

CANNABIS

RETAILER

Business Magazine for Canadian Retailers

VAPE CARTRIDGES

Alleviate your customers' concerns about vaping.

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January/February 2020



What's in a Vape Cartridge?

Learn how you can reassure customers about the safety of legal vaping products.



Why you Need a GR Strategy

Develop and maintain relationships with municipal, provincial, and federal governments.



Promoting a Green Industry

How can you recycle products and promote social responsibility?



Tips for Preparing your Retail Licence Application

Completing an application with attention to detail will quicken the process to approve your licence.

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by Joyce Hayne

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No one can say the cannabis industry is boring! From retailers going over hurdles to get a licence and then trying to make a profit to licensed producers getting licences revoked or becoming insolvent, this industry is full of challenges.

Yet, despite a tumultuous ride, there are many success stories and we're happy to share the stories of successful retailers like The Pot Shack in Saskatoon, and highlight producers who are being innovative and bringing exciting, new products to the market.

With vaping illnesses and provincial policies putting a damper on sales of vape pens, this issue of *Cannabis Retailer* explores the reasons that those illnesses are taking place and how you can educate consumers on the reasons that legally purchased products are safe. At the time of publishing, Quebec and Newfoundland banned vaping products, and as more facts emerge about the cause of vaping illnesses, we hope those provinces will open their markets to allow these new products that consumers are demanding.

Being a good corporate citizen is particularly important for cannabis businesses, so in the Promoting a Green Industry article, we look at ways you can recycle packaging materials and work with companies that are creating sustainable products.

As a cannabis retailer, it is critical for you to establish yourself as a trusted retailer with all levels of government, so we address how to develop relations with municipal, provincial, and federal governments as well as other stakeholders.

For those who are applying for a new retail licence, we provide tips to help make the process smooth and prepare you for the some of the hurdles you may encounter.

If you have any issues you'd like us to address, or if you'd like us to feature your store in a future issue, please reach out to me at joyce@emcmarketing.com.

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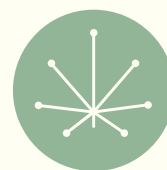
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What's in a Vape Cartridge?

by Amy Watkins

Black market 'vaping crisis' scares, the recent legalization of inhalable cannabis extracts, Quebec's ban on vaping products, and BC's new 20% PST on vaping products have all put vape cartridges firmly in the spotlight. What do retailers need to know as vaping products enter the legal market?

Regulated Vape Products

Reassuringly, legal vape products are not permitted to use ingredients such as vitamin E acetate (a thickener used in unregulated vapes) and under Health Canada regulations there will be no added vitamins, minerals, sugar, alcohol, nicotine, or caffeine.

"I can't tell you how happy we are for this regulated environment," says Darren Darcy, Director of Global Marketing and Innovation at Volero Brands Inc. (currently working with Beleave to create Flyte vaping products for the legal market). "At the federal level, SOPs are written by a federally licensed cannabis producer and approved by Health Canada to ensure compliance with the *Cannabis*

Act regulations; at the provincial level, a myriad of consumer protection elements (including heavy-metal leaching Certificates of Analysis) are in place at the product call stages to ensure that only quality products make it to shelves. Also, using only Health Canada-approved ingredients and having appropriate preventative control plans in place will mitigate the risk of harmful inclusions such as vitamin E acetate, which the Centers for Disease Control and Prevention (CDC) has just indicated was the

to contain vitamin E acetate, pesticides, and heavy metals (leached from soil), residual solvents, and synthetic cannabinoids. Regulated vape cartridges will only contain cannabinoid distillate or full spectrum oil, (optional) carrier oils, and added terpenes.

Extraction methods affect the flavour profile and consistency of the end product. "Hydrocarbon extraction is done using solvents such as butane or propane," explains

Regulated vape cartridges will only contain cannabinoid distillate or full spectrum oil, (optional) carrier oils, and added terpenes.

principal ingredient behind the recent black market vape crisis."

What's in a Vape Cartridge?

Unregulated vape cartridges have been found

Talal Rshaidat, CSO at Toronto-based Fume Labs. "That produces concentrates such as shatter, which is a solid form made with dry flower, or live resin, which is made with fresh frozen plant material. By extracting fresh frozen plant material, you're able to maintain



a much higher terpene content that still has the same composition as a fresh plant. The advantage of that is you have a really clean flavour that resembles the flavour profile of the live plant. The disadvantage is that you'll always have residuals of the solvents used."

CO₂ extraction uses carbon dioxide and extremely high pressure to release molecules from the plant matter (biomass); when the pressure is released, the CO₂ nearly completely disappears from the end product. This technique enables producers to get more of a full-spectrum oil, although some terpenes are still lost. Hydrocarbon extracted oil maintains a wider terpene profile, but the final extraction method, ethanol, loses all terpenes. However, the method of washing cold ethanol over the biomass is a fast and efficient way to make high volumes of distillate, and so is a popular choice for large scale producers.

Distillate is an odourless, flavourless compound that is scrubbed clean of everything apart from THC and other compounds that have a similar boiling point, which makes it a good base for inclusion in edibles, topicals, and vape cartridges. The end product has been decarboxylated (THC and CBD have been activated and are ready for consumption) and is ready for terpenes to be reintroduced. A full-spectrum oil maintains a much wider range of cannabinoids, flavonoids, terpenes and esters, and other plant pigments.

Sourcing and Adding Terpenes

Producers have various schools of thought about flavouring vape pens. They fall into three broad categories. The first is using artificial flavours, which is a practice that is heavily used in the e-cigarette industry. The

second method is using naturally derived terpenes. Terpenes are volatile organic compounds in cannabis and other plants that give each cultivar its unique flavour profile. Plant-derived terpenes come from natural sources (e.g. linalool from lavender or limonene from lemons). Those can be used by producers to create fruit flavour profiles or to mimic the profiles of different cannabis strains. The third method is using cannabis-derived terpenes. These come from the cannabis plant and can be extracted using a variety of methods. They can be extracted from a single source or they can be blends. Furthermore, cannabis terpenes can also be blended with a distillate or oil created from the same starting material to create a single source product.

Fume Labs takes a single source approach, using terpenes from that exact batch of flower to maintain the 'entourage effect'





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of the starting material. “Every time you’re adding in a new compound, there is a risk of an adverse effect,” says Rshaidat. “Terpenes can be poisonous in certain combinations, so if you’re mixing flavours to create a terpene profile, you should really know what you’re doing. We stick to what’s in the plant, as the more you add into it, the more unpredictable the results will be, so we make sure we do not add anything to our products that did not come from the cannabis plant.”

Approved Carrier Oils

Health Canada has approved three diluting agents/diluents to be used as carrier oils. Their purpose is to decrease the viscosity of cannabinoid distillate (e.g. THC/CBD) to help cannabis oil interact with standard vaporizer hardware. CO2 extracted full-spectrum oils don’t usually require carrier oils.

Carrier oils generally have a sweet taste, are colourless, and practically odourless. Commonly used carriers include: the organic compound Propylene Glycol (PG), which is also found in food, Medium Chain Triglycerides (MCT) that is most often derived from coconut, and Vegetable Glycerin (VG), which is sourced from vegetable oils.

PG has been one of the carrier oils to come under the spotlight recently and Health Canada suggests that the “thermal degradation of propylene glycol and glycerol during vaping can lead to the emission of significant amounts of formaldehyde, acetaldehyde, and acrolein, among other potential toxicants.”

“Every common carrier has a unique potential for toxicity when heated above 200 degrees Celsius,” says Darcy. “When vaporized at these extreme temperatures, there is a chance for them to break down into undesirable by-products. Our products are not designed to heat near that temperature.”

Temperature and Terpenes

Vape temperature is important, as it can affect the flavour profile, potency of each ‘hit’, and the overall experience.

“Different temperatures can either express or mute the terpene profiles of a particular product,” describes Darcy. “A higher temperature increases the amount of product vaporized, but can also rip out any real flavour or experience. It’s like the difference between sipping a Don Julio



Every common carrier has a unique potential for toxicity when heated above 200 degrees Celsius.

1942 versus doing shots of Cuervo. High temperature yields a big hit at the expense of flavour. Variable voltage batteries allow the consumer to dial in the experience that’s right for them. Other hardware is set to a single setting that is matched to terpene profiles, cartridge resistance, intake hole diameter, and viscosity of their products.”

Choosing the Right Hardware

Studies suggest that thermal degradants are produced as a result of a ‘dry hit’ or ‘dry puff’. Regulated device design and operating parameter limits mean that emissions will be as low as possible, but hardware choice can help consumers to select an oil.

Dry hits can occur when a vaporizer wick is heated, but not soaked in oil. This happens with higher viscosity, uncut oils as they’re not fluid at low temperatures—if the wick

isn’t soaked when the vape is turned on, then it will burn out. Ceramic element vapes are better suited to these oils as they can be preheated without burning out.

“Wick-based systems are usually better for oils with lots of carrier oil as they have a lower viscosity; there’s more liquid so you want a wick that will slowly absorb the liquid,” says Rshaidat. “Low viscosity oil is likely to leak with porous ceramic. The intake holes in the cartridge should match viscosity, so more viscous oils need bigger holes and more of them. Clogging can happen when small leaks occur in the airway and you end up with oil droplets forming and clogging the air channel. Variable air intake cartridges will not activate in draw-to-fire vapes; you need a push button vape to use them.”

Visit Health Canada for more information about vaping regulations: www.canada.ca/en/health-canada/services/smoking-tobacco/vaping/product-safety-regulation.html



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Why You Need a GR Strategy

by Nicole Brassard

In a relatively new and crowded industry like cannabis, a robust government relations strategy is increasingly important to cut through the noise and establish yourself as a trusted retailer with government. From start-up through to initial capitalization and established entrants, government engagement is an ongoing process as policies and key influencers change.


As multiple levels of government grapple with their newfound responsibilities and coordination, knowing who to talk to and how to talk to them is critical for your business.

This is particularly true for the issues that impact retailers, as we are nowhere near the final iteration of some of the market's most exciting aspects, such as marketing, promotion, distribution, and the market entrance of '2.0 products'. While the legislation, regulations, and by-laws for retail cannabis will continue to evolve, the "wait and see" approach is the preferred tactic for most levels of government across Canada.

No matter what you are lobbying for, or

the level of government you are lobbying, connecting stakeholder engagement and communications to government relations activities is critical.

When put together, these tactics equal a respectful yet forceful dialogue that will increase your company's profile and influence decision-makers.



Education is often required to dispel many of the pre-legalization fears of increased crime and drug use.

Three Aspects of any GR Plan

1. Government Relations

The first step of any robust government relations plan is the ability to build a relationship with government that positions your company as a trusted adviser.

Municipal - As some municipalities retain the right to veto certain retailers or outright ban retail cannabis in their communities,

the importance of sustained and ongoing government relations with key councillors and staff allows retailers to get the inside track on decisions. Presenting to council, meeting with staff, or hiring locally are all ways retailers can make an impact in the community. Due to resources, some municipalities may be less informed than

their provincial or territorial counterparts and, as a result, education is often required to dispel many of the pre-legalization fears of increased crime and drug use.

Enacting a proactive engagement and monitoring strategy with municipal governments is key to understanding where retail cannabis is permitted, where it is restricted and, most importantly, where attitudes are shifting.



Provincial - Developing a strategy that provides a direct line to government, especially when issues arise with individual applications, can provide clarity in an otherwise opaque system. While each provincial agency is substantially different, issues are rarely driven, influenced, and resolved within a single jurisdiction in Canada. Understanding how all provinces approach retail cannabis is beneficial for those interested and concerned about jurisdictional creep, influence, and policy development. Requesting meetings with key bureaucrats to position yourself as a trusted stakeholder, or meeting with political staff to understand the overall strategy is important to avoid surprises in provincial policy or the development of new licence classes.

Federal - While retail distribution was left entirely to the provinces, marketing and promotional restrictions in the Cannabis Regulations govern the activities of all cannabis businesses. Understanding the upcoming and open consultations is a window into the next steps being considered by government. As the cannabis industry continues to evolve, these consultation periods are a great opportunity to engage with the federal government to build a trusted corporate profile.

As with all government relations strategies, insight into future opportunities and risks is invaluable.

2. Stakeholder Engagement

Stakeholders—be they the public, local communities, or other third parties—increasingly have the power to influence the public policy debate around your business’ objectives. Creating opportunities for dialogue between stakeholders and influential parties is key to progressing a mandate.

Forming industry associations where none occur or joining an established association like the Association of Canadian Cannabis Retailers (ACCRES) or Cannabis Council of Canada is critical to any

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government relations plan. This membership allows a third party to lobby on your behalf without ‘popping your head up’ on potentially contentious issues that will harm your established or newly formed relationships with government.

Coalitions or trade associations can effectively participate in government debates, demonstrate unity in a business sector, and navigate issues on behalf of the companies involved. These coalitions can highlight opportunities to leverage project champions and spokespeople, as well as identify potential obstacles and provide strategies on how to manage risk related to a project.

Retailers can also leverage community outreach activities in order to identify and activate champions who can influence the dialogue in the public and government spheres—like your local Chamber of Commerce or Business Improvement Association.

Requirements such as letters of support or a positive community consultation should be considered early by local retailers and an effort should be made to build out a government relations strategy that includes community engagement. Getting these parties onside early, or even holding an open house to preemptively address some of their concerns, goes a long way in securing support. At the very least, you can avoid community complaints, which can derail even the most sophisticated operation.

3. Strategic Communications

Strategic communications should be built into everything from your website to your briefing notes to government, and should specifically highlight alignment with government priorities and your commitment to responsible and compliant operations. The most successful brands enhance reputation by aligning business objectives with broader societal challenges and interests.

Strategic communication campaigns will protect you and your interests while you focus on the things that matter most—growing your business, increasing shareholder value, and building your brand. Organizations that clearly articulate their issue and implications, and present recommendations based on evidence, stand the best chance of success.

Sit down with your team to determine a proactive and integrated government relations strategy to help your business thrive in this new industry. ▀

Nicole Brassard is a Senior Consultant with Global Public Affairs. She can be reached at (604) 630-1065 or nbrassard@globalpublic.com.

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> HOW ARE PUBLICLY TRADED RETAILERS FARING?

In a stock market for licensed producers that has dropped 32.1% so far this year, according to industry investor Alan Brochstein, Canada's cannabis retailers are a bright spot based on the sheer volume of sales revenue being generated by them.

Cannabis Retailer explores four publicly-traded companies that own or operate legal retail cannabis stores across the country and looks at some of their current vital signs.

National Access Cannabis Corp (TSX-V: META) This TSX Venture-traded public company, known better by its META Growth Cannabis Supply Co brand, owned 35 cannabis stores across Canada as of November 1st and last reported its quarterly earnings on June 30th.

Continue reading: www.cannabisretailer.ca/2019/how-are-publicly-traded-cannabis-retailers-faring/



> AURORA OPENS IN WEST EDMONTON MALL

Aurora Cannabis opened an 11,000 sq. ft. store in North America's largest mall. Aurora combined a retail cannabis store and an immersive experiential space, encouraging visitors to explore unique products and participate in a rotating calendar of programming and events.

"Aurora is proud to call Edmonton home. It's here where we established our roots and built our business. There's no better place for us to open the doors to our flagship store and to welcome consumers from all over the world to join us in celebrating how far the cannabis movement has come and how quickly it continues to grow," says Terry Booth, CEO of Aurora.

Continue reading: www.cannabisretailer.ca/2019/aurora-opens-flagship-store-in-west-edmonton-mall/



> SEPTEMBER 2019 RETAIL SALES DISAPPOINTING

For the first time since legalization, cannabis sales in Canada dropped in September. Sales from legal cannabis stores decreased 2.46% to \$122,927,000 compared to August, with the most significant drop showing in Ontario and Eastern Canada, where the small number of stores per province is not meeting consumer demand.

BC saw sales increase slightly (0.42%) from August, as stores slowly opened during that month to bring the total number of stores in BC to 123 at the end of September.

Alberta's sales rose 3.68% in September as that province continued its trend of opening stores each week. As of September 30, Alberta had 291 stores open.

Continue reading: www.cannabisretailer.ca/2019/september-2019-retail-sales-disappointing/



> QUEBEC BANS VAPING PRODUCTS

Following vaping illnesses affecting people across North America, the Société québécoise du cannabis (SQDC) had decided to temporarily ban vaping product sales in Quebec.

Although the Centers for Disease Control and Prevention (CDC) in the US has basically determined the cause of the vaping illnesses to be due to Vitamin E acetate, which is used as a thickening agent, Canada's National Public Health Director issued a public health warning to not sell vaping products.

Fabrice Giguère, in charge of communications at SQDC says, "In the light of many health problems recently discovered in the US, we're uncomfortable with the idea of selling such products."


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Stocking 2.0 Products

by Jaclyn Pehota

Cannabis extracts, topicals, and edibles can now be purchased for your store.

This change in product mix marks an important shift for legal retailers, who are now able to serve their customers products that make up as much as 60% of the legal market in jurisdictions like Washington and Colorado.

These categories include highly sought-after products like cannabis concentrates (also known as hash oil, or colloquially as ‘dabs’) as well as edibles like infused gummies and baked goods, and cannabis topicals like creams and ointments. These products are in high demand in the US, and many analysts believe that these products could attract a significant new demographic to the legal retail system.

For legal retailers who do not have significant experience working with these products, this change can be both exciting and intimidating, as it represents a significant increase in products to carry.

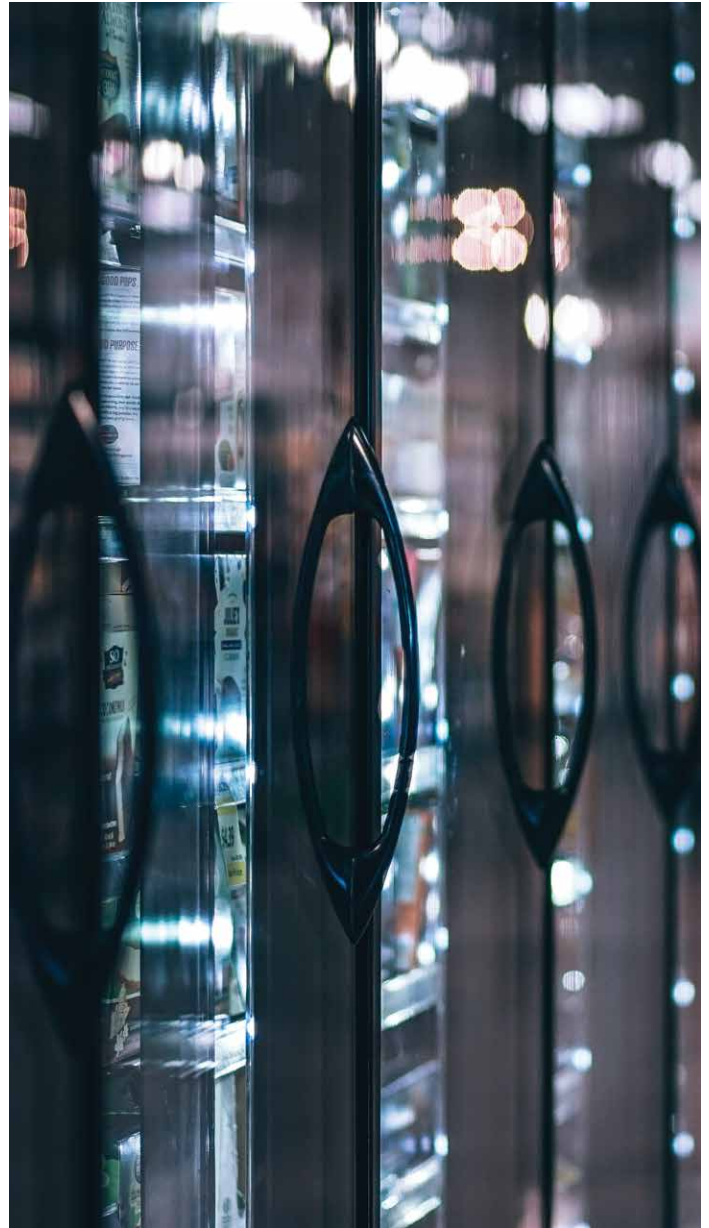
It will also dramatically increase the product knowledge required to operate a retail store effectively, as it marks a significant shift in the types of products consumers have access to. Customers will have questions about extraction methods, solvents used, purging methods, and other highly technical questions that require real product knowledge.

The first thing for retailers to know is that these products need specialized display and storage methods. While cannabis edibles are required by law to be shelf-stable and therefore do not require refrigeration, it may still benefit retailers to invest in climate control to minimize spoilage and product degradation.

Edibles are also highly regulated, with dosages capped at 10mg. While this low dose is ideal for novice users and will result in fewer instances of overconsumption for individuals with a low tolerance, it is a very low dosage for even a semi-regular cannabis user, and will likely require staff guidance regarding effective dosage.

Hash oil products will require cool, dark storage, as they are prone to melt when warm, which can result in messy containers and unhappy customers. Hash oil products also require specialized display and scent jar setups, and may also need additional shelf space for ancillary products like specialized hash oil bongs and vapourizers as well as bangers, carb caps, and other peripherals.

The last new product category is cannabis topicals, which represent an interesting challenge for retailers. Most cannabis topical products are in fact designed with a medical or therapeutic goal in mind, such as relieving pain or treating topical skin conditions like eczema, so staff should be trained carefully not to cross the line between a recreational product recommendation and medical advice. Staff must avoid providing unlicensed medical advice or recommendations that may conflict with their customers’ existing treatment plans.



The bottom line for cannabis retailers is that Cannabis 2.0 marks a significant increase in not only the number and variety of products, but in the specialty staff knowledge and training that will be required.

Retailers should treat these new product categories as significantly different from flower and oil, and do their homework accordingly. Those who are able to rise to this challenge will be rewarded with a significant increase in sales and a bright future as full-service cannabis retailers. ▴

Jaclynn Pehota is retail licensing specialist and a principal consultant at Althing Consulting Services. She serves on the Advisory Board for the Association of Canadian Cannabis Retailers (ACCRES).



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FEATURED RETAILER

The Pot Shack, Saskatoon

by Amy Watkins

Wholesome, inclusive, and down-to-earth, Saskatoon's Pot Shack aims to welcome cannabis consumers from all walks of life. Focusing on craft and organic options, the store's extensive menu can be found in leather-bound books on rustic wooden tables in the 900 sq.ft. showroom.

"We created a relaxing feel, like a family cabin, a hut on a lake, or maybe Grandma's house," says owner Geoff Conn. "It's a place where our guests can come and enjoy a relaxing vibe."

Design touches include wainscoting made by a local craftsman who recycled 100-year-old Saskatchewan barn wood to create this feature. Other elements include a wood stove, antiques, rustic tables, and brick wall highlights that create a welcoming, rustic aesthetic.

The Pot Shack operates as an independent cannabis store in the province. Since opening in fall 2018, Conn has built up relationships with growers by buying direct. "We offer the most diversified product selection in the city," he says. "We typically have four pages of flower on the menu (50+ strains) ranging for \$7 per gram to \$24 per gram. Our relationships are with the individual growers. At the end of the day, it's their products that keep our guests happy. We have an amazing variety of choices. We are the only store in Saskatoon that offers Whistler Cannabis Company products: Whistler is considered one of the best growers in the

country and is the only organic certified cannabis in Canada. Their product smokes like a fine cigar and sits at the higher end of our price points. These products may not be for everybody, but the choice is theirs." In addition to buying direct from licensed producers, The Pot Shack is a member of Saskatchewan's Weed Pool Cannabis Cooperative, which is working to have greater purchasing power.

Being part of the community is important for the team at The Pot Shack. "We are surrounded by great businesses—there is a Keg Restaurant in front of us and at the back is the largest destination CO-OP liquor store in the province," describes Conn, when asked what the store's key advantage is. "Beside us we have Jerry's, and everyone in Saskatoon knows how to get to Jerry's. The Pot Shack can be seen driving in either direction on 8th Street, which is the busiest street in Saskatoon." The Pot Shack caters to customers from various demographics by altering the in-store experience throughout the day. Curious retirees finish their coffee at Jerry's and visit earlier in the day to look for CBD products, and then the atmosphere is adjusted to cater to different demographics as the day moves to night. The Pot Shack has a great vibe on Friday afternoons to herald in the weekend. Everything is designed to welcome the community and make them feel at home.



Since opening, the store has gone through some changes with glass tabletops installed so customers can view the products and make a visual assessment of quality. Favouring this over sniff jars, as they can be harder to keep fresh, Conn and his team are on-hand to offer advice to buyers who are looking for specific types of products. While the original push came from customers looking for high-THC products, increasingly there are more people interested in coming back to learn more about terpenes and how these aromatic compounds can affect their experience.

This personal approach is what helps set the Pot Shack apart—when products ship or are picked up from the store (via the e-commerce option) each one bears the stamp of the staff person who put it together. Customers who come into the store are greeted at the door to be taken through the ID process and then directed to the tables to peruse the menu of flowers and oils, or they go directly to the till to get the product and more information.

Conn has great respect for Store Manager RJ Fafard. In addition to having award-winning retail experience, Fafard is also an old high-school buddy of Conn's. The pair met at Notre Dame College in Wilcox, Saskatchewan over 40 years ago. "Our goal is to create an incredible customer experience," says Conn. "We can proudly

state that our store manager RJ is the best in the industry. The people he has selected to round out our sales and education team is exceptional. Our staff is awesome! Training is continuous, as we work with each of the growers and their educational teams to ensure we stay up to date. We know that our staff is the key to our success. If we treat them well then they will treat customers well." ▀

TRENDS

Female Cannabis Consumption in Canada

by Amy Watkins

From prized female buds and feminized seeds, to the use of 'mother' plants, the cannabis plant is often lovingly referred to as 'she' by growers. But pop culture references to cannabis consumers tend to focus on men, feeding into the male stoner stereotype. Canada's legalization of non-medical cannabis has helped to shine a light on female cannabis consumption, as women become an

increasingly visible segment of the market.

Using data sourced from Applied Knowledge's ongoing cannabis consumption tracker, Cannatrack, we look at consumption trends in Canada between October 18, 2018 and September 30, 2019 from a sample of 33,907 respondents.

Are women consuming as much cannabis as men?

Yes, is the short answer, with only a 1% difference between population responses (~34% of males versus ~33% females have ever consumed cannabis). While men are slightly more likely to have consumed cannabis, the difference is marginal; showing a very even distribution of cannabis consumption amongst males and females since legalization in 2018.

Which age groups are most likely to consume?

When it comes to the age and gender of

cannabis consumers, most people are in the 21-39 age bracket, with one surprising result showing that amongst 19-24-year-olds, females are significantly more likely to consume versus males. This breaks down as 40.3% of 19-20-year-old females (versus 36.3% of 19-20-year-old men) and 49.6% of 21-24-year-old women versus 46% of men the same age.

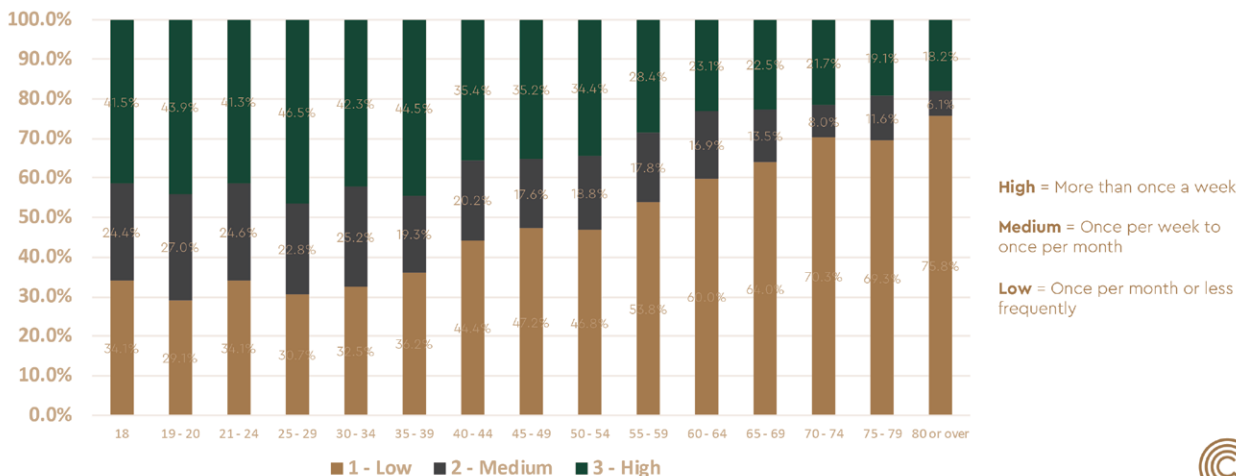
How often are women consuming cannabis?

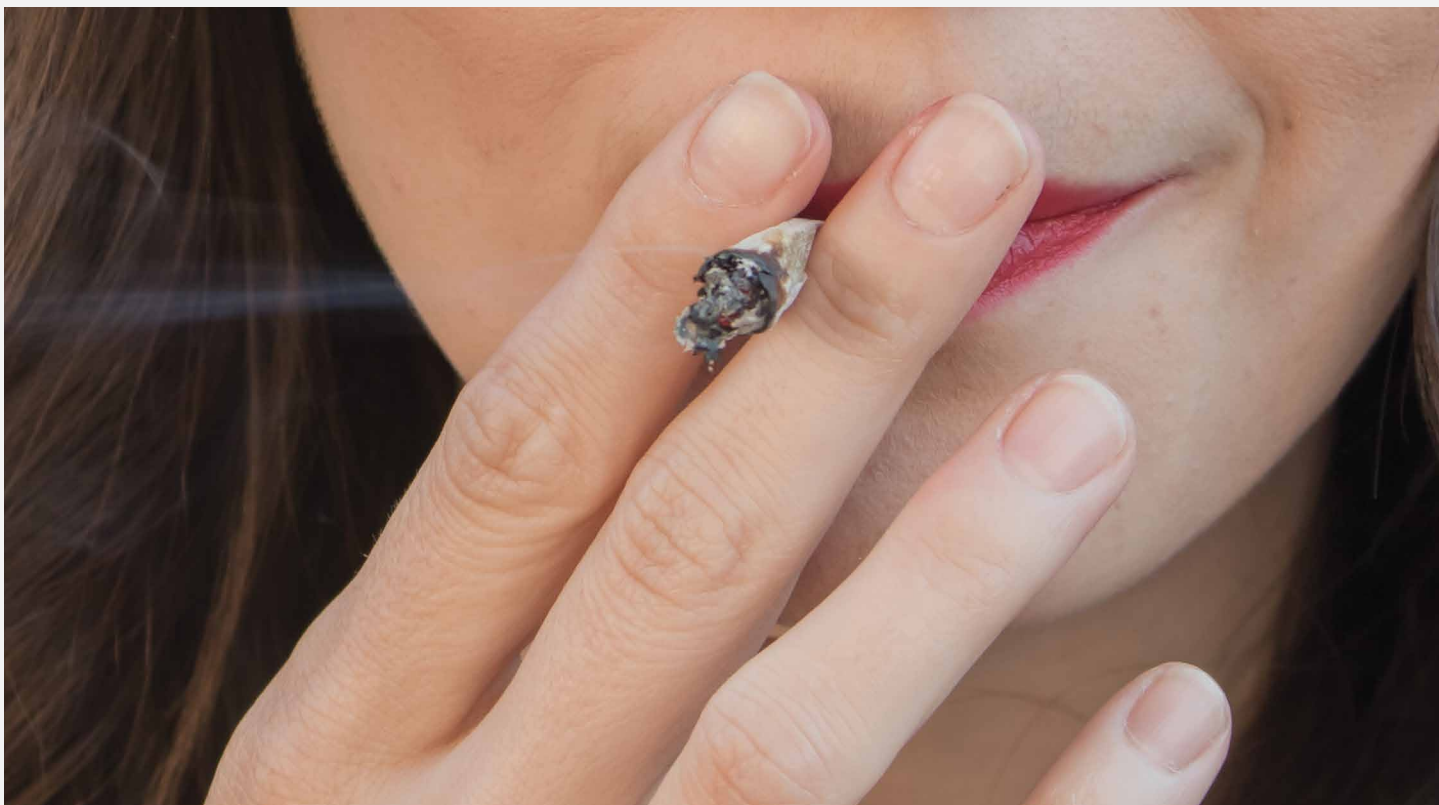
Amongst the total cannabis consuming population (male and female), 25-29-year-olds have the highest percentage of "high" frequency consumers (more than once a week), followed closely by 35-39-year-olds. The distribution of "high" frequency female consumers is more evenly distributed amongst 19-39-year-olds, but 19-20-year-olds and 25-29-year-olds make up the most engaged users of the category.

Over the past year there has been a significant movement in cannabis

TOTAL FREQUENCY OF CONSUMPTION BY AGE

Amongst the total Cannabis consuming population, 25-29yo's have the highest percentage of "High" frequency consumers, followed closely by 35-39yo's





consumption amongst the total population. Statistics are seeing “low” or light users (less than once a month) steadily decline and be replaced by “high” or “medium” (between once a week and once a month) users, which are both increasing. Female consumption of cannabis doesn’t differ in a meaningful way versus the general population: if anything, the same trend holds, but it is slightly less steep across all consumers.

Who is buying cannabis?

Women tend to purchase cannabis much more infrequently than men. Women are also less likely to have purchased the cannabis they consume: Over a third of women in Canada who consume cannabis do not purchase it and rely on friends, etc.

Why are women buying cannabis?

Females seem to be more likely to purchase for medicinal or therapeutic reasons (in this case therapeutic purchases are made for the same reason as medicinal ones, but without a prescription). The primary reason, or driver of consumption for females in Canada are

“medicinal” in nature and are centred around health benefits such as pain relief (22.9% of women vs. 16.7% of men), anxiety relief (20.9% of women vs. 15.2% of men) or sleep aid (23.7% of women vs. 15.8% of men).

Which types of cannabis are being consumed?

Likely associated with a more “therapeutic/ medicinal” approach to consumption, women prefer CBD as their primary type of cannabis, when given the option of sativa, indica, hybrid, or CBD. Reflecting the general trend of all respondents when asked if they know which strain/type they are consuming, most women (48.7%) didn’t know (versus 43.7% of men).

While dried flower is the primary format in Canada by a wide margin across the total population, women tend to over-index against “Cannabis 2.0” formats, such as vape pens, edibles (candies and homemade) and oils.

What does this mean for retailers?

Nearly half the female population has

consumed cannabis and while they may not yet be the principal purchasers of it, women are choosing to consume cannabis in forms such as oils and edibles. This is promising news for the new categories of vape extracts and edibles that were legalized in October 2019 and are now in the market.

Younger women are also more likely to consume cannabis versus their male counterparts, an interesting point to consider when it comes to marketing, but also a social responsibility issue to think about alongside research that THC can affect the brain as it develops until the age of 25.

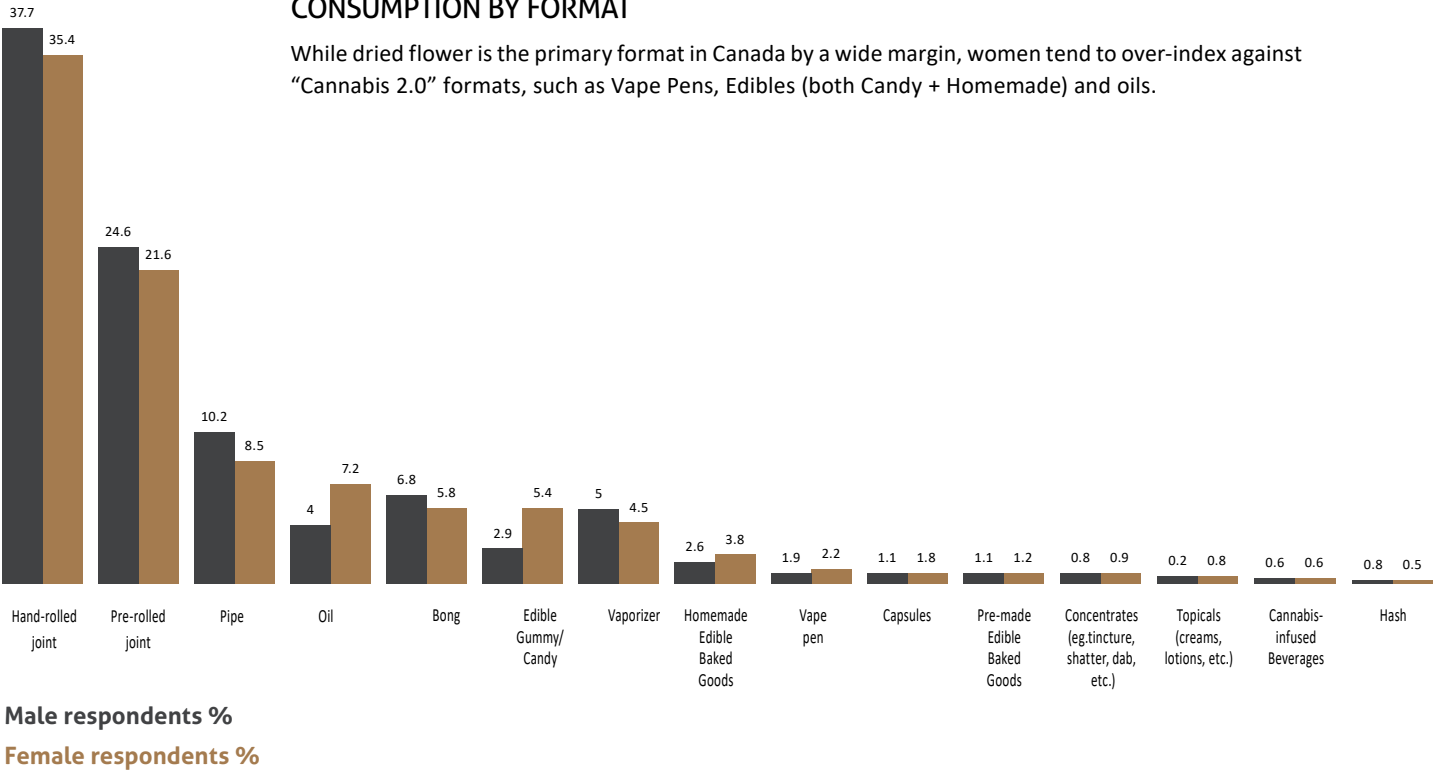
General cannabis consumption trends are showing an increase in more frequent consumption (an uptick in “high” users) across male and female consumers, possibly driven by less social stigma and more availability of legal cannabis.

As more women openly consume cannabis, many are keen to fight the misconception of cannabis consumers as being the predominant male stereotype and reclaim the roots of the cannabis plant as feminine.



CONSUMPTION BY FORMAT

While dried flower is the primary format in Canada by a wide margin, women tend to over-index against “Cannabis 2.0” formats, such as Vape Pens, Edibles (both Candy + Homemade) and oils.



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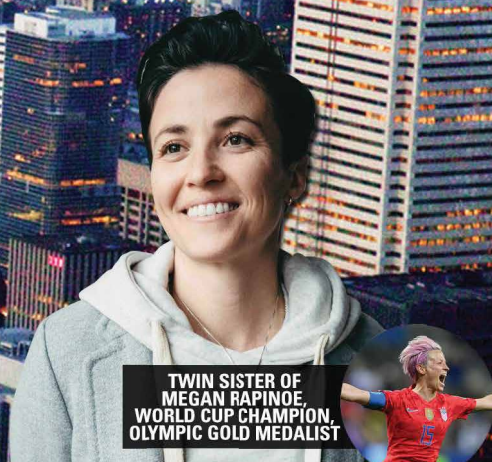
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Promoting a Green Industry

by Tania Moffat



When legalization came into fruition, Canadians soon realized that the cannabis industry was far from green. The cause—excessive packaging.

Canada has some of the strictest packaging regulations in the world. The *Federal Cannabis Act* mandates packaging to be opaque, child-resistant, tamper-evident, waterproof, and contaminate proof. Add Health Canada's requirements for health warnings, a standardized cannabis symbol, and specific product information and you now have a lot of packaging accompanying even small amounts of cannabis.

The Price of Packaging

Public outcry for more sustainable solutions followed, and retailers were just as concerned. However, there were hurdles to overcome. Efforts by licensed producers (LPs) to meet regulations have led to the use of several diverse materials, which made recycling through conventional means difficult. Refilling containers was also not an option due to packaging requirements.

Cameron Brown, communications officer for The Hunny Pot Cannabis, in Toronto, shares retailers' frustration. "When we entered the industry, sustainability was top of mind for our team. We opened on April 1, 2019, and from the beginning, we wanted to recycle our packaging properly as well as work on other initiatives to reduce our carbon footprint."

As of November 2019, we have shipped 25,000 containers to TerraCycle.

The store receives on average 250 to 500 shipping boxes per week. Brown says their first step was to ensure staff members were separating products properly. Then they needed a program to dispose of the actual containers.

Thankfully, Canopy Growth had recognized the problem early on and partnered with TerraCycle, a global leader specializing in hard-to-recycle materials. Their stores

Tweed and Tokyo Smoke accept any packaging purchased from licensed retailers, including outer and inner packaging, tins, joint tubes, plastic bottles, caps, and flexible plastic bags. This recycling solution is also available to other retailers.

"The program is Canada's first and largest cannabis packaging recycling program," states Alex Payne, public relations for

TerraCycle North America. "Since its launch in October 2018, the program has signed up 412 cannabis retailers across the country and collected 2,372,634 units of packaging or 47,000 lbs. as of November 2019. These numbers continue to grow as new retailers get involved every month."

"The Hunny Pot reached out to Canopy Growth and TerraCycle to become a part of their program. As of November 2019,

we have shipped 25,000 containers to TerraCycle. Our customers are making a real effort to bring the packaging back.” Brown adds that is thanks in part to their one-on-one service that provides education for the consumer.

Jason Richeson, store manager for Garden Variety in Manitoba, shares how their popular recycling program, done in partnership with LP, Zenabis, is a little different. “We wanted to stand apart and increase customer incentive. Therefore, we offer clients a 50-cent credit per returned container. Customers can bring in up to 10 items (\$5.00 credit) to be redeemed off their purchase daily.”

Beyond its recycling efforts, The Hunny Pot now offers 100% biodegradable plastic bags.

LPs Standing Out with Sustainable Products




Co-founder and Executive Director of Freedom Cannabis, Troy Dezwart, states that they are one of the few federally licensed growers committed to not using plastic containers for the recreational market. The privately-owned producer located in Acheson, Alberta, will be the first in Canada to use Nitrotins, which are fully recyclable.



Courtesy of Garden Variety

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As part of the packaging process, a drop of liquid nitrogen is used to purge air from the Nitrofin. This process has the added benefit of increasing the product's shelf life and maintaining quality. Freedom Cannabis products began distribution in late 2019, early 2020 and retailers are excited about the new packaging.

Industry Tight-lipped Regarding Vape Products

As the marketplace prepares for the introduction of cannabis vape pens and cartridges, a whole new set of recycling woes await. Vape products are more complex to recycle as they contain several different materials, batteries, and electronics in small quantities that need to be separated. A viable recycling program will require scale and time to develop.

Most producers and retailers are without a solid recycling plan. Dezwart says Freedom Cannabis is still working on finding high-quality vape products with recyclable parts.

The Hunny Pot shares that they are in open discussions with LPs regarding their plans for new products and how to recycle them. "We will continue to keep on our producers to ensure we have a solution," adds Brown.

"We are not even sure if there will be an opportunity to recycle them yet," says Richeson. "Garden Variety's management

company, Native Roots in Colorado, is experiencing this now. It's a real concern because the sector blew up for them, overtaking flower sales." This is predicted to happen in Canada as well.

"Unfortunately, cannabis vape cartridges are not currently accepted through the Cannabis Packaging Recycling Program," says TerraCycle's Payne. It seems the consensus remains to wait and see.

Social Responsibility Beyond Recycling

Throughout all the highs and lows that the industry has faced, it is reassuring to see retailers and producers showing their commitment to social responsibility. Beyond its recycling efforts, The Hunny Pot now offers 100% biodegradable plastic bags. Bags can be kept to use them again; however, once exposed to the elements, they will break down completely within 18 months. This spring, the company is also looking forward to having beehives installed on its roof, furthering their environmental commitment.

On the production end, as LPs begin to increase their scale and expand their product focus, cost savings have allowed them to start exploring more advanced sustainable packaging. And, eco-friendly packaging could be just the marketing tool they need to make their green products stand out. ▀



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Given all the M&A activity in the sector, what is the best way for cannabis retailers to add new directors/officers with minimal impact to licences issued and/or under consideration by a provincial regulator?

Licence-holders must work together with their provincial regulators to determine when they must be notified of new directors and officers being added to the licence-holder's organization. As far as I am aware, every province allowing private retailers requires directors and officers of licence-holders to fill out some sort of personal disclosure or background check. Sometimes these are self-attestations and sometimes the regulator will undertake a proactive search. Licence-holders should, at the very least, ascertain from their provincial regulator the forms that new directors and officers will have to fill out and the specific questions that they will be asked. If the target's directors and officers are being added to a licence-holder in a province where they have never had such a position, during due diligence it would be wise to ascertain whether any of the questions on the respective province's disclosure forms would cause an issue. Major red flags include individuals with provincial or federal criminal charges or convictions.

What is the best corporate structure for holding cannabis retail licences? For example, should a parent company apply for a licence or some subsidiary?

The structure that I am least excited about is a sole proprietorship. Since you're dealing with a large chunk of revenue, it will almost invariably be more expensive in terms of income tax to remain as a sole proprietorship.

Corporations are the best route to take, and Canadian-controlled private companies can take advantage of reduced taxes.

There are additional benefits to setting up the corporate structure with an operating company and a holding company. Assets can be separated, making you more desirable as a target if the acquiror wants to only purchase a segment of the whole business. You can also generate a tax-free dividend from the operating company and assign it to the holding company, which can provide some creditor protection.

A holding company can also allow you to place intellectual property assets in the parent and then license them to subsidiary operating companies to shield those assets from insolvency.

How should cannabis retailers manage and respond to notifications of infractions of the *Cannabis Act* by a provincial regulator?

Licence-holders should work diligently with their regulator and ensure that

any compliance issues are dealt with immediately and in a collaborative fashion. Stores should also ensure they have robust standard operating procedures in order to demonstrate that the policies the store has in place are meant to be followed.

The enforcement division of your provincial regulator will have discretion as to whether to charge you with violations. Having a good-standing relationship with the regulator is something that all retail stores should aim for before having to answer a potential violation.

Lastly, there are appeal routes for many offences. In Ontario, for example, the Licence Appeal Tribunal hears appeals of cannabis violations. It is suggested that you obtain legal counsel in the event you are looking to challenge an infraction notice from your regulator.

What is the actual scope of restriction, practically speaking, regarding LCRB Policy Directive No: 19 – 11 in BC? What kind of venues and promotional activities are still allowed for cannabis retailers and/or marketers?

Despite the deluge of media reports in September 2019 when the LCRB's policy directive first came out, it does not have the effect of being an outright prohibition on cannabis promotions in LCRB-licensed alcohol facilities in BC.

The confusion stems from the fact that when the LCRB initially released the policy directive it stated that cannabis promotion was "prohibited" in premises with the following licences: Catering, Food Primary, Liquor Primary, Manufacturer, Licensed Retail Store, U-Brew, U-Vin, Wine Stores or Special Wine Stores.

The next day, the LCRB deleted the initial version of the directive from their website and updated it to "clarify" that licensees must follow cannabis promotion "restrictions" – without specifying the restrictions.

The LCRB has confirmed to *Cannabis Retailer* that the policy directive is not an outright ban on cannabis promotions in these establishments, but these establishments must comply with all applicable federal, provincial, municipal and (if applicable) Indigenous law with respect to cannabis promotion.

For cannabis promotions across the country, the federal *Cannabis Act* generally prohibits in-person cannabis promotional ads unless they are in a place where youth are prohibited "by law".

Since establishments in the province with Liquor Primary licences must generally prohibit minors from entering their premises, this may be a suitable place for the information promotion or brand preference promotion of cannabis products that the federal *Cannabis Act* permits, subject to local laws.

However, Food Primary licences do not contain such a prohibition on youth entering the premises, so cannabis promotion would generally be inadmissible there.

Harrison Jordan is a Cannabis Lawyer & Consultant in Ontario.

If you have questions you would like a lawyer to answer, please send them to joyce@emcmktg.com and we will consider including those in our next column.

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ONTARIO OPENS UP RETAIL MARKET

The Government of Ontario has announced its move towards an open market for private cannabis retail in Ontario starting January 2020. The government is removing the temporary cap on the number of private cannabis stores in the province and is eliminating pre-qualification requirements for prospective retailers. [Read more...](#)

NEWFOUNDLAND BANS VAPE PRODUCTS

Newfoundland and Labrador will not allow the introduction of cannabis vape products at this time, although the government has committed to review this decision in light of any relevant clinical evidence. This decision follows Quebec's ban, which was also made to protect the health of Canadians until they find the cause of recently reported illnesses. [Read more...](#)



ALBERTA BEATS BC IN LEGAL CANNABIS SALES

With over 360 stores in Alberta, that province now has the highest consumption of legally purchased cannabis per person in Western Canada. In the first 11 months of legalization, Albertans purchased \$196 million worth of legal cannabis, according to recently released data from Statistics Canada.

AURORA OPENS IN WEST EDMONTON MALL

Aurora Cannabis opened an 11,000 sq. ft. store in North America's largest mall. Aurora combined a retail cannabis store and an immersive experiential space, encouraging visitors to explore unique products and participate in a rotating calendar of programming and events. [Read more...](#)





Tips for Preparing your Retail Licence Application

by Jaclynn Pehota

As retail entrepreneurs know, starting a customer-facing business is difficult at the best of times. However, launching a new cannabis company adds additional challenges and complications in the form of cannabis regulations that most retailers are not familiar with. These challenges can be overcome, but it is important for prospective cannabis retailers to carefully consider these elements as part of a business plan.

There are many differences and challenges in licensing requirements across Canada that face potential applicants. Each province has a unique application process.

No matter where you are located, there are a few steps you can take to ensure a smooth licence application and vetting process. Following are some straightforward solutions to potential licensing issues.

1. Build a Licensing Delay into your Business Plan

Depending on the province, the processing time for your licensing application will vary. There are some consistent requirements

across all provinces that can take some time including security clearances for ownership and staff and site inspections. Plan for these delays as you will likely be in a revenue neutral or negative position during this time.

In order to determine how much time you need to build into your business plan for

people who have already been through the experience and might be willing to share information about their journey.

- Plan for an addition 20% longer than you expect in order to give yourself a plan for a worst-case scenario.

Include processes like security camera placements, incidents response, and safe opening and closing procedures.

the licensing process, do some research prior to the outset of your project, and plan accordingly. Set time aside to:

- Call the agency responsible for processing and issuing licensing in your province. Inquire what the average turn-around time for a licence is from application to issuance.
- Call your local cannabis retailers' association, if there is one in your area. They might be able to connect you with

2. Hire a Security Professional to Develop a Security Plan

Security is a critically important business function for a cannabis retailer. The value of the product for sale is high, and cannabis retail has many of the same risk profiles as private liquor. In order to ensure an efficient licensing process and a safe working environment post licensing, you should strongly consider having a professional



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develop your operational security plan and the security overlay for your shop.

This professional work will include processes like security camera placements, incidents response, and safe opening and closing procedures. The licensing body in your area will likely be looking closely at your proposed operations and how you intend to ensure the safety of staff, customers, and the surrounding community. Having a security professional's work and endorsement provides piece of mind to regulators, the municipality, and to you as a business owner.

When looking for a security professional, it is recommended that you ensure that they are a Certified Protection Professional (CPP) and confirm that they hold insurance for their consultancy. CPP is a national, professional designation and holders of the designation are required to undergo annual training renewals. Regardless of who you choose to work with, it's important to confirm that your security professional is currently certified and in good standing under a nationally recognized program.

3. Carefully Consider Your Brand Name

Developing a brand name should be the fun part! With cannabis, there are several provincial and federal regulatory considerations when choosing your brand. First, it's important to remember that any medical or health implications are not allowed, such as Medi prefixes or Dispensary.

The second consideration is the requirement not to directly induce people to use cannabis, so your brilliant plan to open the "Super Fun Extra High Cannabis Shop" is out.

All joking aside, the considerations for branding are many. There's a universe of names related to the cannabis plant and historical cannabis culture expressions to mine for a meaningful brand experience that connects with consumers. Be certain to familiarize yourself with your province's *Cannabis Act* and the marketing/advertising section of the federal *Cannabis Act* to ensure that your dream brand doesn't turn into wasted time and money, and avoid stereotypes and clichés that may turn off existing cannabis users tired of years of stigma and prohibitionist rhetoric.

4. Completeness and Details are Critical

Before you submit your application, be sure your paperwork is complete. This might seem obvious, but it is important to submit complete paperwork, as it eliminates delays in the form of follow-up requests from the regulator, which can add months to your timeline.

Read the application documents thoroughly and completely prior to starting, and if there is an accompanying guide, keep it on hand and refer to it often. If you are uncertain about the level of detail required in your application, the safe bet is to offer more rather than less detail. This will hopefully prevent the need for clarification about the application.

Elements that are frequently missed or overlooked include, ensuring IDs are current, the labelling on additional documentation is clear, the submission is well organized and easy to navigate, and the financial documents are well-organized. If you have doubts about what that might look like, you should consider hiring an accountant or a cannabis consultant.



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Being ready to provide the information will prevent last minute scrambling and additional waiting on your part.

5. Be Prepared for Requests for Additional Information

Even the most thorough application might raise questions for the licensing branch, so be prepared to answer those questions!

It's a good idea to let your support services, such as lawyers and accountants, know when you are submitting your application. Give them a heads up that there may be requests for supplementary information or documents and that they should be prepared to respond in a timely manner.

Regulators sometimes misplace information or there may be communication issues between departments. Rather than delay by having the agents look for information, be prepared to provide the documentation again as well as additional information requested. The faster you can respond, the faster the process of vetting your application can recommence.

Additional requests for information often include further financial or tax records, site information such as architectural drawings, photos or renderings of interiors, and questions related to the business plan/model. Being ready to provide the information will prevent last minute scrambling and additional waiting on your part.

The licensing process for cannabis retailers requires careful planning, and some support from professionals. Their assistance with planning and their support during follow-up requests will ensure that your licensing experience is smooth and as expedient as possible, which is critical to successfully launching a retail business. ▀

Jaclynn Pehota is retail licensing specialist and a principal consultant at Althing Consulting Services. She serves on the Advisory Board for the Association of Canadian Cannabis Retailers (ACCRES).

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