

CANNABIS

RETAILER

Business Magazine for Canadian Retailers

IS CANADA A WORLD LEADER?

Review our controversies,
casualties, successes,
and celebrations.

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Measuring Success

The importance of key
performance indicators

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Selecting Suppliers

How to choose the
right supplier.

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Ensure compliance & success

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July/August 2020



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Has Canada Become a World Leader in Cannabis?

We had some struggles, but we've also seen many successes.

Cover photo courtesy of Fire & Flower

Measuring Success
Use metrics to monitor your growth and profitability.

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How to Choose the Right Supplier

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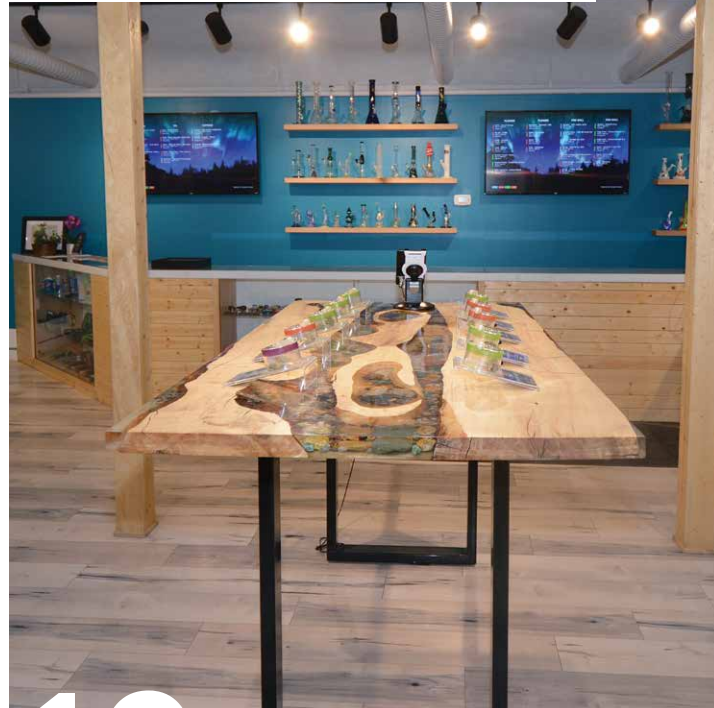
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EDITOR'S NOTES

by Joyce Hayne

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It's been great to see businesses re-opening and people getting out of their homes again to visit family and friends. Canada is on the road to recovery and we're all working hard to get our economy back on track.

For a fledgling industry like cannabis there continues to be highs and lows, and I'd like to celebrate some of those positive stories. Companies like Delta 9 are profitable and are looking forward to expanding their retail footprint in Manitoba and beyond. New chains like Inspired Cannabis have aggressive plans to open new stores throughout BC and beyond. Spiritleaf is working towards being the first retail cannabis franchise with stores from coast to coast. Entrepreneurs, such as Jordi and Jeremy Jones who own our featured retailer Triple J's Canna Space, are continuing to open new independently-run stores across Canada as we approach 1,000 legal retail stores. Ontario is opening lots of new stores

trying to catch up from a year of slow growth and Manitoba and Saskatchewan are opening up their markets to new stores. It will be interesting to see how long it will take other provinces to catch up to Alberta, which had 462 stores open as of May 31.

Check out the article "Has Canada Become a World Leader in Cannabis?" to find out about other successes and some of the failures in our industry. Canada is a trailblazer and we've made some mistakes along the way, but I believe other nations can learn from those, just as we have, and take away lessons from our accomplishments.

In this issue, we also look at tips for selecting suppliers, creating employee handbooks, and monitoring your key performance indicators to ensure your store is profitable.

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RESEARCH

by Jacquie Maynard

Could CBD Oil Prevent COVID-19 Infection?

Specific high-CBD strains of cannabis may help treat and prevent COVID-19 according to researchers at the University of Lethbridge.

In a study published in April, they claimed that certain cultivars of high-CBD strains of cannabis have the potential to make it more difficult for the virus to latch on to our lungs and other airways. The study is yet to be peer-reviewed, but their results, along with the results of many others working diligently on the problem, are promising. According to Dr. Igor Kovalchuk, one half of the husband and wife research team, potential products could see the market by the end of the year.

How Does it Work?

When someone gets infected with COVID-19, the virus usually enters the body through the airways and lands somewhere in the nose, mouth, throat, or lungs. Once there, it binds with a gateway protein called ACE2, usually found in the respiratory system, mouth and nose, and gastrointestinal system, among others. The more plentiful, or expressed, these receptors are, the easier it is for the virus to worm its way into our bodies and wreak havoc.

“Basically, we are bombarded with pathogens every day,” says Kovalchuk, “If it’s at a low enough rate, our immune system can eliminate it, with help from antibodies.”

With a higher expression of ACE2 and a brand new virus it has never seen before, your immune system gets overwhelmed and can sometimes have a deadly reaction. Kovalchuk explains, “The extracts indicated that we can reduce this expression [of ACE2]. We hypothesize that it can help with prevention.”

Dr. Kovalchuk and his colleagues have found evidence that certain strains of high-CBD cannabis can mediate this expression, or reduce the number of these gateway proteins, therefore making it more difficult for the virus to stick, so to speak. It’s well accepted in the medical community that ACE2 is the main path of entry for COVID-19, and since they are abundant in the same tissues that the virus targets, reducing their expression could be a great way to prevent it from invading our cells.

Using artificial human 3D models, the team whittled down a pool of over 800 newly developed Cannabis sativa lines and extracts to just 13 strains that were best at modulating the expression of ACE2. Out of those 13, three or four were “incredibly active” according to Dr. Kovalchuk.

Why Full-Spectrum CBD?

Not all CBD oil is created equally when it comes to virus-fighting. CBD is currently sold in three forms: full-spectrum, broad-spectrum and isolate. They are differentiated by the presence of THC and other compounds. Full-spectrum contains the full cannabinoid, terpene, and flavonoid profile of the plant, including trace amounts of THC. Studies have shown that cannabis and other plant medicines work better when all of these compounds are present. This is called the entourage effect.

“Personally, I believe that full-spectrum is better,” he says, “It’s a medicine that we are used to. Humans have evolved with cannabis for thousands of years. The endocannabinoid system is a highly sophisticated homeostasis system. It regulates stimulus to a lot of things and is a system of protection that builds balance.”

According to their study, “Terpenes and minor cannabinoids are responsible for the entourage effect, whereby whole plant extracts have more pronounced biological effects than individual cannabinoids. Based on the entourage effects, one could predict that whole flower extracts may be more potent than single compounds.”

Potential Future Applications

This evidence suggests that, pending further investigation by their team and the rest of the medical community, these specific cultivars could become a safe and useful addition to the treatment of COVID-19. They could be developed into many easy-to-use treatments that can be used in clinics or at home. The study suggests using products like inhalers, mouthwash, or oil taken orally.

Given that 20% of COVID-19 cases are considered severe enough to require a hospital stay, and anywhere between 2 - 10% will experience fatal, or near-fatal, pneumonia and respiratory failure, all of these options should be explored.

So, will the bottle of CBD oil in your cabinet stop you from getting the coronavirus? The short answer is, no. Dr. Kovalchuk warns against just rushing out to your nearest store to buy a bottle of CBD.

“It’s not a generic response,” he says, “Some [cultivars] were not effective, and some actually did harm.”

According to Dr. Kovalchuk, they are already in talks with Health Canada to continue testing and product development. It takes about 14 business days for human trials to be approved, and once that happens the trials will begin right away. He says that if everything goes according to plan, we could see these products available on the market within a few months.

“Wait, and be patient, because it will come to the market,” he says, “There’s no harm in taking CBD, but don’t just buy some pot or oil and take it thinking you’re not going to get infected. That’s just stupid.”



Has Canada Become a World Leader in Cannabis?

by Amy Watkins

Courtesy of Pure Sunforms

In October 2018, Canada became the second country in the world to legalize non-medical cannabis. There have been controversies and casualties, successes, and celebrations along the way, but has Canada lived up to its promise to become a world leader?

Slow Growth, Setbacks, and Supply Issues

While there were struggles with roll outs and regulation from the get-go, for retailers the Ontario Cannabis Store (OCS) delays in Ontario majorly affected plans for growth. Then, 2019 saw a downward trend in Canadian cannabis stock prices, following supply issues and a delay in getting 2.0 products to market. BC-based Agrima Botanicals was the first LP to have its licence revoked over 'unauthorized activities', with CannTrust also receiving a licence suspension for growing in unlicensed rooms. Even before the COVID-19 pandemic hit, 2020 had already brought challenges, with even major global players such as Canopy Growth shrinking back operations and reversing the growth strategy of ousted CEO Bruce Linton.

COVID-19 Marks a New Era

Some positives have come from COVID-19, namely cannabis being deemed an essential part of Canadian life. "Retailers have been at the front lines of building an entirely new industry, while also working to combat the illegal operations of the past and the stigma that has been attached to them," says Chris McAulay Gilbert, Director of Retail at Fire & Flower. "We've faced numerous obstacles along that path, with one of our biggest challenges coming this year with the COVID-

biggest challenges our nation has recently encountered."

Licensed Producers (LPs) may also have benefitted from Health Canada streamlining and amending policies during the pandemic. With the department focusing more on COVID-19 issues, some processes (for example, building regulations) have been sped up to allow more flexibility. Provinces such as BC and PEI have also initiated faster payment models to help LPs with cash flow issues.

High regulation means high operating costs and expensive facilities.

19 pandemic. Cannabis products were quickly put in demand and our retail stores were deemed an essential service across the country. It was as if all of the challenges and obstacles we faced since legalization put us in the right position to navigate one of the

High Cost of Regulation

Costs have been a challenge for LPs entering the industry. "It's a tough environment," says George Smitherman, CEO and President of the Cannabis Council of Canada. "At the



Eliminating the Illicit Market

One of the key focuses of cannabis legalization is eliminating the illicit market. This means competing on price, which has been harder for LPs dealing with taxes, testing, and growing costs. Costly packaging requirements that leave little room for branding or information beyond the basics have compounded this frustration.

Some LPs are seeing success by catering to regular consumers who want to buy quality large format flower at a competitive price. “We’ve seen real success to date with these larger formats,” says Mandesh Dosanjh, President and CEO, Pure Sunfarms. “Our 28g Indica pack quickly became the top-selling dried cannabis product by both dollars and kilograms sold with the Ontario Cannabis Store (OCS) in April, and generated a record sales volume (by kilograms) for a single product during a one-week period in the dried flower category with the OCS.”

Although the industry has been successful in converting some customers from the illicit market, the emergence of a ‘vape crisis’ with an increase in teens consuming e-cigarettes and the finding of harmful substances in unregulated vapes, led to the introduction of an extra 20% vape tax in some provinces such as BC and Alberta, and the banning of vapes in Newfoundland & Labrador and Quebec. Many saw this as a win for the illicit market and a missed opportunity to promote regulated cannabis products.

heart of it, these are start-up businesses and 75% of them are less than two years old.” High regulation means high operating costs and expensive facilities. “These are challenging conditions for a startup, with high overheads, high infrastructure costs, and other headwinds out there such as the slow-to-materialize retail access, especially in Ontario, the biggest market,” says Smitherman.

Destigmatization and Education

Working under promotional restrictions inherited from the tobacco industry makes it harder to educate customers about products and establish brand loyalty. “The biggest challenge I see for Canadian retailers and distributors is surrounding how we talk about, educate,

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Canadian cannabis is being differentiated too much on THC and price alone.

and advertise the effects of cannabis,” says Mediawanna’s Chief Growing Officer, Chris Sampson. “Artists and creators have utilized cannabis as their muse for centuries, and yet we live in a day and age where we’re restricted from having honest discussions around the effects of these products. This inability to engage consumers in open dialogue does little to destigmatize this incredible plant.”

This educational gap makes it harder to move consumers away from the illicit market if they are buying based solely on price and THC level. “What concerns me as a public health practitioner and someone in the cannabis industry, is the absence of the ability for us as LPs to explain more fully what the product is,” says Smitherman. “We can present that in two numbers and one descriptor. At a time when a lot of people are much more interested in terpenes and depth of analysis, we have the analysis, but advertising prohibitions and space limitations makes it difficult to give consumers more information other than how

much THC or CBD it contains. Canadian cannabis is being differentiated too much on THC and price alone.”

What’s Next for Canada?

Changes in the distribution model could give craft cannabis producers more say. Farm-gate sales are favoured by many LPs to bring the industry more in line with wine than tobacco. “I have more personal excitement about farm-gate retail than any other future cannabis endeavour,” says Sampson. “As a grower, I believe you can’t beat farm to table freshness with any crop. Although our purchasing will likely have to funnel through provincial distribution first, I imagine this will be a temporary restriction.”

For retailers, this rapid response to ever-changing circumstances has brought an opportunity to find new ways to serve customers and move to a technology-driven 2.0 retail set-up. “An evolution is upon us where the combination of traditional brick and mortar retail stores

will be combined with retail 2.0 technology, allowing us the ability to provide a service that suits everyone’s needs,” says McAulay Gilbert. “Whether an order is done through our FastLane in-store pickup, online with next-day delivery, or in-person in one of our shops, our model continues to put the customer first.”

Smitherman is optimistic about the future of Canadian cannabis: “There are few other industries that you could point to that have such an exciting pathway to growth,” he says. With more customers coming over to the legal market every month, there is still room to grow, as it’s estimated that so far only a third of consumers have converted. “This means there are billions of dollars of market opportunity, which over the years is going to expand,” notes Smitherman. “I hope to see the expansion of other economic opportunities, greater exports, and the exciting production evolution that comes with a properly regulated CBD environment. Canada is lagging a little there, but it’s a really big part of the economic puzzle.” ▴

TRENDS

Recreational & Medical Sales Trends

by BDSA

Medical Cannabis

Medical cannabis spending in Canada grew 4.4% to nearly \$473 million in 2019. The number of registered patients grew 16% to more than 362,000. But what looks like healthy growth at the national level belies crucial signposts that point to the future direction of medical cannabis in Canada. In provinces with growing adult-use retail footprints, patient registrations and sales have begun to slow or decline. Continued expansion of retail access will have a growing impact on patient registrations and medical cannabis sales, which take place solely online via stores operated by producers licensed by Health Canada.

This phenomenon is most noticeable in Alberta, which boasted the highest percentage of registered patients to population when recreational sales launched. The province also had, at launch and at present, the largest number of cannabis stores—a total of 462 as of May 31, 2020. Registered patients and medical spending in that province have declined dramatically since Oct. 17, 2018, while recreational cannabis sales have soared.

The trend is not yet nationwide. The key outlier is Quebec, which has the lowest usage rates in the country, the lowest percentage of patients to population, and a very

limited number of retail stores. The provincial government of Quebec has adopted more stringent rules around cannabis than most provinces and has only government-run stores. However, Quebec, one of the most populous provinces, saw stronger-than-usual growth in patient registrations and medical sales in 2019.

Still, the impact of growth in Canada's recreational market is clear in Statistics Canada's quarterly reporting of medical cannabis sales. While sales increased by 2.6% from the fourth quarter of 2018 to the first quarter of 2019, they were essentially flat through the third quarter, then dipped 5.7% in the fourth—the first major quarter-on-quarter decline in medical spending in Canada.

Medical cannabis spending in Canada is expected to decline by -0.6% to \$470 million in 2020. Declines in medical spending are expected to increase annually through 2025 to reach \$354 million, shrinking at a compound annual growth rate (CAGR) of -4.7% from 2019 levels. Registered patient counts are forecast to fall to just over 300,000 in 2025,

about 0.7% of the national population, versus more than 370,000 (1% of population) at the end of 2019.

Recreational Cannabis

Spending on recreational cannabis in Canada grew significantly in 2019, nearing a total of \$1.2 billion. That is an increase of 804% from just \$129 million during the first partial year of sales in 2018. Over the course of the year, the recreational market saw considerable improvement in supply chain throughput as well as a massive expansion in operational retail outlets.

Continuing improvement in these two areas, as well as a rapidly growing range of previously unavailable products, are anticipated to have a strong positive impact on recreational sales in 2020. Recreational spending is forecast to grow by 103%, reaching nearly \$2.4 billion in 2020, against a small decline in medical cannabis spending. Recreational spending will see steady growth over the next several years to a total of almost \$6.1 billion in 2025, a CAGR of 31.7% from 2019.

Canada Legal Cannabis Market Summary

	2019 TOTAL		2025 TOTAL		2019-2025
	POPULATION	SPENDING	POPULATION	SPENDING	CAGR
Alberta	4.4	\$ 404.3	4.9	\$ 940.0	15.1%
British Columbia	5.1	\$ 121.6	5.7	\$ 943.7	40.7%
Manitoba	1.4	\$ 74.2	1.6	\$ 233.5	21.1%
New Brunswick	0.8	\$ 48.5	0.9	\$ 127.7	17.5%
Newfoundland and Labrador	0.5	\$ 39.3	0.6	\$ 125.2	21.3%
Nova Scotia	1.0	\$ 72.9	1.1	\$ 186.9	17.0%
Ontario	14.8	\$ 534.6	16.5	\$ 2,702.2	31.0%
Prince Edward Island	0.2	\$ 9.6	0.2	\$ 23.2	15.9%
Quebec	8.6	\$ 259.7	9.6	\$ 915.5	23.4%
Saskatchewan	1.2	\$ 71.1	1.3	\$ 222.4	20.9%
Territories	0.1	\$ 6.5	0.1	\$ 22.7	23.0%
Total	38.2	\$ 1,842.2	42.6	\$ 6,443.0	25.6%

Note: Population and spending in millions.
Source: Arcview Market Research/BDSA



Measuring Success

by Tania Moffat

The Importance of Key Performance Indicators

by Tania Moffat

How do you measure success? In business, it is often measured by sales, but it is naive to think that sales alone are an indicator of a business's prosperity. Companies use several metrics or key performance indicators (KPIs) to monitor their growth and profitability.

Indicators can be classed as leading or lagging. Leading KPIs are forward-looking and highlight areas that need improvement, for example, customer retention. Lagging indicators report on results at a fixed moment in time and include indicators such as profit margins. These measures examine the health of a business and provide exclusive insights and market comparisons that help owners and investors make strategic, data-driven decisions.

How and What to Record

There are numerous performance indicators.

Online KPI templates are available for self-measuring and programs can analyze financial data, POS analytics, and industry benchmarks. While companies track several

can become overwhelming. My advice is to start with the most critical metrics: sales, cost, inventory, and ultimately profit.

"Owners should look at how much they sell

Each method or technique can result in vastly different outcomes.

KPIs, most analysts recommend owners limit their focus to ten measures that best determine if their company goals are being met.

Cova Software provides cannabis retailers with a POS system, a customizable dashboard, automated compliance, robust reporting, and a centralized intelligence retail platform that easily integrates with other software and tools. Faai Steuer, vice-president of marketing at Cova, stresses the importance of recording data and measuring the right KPIs: "There are many metrics businesses should be monitoring, and it

per day, per employee, per square foot. What is their average basket size (sales/transaction)? When is the store busiest and when are transactions highest? They need to know what the best product mix is for them. What brings the most profit and traffic? Which product, supplier or category has the highest inventory turnover? The combination of these metrics can help them schedule staff, understand consumer behaviour, and stock the right products."

Steuer goes on to say, "Tracking and monitoring inventory helps prevent out-of-stock items and enhances customer



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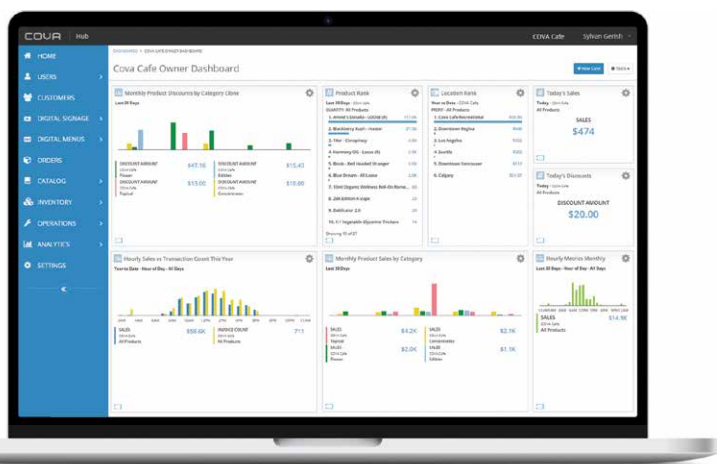
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Courtesy of Cova

satisfaction. Knowing how much money is tied up in existing stock in a given period is critical because of the nature of the business. You need cash flow to purchase inventory, and the high value of cannabis products means stores need to purchase the right product mix to prevent the accumulation of low turnover items. When the pandemic hit, it took everyone by surprise. Sales skyrocketed for many companies, and real-time inventory tracking became crucial.”

Employees are often the single most significant expense in retail, and tracking their performance allows employers to identify their strongest performers and make strategic decisions regarding staffing.

Financial Performance Indicators

Financial KPIs provide different measurements of profitability. Operating profit margins measure profit after including various costs but before interest or tax. Earnings before interest, taxes, depreciation, and amortization (EBITDA) reflect the company’s overall profitability. This benchmark is used by investors to compare similar businesses exclusive of their accounting or financing decisions.

By combining POS metrics with financial numbers, data can be drilled down to highlight even more specific KPIs—like sales per square foot, expenses as a percentage of sales, and specific product profit margins. An analysis of sales per square foot is calculated by dividing net sales by sales space and can give insight into the importance of product placement.

Benchmarking Across the Industry

Some say, retail is retail; however, the cannabis sector cannot accurately be compared to ‘regular retail.’ From a business perspective, the two sectors have different valuations, growth drivers, margins, zoning restrictions, number of retail licences, and legislation governing their sales. Using regular retail markets as a benchmark is fallible. One needs only look at the recent economics of the COVID-19 pandemic, which saw increases in cannabis, liquor, and grocery retail sales but left clothing and other retailers in the dust.

With few provinces and companies making KPIs public, it isn’t easy to uncover these industry benchmarks. Headset partners with software companies like Cova and individual retailers to offer tools and

preset reports on the industry. Store owners can use their business intelligence and benchmarking platform called Retailer Pulse, or choose to upgrade to Premium, which provides more advanced analytics and real-time industry data.

Phil McDonald, Headset’s director of regional strategy in Canada, says that in addition to focusing on finding revenue and managing costs, tracking your business with the market is a crucial indicator of performance. “How businesses interact with the market is very telling. A retailer can look at their data and say we grew by 5% this month. That is fantastic, but if the market grew by 8%, they didn’t catch all that growth. If they over-performed with 10% growth, then they captured more market share. These comparisons are important. Companies need to see if their sales are in line with the market. Are they hitting the benchmarks, and if not, why not? Is their pricing where it should be, or are they above or below the marketplace, and why? Market-driven information can lead a company to make better decisions on retail strategy.”

Monitoring your KPIs is more than just a sound business strategy; it will help you develop and monitor the progress of your initiatives in this unique industry. ▀

How Delivery Impacted Sales in Ontario During the Pandemic

1. 65% of all Cova’s Ontario retailers use delivery
2. 30 of 46 locations actively make deliveries
3. Most are independents and not large chains/corporations
4. \$60 increase in basket size for delivery orders
5. Average basket size for deliveries: \$110 (Range \$105 - \$120)
6. Average basket size for instore: \$50
7. Percentage of delivery vs. curbside orders
 - a. Around Toronto area and Ottawa: 35-40% delivery
 - b. Everywhere else in Ontario: 15-20 %
 - i. Outlier (Hobo): ~70% deliveries*

*Hobo opened up its first store in Timmins, Ontario, with record-breaking sales, even though it opened during a pandemic. The ability to deliver helped them achieve incredible sales records while still being able to safely social distance. Hobo sales on opening day - \$45,891.11. Average sales on April 1st legalization day in Ontario (pre-pandemic) - \$50,913.

Source: Cova Software



ACCRES Report: Promoting Sustainability

by Jaclynn Pehota

As more cannabis products become available and the legal marketplace grows more vibrant, alternative form factors and methods of consumption are becoming readily available to consumers. These are exciting times for cannabis retailers, who can finally offer a wide variety of smokeless products that consumers are looking for.

Along with the wider availability of cannabis edible, vapes, and topicals comes new considerations for retailers. Manufactured products with multiple ingredients mean buyers have more factors to consider when stocking their shelves, including the sustainability of their inputs. Instead of just looking at energy usage during the grow cycle or packaging, retailers must now consider several other factors as well.

ACCRES' member retailers are starting to ask if there are impacts certain ingredients might have on the health of the customer and the planet, driven by feedback from customers concerned about the environmental impact of their buying choices. Chief among these concerns is that some of the ingredients that are becoming common in new cannabis products are inherently unsustainable.

The ACCRES Sustainability Committee, a volunteer committee of cannabis retailers dedicated to pushing our industry towards better stewardship practices, has identified the reduction or elimination of palm oil in particular as a significant priority.

Reducing the use of Palm Oil

The cultivation of palm oil presents a significant threat to native, biodiverse forests. Palm plantations compromise indigenous forests' important role as carbon capture sinks, and industrial scale palm oil production requires the destruction of vast swaths of forest.

This deforestation represents a serious threat to all wildlife, but is having an especially devastating effect on orangutans, whose populations are in crisis due to significant habitat loss. Human activity related to this cash crop is pushing these incredible primates to extinction.

Palm oil also comes under scrutiny as it carries some potential detrimental effects on human's cardiovascular health. Even "sustainable" palm oil production is largely a greenwashing endeavor with limited oversight and many instances of dishonest behaviour on the part of producers. Since there is little transparency in the palm oil supply chain, it is effectively impossible to ensure your oil is sourced sustainably.

With so many drawbacks around palm oil, why is this an ingredient producers are turning to? Simply put, the use of palm oil, which is inexpensive and readily available in mass quantities, reduces production costs. Tight margins on products and a heavy regulatory burden have pushed cannabis production companies to save pennies at every available opportunity, including on the oil used as a cutting agent in oral tinctures and other products.

While we recognize that business needs are at the top of mind for all companies, many of ACCRES' members are expressing concerns that there is a greater cost and higher stakes than simple savings on the bottom line. To that end, the Sustainability Committee has received a mandate from our membership to work in partnership with licenced producers to reduce our sector's environment impact.

Partnering to Reduce our Environmental Impact

ACCRES is also encouraging provincial distribution branches to factor in sustainability of ingredients and manufacturing methods as part of their purchasing metrics, and to make the labeling of ingredients like palm oil mandatory for cannabis products. This will allow retailers and customers alike to make purchasing decisions based on sustainability along with other factors like price and quality. An ingredient like palm oil, which has so many obvious drawbacks and numerous available analogs for use in products, is a great place for our industry to start the conversation about environmental impact.

As an emerging industry, the regulated cannabis sector has an opportunity to make better choices, and to set standards for ingredients that don't cause harm to the earth and the health of the consumer. ACCRES believes that cannabis retailers have a key role to play in this task, and we are committed to ensuring that production practices in the Canadian cannabis industry are world-class, not only in terms of the safety of the products, but in their sustainability as well.

If you are interested in getting involved in this initiative to encourage producers and distributors to make choices and pursue policies that take into consideration environmental impacts and not just the bottom line, please contact us at Jaclynn@accres.ca to get involved. ▲

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



Could Integrated Stores Open Rural Cannabis Markets?

by Jacquie Maynard

One of the best things about Canada is its wide-open spaces. Being the second-largest country in the world with a smaller population than the state of California, we've got a lot of room to spread out. While most Canadians prefer the bustling culture and economy of the big city, quite a few of us, one in five actually, enjoy the quiet and the clear, starry night skies of the countryside. There are a lot of benefits to living in a small town, but unfortunately, they can sometimes lack in amenities, including cannabis stores. It wouldn't be so bad if it was your daily dose of Starbucks you were missing, there's no need for an illegal Caramel Macchiato trade, after all, but with cannabis, there may be more sinister consequences—and money left on the table.

The main reason cannabis was legalized, was to eliminate the illicit market. As of December 2019, 46% of Canadian cannabis consumers

were buying legal product, but only about half of them were buying only legal product, leaving around 50% of Canadians still buying from their old sources. It could be part loyalty, but it could be argued that a lot of it is convenience, too—especially for rural customers.

For example, I grew up in a small town in rural Manitoba. If I were still living there, the closest retail store would be 150 km away.

Because Canada's population is so spread out, it's tough to provide access to legal cannabis to everyone. Manitoba and Saskatchewan have a lion's share of their population in major cities, but still have a rural population of around 30%, nearly half of Canadians in Maritime provinces live outside of the urban areas, and up north, outside of the capital cities, Canadians are scattered across the tundra in small, remote communities. In places like these, it may not make sense to

open up a stand-alone cannabis store, after you look at the numbers, so major retailers seem to avoid more rustic locales, leaving many rural cannabis lovers without a legal store to purchase cannabis from.

So, what is the solution? Some provinces already allow it, but few retailers are taking advantage of it: it's an integrated cannabis store.

What is an Integrated Store?

An integrated store is pretty much exactly what you would think. It's a cannabis store that exists within another retail space. Think McDonald's inside of a Walmart, except the McDonald's is behind frosted glass. The exact rules differ in each province, but essentially, cannabis stores are allowed to exist within an already existing business, as long as they can still safely lock up their product and keep it away from the prying eyes of minors.

Where is it Allowed?

So far, Manitoba, Saskatchewan, Newfoundland & Labrador, Yukon, the Northwest Territories, and Nunavut all have regulations like this.

In Saskatchewan and Newfoundland & Labrador they go a step farther, offering minors-allowed and minors-prohibited options for integrated stores.

If retailers want to give a full shopping experience with displays, smell jars, and custom décor, they can go with the minors-prohibited option, which is like a store within a store. There would be floor-to-ceiling dividers that block shoppers from seeing inside, similar to regulations for video lottery terminals.

The minors-allowed option allows cannabis to be sold from behind a specific counter, as long as it's securely locked away and not visible, like regulations for cigarettes. With this option, sales of cannabis and its associated accoutrements can go through the same point of sale as everything else. Newfoundland & Labrador's regulations are similar, except they add the caveat that these integrated stores can't be in the same building as a lounge or a pharmacy.

Nunavut has an interesting take as well. Nunavut offers a Remote Sale licence along with their physical cannabis stores, which can be stand-alone or integrated. A Remote Sale licence allows a retailer to

sell cannabis online or over the phone to anyone in Nunavut, provided they are over 19. Their purchases can then be mailed to their remote community or picked up at a physical store. Most provinces allow online sale of cannabis from licenced retailers but allowing stand-alone online retailers is a unique solution to Nunavut's unique geography.

Why it's a Great Idea

The rural market in Canada is hugely underserved. Unfortunately, there are no official statistics to show if rural Canadians consume more or less cannabis than their urban counterparts, but we only have to look in the news to see the proof.

The most sensational example happened earlier this month when Hobo Cannabis opened a store in Timmins, Ontario. Before Hobo came to town, the closest retail store was two hours away in Sudbury, Ontario and despite fears of a pandemic, they smashed through their sales goals by 11 am and ended the day with record-breaking numbers.

Delta 9, a Manitoba-owned retailer, wholesaler and producer, announced their plans to roll out Delta 9 Express locations within existing non-cannabis stores. As a company that cut its teeth in Manitoba, where 30% of the population is rural, their gross profit increase of 170% since this time last year seems to show that small-town folk like to spend money, too.

Are Cannabis Kiosks the Future?

However integrated stores may manifest in the future, they may be the best way to serve small communities and ensure that the product they are getting is safe and legal. The unfortunate part is that retailers and local entrepreneurs aren't taking advantage of the opportunity. According to the Liquor and Gaming Commission of Manitoba, Controlled Access licences, which are their version of integrated stores, have been available since cannabis regulations were put in place in 2018, but no one has applied for one yet. If municipalities and business owners alike got on board, integrated stores have the potential to stimulate small-town economies, provide access to rural customers, and put a damper on the illicit cannabis trade all in one fell swoop. ▀



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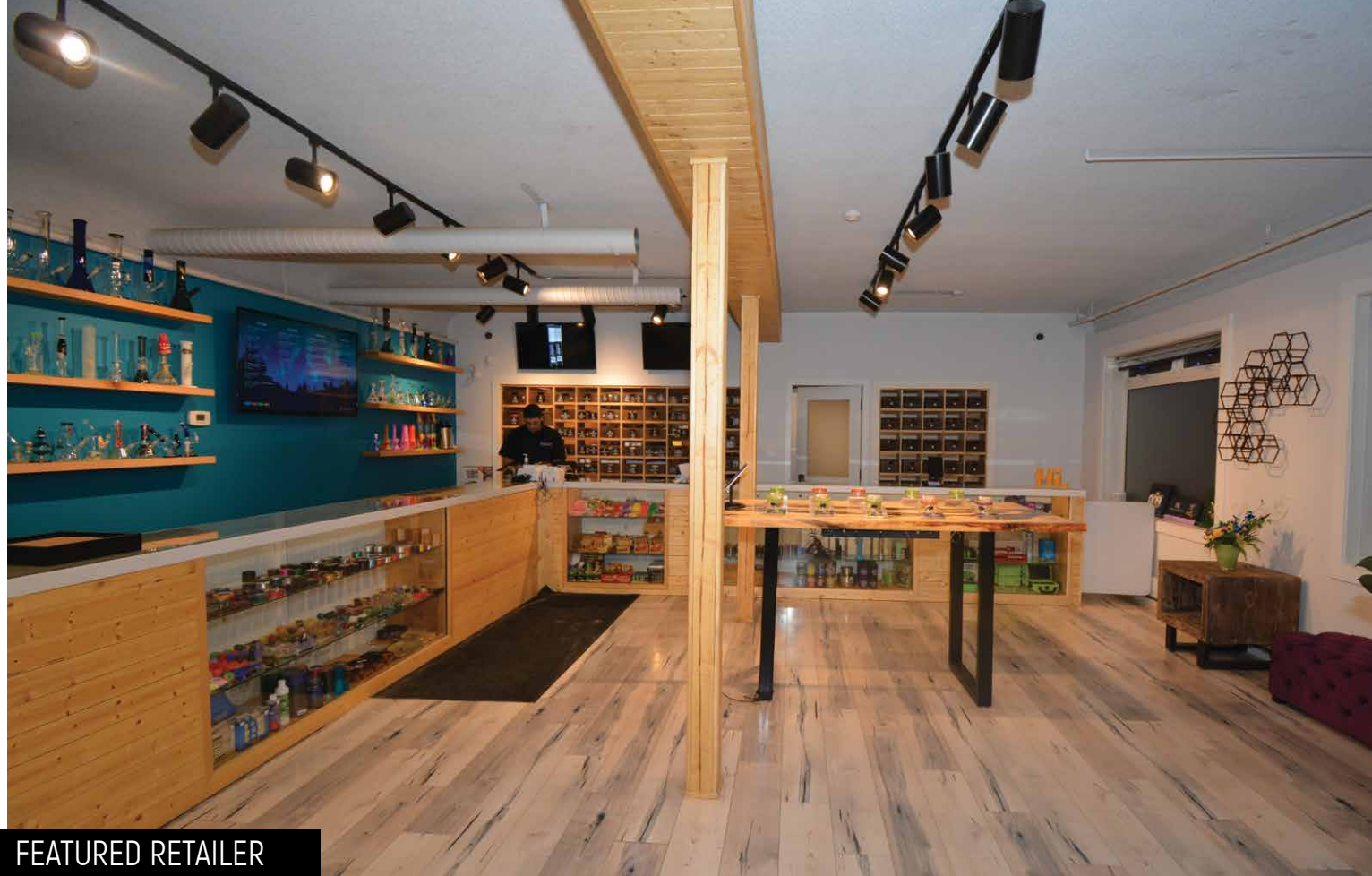
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FEATURED RETAILER

Triple J's Canna Space

by Laura Starr

Jordi Mikeli-Jones and Jeremy Jones are no strangers to adversity; the Whitehorse based husband-wife business duo are responsible for establishing the first privately owned licenced cannabis retail store in the Yukon, an accomplishment that took years of navigating bureaucratic red tape, overcoming legislative obstacles, and paving the way for new policies—a painstaking process at the best of times. Triple J's Canna Space successfully opened its doors in April 2019, and Jordi and Jeremy achieved their goal of setting a high bar for what cannabis culture is, through a focus on professionalism, accessibility, and safety. Little did they know that a pandemic was soon to change the future landscape, and although business acumen certainly plays a role in keeping their doors open, it is Jordi and Jeremy's deeply integrated sense of loyalty and commitment to their Whitehorse community that will likely serve as the secret weapon to their long-term survival.

The Business Side of Things

The Joneses amassed a wealth of entrepreneurial wisdom through their original concept, Triple J's Music, Tattoos & Piercing, which was a cultural hub for over 15 years, evolving into Triple J's Canna Space only after finally acquiring their cannabis licence, which was a history making moment in itself. Being the dreamers they are though, the Joneses were already thinking ahead; they decided

to relocate into a larger downtown location (which doubled as a preservation effort for the significant and historic Yukon News building) and with Jordi's background in retail management, the two-storey space (plus basement) was expertly fashioned into a tiered retail experience, with space for music, tattoos, and piercings, a boutique featuring their own skin care products (made in-house) and apparel, and at long last, a cannabis store.

Their vision, however, was (and continues to be) a much more complex design than simply having caught the infamous "green wave". Jeremy's background is rooted in policy, specifically occupational health and safety, and not only did this experience greatly support their rigorous efforts to attain the licence in the first place, but it greatly serves to support their vision of establishing a cannabis culture in the Yukon that sets a high bar and stands above the rest. To do that, the Joneses are diligent in ensuring the customer has the right information to guarantee the right experience. Safe and knowledgeable consumption is paramount. Jeremy has become highly certified in the field of cannabis use and consumption (we're talking 25+ certifications) and the staff is offered extensive training as well. Where Triple J's stands out is in Jeremy's offering of consultation services for "safe use," a program he has fully vetted through the chief medical officer. The Joneses not only know their customers, but they anticipate their needs in advance, and so created a safe space for new and experienced users alike.



Anticipating needs is a Jones' specialty. They seem tapped into the model of: "What is possible?" They do not shy away from new concepts, even when there isn't policy yet in place. Knowing that diversification is important (hence the multi-retail experience) Jordi already has plans in place for a room dedicated to edibles and topicals; additionally, she dreams of offering catered experiences specifically for women, and also noted there is demand for cannabis products for animals, if stores are allowed to carry these products in the future.

Another notable strength is their belief in the importance of staff. They hire locals who touch on a broad range of demographics (from young Francophones to Roxanne, the grandmother) to best represent the whole community, and they put heavy emphasis on staff training and education, ensuring customers feel welcome, supported, and assured.

Community for the Win

As they're no longer the only kids on the block, the Joneses doubled down on not only putting the customer at the forefront,

but also the community. They valiantly sell their product below government rates to ensure accessibility for the locals, but also to keep the money in the community. The chains that have since set up shop funnel dollars OUT of the Yukon, while Triple J's keeps every cent close to home. Every sliver of their business uses local sources, producers, staff, and they are highly involved in community events and fundraisers. So when COVID-19 came creeping into the world, this investment in their community (a statement that doesn't nearly capture how fiercely protective Jordi and Jeremy are of their home and people) is what will keep them rooted during this storm.

"We were so naïve. We thought the hard part would be getting licenced," Jordi says with a tinge of sarcasm, but the pain in the reality of it still comes through in her voice. COVID-19 turned the world upside down, and suddenly this less-than-a-year-old business was faced with potentially shuttered doors. But 20+ years of building trust as local, family-run business owners has earned a strong customer following, and given their expertise in hurdling obstacles and navigating creative loopholes, they will no doubt be successful as they faithfully serve their Yukon community. ▀



How to Choose the Right Supplier

by Kathy Vurinaris

Choosing the right supplier requires more than knowing the product you want. It involves knowing your business' priorities and strategy. You must also define your target customer.

There are a few key factors that need to be weighed to help you choose the supplier that is right for you and your business. Having a clear idea of these variables is imperative to successfully selecting a supplier. This strategic approach can also help to guide your end customer to make their purchasing decision with you.

Here is an outline of six criteria to consider while choosing the right supplier.

Brand Position

This is arguably the most important of the six criteria as it is the one that sets you apart.

What is your brand's price position in relation to the market and your key competition? You must have deep knowledge of the competitive landscape to answer this question. In understanding your competitors, you can

identify gaps that become opportunities you can take advantage of. Look at who is excelling and gaining market share. Ask yourself what they are doing well that you can emulate? What is their assortment? Where are the gaps in their product mix? What is their price position in relation to the

will pick a lane and stick with it. One that offers low cost is likely not investing resources on R&D, so if you are looking for innovation, you will likely have to pay more. Differentiation is a key success factor for any brand, so access to innovation is important.

Whether buying stores fixtures or accessories, your suppliers need to understand your vision.

competition? Are they positioned at the top, middle or bottom compared to the market? Equally, look at your competitors who are struggling to make a name for themselves. What would you do differently?

The balance of price and quality help determine your brand position and influence choosing your supply base. Do you want to be cheap and accessible, or premium and exclusive? Answering this question will narrow your pick of suppliers. Most suppliers

Dealing with Distributors

Be cautious about suppliers that offer a broad range of products. These are often distributors who are paying wholesale and then adding a markup and profit that are reflected in the price you pay. In choosing a distributor, you will be paying a premium for breadth of assortment and low order quantities. Another drawback of buying from distributors is that you are purchasing from the same pool of products

as your competitors and therefore not building your brand or creating differentiation. However, distributors can be a great option if you are still building scale or testing your strategy, in which case small order quantities are important.

If you are planning on buying a larger quantity, see if you can go directly to the manufacturer to eliminate the distributor fees and increase your profit.

Sharing Vision & Values

Understanding your brand look and feel is also important. Whether buying store fixtures or accessories, your suppliers need to understand your vision. If there isn't a connection to your vision pretty early on in the conversation, this is probably not the right partnership. As the markets open and new brands emerge, each store will be jockeying for prime position. This is your opportunity to set yourself apart. Picking the wrong supplier who doesn't share your vision can waste valuable time and money!

Knowing your values are shared with your suppliers and that your goals are the same or similar is also important. If quality is an important priority as an example, knowing your supplier has a quality control protocol in place shows they share your commitment and values. If they don't, this could be a red flag.

Process & Troubleshooting

Ensure there is a binding agreement between your store and your supplier. Understand the processes that protect your vision and give you visibility throughout execution. A good supplier should be able to provide you with key milestone dates like delivery that are committed to in your purchase agreement or Purchase Order.



Inventory Strategy

What is your inventory strategy in the short term and long term?

Do you need to turn your inventory quickly? If cash flow is an issue, then inventory turnover and payment terms will be important. If you can negotiate favourable terms that allow you to get goods on the floor for some time before full payment, it is a benefit. But, extended terms cost money, so you will be paying more. In the unstable financial environment that the cannabis industry is currently experiencing, most suppliers are not willing to risk extended terms.

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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Unfortunately, as is typical in most retail markets, the same 20% of cannabis brands and formats are in greatest demand in all stores. And, since cannabis distribution is for the most part controlled by

Create an assortment that includes fast turning items that could be impulse-driven.

the provinces, most retailers have access to the same selection. It is important to watch that your inventory isn't locked up in slow moving SKUs stalling cash flow. Create an assortment that includes fast turning items that could be impulse driven. Always manage lead times with a reliable vendor partner—this could help with cash flow.

Ask yourself, "Is price important"? Cheap and fast are not often synonymous. How much inventory are you willing to hold? Knowing your optimal order quantity will help determine your supply base. The closer you are to working directly with the source or factory supplier,

the higher the minimum order quantity will likely be. The upside is if you want, you can have greater control and access to information.

Timelines

Your timeline for having inventory will define whether you buy direct or from a distributor. If you need something immediately, you will have to buy through distributors that have on-hand inventory, but add the cost of their investment and profit to your cost. If you have time, you will have better priced, more profitable options. In this case as well, the closer you are to working directly with the manufacturer, the faster you will get product.

How important is speed to market? Delivery timelines are often important. Do you have a hard launch date or are you constantly onboarding new stores? Each scenario requires completely different inventory strategies. If your supplier can meet or exceed your needs on delivery, they are likely the right partner.

If you take all these criteria into consideration while picking a supplier, you are well positioned for success. ▀

Ontario's Cannabis Lottery: A 'Golden Ticket'?

by Alanna Sokic

On December 13, 2018, the ramifications of a provincial news release were felt far and wide within Canada's fledgling cannabis industry. Without notice to stakeholders, the Government of Ontario announced that a temporary cap of 25 Retail Store Authorizations (RSA) would be imposed until national cannabis supply stabilized. The province gave the Alcohol and Gaming Commission of Ontario (AGCO) the mandate to hold a lottery to determine who could apply for Retail Operator Licences (ROL). That lottery took place on January 11, 2019. On July 6, 2019, the province announced its plans for a second lottery allocation—this time for 42 RSAs.

Though these lotteries took place in 2019, and Ontario has since moved to an open market allocation of licences, only 33 of the 42 second wave lottery winners have received RSAs and 24 of the 25 first wave winners are fully licensed. Their absence in the current retail landscape raises some points for consideration around the AGCO's licensing and approval process.

In creating the lottery allocation system, the Government of Ontario sought to establish a fair and equitable entry process. There was a fear that without certain measures in place, Ontario's cannabis retail landscape could become irreversibly controlled by vertically integrated sector operators with access to large swaths of capital.

Partnering with Established Retailers

The phenomenon that occurred in its place, however, saw many lottery winners enter into partnership agreements with established cannabis retail entities. Prior to the open market allocation of licences, lottery winners were oft-said to have 'won a golden ticket,' in reference to Roald Dahl's classic novel, "Willy Wonka and the Chocolate Factory." At the time of both lottery selections, the 'green rush' was in full effect. Between the sky-high market valuations and the break-neck speed with which large-scale transactions took place, it seemed like there was no stopping the momentum of the sector. The public discourse surrounding the cannabis market's opportunity is likely what led to over 17,000 applications to be submitted for the first lottery. While some chose to stay the course and operate the locations themselves, reality sunk in for others. Operating a retail store in a highly-regulated environment is no easy feat.

Partnering with established retail entities afforded these winners access to industry and retail expertise, in-house regulatory and legal counsel, as well as the use of market-tested branding and conceived retail concepts. The hitch however, was the due diligence mandated by the AGCO to process and approve the complex franchise and licencing agreements required to operationalize these partnerships.

Due Diligence Takes Time

Matt Maurer is a partner at Torkin Manes LLP and the Co-Chair of the firm's Cannabis Law Group. Renowned in the Canadian cannabis community for his retail-specific expertise, Matt has worked with

many lottery winners and open-market applicants. According to Matt, the level of due diligence required for a sole proprietor cannabis ROL application versus one with multiple entities involved varies greatly. In the former, the due diligence phase of the review concentrates solely on the applicants—who they are, whether they have any criminal charges, and where they received their funding from. When a partner or partners are involved, the AGCO then must undergo additional due diligence on them—who their shareholders are, their own corporate structure, etc. The greater the amount of paperwork, the longer it takes to review.

Comprehensive Reviews Disqualified Lottery Winners

In the lottery context, when the regulations around store ownership were more stringent than in today's environment, the AGCO was keen to conduct comprehensive reviews to determine whether or not the winner had conceded control of the store to a third-party. In Matt's experience, there were pending agreements that, in normal commercial transactions, would not equate a change in control. The AGCO, however, took the view that, following a holistic review of the application and the parties involved, that a declaration of a change in ownership was warranted. In some cases, lottery winners were disqualified by the AGCO for contravention of the Expression of Interest Lottery Rules. What followed in these cases is that those who were next on the lottery region's waitlist were moved to the selected list, and the application process started from scratch.

Red Tape Reduction Required

Beginning the application process with new parties from square one, evaluating complex partnership agreements, liaising between the regulator and the applicant for missing and incorrect information, and conducting these activities remotely in the midst of a global pandemic are all very valid reasons why these remaining 10 lottery winners may find their licences delayed. It goes without saying that it is certainly within the purview of the AGCO to ensure that ROL and RSA holders are compliant and reliable retail partners. The cannabis sector is one with many risks—both perceived and real. In an industry sanctioned by the government, it is they who will bear the blame if anything goes wrong. However, one of the primary objectives of the legalization of adult-use cannabis was the elimination of the illicit market, and one of the chief ways this can be achieved is by ensuring wide-spread access through authorized storefronts. If there is one lesson to be learned from the lottery experience and what followed, it is that Ontario must seek to strike a balance between comprehensive due diligence and red tape reduction to ensure the timely and well-paced growth of the provincial sector. Otherwise, it is the illicit operators who are proven the winners. ▀

Alanna Sokic is a Senior Consultant at Global Public Affairs.

A woman with dark hair, wearing an orange shirt and a grey apron, is smiling and holding a heart-shaped cookie. She is appearing on a smartphone screen, which is mounted on a stand. The background of the video feed shows a kitchen setting with a white mug and a yellow object on the wall.

Multi-Media Storytelling: Getting an Edge on your Competition

by Wayne S. Roberts

It has never been more true that reaching your audiences can't be done with one media alone.

The imperative of multi-media marketing is a fact of life because your customers are reading, watching, listening, and seeing things out in the world. They're attending webinars, visiting chat lines and forums, they're video conferencing... they're everywhere, all at once.

You might think you need to be too. Wrong. You can't be everywhere at once and expect to grow the business without breaking the bank.

So, like every decision you make, when you invest in advertising and branding, it has to be about creating an emotional connection to your audience through storytelling that is financially sustainable.

Only when your audience is emotionally invested in your brand will they become advocates and loyal members of your brand community. And the most effective way to evoke emotions in your audience is through multi-media storytelling.

Video Victorious

Video is one of the most powerful tools to employ. It performs much better than static imagery on social media because it's immersive and immediate. And it's a great payoff to blogs and other content you may post or promote via pay-per-click ads or boosted social posts. But it's just one part of a well-rounded, integrated multi-media approach.

Hits from the Blog

Blogging is critical to your cannabis business. Your focus should be on publishing educational and entertaining content and sharing it on your social media channels. In an ideal world, your audience will see that content, like it, and share it with their own audiences. Using your social media accounts to tease and engage people to watch a longer-form video on your website is a proven path to purchase.

A dedicated cannabis blog will also engage

your reader to know more about the industry and help convert them into customers, even before they get to the store. For cannabis marketing, online engagement is essential, and that's exactly what blogging, social media, and content marketing will do for you.

These are cornerstones of a manageable multi-media investment, which will all grow your brand community, provided they are created and coordinated based on some fundamental rules of engagement.

Create Your Brand Persona

Every story needs a storyteller. When listening to a great anecdote, joke, or tale, the person doing the telling matters as much as the story itself.

Storytellers need to have personality and charm. Preferably, they share some of the values and attributes that the audience does. To tell a brand story well, tell it with a well-crafted brand persona.

"Storify" Your Offering, Chapter by Chapter

Create chapters of your brand story by leveraging your core values and key insights—those things that define and differentiate your brand in the market. For example, you can focus on the cognitive effects of cannabis or how it can lead to a more relaxed, positive lifestyle. Talk about product summaries, market trends, or your customer service process.

Keep Your Brand Tone in Tune

When you embrace multi-media storytelling, it doesn't mean you develop a multiple personality disorder. No matter what you say or where you say it, you need to present a consistent voice. It can be professional, authoritative, or informal. Choose one that fits the emotional touchstones mentioned earlier and let it "colour" your brand story on every media platform.

You could have the greatest content in the world, but if you don't embrace consistency, you lose out on a fundamental of branding: familiarity breeds loyalty.

Production Value = Perceived Value

When you engage in multi-media marketing, it's essential to understand what sort of media you're good at. Unless you're a full-service ad agency, you're not likely a jack-of-all-trades. Good at writing? Great! Double down on it. New and naïve about video? Find somebody to help you.

Podcasts and webinars make your head spin? Again, enlist pros to help out. Just ensure they understand your brand persona and tone, so they don't tinker with it to suit their approach.

And be smart about investing in production values which is another rule of the multi-media platform game. Production value equals perceived value. The more investment you put into the creation and quality of your content, the more people will perceive value in it and assign that value to your brand and your product/service offering.

Stay the Course and Win

When you discover the media wherein you're most agile, you must be as persistent as you are consistent. You can't drop one great campaign and think you're done. There's no set-it-and-forget it. If it's not something you can do on a regular basis, then hire the right people who will work to create a long-term content strategy worthy of your brand.

Multi-media storytelling is a powerful way to grow your business by sharing stories that engage with your audience. If they like your story, they'll remember it, they'll act on it, and they'll share it.

Using a multi-media approach wisely and consistently will foster a deeper connection with your brand community and clearly position you as a retailer who offers more than just bud for bucks. ▴

Wayne S. Roberts is Principal at Blade Creative Branding. He brings award-winning experience to Blade's clients, including those in the cannabis sector where Blade was instrumental in the branding and launch of MedReleaf.

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Employee Handbooks Safeguard Your Store

by Rebecca Hardin

Starting a retail cannabis store in Canada takes a lot of planning and commitment. One of the key factors that will set you up for success is understanding how important your employees are to your business' success. While store location, product selection, and marketing strategies will contribute to that success, your team serves an equally important purpose beyond sales and customer service.


Well-trained employees are the first line of defense against a myriad of possible compliance missteps or legal infractions that could significantly impact your operations. Employees must understand government requirements, regulations, and laws that pertain to your business. Failure to do so could result in fines, temporary forced closures, or even licence revocation.

Employee handbooks and manuals provide staff the information they need to perform their duties correctly, while protecting your hard-won retail cannabis license.

What is an Employee Handbook?

An employee handbook is a training manual and reference that outlines correct operational procedures, store policies, safety and security protocols, terms and conditions of your cannabis licence, and

An employee handbook may be one bound book with chapters or several manuals (e.g. staff daily duties and responsibilities, operations, compliance). In an ideal world, these manuals are living breathing books, that are added to, developed, and always discussed.



A list of employees and proof of credentials and security verification should be easily accessible.

relevant federal, provincial, or municipal laws. In highly-regulated industries, manuals are a basic and necessary due diligence tool. Manuals help you run your operation more efficiently and effectively, maintain compliance requirements, and, as importantly, be seen to be taking compliance seriously.

Why Employee Handbooks?

Without employee handbooks and formal training (that include compliance training) employees don't know or understand the owner's expectations. Handbooks take the guesswork out of decision making, ensure compliance requirements are met and kept up to date, and make certain that the actions

of employees are consistent. When employees need answers, they can refer to the manual. No excuses, no guesses. A handbook takes the pressure off employees. Without written, formalized policies and procedures, your staff are flying blind, grasping for correct answers, repeatedly asking the same questions, and relying on others' knowledge, which may be incorrect or incomplete.

In-store training and ongoing education facilitated by employee handbooks is paramount to efficiently running a cannabis retail operation. Reading the manual(s) should be required of each trainee. Employers may go as far as testing employees on their knowledge of a manual's contents. If you think that these steps are excessive, you will probably rethink that position if your business falters because of an employee's lack of knowledge and your business is issued an infraction.

What Should Be Included in Handbooks & Other Training Manuals?

Employee handbooks and training manuals frequently include the following:

- Procedural training providing step-by-step instructions for opening, closing, and security.
- Emergency procedures - Employees should know exactly what to do in case of fire, flood, theft, or other crime or emergencies. Should police or other enforcement authorities have questions

of employees, staff should cooperate, but also know when it is appropriate to direct authorities to managers or owners. Staff should log such contacts and always inform an owner or manager as soon as possible.

- A copy of your cannabis licence and terms and conditions set out by the licence, including hours of operation, floor plans, permitted sales areas, and signage requirements.
- Security procedures and requirements
- Prohibited service (service to minors and intoxicated persons)
- Store policies
- Permitted and/or mandatory signage
- All provinces have rules about store signage and some, like BC, have mandatory public health signage that must be displayed in specific places in the store.
- Incident logs - A bound logbook where pages can neither be added nor removed, should be used when any incident occurs. The date and time of the incident, brief description, and employee(s) involved should be recorded and the log should be signed by the employee who completes it. Where the log briefly describes all incidents chronologically, a separate incident report should also be created, providing more detail, describing any actions taken by employees, owners and/or authorities, and any outcomes.

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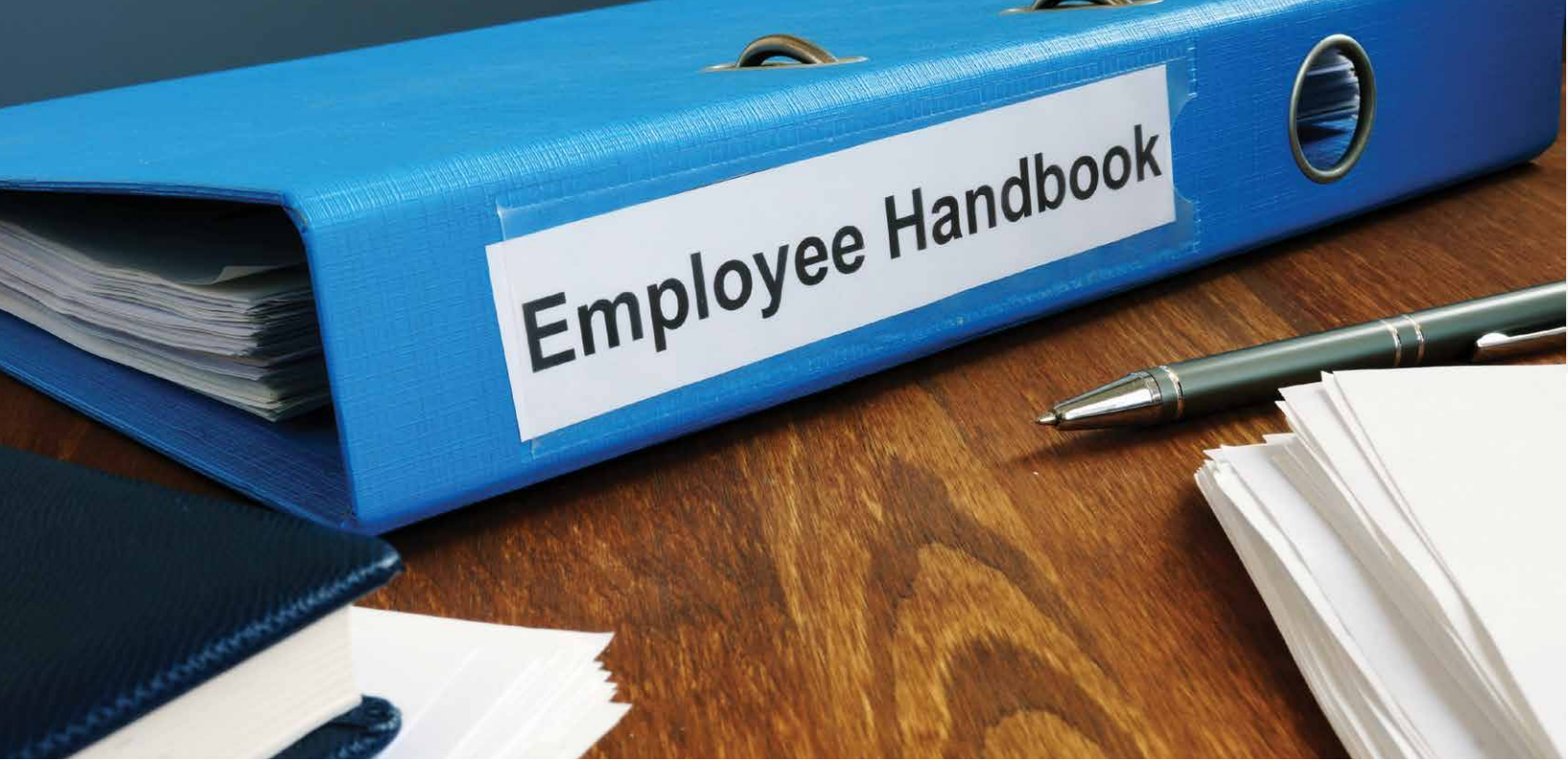


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Examples of incidents include robbery, theft, refusing service to a minor, intoxicated or belligerent person, operational issues (broken or faulty equipment, for example).

- Team contact information
- Team credentials and security verification - In all provinces and territories, staff are required to take provincial safe service training (Can Sell in Ontario, Sell Safe in Alberta) and must also undergo security verification. In some provinces, BC for example, workers must recertify every two years. A list of employees and proof of credentials and security verification should be easily accessible in the training guide (in the first pages).
- Emergency contact information, including names and phone numbers of team members who have keys to the store.
- Expectations, reprimands, and grounds for termination - The expectations you have of your employees should be clearly described, as should grounds for reprimands or termination. For example, if a team member serves a minor, they may be terminated immediately.

A handbook/manual must be updated each time relevant federal, provincial, or municipal requirements, regulations or laws change, and employees must become familiar with those changes.

Manuals as the Foundation of Hands-on Training

Training guides and manuals are only effective if they are used. Hands-on training is often developed in conjunction with training manuals, so the information is not just dry facts divorced from real-world application. Hands-on training of each section of a manual reinforces learning and trains employee behaviour. For example, in-house formal training may include mandatory reading, quizzes, and examples of real-world scenarios with role playing.

An outline of a training manual which includes hands-on training, might look like this:

Licencing Compliance

Module 1: Licence terms and conditions

- Learning objectives
- Terms and conditions details
- Review
- Quiz
- Real-world example scenarios and role play

Each “chapter” or module stands both as an in-store reference and training guide.

Who Should Write the Training Manual?

As you can see, implementing manuals and training can be involved, but you do not have to reinvent the wheel, nor do you have to write the manual yourself. There are experienced industry consultants who work with private liquor and cannabis retailers in all aspects of their business, including operations, training, and licensing.

Summary

Training guides and manuals are the best way to ensure that your staff consistently perform their duties, while ensuring your business remains compliant. Manuals can form the backbone of hands-on training, and should contain many examples, quizzes, and opportunities for role playing scenarios. Make sure your business has implemented these manuals and you will be well on your way to success. ▴

Rebecca Hardin is Canada's go to liquor and cannabis consultant and owner of Thrive Liquor & Cannabis Inc www.thriveadvisors.ca



Q: How does a cannabis retailer protect its brand names and logos?

Brand names and logos can be protected through trademark law. You can acquire certain trademark rights simply by using your brand name or a logo in association with your goods or services, but generally speaking those rights are geographically limited and difficult to enforce. Applying to the Canadian Intellectual Property Office (CIPO) for a registered trademark is preferable, because the owner of a registered trademark gets exclusive rights to use the trademark throughout Canada for a renewable period of 10 years. That includes the right to stop someone from using a brand name or logo confusingly similar to yours anywhere in Canada.

The trademark application process isn't easy; there are many steps and it can take 2-3 years to get registered. Not all trademarks are registrable either. For example, your trademark might not be registrable if it's too descriptive (e.g. "The Cannabis Store") or if there is another trademark already registered that is the same or confusingly similar to yours.

That's why it's extremely important to conduct due diligence on your proposed trademark before you invest in it. You want to find out what else is already out there, not only to increase your chances of registrability, but also to ensure you're not infringing on someone else's pre-existing rights. You should speak to a lawyer or trademark agent about this due diligence work; do not assume your advertising agency or graphic designer is aware of these issues.

Don't forget your trademark must also comply with s. 17 of the Cannabis Act, i.e. it can't be appealing to young persons or evoke a lifestyle of glamour, recreation, excitement, vitality, risk, or daring.

Q: How does a cannabis retailer protect its marketing materials and design work?

Another way to protect your business' logo is through copyright law, which can also protect your other marketing materials and design work. Unlike a registered trademark, copyright subsists in these materials automatically by virtue of their creation. Copyright law, among other things, prevents others from using or reproducing these materials without the owner's authorization.

The key aspect of copyright is establishing ownership. In most employment relationships, the employer automatically owns the copyright in its employees' work product. This is not the case for independent contractors, who retain copyright in their work product unless there's a written agreement to the contrary.

What this means for cannabis retailers is that if you work with designers, photographers, or other content creators on contract, it's imperative you implement copyright assignments so that you become the owner of the content they create. One of the most important assignments is for your logo; you don't want your designer inadvertently retaining residual rights in this important asset.

It's a good idea to include copyright assignment provisions in your employment contracts too, even though employees' copyright is usually automatically assigned. The assignment provisions will make the parameters of the assignment clear and help your employee understand what they can and cannot do with the content they create. Not just for copyright reasons, this is also important so your employees don't use photos or posts they create in the course of their employment in a manner that might be offside the strict advertising prohibitions in the Cannabis Act, such as outside the 19+ arena.

Q: What other aspects of a cannabis retailer's business qualify for intellectual property protections?

Believe it or not, there is a type of trademark law that can protect your store layout, the look and feel of your website, or other distinctive display features of your business. This protection is called "trade dress" and is the "total image" of a business' good or service, as defined by its overall composition and design, including size, shape, colour, texture, and graphics. Whatever these features are, they make the consumer associate that "total image" exclusively with your goods and services.

Cannabis retailers in Canada are known for their stunning store layouts and unique design configurations, from beautiful "smell bars" to creative product delivery mechanisms. Trade dress rights may be an available protection for some of these display features, which include the right to prevent others from taking advantage of the goodwill attaching to them (known as "passing off"). Trade dress rights can arise automatically through use, albeit in a geographically limited fashion, but there is also a mechanism to register such rights with CIPO if certain conditions are met.

Emilie Feil-Fraser is an intellectual property lawyer based in Vancouver at the international law firm of Gowling WLG (Canada) LLP.

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When Good Things Go Bad: Understanding the Shelf Life of Cannabis Edibles

by Lisa Tachan

While most customers buy cannabis edibles with the intention to consume them right away, sometimes those edibles can end up like the long-forgotten yogurt at the back of the fridge. Once discovered (or perhaps already eaten), questions may arise; are these still good? Will they still work? Will they make me sick? Unlike that long-forgotten yogurt, it can be a little trickier to know if it's safe to eat that rediscovered cannabis edible.

"The general rule of thumb is that cannabis edibles have shelf lives similar to their non-cannabis counterparts," explains Scott Riefler, Chief Science Officer at SÖRSE Technology. "Edible expiration dates are more about the food platform than the cannabinoids themselves. When it comes to food safety, THC and other cannabinoids are very stable."

Basically, cannabis edibles spoil just like any other food item, so it's important to read the label before eating them. Riefler suggests that both retailer and customer be mindful of these three dates:

- **Expiration date:** the date after which a food product should not be sold or consumed because of an expected decline in quality or effectiveness. This date is a food safety issue.
- **Best by date:** the timeframe where all ingredients and product attributes will be at their best. Foods can be safely consumed well past this date.

- **Sell by date:** this date represents the last date this item should be purchased.

When it comes to how cannabis edibles go bad, Riefler explains that exposure to oxygen contributes to the degradation of both THC and the food platform.

"Cannabis edibles like gummies, lozenges and lollipops have some of the longest shelf lives," he notes. "The availability of oxygen in the interior of those items is much less than that in a baked good or beverage. That said, consumers should be mindful of proper storage, like refrigeration. Properly storing your cannabis edibles maintains their quality and keeps their shelf life."

Exposure to oxygen contributes to the degradation of both THC and the food platform.

When determining if a cannabis edible is safe to eat, Riefler suggests looking at the integrity of the edible and its packaging.

"With beverages, look for signs of separation and layering. With confections, make sure the protective wraps are intact," he explains.



"You want to look for signs of spoilage, such as mold. Does it smell off? Does it taste funny? If it does, you shouldn't eat it."

However, let's say you don't read the label and ignore the red flags and eat a cannabis edible well past its expiration date. What happens?

Be mindful of their labels, shelf life, and how to store them properly.

Riefler reassures it won't send you on a crazy trip. In fact, the edible likely won't even give you a high, as the THC and cannabinoids will have lost their potency from sitting too long. This is the case for cannabis in flower, extract, and edible forms.

"In an extreme case, you will likely experience an upset stomach related to the food platform," Riefler says. "If this happens, drinking a

lot of water is always a good way to flush out your system. However, you may want to contact your physician who can counsel you on the best course of action."

When discussing cannabis edibles, we're often focused on topics like how much to eat, how long to wait, and what to expect from the high. During the pandemic, more people are staying home and stocking up. If you have customers who are stocking up on their favourite cannabis edibles, it's important to advise them to be mindful of their labels, shelf life, and how to store them properly.

"It's also important to educate ourselves and consumers about the method of incorporating cannabinoids into edibles. How cannabinoids are presented determines the experience," Riefler says. "Producers like SÖRSE use enrobed or protected systems that provide better efficacy and reliability. It's better than simply adding cannabinoids in oil form to the edible."

Whatever the food product, it's best to consume it fresh. Check your labels, find those 'Best by' dates, and make sure your edibles are stored properly. If that long-forgotten edible at the back of the fridge still looks good, smells good, and hasn't expired, you're good to go. ▀

CANNABIS



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> IS RURAL ONTARIO UNDERSERVED?

Only one in five people in Ontario live outside of the major cities, but only 11% of retail stores are in these regions. Out of nearly 600 total applications in all stages, only around 50 are for rural areas, and most of them are still in the application process.

The new report released by the Ontario Cannabis Store (OCS) boasts that in the last quarter, they cut the average distance to a cannabis store in half, going from 41 km to travel to a cannabis store to 22 km. When 80% of the population lives within the same 10% of the province, though, that's a fairly easy task.

Continue reading: www.cannabisretailer.ca/2020/is-rural-ontario-underserved/



> CANNA CABANA GROWS FROM SMOKE SHOP ROOTS

Everyone has a cabana—that's the motto of one of the fastest-growing cannabis retail chains, Canna Cabana. To them, that means welcoming everyone and staying true to their roots.

Alberta-based company High Tide came onto the scene in 2009 as a cannabis accessory store in Calgary. They grew into the largest counter-culture chain in Canada, and when legalization happened, it seemed only natural to take a step further into cannabis sales. That's when Canna Cabana, High Tide's cannabis retail flagship, was born.

"We've been serving Canadian cannabis consumers for 10 years," says Chief Revenue Officer of High Tide Inc. Andy Palalas, "We didn't have any experience selling cannabis, but we had lots of experience serving customers."

Continue reading: www.cannabisretailer.ca/2020/canna-cabana-grows-from-smoke-shop-roots/



> CHOOM CRACKS BC RETAIL MARKET

Alberta-based retailer Choom opened its flagship store in Vancouver's Olympic Village, but it didn't come without its challenges. Even as the country reels from the effects of a global pandemic, the Choom team opened the doors on May 15 to welcome customers from a safe distance.

Like many businesses opening during this time, they had to strike a balance between the celebration they wanted and what was safe for the public.

"We didn't want to create too much of a crowd that would put people at risk," says Corey Gillon, Choom's CEO, "We want to generate traffic, like any business, but to do it in a socially responsible way."

Continue reading: www.cannabisretailer.ca/2020/choom-cracks-bc-retail-market/



> PEI IMPLEMENTS NEW PRIVACY MEASURES

PEI's Privacy Commissioner made several recommendations to PEI Cannabis Management Corporation (PEICMC) after a nearly two-year review of the organization's privacy and consumer data protection policies.

The investigation started on October 20, 2018, two days after the first PEI Cannabis stores opened, after customers raised concerns about the way they were checking identification cards. At the outset, the stores were scanning the code on the back of ID cards to verify that they were real, however, customers were concerned about what data was being saved, who could see it, and what was being done with it.

Continue reading: www.cannabisretailer.ca/2020/pei-cannabis-implements-new-privacy-measures/



> CONSUMER INTEREST GROWING FOR CANNABIS 2.0 PRODUCTS

While non-flower related cannabis products only made up 11% of sales by volume in Ontario, from April 1, 2019 to March 31, 2020, interest in Cannabis 2.0 products has been increasing exponentially since their release in December 2019. In a report released by the Ontario Cannabis Store, it shows that sales for these products has been increasing steadily each month, especially as Licensed Producers come out with more options for consumers to try.

The newest addition to Cannabis 2.0 products, cannabis beverages, nearly tripled in sales between February and March of this year, going from \$82,100 to nearly \$242,600. Concentrates and edibles showed even more growth, with sales increasing three-fold in just as many months. In January, total sales for edibles were \$680,700 but by March, sales totalled nearly \$2 million.

Continue reading: www.cannabisretailer.ca/2020/consumer-interest-growing-for-cannabis-2-0-products/



> WHY IS THE OCS CHEAPER THAN RETAIL STORES?

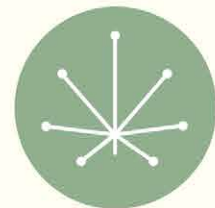
It costs over \$2 more per gram to purchase cannabis from a private retailer versus the Ontario Cannabis Store (OCS). In their latest report, the OCS shared that their average price per gram for retail cannabis was \$7.48, compared to retail stores coming in at \$9.61.

The OCS works as both a wholesaler and a retailer. Private retailers are required to purchase their products from the OCS, and consumers can purchase from either. This might appear to be undercutting their business-to-business customers, but according to the OCS, it keeps prices down for everyone.

Continue reading: www.cannabisretailer.ca/2020/why-is-the-ocs-cheaper-than-retail-stores/



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