

CANNABIS

RETAILER

Business Magazine for Canadian Retailers

UNITING THE
UNIQUELY TALENTED

Developing & Sustaining
a Culture that Engages

Employees
PAGE 6



Create an Engaging Shopping Experience

Capture Customers' Attention
& Build Loyalty PAGE 10

Quality Assurance

How LPs Ensure your Customers
Get the Best Product PAGE 26

Selecting the Right Software

Set your Store up for Growth
PAGE 32

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6

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10



26

Quality Assurance

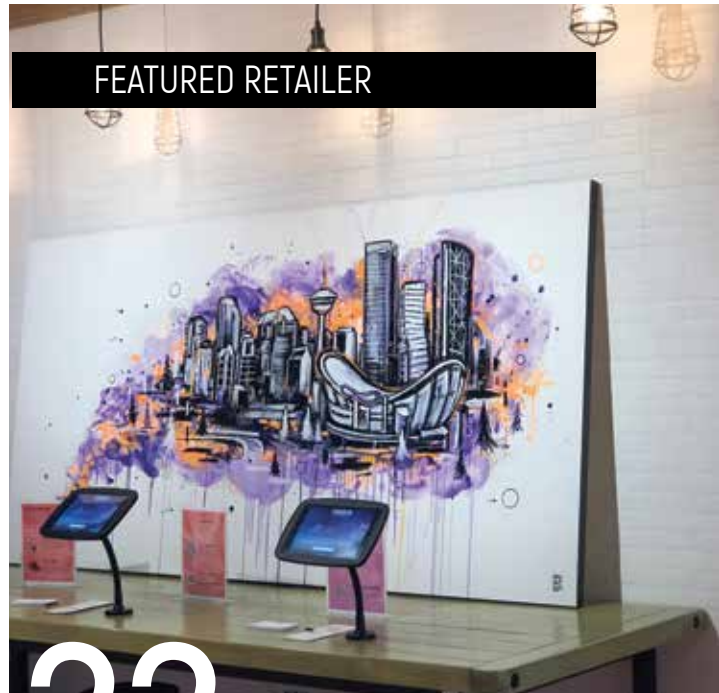
How LPs Ensure your Customers Get the Best Product

Selecting the Right Software

Set your Store up for Growth

32

DATA MANAGEMENT PLATFORM



FEATURED RETAILER

22

Four20 Premium Market

REGULARS

- 4 Editor's Notes
- 8 Trends: Derivatives Expected to Dominate the Market
- 16 Research: The Secret for Producing Standardized Medical Cannabis
- 24 Legal Corner: Cannabis Edibles
- 36 Innovations

EXTRAS

- 14 Start Your Edibles Strategy Now
- 18 Tips for Selling Cannabis Accessories
- 38 Consumer-Packaged Cannabis

EDITOR'S NOTES

by Joyce Hayne

Cannabis Retailer is published quarterly by:



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www.emcmarketing.com

Publisher & Editor - Joyce Hayne
Design & Layout - Krysta Furioso

PUBLICATIONS MAIL AGREEMENT NO. PM40026059
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email: info@emcmarketing.com

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 Cannabis Retailer Canada

One thing you can say about the cannabis industry is that it's not boring. With product recalls from numerous licensed producers to company takeovers and new strains and product lines being introduced, there's always something interesting to report on. Keep up-to-date with what's going on in our industry at www.CannabisRetailer.ca.

The rollout of stores across Canada continues at a slower pace than most people originally expected, but with the ongoing supply shortage that's good news for the stores that are open. It's expected that the demand and supply should level out in the next 12-18 months, so we'll all look forward to that time when we can meet and even exceed customers' expectations. In the meantime, you can read tips on creating an engaging shopping experience to build customer loyalty in this issue.

Quality is an ongoing concern as recalls due to mould continue to plague the industry. Producers are working hard to address this issue. Read our article on quality assurance to see how some growers are taking careful measures to ensure the highest quality standards through drying and curing to packaging.

As you're setting up your store, selecting the right software is an important consideration, so check out the types of technology you should be investing in for future success and growth.

Developing and sustaining a strong corporate culture to attract and retain staff is another challenge faced by the industry and we examine how Fire & Flower is engaging employees.

We'll be featuring a licensed store in each issue of *Cannabis Retailer*, so if you would like to see your store featured, send an email to joyce@emcmarketing.com with the reasons that your store should be showcased.

Happy Spring!

Subscribe to *Canadian Cannabis News*, a bi-weekly newsletter to stay current on our industry.

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CANNABIS

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Summer 2019

Deadline May 10

Published July 2

Benchmarking your Performance – Review key performance indicators to evaluate how well your store is operating.

Cannabis Tourism – How can you work with your community to develop a tourism destination focused on cannabis?

Craft Growers - How can craft growers differentiate their products in what will become a crowded market?

Training Staff – Create a comprehensive training system from onboarding to updating product knowledge.



>TRENDS IN CANNABIS RETAILING

Marketing professionals in the cannabis industry are finding creative ways to attract customers and remove the stigma associated with previous pot shops.

Cannabis Retailer interviewed some industry experts who participated in a panel at Dx3, Canada's largest retail, marketing and tech conference.

Ray Gracewood, Chief Commercial Officer, Organigram says, "Retailers are starting to formalize marketing programs and merchandising opportunities for producers to invest in the retail environment. Due to the nature of the environment being strictly legal age, retailers are starting to understand how important their environment is within the marketing mix."

Continue reading: www.cannabisretailer.ca/2019/trends-in-cannabis-retailing



>A PATCHWORK OF MUNICIPAL LICENSING

As a nation, Canada faced an added level of complexity as lawmakers took action to move our country from cannabis prohibition to a legal framework for recreational sales. Rather than having to create one set of rules to govern the retail sale of non-medical cannabis, we have had to create rules at the federal, provincial, and municipal levels. Through the process, each level of government has sought to maximize its opportunity to benefit from potential revenue while at the same time minimizing its exposure to political risk.

Continue reading: www.cannabisretailer.ca/2019/patchwork-of-municipal-licensing



>PARDONS FOR CANNABIS POSSESSION

The federal government announced its plan to grant fast, free pardons for cannabis possession convictions. Outlined in Bill C-93, this would amend the Criminal Records Act (CRA) and allow Canadians who have been previously convicted only of simple cannabis possession to apply for a pardon (also known as a record suspension) with no application fee or wait period, once their sentence has been served.

Under the current law, a person must wait 5-10 years in order to seek a pardon and pay a fee of \$631.

Continue reading: www.cannabisretailer.ca/2019/pardons-for-cannabis-possession



>HOW CANADIANS ARE BUYING CANNABIS

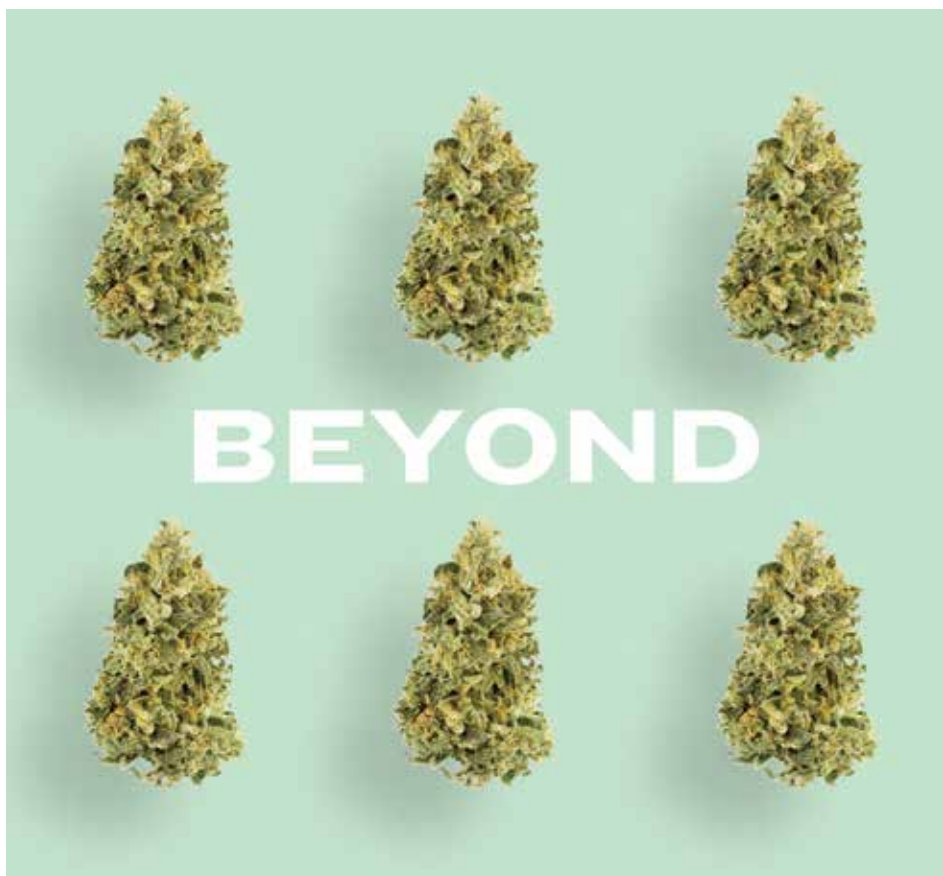
There was much speculation throughout 2018 about Canada's soon-to-be-legal cannabis market. But only recently has data become available that shows what cannabis consumers really want and actually buy.

For example, Statistics Canada recently released its National Cannabis Survey. The most-discussed finding is that cannabis use did not jump after legalization in October. The proportion of Canadians using it stayed around 15%.

The survey also asked consumers their top three reasons for choosing cannabis suppliers. Concern about product quality and safety was the top-ranked reason.

That priority should help licensed producers compete against black markets. Their products undergo extensive chemical testing that underground growers avoid. But excessive recalls for labelling or contamination problems could erode that edge.

Continue reading: www.cannabisretailer.ca/2019/how-canadians-are-buying-cannabis





Uniting the Uniquely Talented

by Jesse Cheetham, photos courtesy of Fire & Flower

How Fire & Flower is Developing and Sustaining a Culture that Engages Employees

When it comes to the retail cannabis industry, there is a unique recipe made of 1-part start-up company, 2-parts agility, and a dash of shared purpose for what we do. The purpose stems from a once-in-a-lifetime opportunity to open a post-prohibition industry responsibly for generations of Canadians to come.

Curating a culture with this galvanized passion gave Fire & Flower the opportunity to start something incredibly special as an organization.

The Fire & Flower ethos began with the foresight of CEO Trevor Fencott bringing two HR leaders into the mix early on; rare in any start-up.


Challenge What you Know

Having two HR professionals in the formational moment, allowed us to

collaborate and be intentional with Fire & Flower's ethos in mind. In the early days, Director, Training & Development, Megan Scheie and I would tackle key elements with the mindset "challenge what you know; just because you've done it this way before doesn't mean it has to be done this way." This "get uncomfortable" mindset requires being a student of yourself along with leaving ego at the door, which continues to guide the ethos of Fire & Flower today.

trust into our policy by using positive language and examples, removing the, "thou shall not", which permeates most company policy.

A company culture is a living organism, it requires continuous attention and the occasional nudge to evolve in a positive direction. One nudge in evolving the culture was hiring for value fit, not just for what is on the resume. Although we can't give away our secret sauce on hiring, deviating from traditional hiring practices brought in



One nudge in evolving the culture was hiring for value fit, not just for what is on the resume.

Values

Fire & Flower's North Star is our values of Wisdom, Inclusion, and Respect. A key component of this ethos is our policies that set the river banks and require using good judgement. We were intentional on building

a kaleidoscopic group of uniquely talented people. Team members hired with this "values over technical" approach are galvanized beyond anything I've seen in my career, with a shared sense of purpose and values.



Creating a Safe Place

Another nudge to evolve Fire & Flower has been creating a safe place for team members to be perfectly imperfect, make mistakes, and be vulnerable. With a lens of “trust first” and then being brave enough to have difficult discussions when trust is broken, we foster this safe space.

Evolving the Culture

The current step for Fire & Flower is evolving the culture as we grow into a larger organization. I liken this stage to Fire & Flower’s awkward teenage years, moving from start-up to established team. Part of this is adapting our collective mindset from one of running a sprint and putting out fires, to being meticulously focused with a plan as we run a fast-paced marathon. To achieve this, we are evolving our processes and with each iteration becoming a better version of ourselves. We enjoy F’s at Fire & Flower; however, final isn’t one of these.

As the organization matures, engagement hinges on the same North Star values and ideals, while people also seek new things to remain engaged. Clarity around everyone’s role is a key component of the maturing process. In the early days clarity isn’t possible, as success is founded in everyone lending a hand, wearing many hats, and being nimble. Innovative approaches to goal setting, career development, performance management, collaboration, and recognition all become part of the engagement strategy, which HR has to develop and champion through the maturing process.

Two critical elements nudge a culture continually in a united direction:

- 1) Trust that being uncomfortable is where the best growth occurs
- 2) Stay intuitive and think of your North Star in all decisions

Fire & Flower has found success being nimble as we have trust, we learn together, and

grow together. It gets harder to be nimble as you grow, but Fire & Flower plans to keep getting uncomfortable to ensure we walk the walk of our ethos together towards our North Star. ▀

Jesse Cheetham is Vice President, Human Resources at Fire & Flower.



TRENDS

Derivatives Expected to Dominate the Market

by Jon Hiltz

The Canadian Imperial Bank of Commerce (CIBC) released a report in January that highlighted the eye-opening growth and expectations of the domestic and international cannabis industry. The study featured some key trends that are undoubtedly of interest to those with skin in the game as well as those looking to get involved in the industry.

One of the most expected predictions by cannabis industry insiders that came out



of this report is that derivative products will ultimately be a dominant trend for Canadians.

Consumers in the Great White North are currently only permitted to purchase flower, pre-rolls and cannabis oil. The report highlights a significant shift in advanced cannabis markets such as

Colorado, where there was a clear movement away from flower towards concentrates and related products that include vape pens and extracts like shatter and wax. Strangely, edibles in these regions have seemingly remained stagnant the past few years.

In 2014, flower sales in Colorado were



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MJB Lawyers has been watching the evolution of cannabis rules carefully, as mandated by the Federal, Provincial, and Local Governments.

Dennis Coates, who has specialized in liquor licensing and enforcement matters for the past 25 years, will continue to apply this expertise as it relates to cannabis marketing and retailing in B.C.

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between 60-70%. Compare that to 2017, when flower sales decreased to between 50-60%. For concentrates, 2014 sales in Colorado were hovering at slightly above 10% and then in 2017 that number greatly increased to between 20-30%.

The report also features a diagram of the nationwide statistics for cannabis product sales in the US, which shows that flower makes up 49% of the total market. For derivatives, vape cartridges account for 21% of total sales, extracts are at 8% as are pre-rolled joints and edibles, and tinctures as well as disposable vape pens are at 3% and 2% respectively.

A high importance was placed on product diversity in the marketplace. "The concept of product mix is incredibly important in cannabis, as the margin profiles can vary differently for individual products," the report states.

"Years ago, discussion in this industry was dominated by price and cost per gram. We expect this will transition into price and cost per serving as tastes and preferences shift towards alternative products. Part of the reason that producers and retailers wish to sell products beyond just flower is not only much greater ability to develop brands, but also better use of cannabis production and extraction."

The Importance of Branding

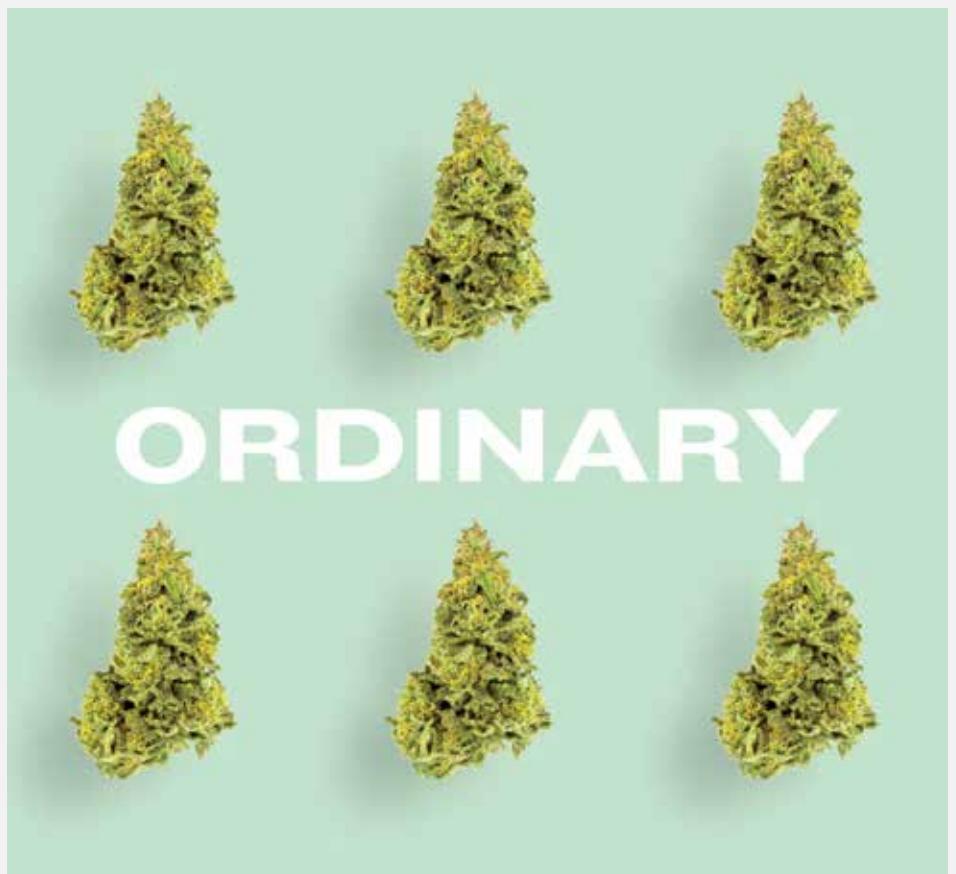
Another interesting take-away from the report and examination of more mature cannabis markets in the US is that branding works. This piece of news is cold comfort at the moment to licensed producers in Canada that are under incredibly strict regimes regarding packaging and advertising. However, the data highlights what could be possible in the future if the government allows a loosening of restrictions, similar to alcohol.

The report states BDS Analytics has revealed that the top 10 brands in both Colorado and Oregon command higher prices on average and significantly more market share than competitors. It is also noteworthy to point out that popularity of these brands can "turn on a whim." The proof of this is while the top 10 brands in Colorado cover nearly half of the total market, four different brands made their way onto that list in 2018.



Other points of interest in the detailed study show that international cannabis legalization is still in its infancy, but de-stigmatization and normalization is a global movement. Further, it outlines that

on the medical side, humans have been using cannabis for centuries and CIBC believes there will be numerous developments in the coming years as restrictions on research are removed.





Create an Engaging Shopping Experience

by Paul Dhillon

Courtesy of Kiaro

The modern cannabis consumer would love to go visit a store to see and smell all the different strains available, but that can't happen. Regulations call for opaque child-proof product containers and a limited number of sensory display containers. Therefore, consumers have to trust staff's recommendations. This provides cannabis retailers with a unique opportunity to capture their customers' attention and build lasting relationships.

The importance of customer loyalty cannot be understated in the current retail landscape, especially in a highly competitive industry such as cannabis. Customer loyalty is directly tied to customers having an engaging shopping experience.

A positive shopping experience starts with meaningful interaction with staff and a well-designed store. Effective use of floor space allows customers to comfortably browse through a store's offerings without being hassled or crowded by other customers.

"Consumers are looking for a convenient and relaxed environment where they can

learn more about all the different products that are available to them," says Neal Claassen, strategy business development, at Sevenpoint Interiors. "They will look for opportunities to educate themselves and to be educated by knowledgeable staff. Most importantly, they will want to find a store that they can trust and feel safe in."

Here are five things retailers can do to create an engaging client experience and increase client loyalty:

1. Create Agile Store Design
2. Differentiate Your Design
3. Reflect the Local Environment
4. Use Sensory Display Containers Effectively
5. Utilize Engaging Educational Materials

Create Agile Store Design

When choosing the appropriate design for a store Claassen stated that many retailers are conscious of an ever evolving industry. He suggested that retailers should try to use furniture over fixtures whenever possible. This

allows retailers the flexibility to change the layout of their store based on evolving demands.

At the moment many consumers are new to cannabis and need more time with staff. However, a large portion of cannabis consumers are regular shoppers and they know what they want. This creates an environment where some customers need up to 20 minutes and others need less than two minutes. According to Claassen, "right now the primary concern in cannabis store design is to deal with a two-minute customer. With high-volume traffic we have to be ready with a clear path to purchase. It is easy to design areas in a store that are away from the cash areas where a more in-depth one-on-one interaction can take place. Modern, mobile point-of-sale systems can also assist in dealing with this."

Differentiate Your Design

It is very important to create a unique brand identity that is represented in your store design. Currently many retail stores and malls are using a lot of the same design

elements, such as living walls. While these can be beautiful designs, it becomes harder to stand out.

Retailers should focus on what makes them unique and incorporate those elements into their design. This will help create a lasting image in a customer's mind.

While current regulations do not permit celebrity endorsements, they do not stop brands from using visual elements from other industries such as entertainment, art, or tourism. Some retailers may have a connection to the music industry. They can display pictures of concerts or music

festivals, as long as they are careful and do not promote a lifestyle.

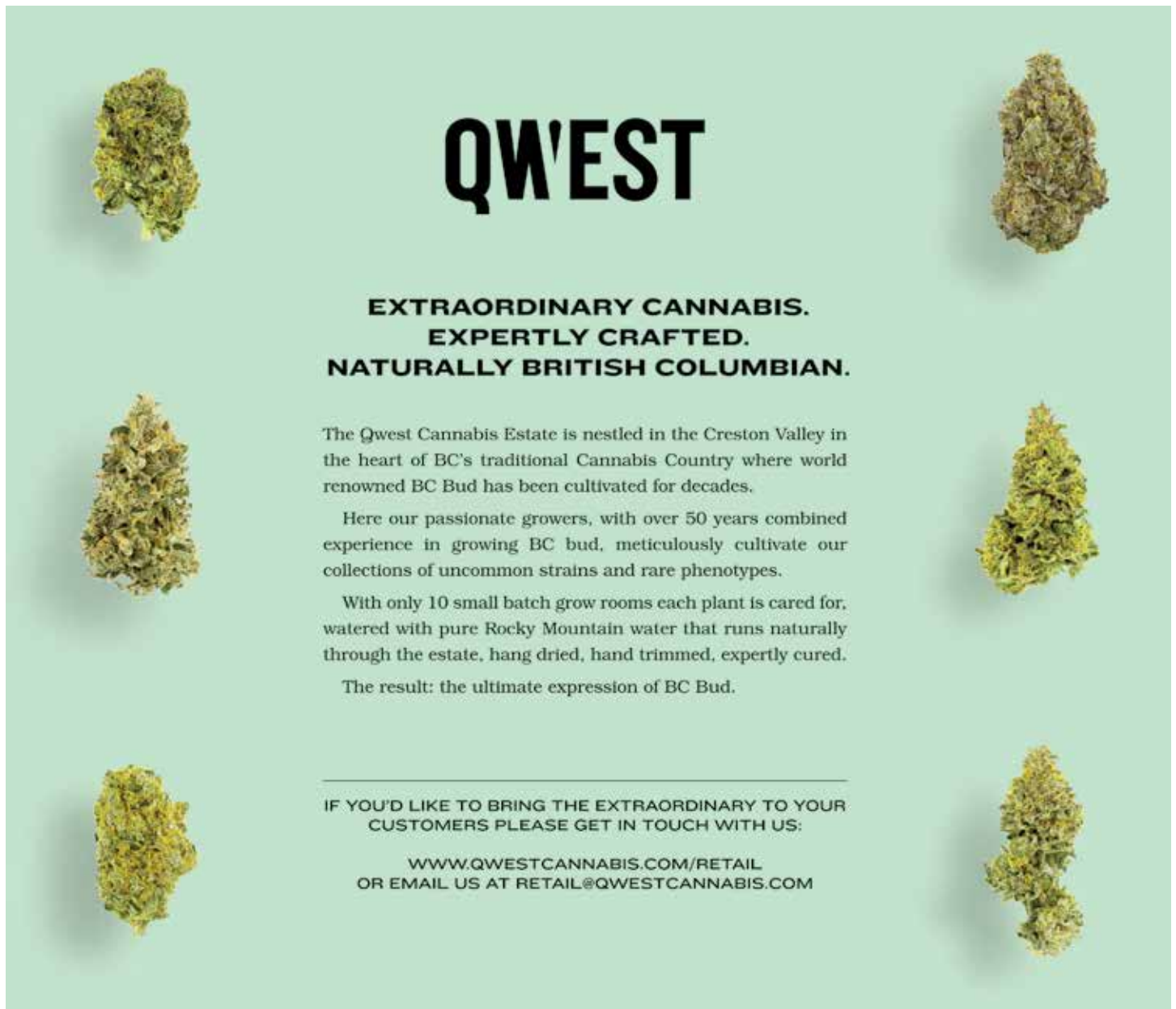
Reflect the Local Environment

Many consumers now prefer to purchase locally produced products and support local businesses. It is important for retailers to reflect their local environment and be good neighbours. This helps create a bond with neighbourhood consumers.

Retailers can create displays in their stores that highlight local products, producers, or artists. There are many talented glass

blowers across the country that can supply unique accessories, and the new micro-grower regulations will provide retailers with a source of locally grown craft cannabis. Unique strains from small batch growers are likely to attract enthusiasts and keep them coming back.

Having a spot in your store dedicated to locally produced products will create an attraction for consumers to come back and check on. Retailers can also add a unique touch to each store by displaying pictures of local landmarks or incorporating local architectural trends into their store design.



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Use Sensory Display Containers Effectively

Most cannabis consumers would like to see and smell cannabis before they buy it. Retailers should use their sensory display containers to help engage with customers and highlight different features of the strains available.

Many consumers are unaware of terpenes and their role. Retailers can use sensory containers to help customers easily identify terpenes such as pinene or limonene. Once customers understand the importance of terpenes they can be taught how to journal their experiences. This can create a lasting relationship where regulars come back to share their experience with staff. In addition to terpenes, staff can also teach consumers about what constitutes high quality cannabis and how different licensed producers work to add value.

Jesse Colosimo, trade marketing and education manager for 7ACRES, advises that they have found great success in sharing how

they define their high-end cannabis with retailers using the 7ACRES' grading scale. Colosimo says, "The scale gives retailers the ability to structure the conversation about the product being considered. This dialogue is paramount to being able to deliver the experience that customers come to expect in modern retail. Additionally, customers can learn what defines high and low quality cannabis, enhancing their ability to make discerning decisions about the cannabis they choose to buy."

Utilize Engaging Educational Materials

Since staff is not allowed to impart a lot of information to customers, educational materials are needed to inform clients.

Clarity Cannabis operates a store in High River, Alberta and Amanda Sannella, purchasing manager, explains, "For educational content, we utilize digital screens as well as analog materials, and face-to-face contact with our highly trained staff."

A balanced approach such as Clarity Cannabis' that utilizes both digital and analog materials can ensure that every customer's needs are met effectively. Retailers should also utilize their digital screens to provide useful information, such as how to use or clean accessories. Analog materials can be useful to provide information on new stock or promotions.

Fire & Flower have card wall displaying product cards that contain a lot of useful strain related information. Cards such as these allow customers to learn more about what's in stock without needing assistance from staff.

Retailers must properly utilize all of the different facets of creating a positive emotional shopping experience. Agile store design and effective utilization of space will allow stores to manage customers based on demand. A well-designed store with staff that effectively engage with customers using sensory containers and educational materials will provide a great shopping experience and increase customer loyalty.▲

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Start Your Edibles Strategy Now

by Alanna Sokic

On February 20, Health Canada wrapped up their 60-day public consultation period on the proposed amendments to the *Cannabis Regulations* that would allow for cannabis edibles, cannabis concentrates, and cannabis topicals. With the final regulations set to come into force on or before October 17, 2019, producers and retailers alike are left with one burning question: when will the end consumer actually be able to purchase these product forms?

In an interview with Bloomberg at the end of January, Bill Blair, Minister of Border Security and Organized Crime Reduction, and the lead on the federal government's cannabis file, intimated that edibles may not hit the shelves immediately after the final regulations are published. Citing provincial implementation hurdles in the route-to-market for such products, Blair declined to comment on whether there would be a gap between the allowance of edible products and their physical presence in provincial distribution networks.

Interestingly, provincial regulatory auth-

orities have indicated they intend to begin product calls for the new forms of cannabis within the next few months. However, lingering issues related to efficiencies in the overall supply chain may pose an additional challenge in retailers being able to stock their shelves with new product forms.

According to Deloitte's 2018 cannabis

are decrying the prospective guidelines as wasteful and environmentally unfriendly. Retailers like Tweed and High Tide have taken the initiative to launch their own in-store recycling programs, while some independent entrepreneurs are seeking to collect recyclable cannabis materials to create products like prosthetic limbs.

6 out of 10 likely cannabis consumers will choose to consume edible products.

report, 6 out of 10 likely cannabis consumers will choose to consume edible products. With the demand for such products a near certainty, what are some other issues retailers will have to navigate in regard to the roll-out?

Packaging – With the proposed 10mg dose of THC per single package of edible products, many industry representatives

Resourceful retailers could look to get ahead of the issue and implement similar programs in the communities in which they operate.

Shelf Stability – Under the proposed amendments, Health Canada states that edible cannabis products must not require refrigeration or freezing to prevent them from becoming contaminated. That

being said, there are instances in which products like cannabis-infused beverages may be chilled before purchase to align with consumer preferences. Retailers should begin to explore what in-store infrastructure is needed for the display and storage of these new product forms that are accessible to the average consumer.

Consumer Education – Experienced consumers of cannabis are well aware that edible cannabis products produce a different effect than dried flower or other combustible forms. While Health Canada and numerous other provincial authorities have adopted the ‘Start low, go slow’ educational approach, novice cannabis consumers will require much more information in regard to dosing and product composition as it relates to edibles. Retailers should look to organizations like NICHE Canada and Canadian Students for Sensible Drug Policy, as well as their relevant provincial employee training program, for additional resources to strengthen their ability to answer consumer inquiries around edibles.



Though there remains uncertainty in relation to the roll-out of the new product forms, as well as what the final regulations will actually look like, one thing is clear: a diversified product offering will help to migrate more consumers into the legal market and generate increased revenue for authorized retailers the country over.

Those retailers that develop a forward-looking approach and plan ahead for the new product offerings will ultimately be the ones who succeed. ▀

Alanna Sokic, GPA Cannabis www.globalpublic.com

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RESEARCH

by Dr. Mike Dixon
photos by author

The Secret for Producing Standardized Medical Cannabis

Cannabis is legal in Canada! Wow! As a self-described leftover hippy from the 1970s I find this to be a remarkable and of course, happy turn of events. However, Canada's tackling of this new horticultural industry will continue to undergo growing pains and we'll probably make a few mistakes along the way. So let's all keep our sense of humour and common sense as we make progress on the regulatory, business, and technical aspects of what is arguably one of the most exciting opportunities for the Canadian horticulture and pharmaceutical industry sectors in generations.

My place in the cannabis industry is completely from the technical perspective, and relates to the controlled environment agriculture technologies we have come to deploy in producing this medical commodity. My credentials and the technologies I bring to the cannabis industry were born in the field of space exploration. Since 1995 the Space and Advanced Life Support Agriculture (SALSA) program at the University of Guelph has provided Canada's contribution to that incredibly important niche field in space exploration called biological life support (ie. plants in space). Food determines how far from Earth we can go and how long we can stay (you all saw *The Martian* surely!) so it is rather important that we figure out all the details of growing plants in harsh environments. The University of Guelph has become one of the world's leading research and technology development venues addressing the challenge of putting plants on other planets for human life support. And we come by our leadership in this field quite honestly because, after all, the next worst place to try and grow a plant after a snow bank in Canada is actually the surface of the Moon or Mars!



The main technical objective in reliably and indefinitely using food crops as the life support “machines” for humans exploring places like Mars is to provide a predictable and standardized menu of nutritional compounds in those plants. So our research endeavours over the past quarter century have aimed to develop horticultural management strategies and environment control protocols to exploit the current status of breeding and genetics in food crops to produce a reliable and consistently predictable profile of nutritional compounds. And we have done very well over the years making contributions to the field of biological life support in space.

Fast forward to the 21st century and the entry of medical cannabis on the horticulture scene in Canada. Among the most significant challenges facing the industry, the purveyors of the pharmaceutical commodities related to cannabis, and the medical practitioners responsible for prescribing some form of the plant as a drug, is the lack of consistency in the profile of medical compounds in the plant. Sound familiar?

So for the last four years and counting we have been in collaboration with the cannabis industry to help them develop the “secret sauce” that will yield this standardized recipe of medical compounds. These could then proceed to clinical trials and reduce the




error bars on the measurements of efficacy for treating specific human (and animal) ailments. The technology of high-fidelity environment control of light quality, light intensity, CO₂ concentration, temperature, humidity, nutrients, and water that we developed to provide standardized nutrition for life support is perfectly appropriate to solve the same issue in delivering consistent profiles of medical compounds in cannabis (or any medicinal plant for that matter).


Our work is ongoing and making significant strides in the development of lighting systems using light emitting diodes (LEDs) that are proving very useful in advancing the environment control technology. The

risk with LEDs is making sure the spectral recipe (colour) is the right one and errors in this specification in the past have caused quite a bit of confusion and distrust among the industry. Understanding the relationship between the spectral quality of light and the photochemistry that results in the medical compounds of interest (THC, CBD) is the main subject of our current work. We will get it right and transfer that technology to the industry to help them address the standardization issue for this remarkable plant.

Dr. Mike Dixon is Professor and Director, Controlled Environment Systems Research Facility, University of Guelph



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Tips for Selling Cannabis Accessories

by Kiaro

Courtesy of Kiaro

Although the cannabis retail landscape continues to evolve, one aspect remains true—the need to exceed customer expectations. The opportunity to add significant value beyond the transaction is particularly relevant when selling cannabis accessories, but requires retailers to strategically curate their product portfolio, and guide consumers through the cannabis retail experience.

to create an environment that encourages curiosity, exploration, and education. This allows employees to initiate meaningful discussions with consumers, and better understand their requirements. By taking this information into account, staff can identify and recommend accessories that meet the customer's unique needs, and enrich their cannabis experience.

to further appeal to defined target audiences, retailers must also carry the right products.

Retailers need to create an environment that encourages curiosity, exploration, and education.

The Power of Personalization

In many instances, the sale of a cannabis accessory is a special one-off purchase particularly suited to an individual. Consequently, retail consultants need to be able to personalize the customer experience, and convert these opportunities when they arise.

For consultants to effectively personalize the service provided to customers, retailers need

This personalization not only enables retailers to sell cannabis accessories more effectively, it also enhances the retail experience and increases customer loyalty. By providing the knowledge and resources for customers to make their own informed decisions, consumers are empowered to share this knowledge with others and become product advocates themselves. This word-of-mouth marketing is crucial to create brand awareness. However,

A Strategically Curated Product Portfolio

As accessories can play an integral role in normalizing cannabis use and reaching new markets, retailers should develop a product portfolio that both appeals to existing demographics and also attracts new customers. Items such as decarboxylators, for example, simplify cooking with cannabis and increase the plant's appeal to those deterred by the health implications of smoking or vaping.

As new accessories are constantly being developed, it's vital that retailers regularly update their product portfolio to ensure they stay relevant and meet the needs of consumers. This will be particularly important when new product categories enter the market later this year. When extracts become available, for instance, retailers should supplement their accessory portfolio with dab rigs. This will enable customers to enjoy these new product

offerings, and ensure retailers don't leave money on the table.

By analyzing the sales of individual accessories and related products, retailers can identify which items are in demand and which have fallen out of favour and streamline their inventories accordingly.

The Importance of Brand Partnerships

To increase their ability to sell accessories and target defined market segments, retailers should establish and leverage close partnerships with reputable brands. Companies should collaborate with suppliers that not only align closely with the store's target audience, but also with the team's core values. This ensures accessories complement the retailer's image as well as the other products stocked.

Partnering with brands also enables retailers to optimize pricing and improve supply chain resiliency. Establishing strong relationships with suppliers can also facilitate the sharing of market data and training resources, so both parties are better positioned to take advantage of emerging opportunities. These insights can be invaluable as retailers need to be able to provide customers with the latest products,



Courtesy of WestCanna

and train employees to understand their unique selling points of accessories.

retailers can boost accessory sales and customer loyalty. ▲

Adding Value Beyond the Transaction

In order to maximize sales of cannabis accessories, retailers need to focus on adding value beyond the transaction.

By delivering a customer experience that not only meets, but surpasses expectations,

Kiario is a Vancouver-based cannabis brand that carries a variety of curated products. Through its stores and e-commerce platform, Kiario offers a customized omni-channel cannabis experience that is inviting, convenient, and appealing, allowing consumers to choose safe and reputable products.



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RESPECT THE PLANT



7ACRES' CANNABIS GRADING SYSTEM

When it comes to exceptional-quality cannabis, 7ACRES—an Ontario-based licensed producer that is a wholly-owned subsidiary of The Supreme Cannabis Company—knows how to respect the plant in order to produce flower that has the optimum aroma, look and taste.

To share this knowledge, 7ACRES has adapted its internal Quality Assurance cannabis grading system to help retailers understand and identify defects that are an indicator of sub-optimal quality. While lab testing gives an assurance of safety standards (checking for possible microbial and pesticide contaminants), it does not establish the quality of the cannabis.

Standardized Sensory Evaluations

Quality is the most important factor to a cannabis connoisseur, and there's a lot one can tell about cannabis by using subjective senses to consider the aroma, look and taste of the product. "We developed a cannabis grading system as an internal tool to gauge the quality of dried flower from lot to lot," says Pete Shearer, 7ACRES' Director of Product Development. "These are based on the standardized sensory evaluations that are commonly used in other agricultural industries such as wheat, milk and wine. The grading system measures the presence and intensity of defects to give a picture of overall quality."



The system works by asking oneself a series of questions pertaining to the smell, look, and taste of cannabis, with an appropriate point weighting for each possible response, for a total score of 42. The score is then tallied, and a quality grade is given based on the accumulated points and subtractions during the evaluation. Possible grades are B, AA, AAA and AAAA.

Aroma

'Defects' can present themselves in several ways. "Aromatic defects can include the presence of green notes or green leaf volatiles that smell of hay or cut grass," explains Pete. "This can be a sign of sub-optimal drying/curing and handling, or wet trimming. Cannabis degrades and oxidizes as it ages and this presents as a distinct smell of tea or raisins; an older pantry smell. If it's been improperly stored it will impart musty basement smells, like old wet towels."

"Smell will tell you a lot about how the plant was treated during its lifecycle, including how it has been processed, harvested and cured. When it comes to cultivating cannabis, the devil is in the details to create a beautiful product that the consumer will enjoy more. 7ACRES aromas are the result of our arduous growing practices. With some LPs the trend is to take shortcuts to reduce production price. The true price is the quality of the cannabis."



One of the shortcuts used by other LPs is a shorter drying process, but 7ACRES takes the rare approach of allowing a 14-day drying period to express any undesirable notes out of the flower and retain aromatic terpenes to keep them as the hero of the product. Their dry trimming process means that each flower is lovingly finished by hand before being carefully tended to in order to keep the time in plastic packaging to a minimum.

7ACRES' exacting growing requirements result in dried flower that is pungent, pleasing, and distinctly 7ACRES. These aromatic notes, which are grouped in the grading booklet as fruit, floral, fuel and earth, are native to cannabis and can be expressed to their fullest when cannabis is grown and cared for within the right parameters.

Visual Attributes

Visual defects are another way to assess the quality of cannabis. Poor handling and storage techniques, what you grow and how you grow it, can all affect the finished product. "Look for visual defects such as remaining trim and evidence of seeding, mould, and pests," says Pete. "The bud structure should be dense with healthy colouration, and an abundance of milky white trichomes. Great genetics and a robust understanding of phenotyping and how you grow can help achieve these resin-rich glands." At 7ACRES this means meticulous climate control and active plant management, in a sparkling clean facility, to create a standardized size of buds and optimal expression of genetics. Careful finishing of the plant, with each bud hand trimmed and inspected by a qualified team member, ensures that 7ACRES is producing exceptional quality cannabis.



Taste

Taste and aroma are the final things to consider in the cannabis grading system. Executed using a gustatory examination, the taste, throat feel, and way the cannabis burns reveal the quality and finish of the product. "It should burn smooth, with white ash, and present a robust flavour that complements the pungent aroma," says Pete. "7ACRES' robust aromas are attributed to terpene levels at around 2-4% of total weight and this is due to the meticulous growing practices that retain them. Our controlled environment with greenhouse roofs and High Pressure Sodium lighting means that our lighting schedule, coupled with this sun enrichment, increases trichome production. Careful drying, trimming, and curing of the product makes it very pungent, aromatic, and flavourful."

Sophisticated cannabis consumers are looking for a high quality product with a great aroma, look and taste, and that's exactly what they get with 7ACRES.



Now available in eight provinces, 7ACRES is increasing production capacity every quarter with a goal to reach full production capabilities by the summer. The team hopes that the cannabis grading system will equip retailers with the tools to converse with customers about the quality of cannabis and continue respecting the plant. A copy of the Cannabis Grading Book is included with this magazine. To order additional copies email trade@7ACRES.com.

A photograph of a wooden wall with the words "FOUR20" in large, black, block letters. Below it, the words "PREMIUM MARKET" are written in smaller, black, block letters. The wall has a vertical wood grain pattern. In the background, a black counter with a tablet and other items is visible.

FEATURED RETAILER

Four20 Premium Market

by Sujinder Juneja

Four20 Premium Market is an inspired cannabis retailer, reimagined for the modern consumer. With four stores currently operating in Calgary, Ryan Kaye, vice president of operations, says that their success is rooted in open communication with regulators, the warm and inviting design of their stores, a focus on customer education, and continual investment in their staff.

Communication is Key

Kaye and his team knew that one of the keys to being ready for legalization was to get into the game as early as possible. “We were diligent in monitoring how the rules were developing, and met regularly with the Alberta Gaming, Liquor and Cannabis (AGLC) team as part of the consultation process,” he says. “They were incredibly gracious and invited more feedback. In fact, we know that there were a few things that we discussed with them that had a direct impact on the final regulations. Ultimately, it was a wonderful collaborative learning experience working with government.”

While some say that Canada remains in a period of overregulation, Kaye maintains an enlightened approach. He explains, “No matter how far the AGLC went with their regulations, there was always going to be a section of our society that would say they didn’t go far enough. It’s a personal journey for everyone involved, retailers and customers alike. But we’ll continue to move forward with the knowledge that there will soon be a leveling out of how cannabis will be regulated.”

Gone with Green

The elevated customer experience at Four20 Premium Market starts with the welcoming design of the stores. The large, bright, open concept stores feature all-natural elements such as rich hardwood floors, exposed brick walls, and polished stone counters, which offer a warm and inviting feeling. “We stayed away from the traditional ‘green’ stereotypes. We tried to focus on what would really engage a broad demographic,” Kaye says.

“Our customers are responding with enthusiasm and excitement when they enter any one of our stores,” shares Kaye. “Cannabis has always been something that can bring people together, and we celebrate that culture of sharing and unity. It’s something that you can see within all of the people that visit our stores. It’s very unique.”

Higher Learning

Education is absolutely key for the Four20 Premium Market team. “We want to change the way people think and feel about cannabis, helping them to realize that it is a fully interactive experience. People are reacquainting themselves with cannabis, even those that have smoked cannabis for 20 years and thought they knew everything about the plant. We’re helping people to rediscover and refresh the idea of the experience.”

Customers are invited to browse the stores’ digital menus that feature complete descriptions for each product. Knowledgeable sales staff are always on hand to answer any customer questions. Additional information is also on display at the Bud Bar, where individual dried flower buds are sealed in see-through smell jars for closer inspection.



Selecting the Right Staff

Kaye and his team knew from the get-go that the most important part of Four20 Premium Market's success would be in selecting the right staff.

"When we want to hire new staff members, we look at people who are enthusiastic and have a willingness to learn," enthuses Kaye.

"Research is expanding and being revised all the time, so it's much easier to work with someone who has a passion for learning, versus someone who may carry a lot of misinformation. We invest in a full week of cannabis training that includes everything about the active ingredients in the plants, history, regulations, accessories, delivery methods, and more."

Strong retailers know that it's about finding people with a positive attitude, giving them the right knowledge, and letting them go. "It's also about keeping them in the feedback loop," Kaye explains. "We encourage them to share the conversations that they have with customers so that our management team can prepare the correct answers that benefit everyone the most."

2019 and Beyond

Four20 Premium Market presently operates four stores in Calgary, with two fully built-out locations awaiting final licensing approval from the AGLC, in Brooks and Canmore. The company also has plans for multiple new locations across Alberta, including Edmonton, Red Deer, Lethbridge, and Medicine Hat.

"Besides opening more locations in Alberta, we're keeping a close eye on what's happening in BC and Ontario, both of which are interesting to us," Kaye reveals. "They each have large population bases, and we are experienced in working collaboratively with government to create large, welcoming stores that people enjoy visiting. We build big and we do it well." ▀

Cannabis Edibles

Recent cannabis legislation is providing new opportunities for Canadians. In particular, the *Cannabis Act*, SC 2018, c 16 (the “Act”), allows for Canadians to grow their own cannabis, and even make and consume their own homemade cannabis-infused edibles. However, the federal government has yet to enact legislation respecting the distribution and sale of edibles for recreational use. When the Act came into effect, it was intended that regulations authorizing the legal production and distribution of cannabis-infused edibles would come into effect no later than October 17, 2019.

Q: What can be included in edibles?

A: Edibles must be shelf-stable, not contain poisonous or harmful substances, and not be fortified with vitamins or mineral nutrients. Ingredients can include food and food additives; however, the use of raw meat, poultry and fish is prohibited. Caffeine is also prohibited as an additive and can only be used where it is naturally occurring, such as chocolate, providing it does not exceed 30mg.

Q: What is the maximum dosage?

A: Health Canada has also proposed a maximum dosage of 10mg of THC per individual serving and per package. This limit has been suggested in order “to reduce the risks associated with overconsumption and accidental consumption” of cannabis.

Q: What must be listed on the package?

A: The packaging must include a list of ingredients, the common name of the cannabis, an indication of any allergens, a best-before date, and a nutrition facts table. Prohibited content includes depictions regarding health and beauty benefits, as well as any association with alcoholic beverages and “nutrient content representations beyond those stated in the list of ingredients,” such as stating the product as a high source of fibre.

Q: Will craft products be allowed?

A: Unfortunately for Canadians, it is unlikely (in the short term) that consumers will see the wide range of products and branding that our friends to the south enjoy when it comes to cannabis edibles. Tight restrictions will not only limit edible selection, but will also limit producers and suppliers to a select few. Those hoping for ‘Mom & Pop Shops’ and crafted products may still be looking elsewhere come October 17, 2019.

Perhaps an unintended consequence of the proposed regulations is the stifling of entrepreneurship within the cannabis industry. The people in the cannabis industry have an abundance of creativity, knowledge and skill when it comes to developing products and meeting consumer demands. Unfortunately, there is an expectation that the final regulations for cannabis edibles will be rigid and will require significant activism to change or amend them.

Q: When can I start selling edibles?

A: The proposed regulations much like the Act will strictly regulate all classes of cannabis products. At this time, cannabis-infused edibles cannot be distributed and sold for recreational use. However, by October 17, 2019 Canadian retailers can expect to be able to sell edibles as long as they have the appropriate licensing and comply with very strict rules and regulations. Anyone interested in cannabis edibles should certainly seek professional advice so as to stay within the bounds of the Act and the Regulations.

Nathan Lidder BA, JD, Barrister & Solicitor is the founding lawyer at Coal Harbour Law. Coal Harbour Law is a firm specializing in hemp and cannabis related law. The firm specializes in helping clients seeking, strategic, legal and regulatory advice on corporate and licensing matters.





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Quality Assurance

by Mark Glenning

How LPs Ensure your Customers get the Best Product

With the global legal cannabis market expected to reach more than \$192 billion by 2025, now is a critical time to focus on the standardized testing and quality control needed to ensure that it's safe for human consumption and deliver the correct potency that your customers demand.

Of course, there are many reasons to make sure that cannabis is fresh and free of contaminants. Contamination by pesticides is a major concern of consumers. In 2016, an investigation performed by the Ministry of Environment and Health in the Netherlands found that 90% of cannabis plants had been exposed to pesticides. Non-licensed producers are not bound by law when it comes to cultivating their product, and so their cannabis is more likely to be contaminated with things that are a threat to health, such as pesticides or fungi. Having a robust quality assurance program in place not only means that licensed producers operate within the law, but also goes a long way to reassure your customers that the cannabis they are buying is of excellent calibre.

The Challenges of Product Safety

Any laboratory testing of cannabis faces problems on several fronts. The plant has an elaborate chemical makeup with nearly 500 compounds, around 100 of which are cannabinoids, 120 terpenes, and about 24 flavonoids. The chances of these interacting with each other are high, and so their stability is called into question. Also, their

concentration throughout the plant is inconsistent, given that they are distributed between the stem, the leaf, and the flower. These inherent complexities of the plant are further compounded when they're crossbred.

The limits set by the government for contamination are low, so to ensure quality you have to address the contamination risks throughout the process. Deron Caplan Ph.D., a horticultural scientist and director of plant science at Flowr, a licensed producer based in BC's Okanagan Valley, underlines the importance of this. "You have to ensure that all of your employees are wearing clean clothes, hairnets, and booties to make sure you're not spreading contaminants from room to room or person to plant," he says. "You have to be careful in terms of the environmental conditions of the room you're trimming in. If it's too moist in there, you may have an environment that is conducive to bacterial infection. This impacts on drying and curing, so if you have conditions that are too wet, or your product is too wet for too long, you allow bacteria, yeast and mould to grow and that is a potential risk."

Drying and Curing

The drying and curing processes have a large impact on quality. Caplan explains that drying out the plant involves decreasing the moisture content to a point where bacteria, yeast, and mould will no longer grow. Once it's at that "safe zone," the curing process can begin, and that allows for some enzymatic degradation. It's important to

note that this is what we think happens, but it's not confirmed. Curing breaks down the chlorophyll in the flower, which makes it more palatable when smoked or vaporized, and the process can take somewhere from a week to several months.

Does the strain have an impact on this? It's difficult to determine, says Caplan. "Some cultivars have more dense buds, and some are airier (more fluffy). The ones that are dense maintain a higher moisture environment in the bud for longer, so you're more likely to get botrytis, or bud rot."

Danira Jaksic, director of quality assurance at Sundial, agrees, "You don't want the moisture leaving too fast, or not at all, as that can cause the plant to rot from the inside. You need to make sure that the environment is suited to that strain. Our master grower knows that a certain strain will dry a certain way, and so we know that at a particular moisture content it moves to the next phase of drying, and at the next it can be packaged."

Research and development are all-important to this part of the production cycle. Jaksic explains that Sundial will subject each strain to one or two growth lifecycles to profile their chemical makeup. She describes, "We start testing into the cycle. For example, it may be an eight-week strain, but we may find that we like the cannabinoid and terpene profile at four weeks into the flowering cycle. It doesn't go directly into production; we research and develop every strain."



If you have conditions that are too wet, or your product is too wet for too long, you allow bacteria, yeast and mould to grow.

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The Impact of Packaging

Packaging isn't all about branding or protecting the product during transit; it can actually affect the quality of the cannabis as it makes its way to a licensed retailer or consumer. The reasons are humidity and ultraviolet (UV) light, an invisible form of radiation that makes up for around 10% of the total output of the sun. UV light can break down cannabinoids, so packaging needs to be opaque or UV resistant. The example that Caplan gives is specialty tea retailer DAVIDsTEA. You'll notice that all of their in-store product is kept in stainless steel packaging to protect the flavour profile; UV will break down the volatile chemical compounds that are crucial to its quality.

going to be able to establish what is the best life cycle for [each] strain and what will deliver the best product."

According to Caplan, the main hurdle to improving the drying and curing processes is gaining an understanding of what actually happens at this stage in the cycle. He says, "We understand that it prevents spoilage, which is common for grains, herbs and teas, but the curing process for cannabis is a mystery. We know what happens when we cure tobacco, but it's not so clear when it comes to cannabis. Is it enzymes breaking down chlorophyll? Is it some kind of bacterial action? A lot of research needs to be done, and once we understand what processes are occurring, we can come up with improved protocols."

 UV will break down the volatile chemical compounds that are crucial to its quality.

Two-way humidity control packs will control the humidity so that it doesn't dry the product out too much, which can also make it harsh to consume. It will also make sure that it's not so moist that it spoils.

Further Improvements in Quality Assurance

Data collection is the key to future improvements. Jaksic says, "I think that the more data we collect, the more we're really

What could these look like? An example would be a three-month curing process being superseded by a week-long cure at a specific temperature. As research and development with licensed producers is able to move at a faster pace than academic study, Caplan thinks that we could see some significant improvements within five years, even allowing for the interrelated aspects that make it very difficult to study. He sums up, "Research doesn't happen quickly. Cannabis time is ten times that of any other industry!" ▲



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HEADSET:

Making Sense of the Cannabis Market

Being a licensed producer and retailer of cannabis in Canada has presented many challenges including supply chain logistics, inventory management, customer behaviour analysis and marketing. It's apparent that there is a vital need for data. Headset takes retail statistics and information and translates this data into valuable insights that retailers can use to make day-to-day decisions to help grow their business. These industry insights will enable Canada's retail cannabis stores to excel.

Headset's Expertise

Headset is not a newcomer to the cannabis industry. Cy Scott, Headset's co-founder and CEO, first emerged on the scene in 2010 when he founded Leafly, an online resource that continues to be an instrumental player in educating people about the various strains on the market, and connecting consumers to retailers and dispensaries. Leafly was acquired by Privateer Holdings, a company with ties to other significant companies in the industry such as Tilray



and Marley Natural. Cy, along with his original team, went on to leverage his expertise to launch Headset.

Cy's vision for Headset is to enable cannabis companies to make informed decisions on all critical areas of their operation by giving them access to best-in-class data. Cy says, "Our mission is to enable success within the cannabis industry through actionable analytics, driving informed business decisions for companies in this rapidly developing space."



Tools to Gain a Competitive Edge in a Competitive Landscape

Headset puts three powerful tools at your disposal:

1. Headset Retailer

Headset Retailer allows for close inspection of point-of-sale data, and provides the ability to consolidate it with your operational data to give you a birds-eye view of your business. For example, you can measure any promotion you run against your normalized projected sales and gain a deep understanding of how they impact your ROI, enabling you to discover which are the most successful promotions.

The data you collect can be sliced any way you wish, in just a few clicks, allowing you to analyze your sales by brand, product, and market segment. You can compare this to market averages to understand your performance, and even link to multiple locations. Customers in different communities will have different needs, so you can train your budtenders accordingly and provide the right mix of products and brands.

One of the most valuable aspects of Retailer is that the data flows to you in real time through a direct point-of-sale connection. Email alerts and dashboard analytics allow you to keep your finger on the pulse of your business, in a simple and comprehensive way.

2. Headset Bridge

Your sales data can be leveraged in vendor-retailer collaboration through Headset Bridge. For example, you can use it to forecast how many days of inventory each of your stores have, so you can replenish stock to avoid disappointing your customers and losing sales. This has an impact on what products are popular in your stores. Real-time sales figures allow you to decide when to ramp up certain lines and when to wind down others. The data also provides an opportunity to analyze new product launches and even analyze seasonality in your inventory mix.

Bridge also enables rapid, informed communications with vendors thanks to access to the same information about your inventory, saving you time and money while strengthening vendor-retailer relationships.

3. Headset Insights

Connecting so many of Canada's retailers, vendors, and ancillary services points towards the future of the industry. Cy explains, "We can focus on having the most accurate, timely, and granular analytics available, giving our clients a strong competitive advantage." This not only takes the form of real-time knowledge, but also the ability to predict trends.

Insights gives you the opportunity to explore pricing, category, segment, and brand trends, among other things. It all feeds back to empowering success by allowing you to determine what products will be the next to take off. You're able to rank the vendors that you work with, and assess your competition's top products, which is vital for discovering new opportunities and positioning your brand in the market.

Navigating New Horizons

In a new industry that is evolving at high speed, having the competitive advantage means making data work for you and reacting quickly to opportunities and changing market conditions. Headset is working hard to give its clients an edge.

Cy hints at what is to come, saying, "We will be launching our Canada market measurement tool, which will give our customers the ability to see what is really happening in the market and identify the winners. Headset is rolling out a variety of new syndicated reports that highlight the many opportunities within the market. We also have some exciting partnerships, which we'll be announcing soon, that will give us access to a broader audience that is interested in cannabis data."

For Headset, it's all about expanding into new markets and improving its products. As it forges a path into the great unknown that is the Canadian recreational cannabis industry, Headset invites you to join it in discovering new opportunities and successes.



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DATA MANAGEMENT PLATFORM

Selecting the Right Software

by Caitlin Pursell

Operating a retail store is a complex business. Throw in an ever-evolving landscape, Health Canada compliance, shifting legislation, and strict advertising regulations, and the complexities can be overwhelming.

No question, cannabis, despite its booming status, is volatile; those that are first on the scene are certainly not automatically on the path to successful longevity. Canada has already seen one private store in Newfoundland close its doors. The US, as it legalized recreational use state-by-state, is the ultimate testament. According to Jeff Kiehn, CEO of 365 Cannabis—a modular Microsoft-based enterprise resource planning (ERP) system with seed-to-sale functionality—cannabis retailers in Canada have one major advantage: learning from the mistakes made by our neighbours to the south.

“We talk to US dispensaries—some of which have been in business for three to five years—and they’re already launching their third iteration of technology changes,” says Kiehn, who hears first-hand about the frustrations that many entrepreneurs have

experienced with new cannabis business software solutions.

“They’re really trying to adapt a solution to a business that they actually don’t know themselves,” he explains. In Canada, prices per ounce will likely drop dramatically as they did in the US, predicts Kiehn, which caused profits to plummet and hundreds of retailers to go out of business.

The number one challenge, Kiehn says, is identifying what business you’re in. “You’re not cannabis, you’re retail.” Cannabis retailers need to incorporate successful, tried-and-true retail systems that have been adapted across verticals to suit cannabis-specific compliance, cultivation processes, and accounting requirements (excise duty, for example)—not the other way around. Don’t reinvent the wheel.

Many software systems in retail have been around and perfected for decades. “Your number one concern is: how do you stay profitable in your retail business with cannabis inventory,” says Kiehn, while adhering to ACMPR Health Canada compliance and setting yourself up to scale.

The secret, of course, is in the software.

Preparing for the Future

While there is obvious value in a superior product and a cultivated brand culture, in order to expand successfully you need controlled processes. Kiehn uses a simple restaurant analogy: a location with lineups out the door because of their amazing food opens a second restaurant and everything falls apart. Since the business depends on the chef, there’s no way to replicate that experience. You need centrally controlled processes and price points to expand successfully. “In the end, it’s about how efficiently you run your business,” he states.

Very soon, retailers selling cannabis products will also be offering a new spectrum of product—edibles, tinctures, topicals, and eventually branded accessories. POS technology will need to keep up.

Kiehn also has no doubt that, as laws in Canada loosen up, we’ll start to see cannabis lounges serving food and drink and companies incorporating delivery services.

To do that, you'll need a system in place that can accommodate, and collect data on, not only multiple products but modification capabilities (food orders with specific toppings, for example).

"Most people have blinders on when it comes to what they think they'll need technology to do tomorrow. It's really about making sure that [the software] you buy today is going to serve your purposes three to five years out."

to follow—is the Apple store model," says Kiehn. Someone checks you in with a tablet, then you're met by a sales person, also armed with a tablet, who walks you through the options, features, and pricing. The order is placed and you meet someone else who finalizes the sale. "That 'clienteling' can happen on the floor or it can be [at] a self-serve terminal," explains Kiehn.

Your POS system should be fully integrated and designed specifically—but not exclusively—for cannabis retail stores.

platforms is powerful. And the insight to forecast trends and consumer behaviour is paramount.

Unsurprisingly, the demand for accurate, actionable cannabis analytics is as revolutionary as the industry itself. "Everybody is looking for what product is selling," says Kiehn. "It takes four months to grow and harvest a cannabis plant, and then it takes another month or two to produce. You almost have a six-month lead time on a trend."

A number of companies now offer reports on the competitive landscape, cannabis market research, and aggregated retail data. They offer innovative insight into enhanced data from multiple reporting sources and provide producers and retailers with real-time data, customer behaviour, buying cycles, purchasing patterns, demographic trends, segment analysis, and much more.

POS systems will let you identify your best-selling strains, busiest times, leading products, and top-performing employees. You can identify seasonal trends, average spend, number of items bought per visit, and more to help inform decisions.

Combined, statistical insight on industry trends and your own rich internal data are invaluable to growing and optimizing your business. ▀

You need centrally controlled processes and price points to expand successfully.

Opportunities for CRM and POS Systems

Licensed stores are legally required to track all cannabis activity to ease recall communications, monitor sales against inventory, and control dosage. An ERP system would already be set up for that tracking, but additional CRM opportunities are extremely limited due to strict advertising restrictions in Canada. However, as laws become more lenient in the next few years, those restrictions will loosen. Just as businesses should prepare for more liberal product and service allowances, their CRM and POS software should be set up so they can act on direct customer marketing opportunities as quickly as possible.

Right now though, education is vital. A confusing product interface, convoluted descriptions or uneducated staff can be very damaging. Given the array of products that are about to be available—plus strains, dosage levels, ways to consume, etc.—clear, concise information is key. Despite market or staff familiarity with cannabis, there are many nuances that are being revealed in the light of legalization.

"What we see in the most part in the US—and many Canadian retailers are starting

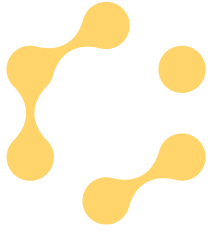
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The Power of Internal and Aggregated Analytics

The agility to manage retail centrally—track stock levels, sales and productivity in real time per location—across channels and

Advertisers

7ACRES	20, BC	Hospitality Solutions	38
Barnet POS	17	I Green Planet Store	36
CLEAR POS	IBC	JRoss Retail Recruiters	19
Cova Software	12, 34	Merrco	28
Cultivated Solutions	24	MJB Lawyers	8
Delta 9 Cannabis	15	Qwest Cannabis	5, 7, 9, 11
Greenlane	25	SevenPoint Interiors	29
Headset	30	Staples Advantage Canada	13
		Sundial Growers	37
		Talius	27
		TechPOS	IFC



COVA™

CANNABIS RETAIL SOFTWARE

Effortless, Efficient and Highly Evolved

Charles Dickens opened the first chapter of his landmark 1859 novel, *A Tale of Two Cities*, with the now-immortal phrase, "It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness." It can be argued that the first few months of cannabis legalization in Canada have come to personify a similarly bipolar modern reality. Although there are many reasons for industry to celebrate, there are an equal number of challenges that retailers continue to face. Faai Steuer, Director of Marketing for Cova Software, believes that point of sale (POS) technology should never be one of those issues.

Compliance is Critical

Conveniently headquartered in the twin cannabis capitals of Denver, CO and Vancouver, BC (with additional offices in Regina and Winnipeg), Cova Software provides robust POS and retail management solutions that are specifically designed for a compliant cannabis industry.

"Let's face it, cannabis retailers face challenges well beyond normal retail stores," Steuer says. "Not only must they track sales and inventory, they have to operate within a very strict regulatory environment. Cova helps our customers by easing

compliance headaches and reducing operational costs through automated reporting and inventory management systems that meet government standards. We drive a complete end-to-end customer experience that facilitates online orders, in-store pick-ups, express check-outs, pop-up stores, and more. Most importantly, our software is fully compliant, easy to use, desktop and mobile-friendly, and saves our clients time and money. Using Cova will ensure that our clients will be protected from losing their valuable license due to operational compliance."



20,000 Customers and Growing

Although Cova was born in 2016, its parent company was founded in 1997 and is now one of the North American leaders in the wireless POS and retail management space, currently powering more than 20,000 locations across the continent. Cova itself performs more like an agile start-up, but one that is backed by decades of experience and solid back-end infrastructure.

When selecting a POS system, Canadian cannabis retailers need to consider reliability, security and scalability, features that Cova has proven to deliver. Steuer suggests that previously, the only software options were based on generic retail operations, not able to deal with the nuances of the cannabis market. "We spent nearly two years learning, getting feedback from industry, and working closely with early adopters before launching the software at the end of 2017. Our team knew we had to deliver a POS system that went beyond the expectations of our partner retailers."

"As a company, we excel in highly-regulated, emerging industries," Steuer reveals. "The cannabis

industry is very similar to the wireless industry 15 years ago, and we now have 75% market share in that industry. We use our expertise and knowledge to help cannabis retailers launch, run, and grow their business. It's a natural fit."

Current customers of the Cova system include industry-leading Canadian cannabis chains such as Tokyo Smoke (nationwide), Canna Cabana (Alberta), Spiritleaf (Alberta and Saskatchewan), and independents that include Village Bloomery (Vancouver) and Elevate (Edmonton).

Collaboration is Key

Much more than a POS system, the system has built-in age verification and a loyalty reward program. Cova also provides retailers with fully-integrated, customer-centric products including (but not limited to) express checkout kiosks, in-store touchscreen menus, and interactive digital signage.

The software also seamlessly integrates with a number of leading website and e-commerce partners, including Leafly (top-rated cannabis

information portal), BudVue (custom digital signage), and I Heart Jane (a complete online cannabis marketplace).

"Cova is designed with open application programming interfaces (APIs), which means we can integrate with anyone quickly at a low cost," Steuer explains. "Our partner network is growing fast. We have integrated with ten tech partners already, giving our customers access to the best tools available to run their business."

The Industry's First Lovable POS

At the end of the day, Steuer maintains that her customers are most attracted to the design and ease of use of the software. "We make every decision to ensure that we build features that not only solve our clients' problems but also create a great experience for the staff and their customers. We are relentlessly pursuing the goal of creating the industry's first lovable POS."

"No one has ever said they love their POS system, that is, until they meet Cova."



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INNOVATIONS

TechPOS Dashboard is one of the newest POS & Store Management Solutions available in the market. It handles various aspects of cannabis retail, including staff management, sales, inventory, product information, and government reporting. The Dashboard gathers, processes, sorts, and summarizes all of the store's data, while also allowing the store manager to obtain an overview of staff, inventory, sales, and performance in real-time. www.TechPOS.ca

Branded **Spiritleaf** "gumball" machines, which sell samples of custom Spiritleaf Filters, are launching across Spiritleaf stores in 2019. It's nostalgic fun for good - all proceeds go to the Spirit Fund, Spiritleaf's community engagement program that focuses on planting and growing deep roots in the communities where the company operates. www.spiritleaf.ca

IndicaOnline's new **Offline Mode** is designed to keep stores up and running even when the Internet goes down. Offline mode provides peace of mind knowing sales data is safe, secure, and available even during an outage. Staff can process transactions offline, but as soon as the device regains connectivity all transactions processed offline automatically sync to the POS system. www.indicaonline.com

CashInfinity CI-10/CI-100 by Glory eliminates manual cash handling at the register and processing in your back office thereby improving cash security and reducing staff stress. www.glory-global.com

Tetraduo is an all-in-one solution that takes care of your business operations, from front-end to back-end, and sales through shipping. Tetraduo is certified compliant with cannabis rules and guidelines, as are each of the organizations behind the system. www.tetraduo.com

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Consumer-Packaged Cannabis

The Transition to a Consumer-Packaged Goods Industry

by Danielle Leroux

Six months into legalization, amid product shortages and evolving municipal regulations, the Canadian cannabis industry is preparing for its next phase: the anticipated legalization of edibles and topicals in October. Combined with the rapid expansion of consumer-packaged goods companies in the industry, this could signal the rise of a new cannabis consumer-packaged goods (CPG) market.

Beverage companies have already made a splash in the cannabis industry—including Constellation Brands, Molson, and Heineken signing deals with licensed producers. However, the real opportunity for CPG companies may be elsewhere. “The ready-to-drink market is explosive, and it would seem natural for beverage companies to move into the cannabis industry,” says Jenn Larry (President and Founder at CBD Strategy Group). “But it’s hard to understand cannabis as a beverage, and how that will work into your day-to-day [life], as a consumer.”

Instead, Larry believes the answer is in health and wellness: “Canada has an opportunity to create cannabis CPG focused on the wellness and medical patient market. For me, that’s where the billion-dollar market thrives.” Products could include cannabis-infused nutrition bars, caffeine-free teas, beverages, face creams, pain-reducing salves, bath bombs, and more.

This trend has already picked up in the United States. According to Christina Michael, owner, Full Circle Enterprises Inc., the “American

cannabis market is seeing thriving gelatine-based product sales, chocolate, tea, kombucha, and flavour-inspired beverages. Another growing market is topicals, with infused creams, bath bombs, massage oils, and lube. Extracts are also playing a role in the growing ‘cooking with cannabis’ space.”

Despite the massive opportunity, it won’t be easy for CPG companies to break into the Canadian industry. Both Michael and Larry agree federal regulations pose new challenges for businesses, especially those used to working in other less regulated industries.

“One of the biggest hurdles is actually processing and manufacturing a finished product,” says Michael. “Since Health Canada does not consider cannabis a food—it’s viewed in a category of its own—it will require standalone processing and a manufacturing facility specific to the product. This is not only costly, but also time prohibitive and makes cannabis-infused CPGs out of reach for most businesses.” Other challenges include shelf life (refrigerated cannabis products are prohibited by Health Canada), dosing, packaging, labelling, and ingredients.

It is also important to note that edibles and topicals are not yet legal in Canada. This means companies must develop and test potential cannabis CPG products *without* cannabis, until they are legalized.

Larry adds that the primary barrier for companies, big or small, is their lack of understanding regulations. Supply is also an issue: “Businesses need legal cannabis supply to do adequate testing, product development, batch development, and scale their business.”

How should CPG Companies Approach the Cannabis Market?

Businesses should start with a viable non-cannabis product that has the potential for cannabis infusion *and* solves a problem for the customer. Larry adds, “Businesses must also be creative in the competitive marketplace, understand how to build an audience, and create grassroots momentum.”

Michael suggests CPG companies can reduce their barriers to entry by being open to new business or ownership structures, like a joint venture with a licensed producer. Fortunately, the barriers should lessen as the market develops. “I stay positive. We are at the beginning,” notes Larry. “As we scale, pricing stabilizes, and operations come into their own, like any sector that needs to develop itself, barriers will go away, and market disruption will always happen.”

How will a CPG Market Change How Cannabis is Consumed?

Michael and Larry share the widely popular belief that CPG will overtake smoking as a means of cannabis consumption. “There will always be the traditional cannabis user in favour of smoking as their main consumption method,” Michael explains, “but there is a much larger opportunity for CPGs to dominate. They are more discreet and longer lasting, offer a wider selection of consumption products, provide a healthier alternative to smoking, are virtually odour free, and taste better.”

This shift has already happened in the US. But there is one important CPG/smoking product that we can’t leave out: pre-rolls. Larry says, “Pre-rolls have not yet received the light of day in the Canadian cannabis industry. We’re going to start seeing tobacco companies come in, use their technology and budgets, and perfect and manufacture [for] the demand that may come.”

It’s clear that a year from now, the industry could look drastically different. Businesses and consumers alike remain excited for the CPG products to come. ▲

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