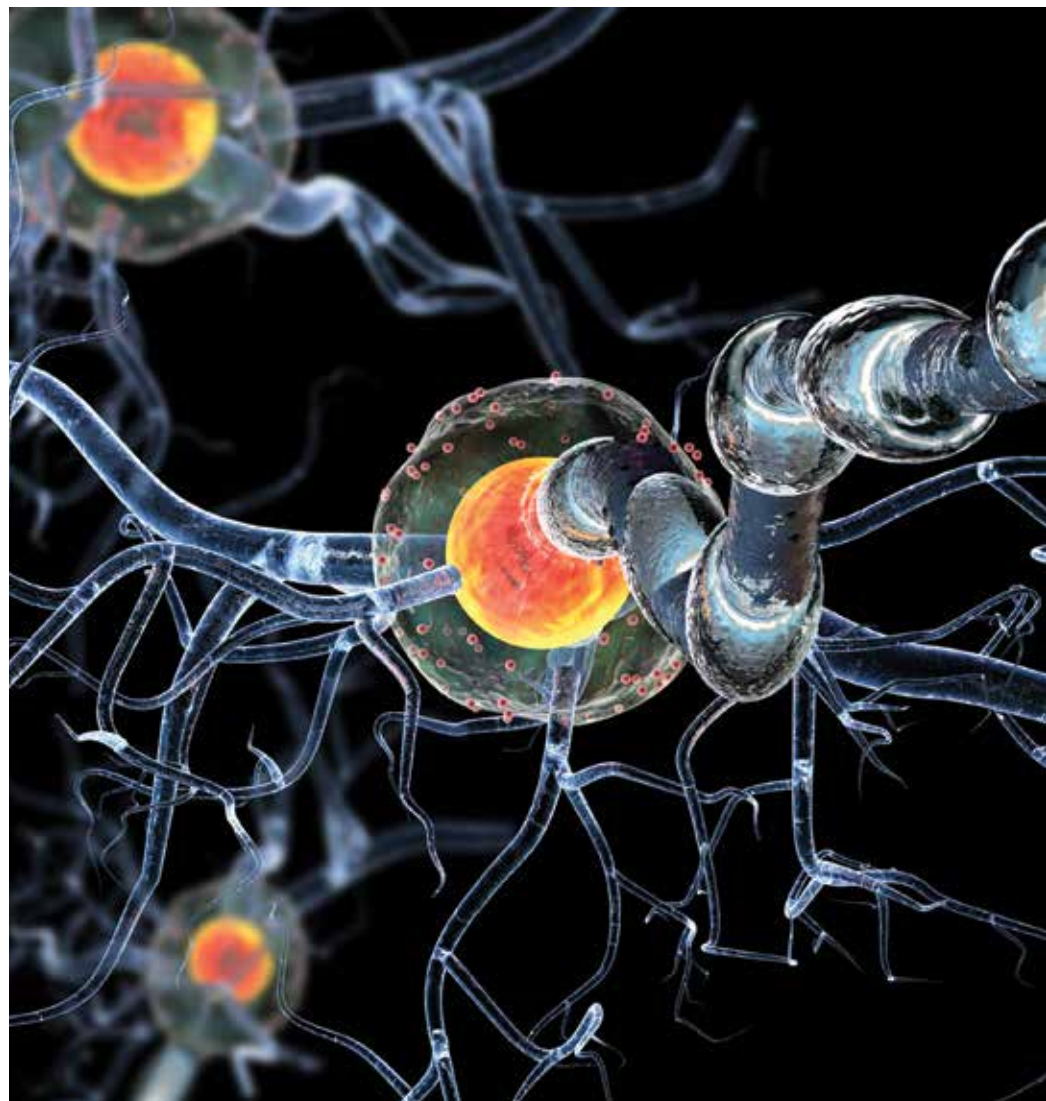
### What is Multiple Sclerosis?

Defined as “a chronic, often disabling disease of the central nervous system comprising the brain, spinal cord and optic nerve” by the MS Society of Canada, MS typically appears between the ages of 20 and 40 and affects approximately twice as many women as men. Canada has one of the highest rates of the disease in the world, with 11 Canadians diagnosed with MS every day, according to the society.

Symptoms develop as the disease progresses and commonly include pain, spasms, muscle spasticity, limb tremor, fatigue, depression, disrupted cognitive function, and bladder incontinence. “MS most frequently presents at onset as a relapsing and remitting disorder, where symptoms come and go,” says the National Multiple Sclerosis Society.

### Using Cannabis to Treat Multiple Sclerosis

Current treatment is focused on managing



common MS symptoms and slowing disease progression. It often comes with negative side effects, from dizziness and drowsiness to abdominal cramps, gastrointestinal changes, elevated heartbeat, changes in sex drive, and more.

This leads many people to seek alternative therapies—like cannabis. “Cannabinoids, the active ingredients in cannabis, have demonstrated the ability to control aspects of MS disease progression [...] and can help manage such symptoms as pain, spasms, spasticity, and incontinence,” says the Americans for Safe Access. Cannabis has also been shown to have ‘neuroprotective effects’ during immune attacks on the central nervous system, common in people with MS.

Using cannabis to manage MS symptoms remains controversial, but a growing number of people in Canada and around the world are using it to treat the disease. A 2017 study (Cofield, S.S. et al.) of participants in the North American Research Committee on Multiple Sclerosis Registry found that over 90% of respondents had considered using cannabis to manage their MS, have used it for MS, or have spoken to their healthcare provider about its use.

Prior to that, a 2005 survey of MS patients in the United Kingdom found that 43% of respondents used cannabis therapeutically. Among them, 75% said that cannabis mitigated their spasms, and over 50% said it alleviated their pain.

It should also be noted that while non-medical cannabis is now legal in Canada (medical cannabis has been legal since 2001) the use of cannabis to treat disease is still highly regulated or prohibited in other countries.

For instance, in November 2018, the United Kingdom government legalized cannabis for medical use, but put strict criteria in place for who could access it. Updated rules are expected by October 2019. Comparatively, in 2015, Croatia legalized medical cannabis use, ruling that medicine containing THC can be prescribed to treat health problems associated with cancer, multiple sclerosis, epilepsy, and AIDS.

## Common Cannabis Treatments

The most common types of cannabis product used to manage MS symptoms are:

1. Oral cannabis extract and synthetic THC (Dronabinol and Nabilone): used to reduce spasticity, muscle stiffness and pain, and improve sleep quality.
2. Oral dronabinol: a synthetic cannabis derivative reportedly used to help slow the progression of MS and protect the nervous system.
3. Sativex® oral spray: contains Tetrana-binex® and Nabidiolex® cannabis extracts and is used to treat spasticity. It has also been reported by the American Academy of Neurology to improve pain and urinary frequency.

As far as other forms of cannabis, according to the American Academy of Neurology, “smoked cannabis research studies have not [yet] proved enough evidence to assess its safety or effectiveness for treating MS symptoms [...]” Research is expected to emerge in the coming years.

## Adverse Effects of Cannabis

While using cannabis may not cause the same or as severe side effects as other MS treatments, “people with MS should be aware of potential adverse effects of cannabis products, including new or worsening cognitive symptoms, psychosis, tolerance and dependence, as well as drug-drug interactions,” researchers Michelle Cameron and Jessica Rice say. Other side effects may include dizziness, drowsiness, nausea, vomiting, dry mouth and eyes, increased appetite, elevated heart rate, and potential risk to the lungs if cannabis is smoked. The long-term safety of using cannabis to manage symptoms also remains unknown.

And while high-quality research on the topic is steadily growing—as it becomes easier to access legal cannabis and financial investment—there is still a need for standardization in methodology, consistent product availability, and sufficient quality control testing.

*Leafly* adds, “A significant amount of evidence suggests THC and CBD-based medications can be used for treating muscle spasticity associated with multiple sclerosis, but most studies have focused on synthetic derivatives. Few have examined whole-plant cannabis or many of the other MS associated symptoms.”

The MS Society of Canada agrees that more research is needed and many questions remain unanswered, like: Which symptoms are best treated with cannabis?; Which type of cannabinoid is best?; and How does dosage and method of consumption impact the efficacy of cannabis? Developing treatments is a top priority for the society.

## Access to Medical Cannabis in Canada

Beyond developing treatments and expanding research, the MS Society of Canada remains concerned with Canadian’s access to affordable medical cannabis. The society supports the Canadians for Fair Access to Medical Marijuana initiative, which advocates that medical cannabis should be zero-rated and exempt from excise and sales taxes, in all its forms and potencies.

As research continues to emerge in Canada and beyond, MS patients are encouraged to talk with their healthcare team to discuss options in managing their MS symptoms, including the risks and benefits of using cannabis. ▴



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# Final Edible, Extract & Topical Regulations Set

by Danielle Leroux

The Federal government announced amendments to the Cannabis Regulations setting out rules for the legalization of cannabis edibles, concentrates, beverages, and topicals on October 17, 2019. However,

government says Canadians will have to wait until December 2019 before any of these products can be sold.

Canadians are likely to see a limited selection of products gradually appear in-store and

online no earlier than mid-December since licensed producers must notify Health Canada 60 days before any new product can be sold and they won't be able to submit any of the new products prior to October 17.

## Overview of Amended Cannabis Regulations

**Edibles:** There will be a limit of 10mg THC per package of edible cannabis. Food and cannabis production cannot take place in the same facility. No nicotine or alcohol can be added to cannabis edibles and a limit is being placed on caffeine.

**Extracts:** Certain ingredients that could "appeal to young persons" or "increase the appeal" of extracts such as sweeteners, colourants, caffeine, and alcohol are prohibited. There will be a limit of 10mg THC per capsule with the total amount in a package of cannabis extract capped at 1,000mg.

**Topicals:** There will be a limit of 1,000mg of THC in each package and producers are prohibited from making any claims about the health or cosmetic benefits on the topical label. Topicals can only be used on skin, hair, and nails.

For more information, visit the Health Canada website. ▲

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# Connoisseur and New User Spending Profiles

by Joyce Hayne

43% of the \$16 million spent by Canadians on cannabis in March 2019 was by millennials and 58% of those consumers think of themselves as connoisseurs. 58% of cannabis connoisseurs are purchasing high THC products with a potency of over 20% THC according to survey results from Lift & Co.

At their recent Cannabis Business Conference, consumer profiles were developed for a typical new user and a connoisseur.

## Sample Consumer Profiles

### Connoisseur

- 24 years old
- Male
- Self-identifies as a “connoisseur”
- Prefers high THC product
- Lives in BC
- Spends avg of \$55 per purchase
- Spends avg of \$24 per item
- 97% of basket is flower
- 3% of basket is oil
- Consumes primarily for relaxation and socialization

### New User

- 50 years old
- Female
- Self-identifies as “new consumer”
- Prefers balanced and low THC products
- Lives in Alberta
- Spends avg of \$107 per purchase
- Spends avg of \$23 per item
- 89% of basket is flower
- 11% of basket is oil
- Consumes for relaxation and socialization but also consumes for daily activities like cooking and cleaning

## Demographic Patterns

Young buyers make an average purchase of \$55, but spend more on individual items than other age groups showing that they are looking for quality, whereas consumers over 55 spend an average of \$157 per purchase and prefer non-inhalable products. That makes baby boomers an attractive market to target.

Women spend more on products over \$50, so if you’re targeting that demographic, ensure you have a good inventory of higher-priced products.

## New Users

New cannabis users are responding well to the ‘Start low, go slow’ mantra and are spending considerably more money on balanced and lower THC products. This new consumer prefers flower, enjoying the more traditional method of using cannabis.

## Staffing your Cannabis Business: What to Consider?

The recent legalization of non-medical cannabis in Canada has led to a sudden increase in cannabis related businesses. These businesses must deal with complicated employment issues and workplace regulations that are rapidly changing and often unclear. This new frontier poses a unique challenge for cannabis industry employers wishing to hire staff and enact occupational health and safety best practices in their organizations.

The following are some issues for employers to consider.

### **Q: What should employers be considering when hiring new employees?**

**A:** Cannabis industry employers must ensure compliance with employment laws and standards, but also cannabis licensing and permit requirements. This means that new employees should be carefully vetted to minimize the risk that licences are delayed or denied, and to avoid other future costs and liabilities.

As a starting point, most provinces require that retail stores only employ employees who have passed some form of background check, such as BC's "Worker Security Verification" for non-medical cannabis retail store employees.

The background checks required for each employee will vary depending on factors like their level of importance in the company, or the sensitivity of their position. In general, cannabis industry employers should consider conducting a wide range of investigations for potential employees that may include:

- criminal background checks;
- credit checks or consumer reports;
- contacting references and previous employers;
- court record reviews; and
- (ironically) drug testing.

For particularly sensitive or high risk positions, such as a managing budtender who oversees customer samples and inventory, an employer might even consider a full "character check", which includes interviews with various friends, family members, former employers and business partners, and other individuals familiar with the employee.

### **Q: What training should employers be requiring for budtenders, dispensary employees, and other industry professionals?**

**A:** As in other industries, cannabis industry employers are responsible for ensuring that all employees have sufficient training to perform their job safely and effectively. At a bare minimum, employers must ensure that employees have up-to-date training in all applicable occupational health and safety requirements.

Occupational health and safety rules vary from province to province, but all include general workplace safety requirements, such as BC's WorkSafe BC guidelines, as well as rules for specific jobs, like Ministry of Transportation requirements for commercial drivers.

Some positions require specific training, according to government regulations or policies. In federally licensed cannabis facilities, certain key personnel like master growers and heads of laboratories require "sufficient knowledge" of the applicable regulations, and the necessary training to fulfill their responsibilities at the facility. Many licensing applications will require disclosure of key personnel's qualifications, and any training they have received or will receive.

In retail dispensaries, training requirements vary from province to province. Some provinces, like BC, have indicated that government training programs will be required in the near future, so employers should ensure they are regularly checking for updated training requirements. At a minimum, retail employers should be regularly reviewing government and trade association resources to confirm that they are providing employees with training on licensing and regulatory requirements, such as:

- age verification and acceptable identification;
- monitoring visitors and maintaining security; and
- detecting and dealing with intoxicated customers.

### **Q: How should employers deal with cannabis in the workplace?**

**A:** Employers are responsible for maintaining a safe and functioning workplace and should clearly set out workplace rights, obligations and standards in formal documentation, such as in employment contracts, written human resource policies, training manuals, and similar documents.

Employers should consider the implementation of an impairment policy that takes a "fitness-to-work" approach, providing specific guidelines for employees to meet workplace safety obligations. This would require an assessment of the tasks being carried out in the workplace, and identification of the specific hazards that could arise from performing those tasks while impaired, as well as installing the appropriate controls to eliminate or minimize those risks.

Impairment policies are quite common in most workplaces, and should be developed in consultation with worker representatives, and depending on the size of your workplace, input from an occupational health professional may also be beneficial. In addition, employers should consider how policies can satisfactorily accommodate disability-related impairment under application human rights law (i.e., provincial human rights codes, which require that some employees have access to medical substances that might affect their performance).

For licensing purposes, cannabis industry employers must be particularly vigilant to restrict prohibited drugs and substances in the workplace. In particular, if employers allow employees to use medical cannabis at the workplace, the employers must carefully document their policies regarding cannabis use. Unintentional breach of somewhat technical rules (such as allowing employees to smoke too close to doors or windows) can jeopardize an employer's licensing status or risk fines and penalties.

*Liam Oster and Henry Ka are lawyers at Watson Goepel LLP, a full service law firm based in Vancouver, practicing in the firm's Cannabis Law practice group.*



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# Cannabis Tourism

*by John Hewson and Arnold Warkentin*

Where and when will cannabis consumption be allowed? What's next for the tourism and hospitality industry in welcoming cannabis consumers? How can cannabis retail stores work with the community to develop tourism opportunities? These are just a few of the

questions to ask as Canada undergoes this paradigm shift following prohibition.

While the roots and culture of cannabis in Canada run deep, the

# CANNABIS

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**Cannabis-infused Beverages** – There's a host of new products ready to sell that are infused with THC and CBD.

**Edibles** – From energy bars to brownies, there's a wide range of edibles to add to your product mix.

**Consumption Trends** – After a year of legalization, how has cannabis consumption changed across Canada?

**Educating Customers** – How can employees explain the differences in high-quality cannabis and the production methods used to create it?

newly legalized world is uncharted territory. Through collaboration, we get to be the leaders in forging responsible cannabis tourism, benefiting all Canadians by delivering job creation and economic growth.

## Create Connections

Local retailers can work together to support the creation of tourism activities in their communities. Cannabis stores have an incredible opportunity to work with local tour companies and guides who are passionate educators seeking local content and experiences to share with guests. It is time for us to team up in welcoming cannabis consumers.

Consider hosting local events. Find educators with the skills to teach, and invite them into your workplace. Let tour operators know about the events that you are planning and see if they want to include these in their itineraries. The more we can educate the public, the easier it will be to break the stigma associated with cannabis.

As a local business, it can be challenging but also rewarding to develop tourism opportunities around you. Go out to cannabis-related events and talk to people. Put up postings online, seek out entrepreneurs with cannabis tourism ideas and join the National Association of Cannabis Tourism (NACT).

## Tour Guides are Your Friends

Toronto, Vancouver, and Victoria currently have cannabis education tours available. For example, in Vancouver, The Movement Tours and High Definition Tours both offer educational experiences that focus on the history of cannabis culture and the current regulations, enabling guests to make informed choices about the current market.


How can these local tours help share your story and your brand? As guides, they like to point out local, legal retailers to inform our visitors.

## Look for Partners in Hospitality

Canada has few, if any, legal consumption lounges. One success story from the East Coast is possibly Canada's first cannabis tourism

destination. *The Cannabis Control Act* of Prince Edward Island permits licensed accommodation owners to designate an outdoor cannabis consumption area for their guests.

a cannabis resort, yet is proud to accommodate guests who choose to consume their own cannabis.



The **Cannabis Control Act** of Prince Edward Island permits licensed accommodation owners to designate an outdoor cannabis consumption area for their guests.

Gocanna CEO and NACT founding member, Shaman Ferraro worked closely with Green Island Getaways (a Gocanna Approved Member) to satisfy guests' needs offering accommodations and alcohol licensed service areas, separate from the cannabis consumption areas, on private property. Cannabis consumption is allowed at the owner's discretion. Best known as a rustic wedding event space and vacation retreat, this unique property does not consider itself

Private property owners with B&B or a small resort might consider similar best practices and guest satisfaction strategies. As retailers, you'll want to know who they are to connect with them.

Toronto will see the long-standing Hot Box Café in Kensington Market (tagline: "Serving potheads since ah...we forgot") re-open their cannabis consumption POTio this summer, along with a mobile version of the Café at



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*Courtesy of Gocanna*

the Craft Beer Festival at Ontario Place, June 21 to 23. Abi Roach, caring trailblazer, once again, leads the way for sensible solutions, working with local lawmakers, providing a safe place with safe consumption methods off the streets and away from parks.

The Hot Box Café POTio requires patrons to bring their own cannabis. They removed the food and drink services offered by the lounge before legalization, and proposed a delivery service from a nearby business. They continue to fight for changes to the *Smoke-free Ontario Act*.

### Who will be Next?

Who will be next to embrace legal or licensed cannabis lounges? Only time will tell which

of our brave provinces and municipalities will lead the way. As consumption lounges open across Canada, retailers should reach out to connect with them.

Currently, cannabis smoking is generally permitted where cigarette smoking is allowed. In Alberta, some hotels have smoking rooms, yet to date, the Alberta Hotel Association is not aware of any properties allowing cannabis. For places to allow non-combustible forms of consumption like edibles and beverages, provinces and municipalities will need to be involved.

Now is the time for the next wave of innovation. We must work together with hospitality professionals and local lawmakers to develop solutions that exceed guest expectations.

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Courtesy of Hotbox Cafe



Courtesy of Hotbox Cafe

### Work with a Festival

Festivals are a great vehicle to welcome cannabis consumers, so look for festivals in your community and find ways to work with them. Canada will see its first legal cannabis and music festival take place north of Toronto from August 23-25. The Journey Cannabis & Music Festival will be held in the majestic Boyd Conservation Park in Vaughan, a 990-acre conservation park. A speaker series entitled We-ed Talks is designed to disrupt the stigma of cannabis, provoke thought, and educate attendees. Guests cannot buy cannabis at Journey, and the festival is strictly BYOC—Bring Your Own Cannabis.

### Educate Tourists

Remember to remind tourists visiting your store and purchasing products that cannabis must not be accessible in cars to drivers or passengers, and that driving while impaired is illegal. Adults should be advised against mixing cannabis and alcohol. Lastly, flying with cannabis is allowed on domestic flights within Canada, but not on international flights, or while crossing any international borders. Consider offering a responsible consumption guide, which includes legal consumption rules in your community.

### Connect with NACT

NACT is a Canadian non-profit industry association advocating for responsible, safe, and accessible tourism that involves cannabis. It encourages cannabis education and experiences, along with celebrating the culture and history of our cannabis community across Canada.

NACT Canada is interested in hearing from you if you are a cannabis-friendly establishment. We are also interested in hearing from you to learn about what you see as the future of cannabis tourism. We will showcase tourism experiences that enhance our fantastic reputation for warm and friendly hospitality here in Canada.

Consider joining NACT to connect with Gocanna, High Definition Tours, The Movement Tours, and the growing network of cannabis tourism industry professionals. Together we get to create the future of hospitality, tourism, service, and innovation. Our collective job is to find a way to deliver welcoming, safe, and memorable experiences.

As retailers, you hear from Canadian’s travelling within Canada and our overseas visitors. Why not start a conversation with them, asking what services or activities they want? What is your role in this future? It is ours to create. We look forward to working with you! ▀

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## Sir Sam's: Ontario's First Cannabis-Friendly Hotel

Ontario vacationers can now enjoy consuming cannabis at Sir Sam's Inn & Spa in the scenic Haliburton Highlands. This luxury adult-only resort is the first Ontario hotel to officially be cannabis friendly, allowing guests to unwind and outdoor activities while enjoying cannabis.

The property allows smoking on guestroom balconies and the outdoor property is

cannabis friendly according to the Hotels Cannabis site.

The Ontario Restaurant Hotel & Motel Association states that only registered guests of the hotel and their invited guests can smoke recreational cannabis, as long as it's done within a designated smoking room. ▀

# CANNABIS



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## FEDS BLOWING SMOKE ABOUT CANNABIS SUPPLY

Ontario's first legal cannabis shops are finally here. One challenge they'll face is Canada's nationwide product shortage. That's despite repeated federal government assurances of ample supplies. [Read more...](#)

## WHAT CANNABIS SALES WILL LOOK LIKE IN 2025

Significant growth, uncertainty for licensed producers, and a 30% increase in average annual cannabis spend are all in store for Canada's cannabis industry. [Read more...](#)



## MEDICAL CANNABIS WILL LOOK LIKE RECREATIONAL CANNABIS

Changing federal government regulations are forcing licensed producers to roll out new packaging for medical cannabis products by April 17. [Read more...](#)

## DONNELLY GROUP OPENING CANNABIS STORES

Vancouver's Donnelly Group announced they will be launching a chain of cannabis retail stores under the name 'Hobo Recreational Cannabis Store'. The nine stores are set to open in Ontario and BC, beginning April 2019. [Read more...](#)





## Quebec loses \$4.9 Million on Sales of \$71 Million

by Joyce Hayne



Despite selling 9.9 tonnes of cannabis since October 17, the Société Québécoise du Cannabis (SQDC) lost money saying it was due to ongoing supply challenges along with high build-out costs.

The majority of sales went through their government-run 12-store network, which sold \$57.6 million or 8 tonnes of products. The average sale was \$51.07 (including taxes) and they completed approximately 1.3 million transactions. Sales on the SQDC's site were \$13.7 million, corresponding to 1.9 tonnes of cannabis. Around 257,000 transactions were completed, with an average shopping cart of \$61.06 (including taxes).

According to Statistics Canada data, Quebec led the country in sales, in both dollars and volume, for the first few months of legalization.

### Slow Start to Sales

Soon after launching its store network, the SQDC decided to cut the stores' opening hours to four days a week in response to supply challenges faced across Canada. As of March 31st, all stores were open five days a week, and they are now open all seven days.

### On the Way to Profitability

The SQDC reported that expenses included non-recurring start-up costs around \$4.9 million, so excluding those costs the company would have broken even. In addition, government revenues from the company in the form of consumption and excise taxes totalled about \$29.7 million.

Based on budget forecasts and producers' supply cycles, the SQDC expects to become profitable in the coming fiscal year. The Quebec government's 2019-2020 budget lists the SQDC's expected net earnings as \$20 million. Taxes would be on top of that amount.

All profits made by SQDC will be reinvested in prevention and cannabis research. ▲



## World's First Responsible Cannabis Framework Released

by Danielle Leroux

The Global Cannabis Partnership (GCP) released the world's first responsible cannabis framework at the annual World Cannabis Congress in New Brunswick this week.

The GCP says the new certification standards "will encourage and validate actions by members of the global cannabis industry to advance environmental stewardship, social responsibility and good governance." The group's 45-member organizations, including Cannabis New Brunswick, Canopy Growth, and Aphria, have all agreed to adhere to the framework.

The Responsible Cannabis Framework goes beyond basic compliance and regulations, and expects members to evaluate, develop, implement, measure, and disclose their environmental, social, and governance initiatives.

### Minimum requirements of the framework include:

- **Environmental Elements:** measure and minimize greenhouse gas emissions, water management, packaging materials, and waste reduction strategies to reduce consumption and environmental impact, and agricultural practices to reduce human and environmental health impacts
- **Social Elements:** responsible use, community engagement and investment, product safety and quality assurance protocols, support and disseminated peer-reviewed scientific research, and social justice
- **Governance Elements:** adhere to ethical guidelines, compliance with laws and regulations, and diversity and inclusion

GCP members have up to a year to complete work necessary to apply for one of four certification categories. Read more about the framework here.

Social responsibility and the environmental impact of the cannabis industry are ongoing concerns in Canada and other jurisdictions. Many retailers have made social responsibility and customer education the core of their business. Provinces are also exploring ways to manage the 'costs' of social responsibility – like Manitoba imposing a social responsibility tax. ▲

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