

CANNABIS

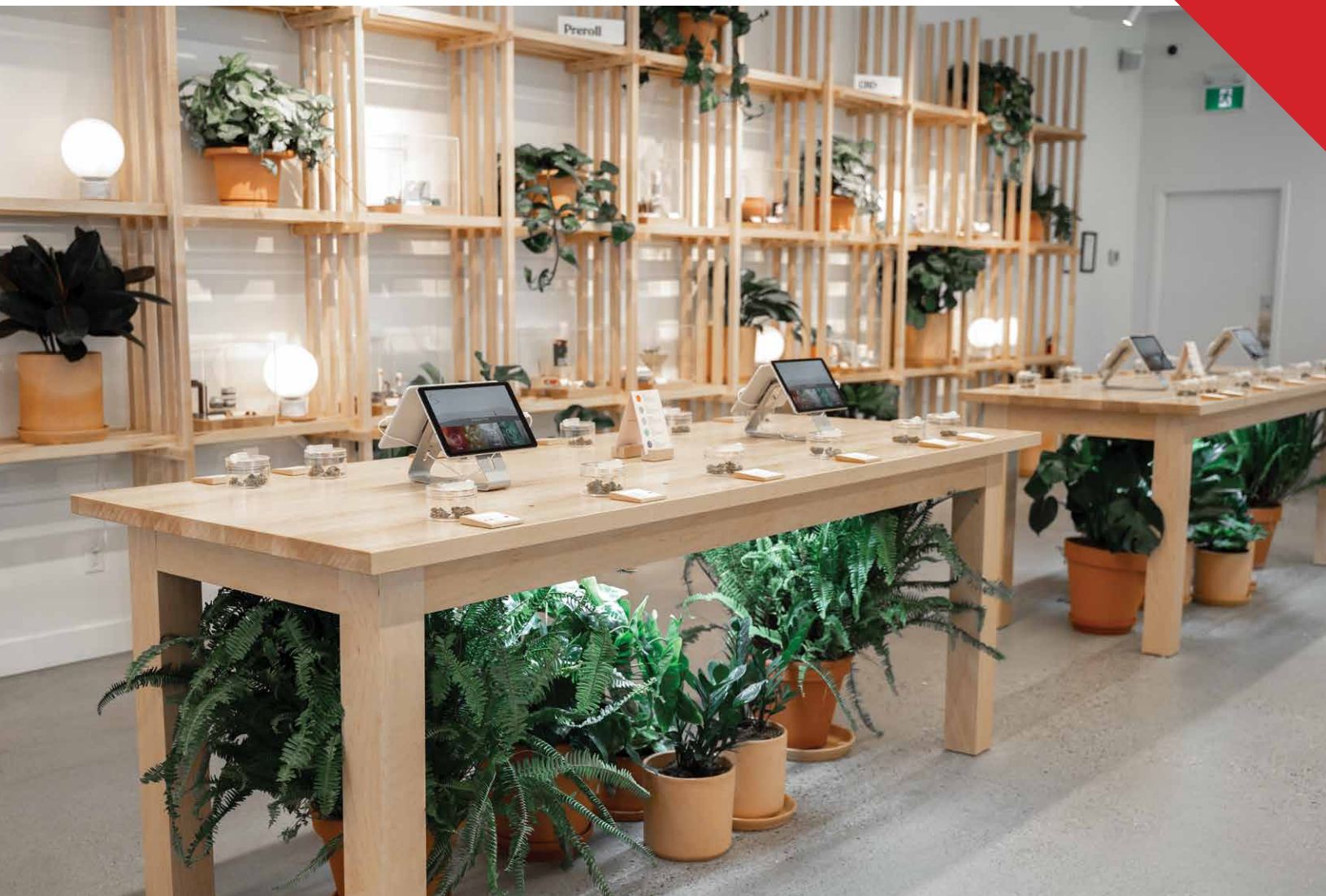
RETAILER

Business Magazine for Canadian Retailers

INTERIOR DESIGN

Create a welcoming atmosphere in your store

PAGE 6



Extraction Techniques

Each method results in a different outcome

PAGE 10

Customer Loyalty

Retain customers and build referrals

PAGE 20

Partnership Options

Do you want a business partner?

PAGE 26



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May/June 2020



6

The Design of a Feeling

From a nostalgic diner to a comfortable living room, your design creates a feeling.

Understanding Extraction Techniques

Review hydrocarbon, ethanol-based, and CO2 extraction techniques.



10

Customer Loyalty is Everything

Providing the best possible customer experience is critical to building loyalty.



20

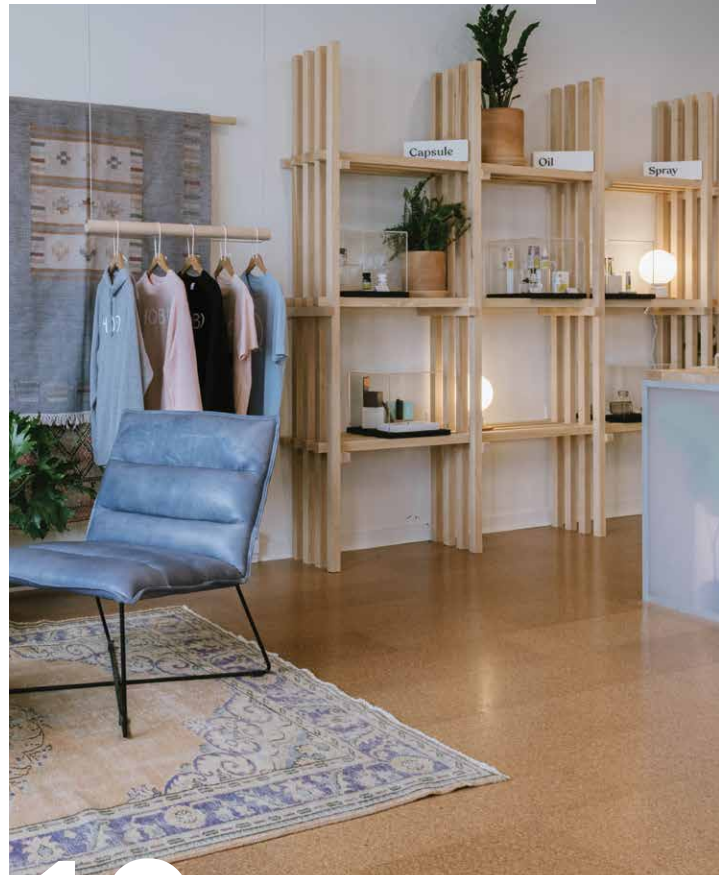
Partnering Through Business

Determine if sole proprietorship, or a limited or general partnership fit you best.



26

FEATURED RETAILER



16

Hobo Cannabis Company

REGULARS

- 4 Editor's Notes
- 13 On CannabisRetailer.ca
- 14 Trends: Category Changes in 2020
- 29 Research: Safety of CBD in Dogs
- 30 Legal Corner

EXTRAS

- 15 ACCRES Report
- 18 How is COVID-19 Impacting Business?
- 23 The Ongoing Struggle to Find a Financial Institution
- 24 Sales of Cannabis 2.0 Products in the US

EDITOR'S NOTES

by Joyce Hayne

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We hope that you and your team and family are staying healthy during this worldwide pandemic.

Businesses across all industries have been challenged in more ways than we ever thought possible, but we'll get through this, and hopefully we'll be stronger than before COVID-19 hit us. The cannabis industry has fought and won many battles and is more resilient than many sectors.

Thank you to all the front-line workers in stores who continue to ensure that customers can purchase their cannabis and accessories. How service is provided may have changed for the short-term, but the passion of workers in this industry is never-ending.

After this crisis, new stores will continue to open across Canada and we'll be able to provide more access to legal cannabis.

In this issue, you'll see tips on designing a welcoming atmosphere and ways to build customer loyalty, while the Legal Corner clarifies what you're allowed to do. We also review the pros and cons of various ownership options and look at different extraction techniques.

Please let us know topics that you'd like to read about, either in the magazine or on CannabisRetailer.ca and we'll work on getting those for you. This is your industry magazine and resource, so let us know what we can do to make it better.

I'm happy to let you know that our team is intact here and we're happy to help you, however we can. Stay positive, as these challenging times will end. We'll get through this together.

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RETAILER

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Monitoring your KPIs

Canada - The World's Cannabis Leader?

Creating an Employee Handbook

Selecting Suppliers

MediPharm Labs

A Global Leader in Pharma-Quality Cannabinoid-Based Products

MediPharm Labs is a global leader in high-quality, pure and trusted medical and adult-use cannabis products, supplying Canada and international markets where the regulatory jurisdictions permit. In addition to making its own MediPharm Labs family of medicinal and adult-use products, the company also manufactures white label products and conducts contract manufacturing for others. They formulate, complete sensory tests, process, package, label, and distribute cannabis extracts and advanced cannabinoid-based products, including popular products like the Wayfarer-branded vape cartridges.

“Since delivering the first shipment of our Cannabis 2.0 products late last year, demand for our finished products continues to increase,” says Pat McCutcheon, Chief Executive Officer, MediPharm Labs. “New consumers and a growing list of private retailers across Canada are beginning to form opinions and make brand choices based on quality, potency, price, and availability of consistent supply. So far, we’re earning our place with tremendously positive feedback.”

In late December 2019, the company started shipping their Cannabis 2.0 products to Canada’s provincial retailers/distributors, and as of May, products are on sale in select provinces such as British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario. MediPharm Labs continues to maintain distribution agreements with all provinces/territories across Canada, so watch for future availability of their products across Canada.

Pharma-quality Standards

Based in Barrie, Ontario, the company’s facility, which is built and certified to pharmaceutical standards is currently one of the most innovative and technically advanced in Canada with state-of-the-art technology, downstream purification methodologies, and five primary extraction lines to deliver pure, trusted, and precisely-doseable cannabis products for their customers. Most importantly, MediPharm Labs is committed to manufacturing products of the highest quality that provide trust through a predictable and consistent experience for patients and consumers. That’s why all of their product offerings begin with high quality dried cannabis, sourced from select licensed cultivators based on their quality standards, reputation, and reliability. All other inputs, such as hardware, are evaluated against appropriate quality standards. After processing, a representative sample from every batch of cannabis is tested externally by a qualified third-party laboratory. To ensure these pharma-quality standards, MediPharm Labs has invested in an expert, research-driven and quality-focused team with over 155 years of cumulative experience working in regulated industries such as pharmaceutical, food and beverage, nutraceuticals, medical devices, and cannabis.



A MediPharm Labs Quality Assurance Associate reviews batch production records to ensure adherence to regulations and guidelines.

The Wayfarer Brand

MediPharm Labs’ purified, trusted cannabinoid-based products include



the Wayfarer line of vape cartridges, including many well-known cannabis cultivars.

- Northern Lights is a popular high-THC distillate with terpinolene, limonene, and beta-caryophyllene terpenes.
- Blue Dream is another popular high-THC distillate with alpha-pinene, myrcene, and beta-caryophyllene terpenes, as well as some floral notes.
- AC/DC (2:1 CBD: THC) is a popular phenotype of high CBD - low THC ratio with dominant myrcene, beta-caryophyllene, and limonene terpenes.
- Pink Kush (Coming Soon)
- GG4 (Coming Soon)

All of these inhalable products are designed to deliver a pure, clean taste, and are formulated with 95% distillate and 5% terpenes, and no carrier oil, highlighting the quality of MediPharm Labs’ cannabis extracts.

Innovation & Research

MediPharm Labs is among a select number of cannabis companies that have obtained their Research Licence under the Cannabis Act and Cannabis Regulations. The licence allows its Research & Development Team to perfect cannabis extracts and concentrates, distillates, oil, edibles, topicals, and terpenes through controlled ‘human administration trials’. With this licence, MediPharm Labs can use sensory experiments in relation to taste, aroma, or touch (for topicals) thus expanding their understanding of the consumer response profile and ultimately of consumer preferences for the raw material, in-process material, and finished products. The results of such trials that evaluate the aroma, palatability and tactile properties helps the company ensure greater desirability of their products. Other innovations MediPharm Labs’ R&D team is researching include water-solubility and isolating specific cannabinoids for future use in novel cannabis products.

The Future

Legalization of Cannabis 2.0 and the rollout of new retailers across Canada should mean an even greater product choice and accessibility for consumers as 2020 progresses. Due to its diversified manufacturing platform, MediPharm Labs can supply all product categories: cannabis extracts (bottled cannabis oil, vapes), cannabis topicals, and edible cannabis (beverages and food products), while adhering to pharma-quality at scale, and maintaining its reputation as a trusted global leader in cannabinoid-based products.



MediPharm Labs

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Courtesy of Superette.
Credit: Wade Muir Photography

The Design of a Feeling

by Laura Star

Creating a Welcoming Atmosphere in a Cannabis Retail Store

Retail design for cannabis stores has been a fascinating development to follow this last year since the legalization of cannabis sales in Canada. Legalization certainly shifted the perception of cannabis, undeniably for the positive; however, stigma is an exasperatingly sticky force. Opening a cannabis store thus became a creative endeavour to appeal to both experienced consumers as well as new consumers, who not only have little experience by way of consumption or product knowledge, but also come with a ripened reluctance to be associated with what they perceive cannabis culture to be, an image that errs on the side of shady. This is no small feat! However, the answer has been developed for us, and it's all in the design.

The Design of Nostalgia

So how does one go about designing and creating a welcoming atmosphere? Ontario-based cannabis retailer, Superette, took the approach of simplicity, with the vision of co-founders Drummond Munro and Mimi

Lam being a nod to nostalgia. Using both a brand company and a design firm to properly execute the vision in-store and online, the result is a vintage throwback diner-esque aesthetic that proficiently reads fun, accessible, and friendly. Although the design is smart, it is low-tech. When you walk in, you can choose colour-coded shopping baskets, red implying you don't need help, and green being an invitation for assistance; the menus are plastic and you can browse them on barstools at the bud bar (or over a game of

personal touch. Customers are greeted by a host (so the first interaction isn't with a security guard) and a menu is offered, serving as a "handshake" to really lock in the vibe of being warm, open, and friendly. She also speaks to the success of the colour-coded baskets, which revealed a huge need from the consumer standpoint for accessibility. There is a lot of overwhelming aspects for new customers, from language to product knowledge to how to consume, and so the atmosphere at Superette is specifically

The diner aesthetic is complete with pre-rolls in red plastic baskets.

pong!); the diner aesthetic is complete with pre-rolls in red plastic baskets, an ode to old time French fries, and instantly igniting a craving for a chocolate malt milkshake.

Lauren Davie, VP of Retail and Sales for Superette, speaks to the importance of

designed (through retro-appeal) to take that anxiety out of the process.

The Design of Familiarity

Hobo Cannabis Company's aesthetic is also



Courtesy of Hobo Cannabis Company

friendly and approachable, but their angle is more akin to a comfy living room, something that Harrison Stoker, VP of Brand, says is inherently familiar. Think comfy armchairs, coffee tables with art magazines, and highly tactile accoutrements such as plants and hanging Peruvian rugs. Design is not a new concept to Hobo, and this is clear when you step into one of their stores. Being a division of the Donnelly Group, they were able to tap into decades of experienced operators in the hospitality industry, which allowed them to very successfully marry the customer experience with the transactional experience.

Their welcoming environment is not just about comfortable familiarity though. The living room aesthetic is perfectly fused with the science of sales. In addition to

room layout and flow, Hobo offers multiple versions of sales conveniences to suit the varied demographic of consumers. The store is set up almost with a “choose your own adventure” feel, meaning there are multiple point-of-sales (POS) systems throughout the store: head directly to a kiosk for purchase, engage with a sales associate, or head straight to the counter to purchase from a budtender.

Their variety of choice applies to their product as well, in that Hobo designed a “decision tree” to flatten the wild complexities of the cannabis plant—meaning instead of having to understand whether you want sativa, indica, THC, CBD, or the infinite blends of all of the above, you can choose your experience through a feeling: Move, Lift, Balance, Calm, and Rest.

The Intelligence Behind Design

The success of Superette and Hobo doesn't mean you should replicate their design, but it does mean you should replicate their attention to professionalism. SevenPoint Interiors specializes in custom retail solutions for the cannabis industry, and Neal Claassen, Head of Business Strategy, passionately voices the significance of hiring professional companies to execute that vision (SevenPoint builds out the design, and proudly works as a matchmaker for their clients with appropriately paired brand and design firms). He says many people are hesitant to commit the money upfront (upwards of \$25-35k) to have professional companies execute their vision, however, there are huge financial implications to proper retail layout, including path to purchase, ensuring



Courtesy of Wade Muir Photography

Your employees are the face of your brand, and they endorse your vision.

no lineups, providing adequate space for employees to operate, and ensuring your product is secure. These details ensure your efforts to create a welcoming environment actually materialize. Additionally, should you ever want to expand, having professionals handle your design means you will have proper blueprints ready and available should you ever wish to build your vision up and out.

The Design of Staff

Another important factor to atmosphere is your staff, which should go without saying. And to both Davie of Superette, and Stoker of Hobo, staffing is a massively respected

undertaking. Your employees are the face of your brand, and they endorse your vision. At Superette, Davie speaks to how much they lean into shadow shifts, as peer-to-peer coaching is a strong indicator of a good fit, and of setting the proper tone for new staff. Stoker says his first hire was the most important decision he made for Hobo. He hired Stuart Ryan as a specialist in training and recruitment. By hiring someone with a lot of experience in recruitment and creating a culture, as well as a knowledge of cannabis, they have been able to build an extremely strong culture that draws good talent to them, instead of having to look outwards for it.

The Design of a Feeling

When you walk into a cannabis store that works, it is seamless, which is what gives people the impression it is easy, but that could not be further from the truth, at least not when you try to take it all on yourself. Creating a feeling comes with a lot of respect to design that is thoughtful and smart, and this is not something to be overlooked. As the cannabis industry grows and evolves, be prepared to be dynamic, and do not hesitate to lean into those who provide specialized services. Your atmosphere is worth the investment. ▀



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Understanding Extraction Techniques

by Amy Watkins

Courtesy of The Valens Company

Art meets science when it comes to cannabis extraction. From lovingly hand-sifted kief to large-scale scientific isolation methods, understanding extraction techniques can help retailers recommend the right product to customers.

Since October 2019, inhalable extracts (vape cartridges, shatter, hash, kief, etc.) and edibles have joined ingestible extracts (oils/capsules) in the legal non-medical cannabis market. Licensed Producers (LPs) often work with white label extractors (toll processors) to create products that suit various formats, depending on how much flavour or pure cannabinoid is required.

In the simplest terms, extraction involves isolating the trichomes (glands) from the cannabis plant, in order to process it as a concentrated form of cannabis that can be ingested or inhaled. It can be further distilled or refined to isolate cannabinoids like THC or CBD, for use in edibles and vape cartridges.

Volume/yield vs. quality are the two major considerations when it comes to choosing

an extraction technique. Closed loop extraction systems (e.g. CO2 extraction) are automated processes that are set to achieve a specific result, whereas open-

(fresh, cured, frozen, freeze dried), or how the extractor deploys their twist on the scientific process required to get the result. Each method or technique can result in

Each method or technique can result in vastly different outcomes.

loop systems (e.g. bubble hash/kief) require manual input into the process. Labels may say solvent-free—this could mean that solvents were used during extraction, but removed after the process, whereas ‘solventless’ means that no solvents were used in extraction.

“The industry is making millions of different products from cannabis and hemp using many different techniques to get the product results they are seeking,” says legendary extraction expert and inventor Wacky Willy. “It really depends on the variables of the state of the botanical

vastly different outcomes with just one small differentiator added to the process.

“Think of the wine industry, where every vintner has their own special twist on winemaking that makes their brand unique to all other wines. However, they will all need to practice their own creative craft using the same basic science that turns a fresh grape into a beautiful glass of Merlot or Chardonnay. For example, making white wine requires a different grape varietal and scientific process than red wine, champagne, or dessert wine. There is also the artistry side of making wine. It only



Courtesy of The Valens Company

takes the adjustment of a single parameter (time, temperature, varietal) to change the flavour, consistency, or colour to make the product their own special vintage.”

Wacky Willy favours a solventless approach to extraction that enables people to be hands-on and create a product without the use of chemicals or combustion. A harder and faster approach to aggressively washing bubble hash or shaking dry sift will give a higher yield, but a gentler approach with less processing time will have a lower yield yet leave more of the precious trichomes intact and produce a higher quality extract.

Solventless extraction techniques range from using ice and water to create bubble hash, filtering or sifting kief with or without dry ice (cold temperatures harden the trichomes and make it easier for them to separate off the plant material), or dry sifting kief through a mesh

screen. Rosin concentrate is made by applying heat and pressure to flowers, hash, or kief. While these hands-on techniques have been around for a long time, Wacky Willy has created new innovations that make the processes more efficient—for example, his new Boomers Big Buzz vibrating table for sifting kief and his Arctic Boomer, which uses compressed air and sub-zero temperatures to create bubble hash without the need for ice.

Hydrocarbon Extraction

Hydrocarbon extraction techniques dominate the US market, whereas CO2 extraction is the most common technology in Canada owing to Health Canada regulations. The Cannabis Act specifically bans the use of ‘organic solvents’ (e.g. ethanol, butane, propane) extractions without a licence, due to the volatile nature of production.

The 4 key “Rules of Engagement” you need to know for designing a successful cannabis store concept really.


- Rule No.1** Day 1, hire a professional Interior Designer. Successful concepts require a full court press of strategic planning & retail design skills.
- Rule No. 2** Define your brand philosophy & personality. Remember to recite everyday.
- Rule No. 3** Earn customer loyalty by giving them a reason to engage with your brand.
- Rule No. 4** Don’t just follow the crowd. Customers expect unique & engaging experiences.

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Hydrocarbon involves the use of butane or propane solvents to remove specific molecules from plant matter—it's one of the more affordable methods and its high yield rates and preservation of terpenes make it a popular choice, although its volatile (flammable) nature and storage/zoning restrictions can make it harder for producers to make it work at scale.

In an 'open blasting' extraction, butane is combusted through the plant matter to release oils from the trichomes, which are then collected in a container that is placed in hot water to evaporate the butane and leave the cannabis oil (aka BHO or Butane Hash Oil), which forms the basis of concentrates such as shatter, budder, or wax. Impurities in the flower (e.g. mould, contaminants) can be concentrated into the final product, so most commercial companies use a closed-loop system to keep the flammable solvents contained while they are pressurized and recovered for reuse.

 CO2 extraction is the most common technology in Canada.

Ethanol-based Extractions

Cryo-ethanol extraction involves cold ethanol being washed over biomass to extract the desired molecules. It's a cost and time efficient process that can be done quickly to mass-produce a product, but the flammable nature of the process leads to similar zoning and storage problems as hydrocarbon extraction. Following extraction, the product can be distilled to further isolate THC and CBD, essentially scrubbing it clean of all other flavonoids and terpenes.

"All methods can be used low and slow to preserve secondary compounds or turned up to remove as many active compounds as quickly as possible," says Tyler Robson, CEO of The Valens Company, which is Canada's largest toll extraction processor. "Each extraction has its pros and cons, but when proper IP is applied with science and art to each extraction method, premium results can be achieved many ways. At Valens we lead the way by offering the most diverse methods of extraction: CO2, alcohol, hydrocarbon, and solventless. For pure isolated cannabinoids we defer to alcohol-based extracts for high input through-put with an in-situ process to achieve high potency distillate. From there we use very specific chemistry to isolate pure THC or CBD compounds to >99% purity."

CO2 Extraction

CO2 extraction is a natural (solventless) method that combines carbon dioxide with extremely high pressure to extract molecules. It is often used to create 'full-spectrum' oils that contain the flower's original terpenes and cannabinoids. Lower yields, longer run times, and substantial upfront costs make CO2 extraction more of an upfront expense, but it does give producers the ability to scale up in



Courtesy Wacky Willy

a commercial setting. Supercritical CO2 extraction involves the use of carbon dioxide, which is considered a 'tunable solvent' as it can reach a supercritical state (having properties of both a liquid and a gas) and it can be easily tuned to bond to any molecule the producer chooses.

"Supercritical CO2 extraction has been used for decades to extract valuable compounds from natural products, largely plant foods such as seed oils, and it is widely employed by coffee manufacturers to decaffeinate coffee beans," says Dr. Tait Gale, MediPharm Labs' R&D Manager. "Supercritical CO2 extraction is generally regarded as a greener technology compared to alternative methods, given the solvent's non-toxic and non-flammable nature. As a research-driven company, MediPharm Labs is working towards fine-tuning extraction temperatures and pressures to maximize the solubilities of cannabinoids during extraction. Our cannabis processing workflow includes extraction, winterization, filtration, and then short-path distillation."

Learning the various extraction techniques can help retailers to differentiate between products and intended uses. "Having a clear understanding of extraction techniques with the solvents used is a key learning," says Robson. "Retailers should know the extraction techniques and what solvent limits to look for on a COA with each technique." ▀



> CANADA EMERGENCY WAGE SUBSIDY APPROVED

The Canada Emergency Wage Subsidy (CEWS) has received Royal Assent and will help support companies so that they can keep their staff employed while revenues are declining as companies try to cope with the effects of COVID-19. The CEWS provides a 75% wage subsidy to eligible employers for up to 12 weeks, retroactive to March 15, 2020. The subsidy is available to eligible employers that see a drop of at least 15% of their revenue in March 2020 and 30% for the following months.

Continue reading: www.cannabisretailer.ca/2020/canada-emergency-wage-subsidy-approved/



> CANNABIS INDUSTRY NOW ELIGIBLE FOR BDC FUNDING

Given the unprecedented economic impact of the COVID-19 pandemic, ALL legal businesses will now be eligible for the Business Credit Availability Program (BCAP), for the duration of the program. This includes both the Canada Emergency Business Account and Small and Medium-sized Enterprise (SME) Loan and Guarantee program.

Previously, businesses in the cannabis and liquor sectors were not eligible for this funding.

Continue reading: www.cannabisretailer.ca/2020/cannabis-industry-now-eligible-for-bdc-funding/



> AGCO EXTENDING TERMS OF LICENCES

The Alcohol and Gaming Commission of Ontario (AGCO) is extending the term of all the active cannabis licences, authorizations and registrations it has issued by six months to support people and businesses that are facing difficult circumstances during the COVID-19 pandemic.

Licensees and registrants do not need to do anything and there will be no additional cost. People will receive a renewal reminder notification 60 days before their new, extended term expires.

Continue reading: www.cannabisretailer.ca/2020/agco-extending-terms-of-licences/



> ONTARIO STORES ALLOW PICK-UP AND DELIVERY

On April 7th Ontario revised its previous direction of closing cannabis stores and is temporarily allowing retail stores to give customers the option to pick up cannabis and accessories at curbside or have them delivered. This Emergency Order will stay in effect for the duration of the emergency.

The AGCO set key requirements for retailers to take advantage of this new opportunity to stay in business including: Customers must order and pay for their products by phone or online. Payment must be completed at the time of the order, in advance of pick-up or delivery.

Continue reading: www.cannabisretailer.ca/2020/ontario-stores-allow-pick-up-and-delivery/



> VALENS IS PROFITABLE & GROWING REVENUE

At a time when many cannabis producers are showing major losses, The Valens Company announced that revenue for the first quarter of 2020 increased to \$32 million, which is a significant increase from \$2.2 million in the first quarter of 2019.

Gross profit also increased to \$18.1 million, or 56.6% of revenue, compared to \$0.9 million, or 38.3% of revenue, in the first quarter of 2019.

Continue reading: www.cannabisretailer.ca/2020/valens-is-profitable-growing-revenue/



> COULD MEDICAL CANNABIS REDUCE THE SYMPTOMS OF COVID-19?

Cannalogue wants to find out. The online healthcare technology company submitted an application to Health Canada to conduct a real-world clinic trial with medical cannabis for COVID-19. If approved, Cannalogue will enroll patients into a research study to determine if medical cannabis can reduce the symptoms caused by COVID-19.

Continue reading: www.cannabisretailer.ca/2020/could-medical-cannabis-reduce-the-symptoms-of-covid-19/



> BC'S STORES CAN OFFER PRODUCT RESERVATIONS ONLINE

Amidst the COVID-19 global pandemic, the British Columbia government is amending regulations to help private cannabis stores reach their customers.

Effective March 20, cannabis retail stores can now offer non-medical cannabis product reservations to customers online or over the phone. The reserved products must still be picked up and paid for in the cannabis store. Licensees can continue to sell cannabis accessories and gift cards online.

Continue reading: www.cannabisretailer.ca/2020/bcs-cannabis-stores-can-offer-product-reservations-online/



> CANNABIS CONSUMERS WANT CONSISTENCY

Since legalization, the price of legal cannabis has been anything but steady. At its debut, it was being sold for on average, \$9.69 per gram. One year later, the national average rose to \$10.30. With illicit markets selling at half the price, it's no wonder that only 28% of consumers buy exclusively from legal sources.

Consumers are looking for a better bang for their buck.

Continue reading: www.cannabisretailer.ca/2020/cannabis-consumers-want-consistency/



> CANNABIS RETAIL STORE PRECAUTIONS DURING COVID-19

Cannabis retail stores across Canada are taking precautions to prevent the spread of COVID-19 and keep their employees and customers healthy and safe.

Here are some suggestions for your store: Limit the number of customers within the store to allow for social distancing (maintaining a physical buffer of 1 to 2 metres between people to slow the spread of COVID-19)

Continue reading: www.cannabisretailer.ca/2020/cannabis-retail-stores-precautions-during-covid-19/

TRENDS

Category Changes in Canada in 2020

by Joyce Hayne

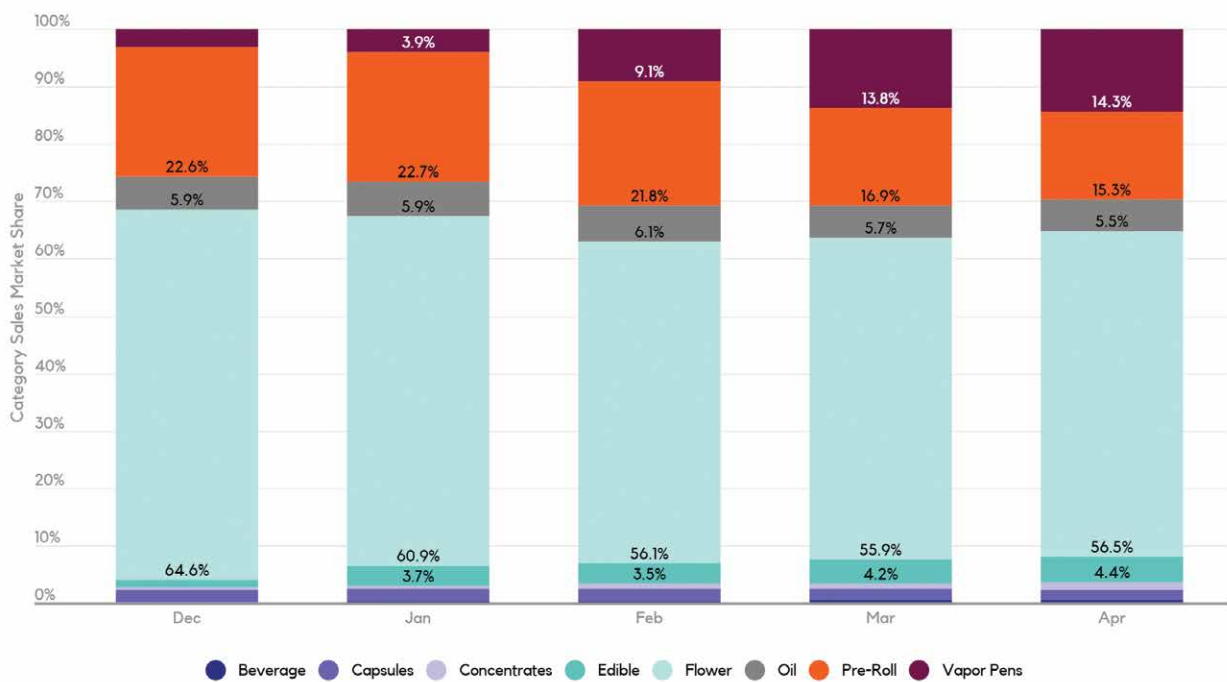
Since the introduction of Cannabis 2.0 products, consumers have been shifting their purchase patterns and moving towards new product categories.

Based on data obtained from retail stores in Alberta, BC, and Ontario, from December 1, 2019 to April 15, 2020, Headset analyzed category trends. Overall, there has been good adoption of new categories as they've

been released, and their share of sales has been increasing month-over-month. Headset predicts that trend to continue moving forward.

One reason for the shift away from inhalable products in March and April could be concerns over spreading the COVID-19 virus, so it will be interesting to see if that shift continues in the future.

The biggest trend is a noticeable shift away from pre-rolls.



Sales of Canadian 2.0 Products - December 1, 2019 – April 15, 2020

Month	Beverages	Capsules	Concentrates	Edibles	Flower	Oil	Pre-Roll	Vape Pens
Dec 2019	0.1%	2.2%	0.4%	1.2%	64.6%	5.9%	22.6%	3.1%
Jan 2020	0.3%	2.1%	0.4%	3.7%	60.9%	5.9%	22.7%	3.9%
Feb 2020	0.3%	2.2%	0.9%	3.5%	56.1%	6.1%	21.8%	9.1%
Mar 2020	0.4%	2.1%	0.9%	4.2%	55.9%	5.7%	16.9%	13.8%
Apr 2020	0.5%	1.8%	1.3%	4.4%	56.5%	5.5%	15.3%	14.3%

Source: Headset



ACCRES Report

by Jaclynn Pehota

As the ongoing COVID-19 emergency continues to drastically alter the way Canadians access their basic needs like food and household staples, cannabis retailers are finding it challenging to shift their sales model in response. Despite being designated as essential services in several provinces, options for public access remain heavily restricted by the regulatory systems currently in place in most provinces. Cannabis retailers are struggling to adapt their business practices to meet these new, physically distanced forms of consumer demand.

Under the current regulations, cannabis retailers, with the exception of those in Saskatchewan, are unable to accept phone pre-payment for orders, although Ontario allowed payment in advance along with curbside pick-up or delivery after an Emergency Order came into effect during the pandemic. This means many retailers across Canada, by necessity, must continue to expose themselves and their customers during in-store payment transactions to potential community spread. Direct delivery would offer a similar advantage in limiting contact as would delivery by mail. Direct delivery and the ability to ship directly to customers are options not available to retailers outside of Saskatchewan. The ability to ship cannabis has been claimed as a monopoly by the provincial governments across the country. The provincial distributors can safely ship cannabis products to customers, so it seems reasonable that private stores could adopt the same protocols to protect public safety and health.

The tools of online payment, delivery, and shipping are being used by other small businesses in order to continue offering their services in a safe and physically distanced way. The options for online payment and direct delivery represent the modern suite of payment and delivery

options that allow small businesses to stay flexible and meet their customers' needs during a highly uncertain period.

It's time for provincial governments across the country to begin looking at extending these same sorts of payment and delivery models to cannabis retailers, in order to put them on a level playing field with the government stores, their competitors in the black market, and other small businesses. ACCRES has sent recommendations encouraging the province of BC to adopt these measures proactively. If you are a cannabis retailer being impacted by measures implemented due to COVID-19, we recommend you contact your local MLA and MP. Let them know that there are proactive measures as described in this article that can be adopted in order to ensure continuity of service while protecting public health.

During this ongoing pandemic crisis, online cannabis sales and delivery should be released from the legal monopoly of the provincial governments. The most important measure we can take as Canadians is physical distancing. The continued monopoly on methods of sale that facilitate those physical distancing measures is a heavy and disproportionate burden on small and medium-sized businesses. Government at all levels should work with legal cannabis retailers on alternative delivery methods that fall in line most effectively with public health recommendations, and allow private cannabis stores to compete and serve their communities. ▀

Jaclynn Pehota is on the Advisory Board of the Association of Canadian Cannabis Retailers (ACCRES) and can be reached at jaclynn@accres.ca.



Hobo Cannabis Company

by Amy Watkins

Modern retail brand Hobo Cannabis Company brings a heart of hospitality to the cannabis industry, built on Donnelly Group's two decades of deep experience as publicans running pubs, cocktail clubs, and even barber shops. Eager to take service-forward elements of the bar experience into the world of cannabis, Donnelly Group took the same hospitality and retail framework that had been such a success for them in the past, and applied it to creating a welcoming cannabis retail brand.

Genuine empathy for customers is a key focus of Hobo Cannabis Company's retail experience, swapping out bartenders for budtenders and making the shopping journey as seamless as possible. Drawing on a pool of talented operators across the country, Hobo Cannabis Company designed their store concept based on creating a welcoming experience for all.

Leaning on an agile team of entrepreneurial spirited folks and an existing hospitality infrastructure has enabled them to build a solid team with a strong work culture that puts the customer first. Creating the most convenient experience was also a cornerstone of the concept. Using point-of-sale (POS) and technology that was similar to the restaurant industry, the store experience got very granular to close the transaction gap and create a 'choose your own adventure' style of experience that allows customers to make a fast transaction if required. Customers can also feel comfortable

slowly browsing and using the information kiosks to learn more about cannabis—helping to destigmatize cannabis and educate people about aspects of the experience, such as terpenes.

Store design is consistent across the multiple locations, which currently include five in BC (Vancouver and Kelowna), one in Alberta (Lethbridge), and two in Ontario (Ottawa), as well as five new stores due to open and more applications pending. Consistency in design helps to build a national brand and allows the company to streamline building costs and exercise creativity through constraint—keeping in step with legal requirements for opaque windows and a lobby area in some provinces.

"On entering all our stores there is a living room setting, which came about as a virtue of the constraints in Ottawa, where we had to create a small lobby," says Harrison Stoker, Vice President Brand at Donnelly Group. "The way we executed this was to include furniture, plants, and books to create an element of comfort and familiarity from the moment people walk in, so they have a sense of comfort and the stigma is eroded away. This is complemented with a great host program. We put our most personable people at the door with the intent to disarm customers in a positive way, so they feel ready to browse and purchase." This living room design worked so well in the Ottawa store that it became part of the standardized design for all outlets.



From the outset, the team knew that their major competitor was the black market. “We’re not naive about it,” says Stoker. “We identify that people are comfortable in the black market and we felt it was important to service that enthusiast by creating an environment that is radically different to what they are used to.” Focusing on convenience, rather than education or guidance, the experience can be highly transactional, but the company made sure to have high-grade cannabis and well-trained staff to service this small sector.

“It’s important to focus on an audience that may be new to cannabis or returning to the relationship,” says Stoker. “We’re looking at young professionals and smart creatives, who might be in their late 20s to 40s and once had a robust relationship with cannabis that was distanced by way of career, kids, house, etc. We want to rekindle that relationship with cannabis, so it doesn’t feel overly intimidating, and we give the basic knowledge to guide.”

Design elements include a decision tree that intends to simplify

cannabis and make it easy to digest, based on an effects-based system that ranges from energy-enhancing products (perhaps sativas with limonene) to balanced THC/CBD offerings and more indica-dominant products high in terpenes, such as myrcene. Education continues with terpene tables that highlight the role that aromas can play in customer experience—instead of using isolates, the team went to their barbershop grooming lab to create blended essential oils that had more accessible and familiar smells; for example, lemon rind for limonene, lavender for linalool, and pine for pinene.

Combining hospitality with a heart and accessible education, Hobo Cannabis Company aims to make buying cannabis a comfortable experience for all. Taking the analogy of alcohol to explore the complexity of the plant, Stoker says, “It’s the same as spirits. We don’t talk about how much alcohol is in it, it’s more about nuances of flavour and preferences. We’re primed to be part of that evolution of the cannabis conversation too.” ▾

How is COVID-19 Impacting Business?

by Joyce Hayne

The initial response from COVID-19 was reported by BDSA on March 13 and Canadian sales on that day rose 21% from the previous Friday. Sales on March 14 rose over 18% from the previous Saturday. The Monday and Tuesday sales looked more like a typical weekend. The following Friday March 20 showed another peak.

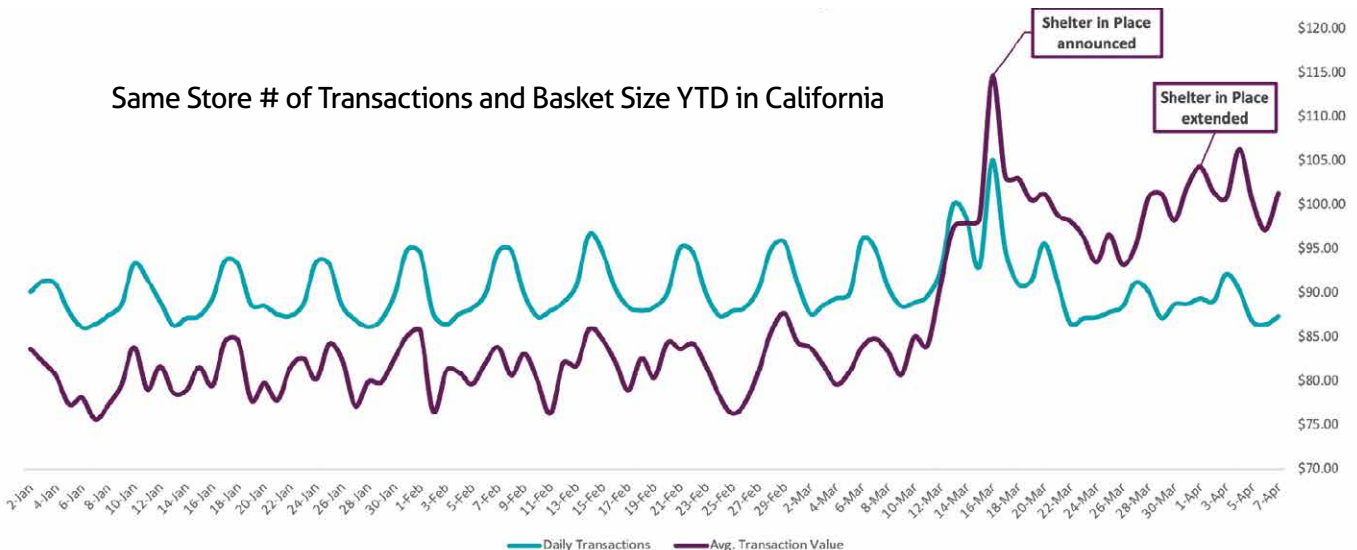
Canadian cannabis sales spike March 13th



Top markets in the US also saw unprecedented sales spikes from March 13-20.

The increase came from more shoppers who are also spending more as both the number of transactions and the basket size spiked at the same time. After March 20, sales started decreasing along with the number of daily transactions, but basket size continued to be higher than average.

Same Store # of Transactions and Basket Size YTD in California



Consumption Changes

The drivers to growth in consumption during the COVID-19 crisis are health/wellness, boredom and cannabis stores being deemed an essential service. However, that growth could be limited by a lockdown, lower availability as some stores have closed, a lack of education from no personal sales assistance, and lower budgets due to unemployment. Another issue is that new consumers are much less likely to start their cannabis experience without stores open that they can go into. People who have been buying from the black market are also less likely to change their habits, as they can't enter a store to learn about the new products they could purchase.

The majority of consumers are looking to cannabis for its health benefits, and many of the consumption drivers are relevant to the current crisis, as consumers' motives for consuming cannabis are to sleep better, relax or be mellow, and manage stress.

Consumption Benefits



To take advantage of this trend for wellness products, retailers should be sure to have a good assortment of products that promote sleep, products with vitamin D for people locked inside, and products with more fiber or roughage.

Communications

Retailers can also post articles on healthy eating such as the cheapest healthy meal you'll eat all week or what to do with beans and lentils. Posts could also include DIY tutorials on making your own hand sanitizer or skincare tips.

Source: BDSA



Customer Loyalty is Everything

by Rebecca Hardin

What if I told you about a retail business opportunity that had one billion dollars in sales in Canada in 2019 in a new market where sales are projected to nearly double in 2020? What if I also told you that the product you'd be selling is used by 18% of Canadians and that new user adoption is growing dramatically, particularly amongst Canadians 45 years and older, who comprise about one-half of new users. You're in, right?

Now, what if I said that because of federal and provincial regulations, you couldn't advertise or promote your products in a traditional sense and your storefront windows had to be blacked out so nobody could see the products you're selling? To pedestrian and vehicle traffic, your store might appear to be closed. Still interested?

These are the challenges faced by Canada's non-medical cannabis retailers.

Having a website and local Google listing are helpful if someone Googles "Cannabis stores near me", but even if your store is listed in what's known as the "Google Local 3-Pack" (three local listings at the top of the Google

search results), many of those potential customers will choose a competitor: another retailer in your city, a government-run online store, or an illegal online store (there are still a lot of illegal mail order marijuana stores online). Google Ads aren't an option because "Ads for substances that alter mental state for the purpose of recreation" are not permitted.

77% of customers are likely to recommend a brand to a friend after a single positive experience.

If you can't advertise on Google or rely on local search engines to attract customers, what do you do? You build customer loyalty and retention to keep the customers you have and build positive word-of-mouth referrals.

Building Customer Loyalty

Cannabis retailers can't earn loyalty with

rewards points, discounts, or other purchase inducements—all of which are forbidden by the Cannabis Act promotion prohibitions and provincial regulations. Cannabis retailers have to rely on good, old-fashioned relationship building.

The good news is that customer retention and loyalty aren't as costly as new customer

acquisition. According to oft-cited research by Bain & Company, it costs five times more to acquire a new customer than it does to keep an existing customer. This research notes that a 5% increase in customer retention efforts can increase profitability by up to 75%.

According to a study by Gartner and Group, 80% of a company's future revenue will come from about 20% of customers.



Courtesy of Muse Cannabis. Credit: Alastair Bird

If these statistics don't convince you of the importance of customer loyalty, look at the following, eye-opening customer service stats curated by HubSpot:

- 73% of customers fall in love with a brand and remain loyal because of friendly customer service.
- 77% of customers are likely to recommend a brand to a friend after a single positive experience.
- 62% of customers share a bad experience with 15 people.

How Private Cannabis Retailers Win Loyal Customers

While each province's cannabis store regulations are slightly different, all provinces adhere to the Cannabis Act's promotions prohibitions. Because of these restrictions, building customer loyalty is something that Canada's cannabis stores are taking seriously.

Store Manager, Frida Hallgren of Muse Cannabis in BC, shares her suggestions for building customer loyalty.

Q: With such a competitive landscape, what is a key focus for building consumer loyalty?

Our key focus is to provide the best possible customer experience! We do everything to make every guest—shopping or not—feel comfortable in our space and like [that] they can ask anything. We also

make sure to have a diverse inventory offering to easily find a perfect fit for the customer's needs.

Q: What is the best way to encourage repeat business?

We make sure our staff treats everyone like a friend they haven't met yet. I hear a lot of repeat customers namedrop the staff member that helped them the first time they were here - which shows how important the initial connection is!

Q: How are you finding the cannabis regulations imposed by the province impacting your ability to build consumer loyalty?

The fact that we are restricted from any kind of loyalty program is a challenge since that would encourage repeat business. The window coverings are also a big block for us since it makes that first step that much harder. If people outside could see how beautiful and professional the inside looks it would be easier to start that first interaction and meet our new regular.

Q: What drives your customers to continue shopping at your store vs. that of a competitor? Is there a common thread?

Friendly and knowledgeable staff combined with competitive pricing and a diverse selection. The beautiful layout of the store also makes

this a shopping experience that's out of the ordinary and inspires people to go out of their way to visit.

What Other Strategies Can a Cannabis Retailer Employ to Keep Customers?

Once you have customers in your store, education, trust building, staff experience, inventory choices, and even your store build, can go a long way to earning loyalty.

Focus on Consumer Education

Educating customers and investing time answering questions and providing information helps create a bond.

Earn Trust

Trust builds loyalty. If a consumer trusts the information your staff provides and trusts the quality of your product and customer service, that person will continue to shop at your store.

We make sure our staff treats everyone like a friend they haven't met yet.

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Courtesy of Muse Cannabis. Credit: Alastair Bird

Hire Friendly, Knowledgeable Staff and Keep them Happy

Staff must buy into the idea that the most important aspect of their job is relationship building. Well-trained employees who provide exceptional customer service and trustworthy information earn customers' loyalty. Employers must find employees who have staying power. If your store has high staff turnover, it's difficult to build relationships with customers. That means finding knowledgeable, passionate people and ensuring that job satisfaction is high.

Optimize Inventory

Maintain stocking levels so that customers can purchase what they want when they want it. If you have what customers want, they won't shop at another store or the grey market. If just one time, a customer can't find what he needs, you may lose him to a competitor... forever.

Know your Products

Know your top sellers, losers, and loss leaders (cheaper items that get customers into the store where they may purchase additional products).

Recognize "Newbies" and Treat them like Gold

According to Statistics Canada data for the second and third quarters of 2019, the number of new cannabis users is increasing, particularly amongst older users.

- 65 and older: 27% of new users
- 45-64 years of age: 14.6% of new users
- 25 to 44 years of age: 9.8% of new users

New cannabis users need more TLC than more experienced users. They may feel like fish out of water in a cannabis store, hesitant to ask questions for fear of appearing inexperienced. Don't assume that every consumer understands cannabis products. Doing so may alienate first-timers. Discretely ask customers how much experience they have using cannabis products. Nobody likes being treated like a newbie. Patiently educate new users and help guide them to appropriate product choices. New users represent an opportunity to win a customer for life. ▀

The Ongoing Struggle to Find a Financial Institution

by Lisa Tachan

Before legalization, the cannabis market did its business discreetly. In those days, it was cash-only, with money and product changing hands in shadows behind closed doors. How times have changed!

Cannabis legalization meant the business had to get sophisticated. After a retailer goes through the rigorous process of earning a cannabis licence, there are business accounts to open, transactions to manage, and staff to pay. And this is where many retailers hit a road block. Despite how cannabis has been legalized in Canada for well over a year now, cannabis retailers still struggle to find financial institutions willing to do business with them.

“The cannabis industry is still new and is perceived to have significant risk as there are many places where cannabis isn’t legal outside of Canada,” explains a credit union financial advisor in Manitoba. “There’s still that stigma attached to it—it’s still seen as an illegal drug and depending on the credit union, they may decide working with a cannabis business doesn’t fit the values of their membership.”

It can be very frustrating for the Canadian cannabis retailer, who, despite coming in with all the right paperwork and documentation to open a business account, will be flat-out denied the moment they step in the door.

“It has definitely been difficult to establish banking relationships,” says Spiritleaf Founder, President and CEO Darren Bondar. “We have 46 Spiritleaf stores operating across four provinces. In Alberta, we have been fortunate that ATB is a progressive bank. In BC, Saskatchewan and Ontario, we are using various credit unions.”

As far as working with a ‘big bank’ goes, Bondar acknowledges the lack of options. “The Bank of Montreal (BMO) is the only one of the five ‘big banks’ I know of that will work with cannabis companies,” he says. “And the application fee for a business account with them is \$7,000. But, I will say they have been supportive of the cannabis industry as a whole.”

In early 2019, BMO and Canadian Imperial Bank of Commerce (CIBC) made headlines when they partnered to provide an \$80 million loan to licensed cannabis producer Canopy Growth Corp. While the hope was that the partnership marked a shift for the industry, it appears to have been a one-off. Small cannabis enterprises continue to have a tough time obtaining a business account, likely because of its illegal status in many of the states and the stigma that continues to be associated with it.

“We know this sector has many dimensions and will continue evolve,” Rob Ritchie, RBC regional director, communications, Manitoba,

Saskatchewan and North West Ontario said in a statement. “RBC evaluates business relationships on a case-by-case basis, taking into consideration factors like the nature of the business, their financial and credit quality, and their ability to comply with federal and provincial laws while ensuring there is no connection to the US.”

Other financial institutions, like the Business Development Bank of Canada (BDC) are happy to work with the cannabis industry, at a distance. “We currently evaluate applications from businesses supporting the cannabis industry that do not own or physically handle cannabis,” Olivier Breton, BDC media relations said in a statement. “This means that general contractors, equipment manufacturers, horticultural and other equipment or product suppliers are eligible, but under specific criteria, as long as they are not economically dependent on the cannabis industry.”

However, as a response to COVID-19, cannabis businesses are now eligible for the Business Credit Availability Program (BCAP), which is backed by BDC and Export Development Canada. This includes both the Canada Emergency Business Account and Small and Medium-sized Enterprise (SME) Loan and Guarantee program. As part of the BDC co-lending program, eligible businesses may obtain incremental credit amounts of up to \$6.25 million, 80% of which would be provided by BDC, with the remaining 20% by the financial institution. To access these loans, business owners must contact their primary financial institution.

Credit unions operate on a more local scale. They have more flexibility to do business with the cannabis industry, but an overwhelming amount of them choose not to.

“Credit unions are controlled by their boards, who are also credit union members,” a representative from Vancity credit union explains. “Depending on the area, you could have a pretty conservative membership. So even though cannabis is legal here in Canada, people may not be on board with it and decide that supporting that type of business doesn’t align with the core values of their credit union.”

While the cannabis industry waits for more financial institutions to open their doors to them, the best strategy right now is to knock on as many of those doors as possible prepared with the right documentation and paperwork. Some retailers have had to get creative and work with financial institutions in different provinces.

“It is certainly challenging to get established with the various banks, but I believe the stigma is slowly fading,” Bondar says. “Like most things with the cannabis industry, perseverance and attention to detail are important to be successful.” ▲

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**JANUARY 2020 RETAIL
 CANNABIS SALES**

Retail sales in Canada increased 4.3% in January to \$154.21 million according to Statistics Canada.

Ontario continued to lead sales with a 10% increase to \$37.06 million, which represents 24% of Canadian sales, even though Ontario has 38.8% of Canada's population. As the number of stores in Ontario increase, we will undoubtedly see sales be more reflective of the total population. As of January 31st, Ontario only had 28 stores open, whereas by March 31st that number had increased to 51 and new stores are opening each month..

[Read more...](#)



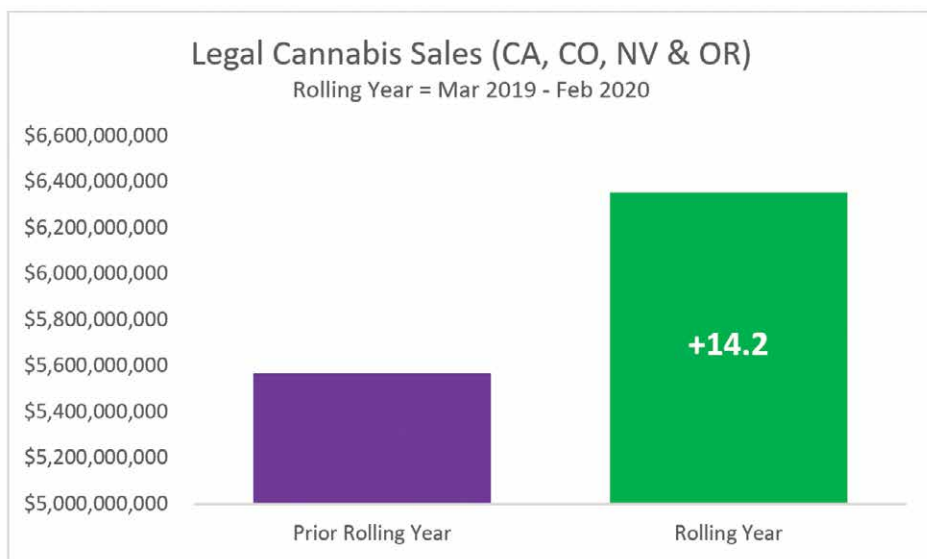
**BC'S CANNABIS STORES
 CAN OFFER PRODUCT
 RESERVATIONS ONLINE**

Amidst the COVID-19 global pandemic, the British Columbia government is amending regulations to help private cannabis stores reach their customers. [Read more...](#)

Sales of Cannabis 2.0 Products in the US

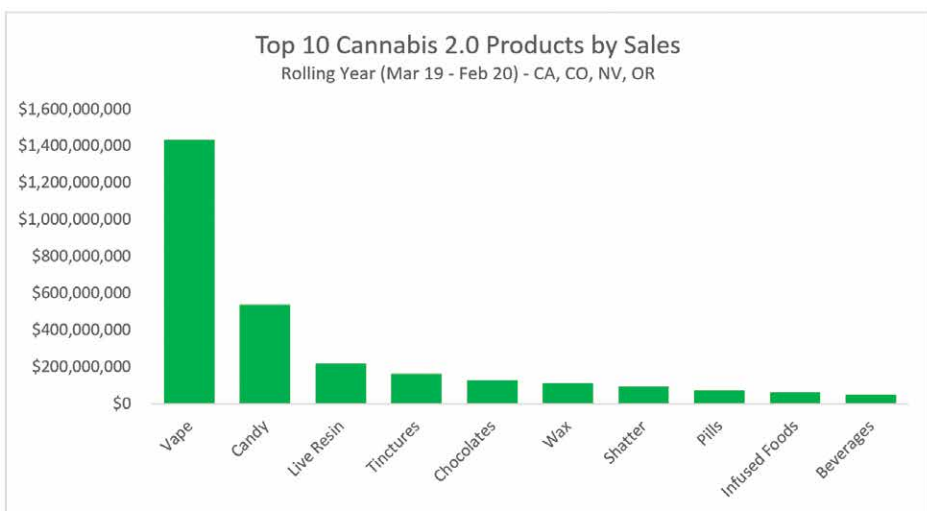
by BDSA

An analysis by BDSA of legal cannabis sales across four Western states (CA, CO, NV, and OR) addressing both adult-use and medical sales demonstrates that sales in the 12 months ending February 2020 (Mar 2019-Feb 2020) reached a combined \$6.35 billion. Compared to the prior 12-months, sales in those four states grew 14.2%.



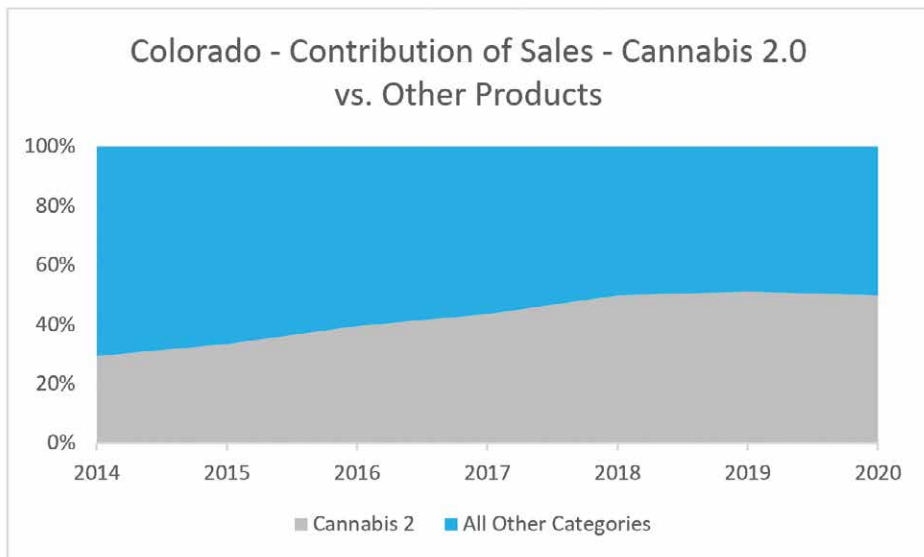
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Cannabis has been consumed for centuries but the modern, legalized market has given rise to new product types in addition to flower/bud and joints that are consumed in raw form. These Cannabis 2.0 products include edibles such as beverages and gummies, as well as topicals and vapes, to name a few of the most popular categories.



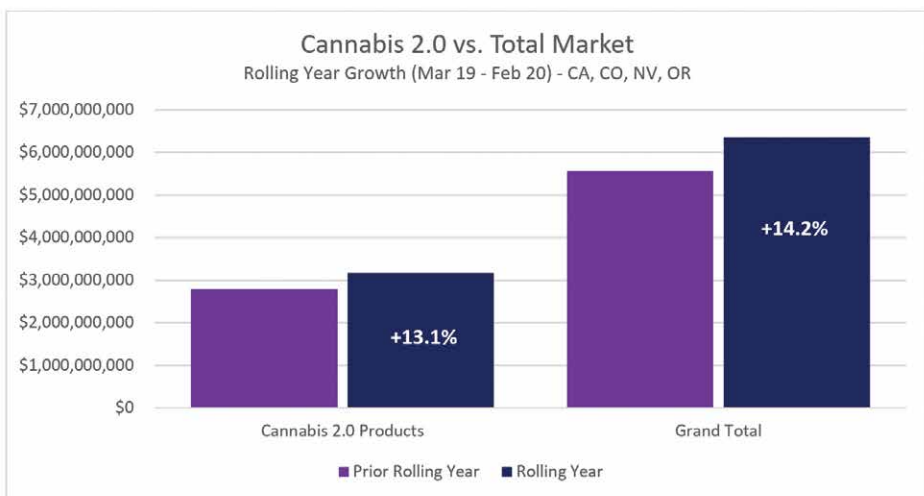
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In Colorado, the nation's first state to offer adult-use sales, Cannabis 2.0 products contributed 29.1% of sales in 2014. By the most recent 12 months ending February 2020, the proportion of revenues attributed to these products had increased to 49.8% of sales. Also in the most recent 12 months of sales data, combined sales of Cannabis 2.0 products across a four state region (CA, CO, NV, and OR) reached \$3.16 billion and accounted for 49.8% of total revenues.



(c) BDSA 2020

Compared to the trailing 12 months, growth of Cannabis 2.0 products in the 12 months ending February 2020 was 13.1%, slightly lagging behind the 14.2% growth in the broader market inclusive of Cannabis 2.0. After years of rapid growth, Cannabis 2.0 experienced headwinds in more recent periods: The vape category has been one of the hottest segments in cannabis since 2014, but in September 2019 a health scare occurred as unexplained deaths associated with vape products took the wind out of the sales of this category and curtailed growth in the industry as a whole for several months. While the industry and category have mostly recovered from the vape scare, the move towards an industry dominated by Cannabis 2.0 products has slowed as the popularity of flower and pre-rolled joints has persisted and prices in the flower category have levelled off after years of steady declines.



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CANNABIS STORES SHUT DOWN ACROSS PRINCE EDWARD ISLAND

On March 19, cannabis and liquor stores were forced to temporarily close on Prince Edward Island, after the province announced it would be shutting down all non-essential services. [Read more...](#)



CANNABIS RETAIL STORE PRECAUTIONS DURING COVID-19

Cannabis retail stores across Canada are taking precautions to prevent the spread of COVID-19 and keep their employees and customers healthy and safe. [Read more...](#)

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Partnering Through Business: Is it Right for you?

by Tania Moffat

Entrepreneurs in Canada's retail cannabis sector face several challenges. The market is still in its infancy and has been a rollercoaster of ups and downs and changing regulations. Owners who want to open stores in multiple provinces also have to adapt to different provincial legislation.

Sometimes bringing in a partner seems like the best course of action. But how do you navigate the new business structure? Do you only want an investor or a full-time partner to share the highs and lows? What happens if the partnership doesn't work out? Questioning the pros and cons of having a partner is a great place to start.

Are you Partner Material?

Some people are just better suited to working alone. As a sole proprietor, you have complete control of your business and never need to answer to anyone else. You can take full credit for your successes and should the business fail, you will be required to absorb any resulting debts or liabilities personally.

For others, it can be reassuring to have

someone standing beside them as they make business decisions. What a partnership takes away in autonomy, it delivers in additional support, a diversified skill set, and more capital.



It is essential to determine if you are compatible.

Before rushing into business with someone, it is essential to determine if you are compatible. Ask yourself if you have the personality to work in harmony with a partner? Do they have the right personality? What will they bring to the table? What will having a partner cost you? Once you have decided to take on a partner, it is time to determine how that arrangement will be structured and seek legal counsel to draft a partnership agreement before you open your doors.

What Kind of Partnership is for you?

In Canada, business partnerships can be created between two or more legal entities (individuals, corporations, trusts) who share risk in a business. The level of each party's liability and share of the company depends on the partnership agreement that has been formed.

In a general partnership, two or more parties share equally in both the profits and liability of the business. Both owners typically oversee the day-to-day operations of the company and are personally liable for any debt, legal, or financial obligations for which the business is responsible. Ownership and profit share are typically split evenly, but can be divided based upon each party's investment or other factors such as the time each partner has invested. Owners generally receive salaries, and it may



take years for them to see any additional returns on their investment.

A limited partnership agreement exists between one or more general partners (with personal liability) and one or more limited partners with limited liability. General partners run the daily operations and are supported by the limited partner's investment and advice. In exchange for assuming more responsibility and higher personal risk, the general partner receives a larger share of the earnings and a salary.

Limited or 'silent' partners contribute equity, but are not involved in the daily affairs of the business. They do not receive a salary, but

instead accept a return from the business's profits based on the percentage of their investment. While not wholly involved in the business, limited partners can provide advice to general partners and set them up with valuable business connections. They often retain the right to veto significant business decisions to protect their investment.

Limited partnerships are attractive for investors due to their decreased liability. Most jurisdictions, except for Manitoba, have provisions that revoke the limited liability status of partners if they act or take part in the control of the business.

What are you Getting Yourself Into?

General partners share the burden of the business's liabilities equally, and this can relieve some stress for owners as they are in it together. This shared liability, however, has a downfall. If one partner racks up large debts or becomes involved in a legal dispute on behalf of the business, both partners are personally liable. Should one partner die or skip town, the other becomes wholly responsible for the debt.

Problems can also arise when general partners have unequal involvement in the business. Hurt feelings can occur when one feels he has to do more to keep up or the

other feels she deserves a more substantial portion of the profit.

Besides providing you with the capital to make your business a reality, having an invested party to support you and offer advice can be the best benefit of all. A limited partner with complementary skills can advise you on areas of the business that may not be your forte, or at the very least, offer a different perspective. Other advantages could come from one partner's valuable business connections, or another's experience in the industry.

Owners can run into problems with limited partners if they feel they are overly scrutinized for their business decisions. Disagreements and low rates of returns can anger equity partners. Whatever the format, dissolving a partnership can be very difficult, especially without an agreement.

How can you Help your Partnership Succeed?

While partner agreements are not legally required, like a solid business plan, they will help to guide parties and set rules for operating the business. Contracts are generally prepared by a lawyer and serve to answer the hard questions should a partnership run into difficulties or fall apart. In addition to outlining the responsibilities of each party within the business, they address how conflicts are to be resolved, how profits will be divided and paid out as well as the limit of each party's liability.

Even with a solid agreement to guide them, some personalities don't work well together. Look for a partner with skills that complement your own, who is trustworthy, communicates openly and has similar long-term views for the company.

Take time to answer all the hard questions surrounding money and outline how you will deal with them. Who has the final word? How will profits be split? Ironing out these details before you begin may help save your relationship in the long run. All good partnerships take time and require work. They can be the basis of a great business or ruin both your personal and work relationships. ▀



Having an invested party to support you and offer advice can be the best benefit of all.

Partnership Agreements should Include:

- Operating procedures – responsibilities of each partner
- Outline of capital investment
- Profit share and disbursement
- Conflict resolution guidelines
- Provisions to address what will happen if a partner leaves or passes away
- Framework for the dissolution of the partnership
- Each partner's liability

RESEARCH

by Justyna Kulpa and Bob Menardi

Safety of CBD in Dogs

Human and pet products containing the two most common cannabinoids, tetrahydrocannabinol (THC) and cannabidiol (CBD), have become more widely available, and not only in jurisdictions that have passed legislation allowing the sale of products intended for human use. Evolving regulatory frameworks and social perceptions have renewed interest in the potential therapeutic properties of cannabinoids for animals. As a result, the veterinary profession is being asked to weigh in on the potential roles of CBD and other cannabinoids for animals. An online survey of veterinarians based in the US in 2018, showed that over half of the respondents had clients inquire weekly or monthly about the use of CBD in pets, and these cannabinoids have only increased in popularity over the last two years.

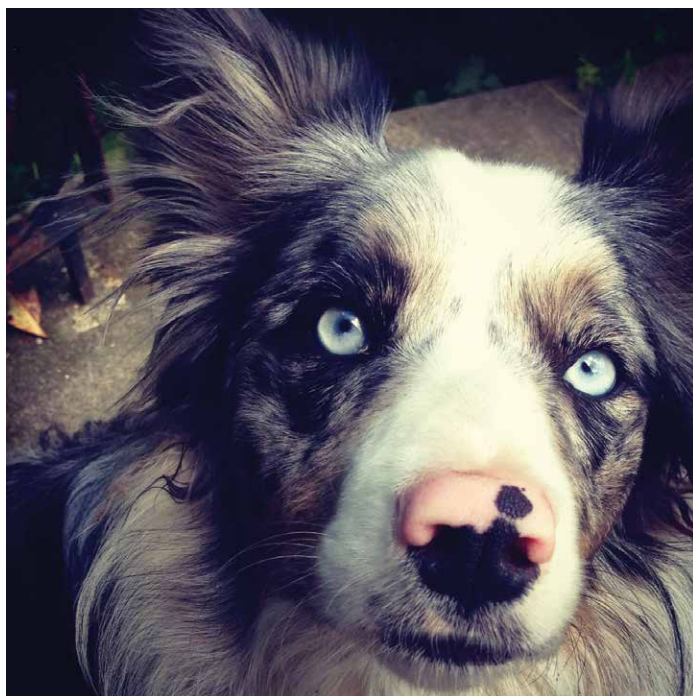
In a recently published research article in the journal "Frontiers in Veterinary Science", Canopy Animal Health compared the relative safety of three cannabis oil formulations in a randomized, placebo-controlled, blind study that included 20 healthy dogs. Since a hallmark dosing strategy for cannabis for humans and animals is to "start low and go slow", the dogs were given up to 10 escalating doses over a period of 32 days, with a minimum of three days between consecutive doses. Clinical observations, physical examinations, and blood collections (complete blood count, clinical chemistry, cannabinoids and their metabolites) were used to assess safety and tolerability of the formulations in the dogs.

For the first time, research showed comparative evidence that, at the investigated doses, a CBD-predominant oil formulation was safer and better tolerated in dogs than oil formulations containing higher concentrations of THC. CBD was well-tolerated by dogs, even when administered at doses up to ~60 mg/kg. These findings support continued research on the safety and potential therapeutic uses of orally delivered CBD in canines.

This study also allowed for the identification of adverse events that may occur with high doses of THC. Encouragingly, these adverse events were transient and resolved with supportive care. In a practice situation, knowing the combination of signs associated with cannabinoid exposure may help guide appropriate diagnosis, support, or treatment.

Canopy Animal Health's study represents the first and only trial undertaken to assess the safety and tolerability of escalating acute doses of CBD and THC, alone or in combination, specifically in canines. Having a clear idea of the dose tolerability in dogs can be very important to the veterinary practitioner.

Veterinary professionals are the primary source of safety information for pet owners. With the popularity of CBD products on the



market, their knowledge base on cannabinoid safety is critical when counselling pet owners considering the use of cannabinoids, or in cases of exposure to the growing number of products in the marketplace.

Due to the wide availability and growing interest in CBD and THC products, veterinarians must be informed about the safety of these compounds and be able to comfortably converse about them with pet owners. Hundreds of potential toxicities involving cannabinoid substances are reported to poison control centers annually and the vast majority of these involve exposure to THC-containing products or cannabis intended for recreational use. Veterinarians and veterinary staff should be prepared to recognize signs of toxicity. Research like the study undertaken by Canopy Animal Health and its research partners will continue to expand the knowledge base on cannabinoid safety in companion animal species and inform veterinary professionals of new findings.

Justyna Kulpa, PhD, Regional Research Manager and Bob Menardi, DVM, Director of Veterinary Technical and Educational Services are in Canopy Animal Health's division.

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Q: With the realization that opaque windows present a security risk to cannabis stores, what are the alternatives for retailers to ensure compliance with the requirements of the *Cannabis Act* and provincial regulations?

The *Cannabis Act* does not require full obstruction of visibility into a licensed cannabis retail store. Sections 29 and 30 require that cannabis and cannabis accessories not be displayed in a manner that may result in the cannabis, cannabis accessory, or their package or label being seen by a young person.

However, in the absence of formal guidance as to the interpretation of sections 29 and 30 of the *Cannabis Act* some provincial/territorial inspectors have taken excessively strict and, at times, inconsistent views on compliance. Since a retailer must pass provincial/territorial inspections during the construction stage, prior to cannabis or accessories being stocked, the vast majority of retailers have installed opaque window coverings in order to fully prevent any visibility into the store, regardless of where merchandise is intended to be placed within the store.

Alternatives to full obstruction of visibility include displaying cannabis and accessories in cabinets or cases that obstruct visibility from outside of the store, and/or positioning cannabis and accessories in a manner that effectively prevents a person outside of the store from seeing them, or their package or label. A case-by-case assessment of the size and positioning of any cannabis or accessories and their distance from a door or window is required to determine whether a person with typical eyesight can reasonably see them from outside of a store.

Q: Some cannabis retailers are starting to implement loyalty programs for their customers. Can you confirm how these can be compliant with provincial regulations and the federal *Cannabis Act*?

Section 24 of the *Cannabis Act* prohibits any person who sells cannabis or cannabis accessories from offering cannabis or an accessory for free or as consideration for any other thing or service, and from offering any other thing or service, including as a right to participate in a game, draw, lottery, or contest, as an inducement for the purchase of cannabis or an accessory.

It is generally understood that this prohibits “buy one get one free”, “two for one” and similar promotions as well as points-based loyalty programs whereby points are accumulated based on purchases of cannabis and/or accessories that may be redeemed for cannabis, accessories or other things or services. Furthermore, any swag items or gifts given out by cannabis retailers should not be conditional on purchase, and should not include any cannabis or accessories.

It does not, however, prohibit all forms of loyalty or membership programs. Programs that communicate informational and brand preference to adults identified by name are expressly authorized by section sections 17(2)(a) and (3)(a) of the *Cannabis Act*. Such programs could include advance notification of new products, price drops, discounts, and other member benefits provided they are not conditional on the purchase of cannabis or accessories.

Provincial regulations may vary. For example, BC, Saskatchewan and the Yukon each prohibit “loyalty programs” generally, but Saskatchewan and the Yukon have allowed retailers to operate mailing list membership programs that comply with the *Cannabis Act*. In Alberta, the *Retail Cannabis Store Handbook* prohibits a licensed producer from participating in a retailer’s loyalty program.

Q: What products are licensed cannabis retailers permitted to sell, and how is this impacted by the introduction of “Cannabis 2.0” products?

Most provinces and territories allow licensed cannabis retailers to only sell cannabis (as defined in the *Cannabis Act* provided it is produced by a federally licensed producer and sourced through an authorized distributor) and cannabis accessories (as defined in the *Cannabis Act*) as well as shopping bags, gift cards, and other ancillary items related to cannabis. Alberta is an outlier in that it does not allow retailers to sell ancillary items related to cannabis, and the AGLC has issued its own views on what it considers to be an “approved” accessory.

The *Cannabis Act* defines “cannabis” as a cannabis plant, any part of a cannabis plant, any substance or mixture that contains or has on any it any part of a cannabis plant, or any substance that is identical to any phytocannabinoid produced by or found in a cannabis plant.

The *Cannabis Act* defines a “cannabis accessory” as “a thing... that is represented to be used in the consumption of cannabis” and includes illustrative, but non-exhaustive, examples of rolling papers or wraps, holders, pipes, water pipes, and bongs. Although provinces generally rely on the *Cannabis Act* definition in their own legislation, provincial and territorial regulators have interpreted this definition in differing manners.

The introduction of Cannabis 2.0 products has expanded the scope of cannabis products that may be produced by a federally licensed producer to include edibles, vaporizers, concentrates, and topicals. In turn, the scope of products that are considered “cannabis accessories” rather than ancillary items has expanded, as a variety of additional things may be represented to be used in the consumption of such products.

Matthew Anderson is VP Legal & Business Affairs and Corporate Secretary of Fire & Flower.



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