

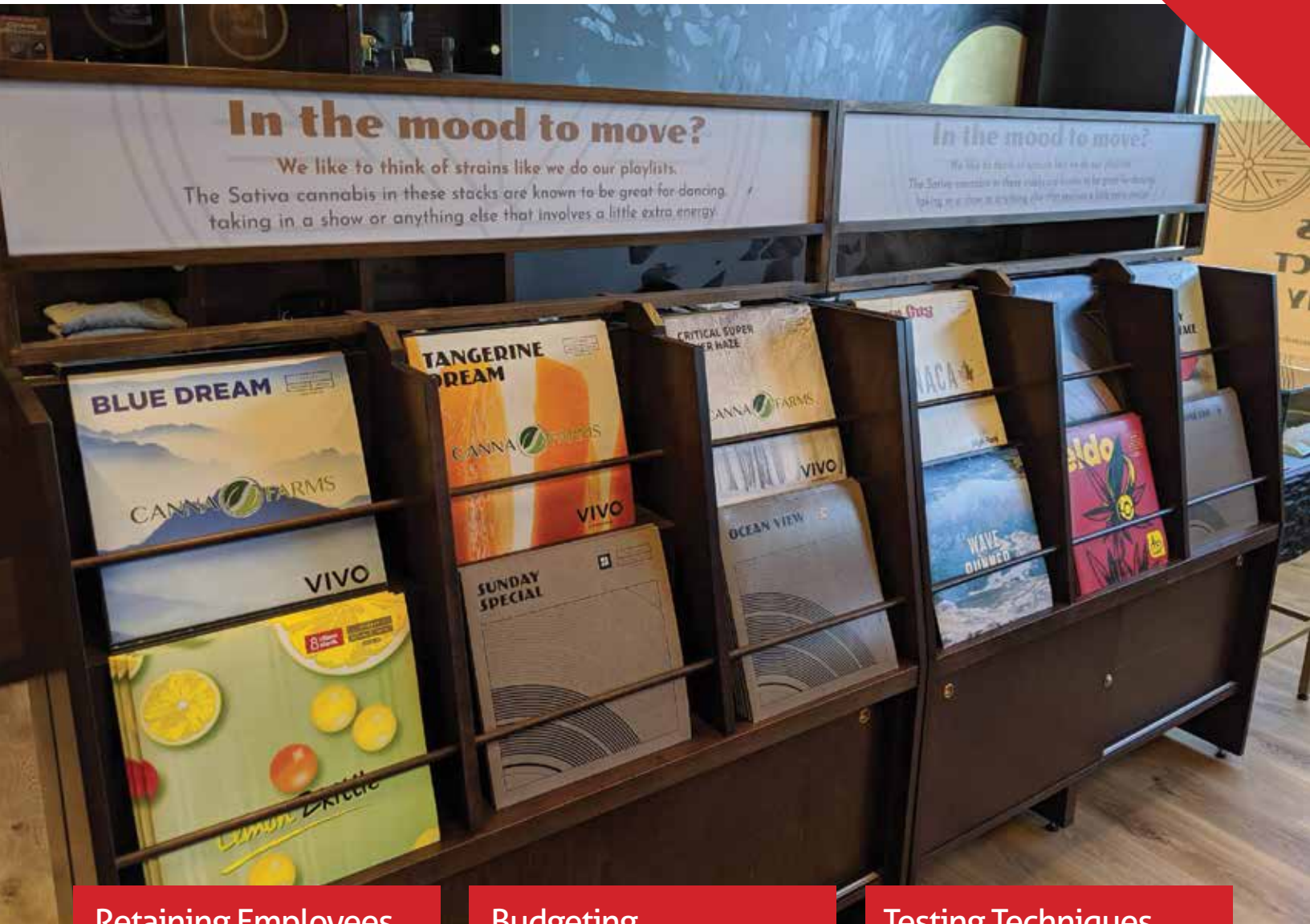
# CANNABIS

## RETAILER

Business Magazine for Canadian Retailers

## MERCHANDISING AND RETAIL BRANDING

Discover inventive ways  
to merchandise  
products.  
PAGE 6



### Retaining Employees

Look after your largest investment and cost centre

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### Budgeting

Steer your ship to profitability

PAGE 20

### Testing Techniques

Testing for potency, terpenes, heavy metals and microbials




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## RETAILER

September/October 2020



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### Merchandising and Retail Branding

Implement features your customers respond to.

*Cover photo courtesy of Prairie Records*



### How to Retain the Investment in Your Retail Employees

Effective strategies to retain your valued staff.

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### Budgeting

Don't run the risk of running out of cash.

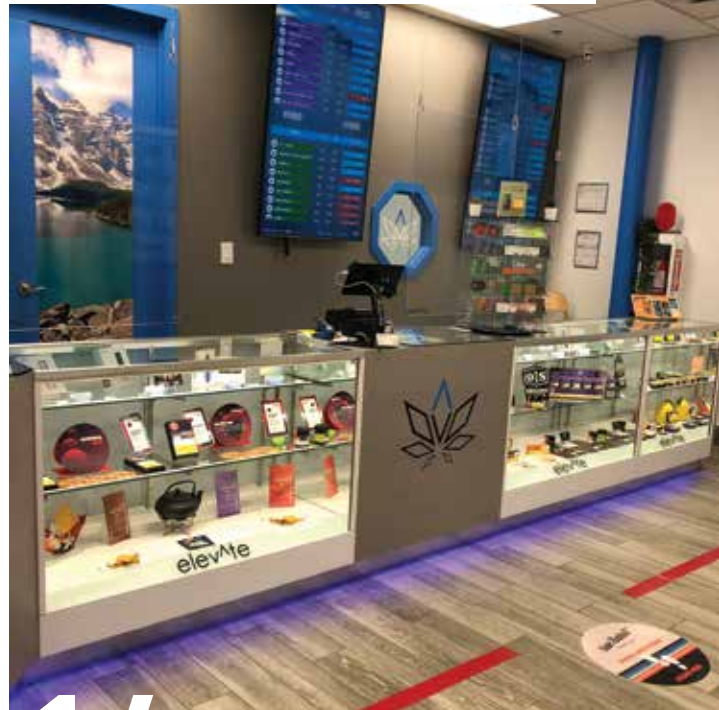


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# EDITOR'S NOTES

by Joyce Hayne

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After almost two years of cannabis being legal in Canada, there were less than 1,100 stores open across Canada at the end of July. We continue to hear stories of the ultra-long process that store owners have undergone to be able to get their stores open, and all that time they're paying to lease their properties. Ontario has over 500 stores stalled in the process and BC has 188 complete applications still being processed.

Canada is still a long way from being able to compete with the black market with this small number of stores open, so regulators and municipalities need to find a way to speed up the approval process.

Another big contributor to being able to compete with the illicit market is the ability of stores to have fully functional online ordering, payment, and delivery. If someone can have a wide range of cannabis products (in pretty packaging) delivered by the black market within a few hours of ordering them, and pay cheaper prices, what is the incentive for that person to leave their house to pick it up from a licenced retailer?

Let's hope that the advocacy efforts being undertaken by many people in this industry will help regulators realize that these issues need to be addressed to level the playing field for legal cannabis retailers and ensure a vibrant industry.

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# RESEARCH

by Dr. Iain Oswald

## Why “The Gas” Discovery May Forever Change Cannabis

In March of 2020, ABSTRAX, a leader in the study and production of botanically-derived and cannabis-inspired terpenes, made a discovery that has shocked and pleased innovators in the cannabis, vape, and food and beverage industries.

Our team of ABSTRAX scientists cracked “the Gas” code and uncovered the secret behind what is officially responsible for the gassy, dank, and skunky cannabis aroma and flavour that has left flavourists and scientists alike stumped in their efforts to recreate it.

### Why “The Gas” Discovery Is a Major Find

From a fundamental perspective, identifying the compounds contributing to the Gas is one of the “Holy Grails” of cannabis chemistry research, especially regarding its aroma properties. Cannabis consumers regularly use the aroma of a product to help them select which one to purchase. As the gassy aroma is often associated with high-quality products, having this aroma has economic implications as well. Being able to identify and quantify the compounds leading to this aroma could help cultivators differentiate themselves as well as help educate consumers.

Identifying the Gas also has implications in the cannabis extraction industry. Until now, botanically derived terpene blends have been missing this quintessential cannabis aroma that is so desired. Our identification of the Gas now allows us to include it into blends.

Thanks to ABSTRAX, and its key partner on this project, this is now possible.

### How “The Gas” Was Discovered

ABSTRAX partnered with Josh Del Rosso from Josh D Farms, the iconic cultivator responsible for popularizing OG cultivars and developing some of the best original genetics in the industry, and together they sought to discover the elusive aroma that is essential to the powerful cannabis experience.

The research took place at ABSTRAX’S Type 7 licensed research and manufacturing lab where PhD chemists leveraged state-of-the-art extraction processes and the most advanced cannabis chemical analysis technology available on the market today. The groundbreaking technology relies on multi-dimensional gas chromatography, which allows for a plethora of compounds (terpenes) within a plant or extract to be studied and named.



Courtesy of ABSTRAX

With this enhanced separatory technique, researchers at ABSTRAX identified the compounds responsible for the gassy aroma in cannabis by conducting a rigorous series of experiments. Different cultivars possessing a wide range of aromas, including some with very high Gas aroma and some with little-to-none, were curated and analyzed to establish trends in the aroma compounds. Those found to be unique to cultivars with moderate-to-high gassy aromas were then taken and experimented with individually in terpene blends to determine which ones contributed to the gassy aroma.

To further confirm that the compounds contributing to the Gas were correctly identified, time dependent experiments were conducted to monitor the change in aroma and then correlate to the change in concentration of the compounds of interest. As time went on, the gassy aroma decreased: this change was directly related to a decrease in the concentrations of the suspected compounds. This data, along with the aromas of the experimental terpene blends containing these compounds, unequivocally confirmed the chemical identity of the Gas in cannabis.

After confirming the chemical composition of the gassy aroma, we developed a metric we call the “Gas Factor” to easily quantify how gassy a specific cultivar is. This allows us, for the first time, to directly compare the “gassiness” of cultivars in a completely unbiased manner.

### What This Means for the Future

The discovery of the Gas in cannabis may have much larger implications beyond use in flavour and fragrance applications. Understanding the chemistry of the Gas gives us the tools to possibly engineer the cannabis plant to express this aroma in higher (or lower) quantities.

Lastly, these results provide the framework for botanists, plant biologists, and microbiologists to start uncovering why certain cannabis cultivars produce these compounds while others do not, as well as the biological pathways that lead to these secondary metabolites. These experiments will further help our understanding of this complex plant and the origins of the Gas.

*Dr. Iain Oswald is lead research scientist at ABSTRAX.*



Courtesy of the Village Bloomery

# Merchandising and Retail Branding

by Katie Pringle and Danielle McKay

Effective and compliant cannabis merchandising is no easy feat; displays should be engaging and informative while still complying with federal and provincial regulations. Having a clear understanding of your brand and audience should be the first step when developing a merchandising strategy; knowing your audience, their preferences, and purchasing habits is key.

However, retailers are not the only ones who should be thinking about merchandising. Cannabis brands that create consumer products also need to be thinking about merchandising as part of their retailer engagement strategy. It is up to the retailer how they use their shelf space. Overall, relationships between brands and retailers are important.

## Why is Merchandising Important?

In the retail cannabis experience, education is paramount for a significant percentage of shoppers. Generally speaking, merchandising should be clean and simple. Buying cannabis can be overwhelming and confusing. Customers want an experience where they can easily get the information they need,

whether that's from a central display or a staff member.

A good and consistent customer experience translates to more sales. Data collected by retail sales software company, Repsly, states 75% of shoppers expect a consistent merchandising experience wherever they shop—and 50% of shoppers are likely to switch brands if a company doesn't anticipate their needs. Cannabis is no exception.

displays and information, an experienced consumer may want to go straight to the counter and place their order without mazing through a variety of displays. It's always about your audience.

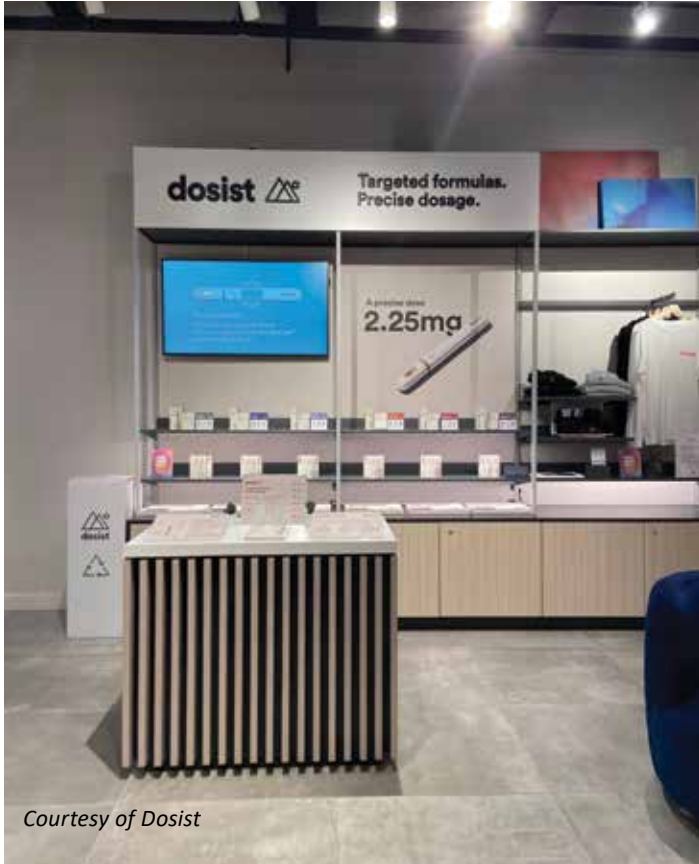
## Interactive Displays

Cannabis consumers want to be able to look and smell the product they're purchasing. Sensory

Retailers need to come up with inventive ways to convey product information.

While product pricing is top of mind for many consumers, merchandising and store layout are also factors when customers are choosing what stores to include in their cannabis ritual. While a novice consumer may require, and even expect, interactive

jars are one way to give consumers an idea of the product. However, they do have limitations. Keeping smell jars stocked can have logistical issues, and with COVID-19 now a constant in our lives having consumers putting their faces up to a communal item isn't a wise option.



Courtesy of Dosist

Tokyo Smoke’s merchandising wall dedicated to Dosist products is a great interactive opportunity as customers can touch and feel the company’s dose pens, and read through informative guides on how to use the products.

Retailers need to come up with inventive ways to convey product information and remain compliant. One retailer with a unique approach to this is Prairie Records. With locations in Saskatoon, Calgary, and Edmonton, Prairie Records has set up a unique experience custom tailored to their audience. Set up like a record shop, Prairie Records allows customers to listen to music in the store and through this, they’re paired with cannabis products that complement that experience.

### POP Displays

According to the data collected by Repsly, impulse purchases make up 46% to 70% of total purchases in-store. Having small, consumable items stationed near the checkouts not only increases sales but ensures your customers have everything they need to have a great cannabis experience. Point-of-purchase (POP) merchandise such as rolling papers and cones, hemp wicks, grinders, and storage containers are all products that can complement your customer’s experience. It showcases you understand your customers’ needs and wants, but what you choose to display should always reflect your audience. For example, if your customers are interested in cannabis 2.0 products like topicals and edibles, but are finding the current options or pricing limited, it might be worth stocking Zen Zingers and EKS as a DIY option to use with flower or oil.

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Courtesy of Prairie Records

## Hosting pop-ups keeps consumers interested and visiting your store.

Consider having small cannabis products stationed under counter displays near the checkout. This can entice an add-on purchase of a product a consumer wouldn't normally purchase such as teas, beverage infusers, and lip balms. Superette has a great display of accessories in candy jars on top of the counter with small cannabis products underneath. It's the perfect blend of aesthetic whimsy and function.

### Pop Up Brand Activations and Events

Taking notes from Apple and their Today at Apple Sessions, many cannabis retailers are leaving extra space in their stores to allow for groups to gather, perhaps most notably the 10,000 sq. ft. Aurora Cannabis Flagship Store at West Edmonton Mall. When laying out a retail plan, leaving extra room can serve various purposes; including demo days and brand activations, educational seminars, and VIP events. Although these group gatherings are prohibited during the pandemic, they will hopefully soon return.

There are endless opportunities for unique brand activations and events that can work alongside your ongoing merchandising strategies. Hosting pop-ups keeps consumers interested and visiting your store to learn about new products and talk with different brands. Brand activations can be as simple as a booth with a brand representative to more unique offerings like the PAX Era Engraving station collaboration with Namaste or even a VR Experience.

### COVID-19 Considerations

The retail cannabis sector has not been immune to the complications that have come along with the COVID-19 pandemic. Even as stores reopen and begin to resume operations, merchandising strategies may need to be revisited to adapt to the world's new normal. As retailers install plastic shields and other physical distancing aids such as floor markings, consider partnering with a local artist to match the existing store

aesthetic and strengthen community ties.

Merchandising is more than just retail layout, it's understanding your customer and their needs. When you have a firm handle on your audience demographics, psychographics, and consumer behaviour, you can best implement the features that they respond to, including unique interactive displays, tantalizing POP products, and relevant and engaging pop-up activations. Before implementing any merchandising and marketing tactics, be sure to consult your federal, provincial and municipal regulations to ensure your tactics are compliant in your area. ▀

*Katie Pringle is the co-founder of Marigold Marketing and PR and an integrated marketing expert. Katie is forward-looking, delivers beyond expectation and is always ready for the unexpected. Danielle McKay is the Marketing and Media Executive at Marigold Marketing and PR.*





## > BC ALLOWS ONLINE PAYMENTS

The province of BC is giving in to requests from private retailers to allow, at least, online payment for cannabis purchases. They also hinted at the possibility of allowing delivery in the future.

Customers are now allowed to order and pay for their cannabis online, in-app, or over the phone, whereas previously they could only reserve products. Orders still have to be picked up in-store so that identification can be checked, but this new amendment makes it easier to offer properly distanced pick-up and limit the number of people in stores at any given time.

“This change responds to a request from private retailers as they continue to follow the mandates of the provincial health officer,” said David Eby, Attorney General.

**Continue reading:** [www.cannabisretailer.ca/2020/bc-allows-online-payments/](http://www.cannabisretailer.ca/2020/bc-allows-online-payments/)



## > CANNABIS CONTRIBUTES \$8.64 BILLION TO GDP

The cannabis sector contributed \$8.64 billion to Canada's Gross Domestic Product in May. That number might seem like a lot, however, it only accounts for around 0.5% of the total amount. Since January, the numbers have been rising, but they hit a peak in May, having increased 9% in the previous five months. That increase represents around \$812 million.

In the grand scheme of things, cannabis earnings may be a drop in the bucket, but this time last year their contribution was 0.39% to the total GDP, and total earnings have risen 10% since then, overall. The cannabis sector has stayed strong even as other industries were fluctuating.

**Continue reading:** [www.cannabisretailer.ca/2020/cannabis-contributes-8-64-billion-to-gdp/](http://www.cannabisretailer.ca/2020/cannabis-contributes-8-64-billion-to-gdp/)



## > NICHE PRODUCT SALES UP

Canadians decided to try something new in May, according to new figures released by Statistics Canada. Cannabis topical sales increased by 71.4% and cannabis seed sales increased by 59.1%. While they may not make up a large portion of total sales, these numbers show that Canadians are starting to get more curious.

In April, only 1,736 units of cannabis topicals were sold, however, in May sales shot up to 6,068 as new products entered the market. Similarly, April saw only 1,798 units of cannabis seeds sold, but that number rose to 4,397 in May.

Are Canadians staying at home to garden this summer? Are quarantined cannabis consumers experiencing more aches and pains? Or, are more products finally becoming available.

**Continue reading:** [www.cannabisretailer.ca/2020/niche-product-sales-up/](http://www.cannabisretailer.ca/2020/niche-product-sales-up/)



## > ONLINE SALES SKYROCKET

Online sales for cannabis products have risen nearly 20% since December according to a report by Maru/Blue, commissioned by Figr Brands. A resounding 43% of Canadian cannabis consumers prefer to buy their cannabis online, rather than in-store, up from 13.3% in December 2019.

Despite many provinces still unsure about allowing private retailers to sell their wares online, and some even rolling back regulations, consumers have shown that they desperately want the option, especially in the new age of pandemics and social distancing.

“The shift to shopping for cannabis online has undoubtedly been influenced by the COVID-19 pandemic and the changes to the retail environment,” says Harvey Carroll, president & CEO of Figr Brands.

**Continue reading:** [www.cannabisretailer.ca/2020/online-cannabis-sales-skyrocket/](http://www.cannabisretailer.ca/2020/online-cannabis-sales-skyrocket/)



## > REGINA SAYS NO NEW STORES

According to City Council, there will be no new cannabis retailers opening in Regina until at least the Spring of 2021. In a 6-4 vote on July 29, Council decided that allowing the potential 25 – 30 new stores would be too much too soon for the fledgling legal market, and have put off any new stores in favour of gathering more information.

Initially, when cannabis was legalized in 2018, the Saskatchewan Liquor and Gaming Authority (SLGA) allowed six stores to be opened in Regina, however, a year later, the SLGA announced that it would be removing that cap in September 2020. Since then, the city has been mulling it over and weighing their options.

**Continue reading:** [www.cannabisretailer.ca/2020/regina-says-no-new-stores/](http://www.cannabisretailer.ca/2020/regina-says-no-new-stores/)



## > WHAT'S THE POTENTIAL OF CANNABIS BEVERAGES?

When Cannabis 2.0 products were launched, LPs and retailers had high hopes for cannabis-infused beverages. Estimates were, and still are, that they could eventually control around 20% to 30% of the market, however, demand—and inventory—aren't quite there yet.

Research from Mintel says that around 32% of Canadians are interested in trying cannabis, but they have some concerns, mostly about smell, smoke, and health issues. Because of this, most said that they were most interested in trying a non-smoke form of cannabis, with 66% saying they wanted to try ingestibles.

Experts are saying that beverages could be the entry point for canna-curious consumers.

For consumers to try the products, though, they have to be on the shelves.

**Continue reading:** [www.cannabisretailer.ca/2020/the-potential-of-cannabis-beverages/](http://www.cannabisretailer.ca/2020/the-potential-of-cannabis-beverages/)



# How to Retain the Investment in Your Retail Employees

by Alison McMahon

Cannabis retail operators are running a complicated business in a highly regulated and competitive environment, with constant pressure to get revenue and a return on investment to shareholders. One of the largest investments and cost centres in a store is labour. Retailers are motivated to protect the investment they make in hiring and training employees through effective retention strategies.

## Make Hiring Great People a Priority

The key to retaining your employees is hiring great people from the start. It's important to hire people with a skill set that can deliver a great customer experience and also follow procedures. A good budtender is passionate about the products and knows how to communicate with customers in a way that doesn't cross the regulations.

Informative job postings, well-structured interviews, and effective employee onboarding are all important steps in this process. Having a cohesive team where employees feel welcome will create an

engaging atmosphere and make them want to stay with the company.

## Set Realistic Expectations about Culture

We've seen many new cannabis retailers with grand plans for the future, boasting visions of multiple stores, unique brands,

It's important for retailers to set realistic expectations about the challenges faced in the cannabis retail environment, alongside building a positive culture. This will allow employees to start a job with their eyes wide open to both the positives and negatives of working in the industry.

Set realistic expectations about the challenges faced in the cannabis retail environment.

differentiated customer service, and unparalleled team training. The reality facing many first-to-market retailers was that these aspirations were put aside to deal with ongoing operational and regulatory challenges, supply issues, and low revenue. This resulted in a situation where employees had unmet expectations and were disappointed with the reality of the corporate culture they found themselves in.

## Communicate Changing Processes and Rules

The retail environment is new and evolving. This means that policies, procedures, and rules within a retail store are constantly changing—sometimes even from shift-to-shift for budtenders. This can result in a lot of frustration for employees if proper communication and training isn't deployed.



Retail managers should prioritize proper communication and re-training for employees to ensure they are informed, supported, and empowered to succeed in their roles.

### Conduct Product and Regulatory Training

In cannabis stores, products are changing on a regular basis. The change to inventory and product mix can be overwhelming for both

management and frontline staff. It is important to coach budtenders on new products so they have the knowledge to engage with customers. If budtenders don't feel confident in their knowledge about a product, they are unlikely to recommend it or upsell. This can reduce their satisfaction with their own performance, make them feel unsupported, and reduce their engagement with the role.

It is also important to ensure that budtenders are properly trained on



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regulations, so they are using appropriate and effective descriptors for the products, and not making medical claims. Hiring budtenders who are passionate about cannabis can be an effective strategy, but this must be matched with a strong understanding of how to communicate within the regulatory framework so that their passion doesn't get them into trouble.

Informal rewards and verbal recognition can also go a long way to making employees feel appreciated.

Not only do you want to avoid getting in hot water with the regulator, you want your budtenders to feel confident in delivering an exceptional customer experience.

### Reward Performance

Employees want feedback and recognition. Conducting performance reviews that have meaningful outcomes like promotions and raises will go a long way to making employees feel satisfied with their career. Informal rewards and verbal recognition can also go a long way to making employees feel appreciated and keeping their engagement levels up. Sometimes the most effective rewards are simple and low-cost. The key is making recognition consistent and authentic.



Retaining employees is important to cannabis retailers who have made significant investments in their team, especially when payroll can represent upwards of 80% of operating costs. Hiring the right employees, setting realistic expectations about corporate culture, deploying effective training, and consistently rewarding employees are all strategies that will help retailers to protect the investment in their team. ▲

*Alison McMahon is Founder/CEO at Cannabis at Work.*

An advertisement for Spiritleaf. It features a photograph of a modern cannabis retail store interior with wooden floors, white walls, and various product displays. Overlaid on the image is the Spiritleaf logo (a stylized leaf icon) and the text 'SPIRITLEAF'. Below the logo, it says 'Join the top Cannabis retail network growing from coast to coast'. At the bottom of the ad, it says 'VISIT SPIRITLEAF.CA TO LEARN MORE'.

Acquiring a retail cannabis store franchise is speculative. There is no assurance that you will be granted a licence, registration or authorization to sell cannabis products or operate a retail cannabis store in your province or municipality. We will not permit our franchisees to open a Spiritleaf franchise until such time as the operation of that business within the province and municipality where your business will be operated is legal and you have received all valid authorizations from all applicable governmental agencies to do so.





# ACCRES Report: Stimulating Economic Activity

by Jaclynn Pehota

As Canada begins the process of recovery from COVID-19, discussions are already underway as to how best to safely and effectively stimulate economic activity and generate employment. Unemployment rates are the highest they have been in many generations, and government revenues are strained by a lengthy economic downturn and pandemic-related spending. There is real concern that the situation could turn into a significant recession.

With cannabis retailers nationwide being recognized as essential services during the pandemic, there is now significant evidence that these retail businesses can play a valuable role in that economic recovery, providing reliable jobs and economic opportunities across the country.

Cannabis retailers have not only stayed open through the pandemic; many have had to hire additional employees to deal with increased sales. Many retailers in Ontario and Saskatchewan have also had to hire more staff to deal with the roll-out of door-to-door delivery, a COVID-19 health measure that has inadvertently made the regulated market competitive with the unlicensed market over the summer. The effect was so dramatic that retailers are lobbying to keep the measures permanently.

With this boom in sales, cannabis retailers today collectively employ thousands of Canadians, creating positions that run the gamut from front-line, entry-level retail, all the way to senior management positions in a number of skilled fields. These jobs are not tied to cyclical markets, resource extraction, or other sectors that experience recessions, making them ideal for turbulent economic conditions.

What once was a file that led to unnecessary policing costs can now be a source of economic benefit for all Canadians. Estimates of black-market and unregulated activity indicate it continues to account

for over 80% of cannabis sales nationwide, indicating there remains enormous potential for growth and economic development.

Governments at all levels across Canada can tap into this economic potential by making it easier to do business as a legal cannabis company. Retail zoning bylaws can be rationalized and brought in line with liquor laws, delivery measures can be made permanent, and business development funding can be made available to cannabis companies on the same terms as other small businesses.

Unlike their competitors in the unregulated market, these regulated cannabis jobs also pay taxable income, and the businesses themselves are taxed, providing social benefits to communities that have embraced legal cannabis. Today, most of these potential revenues go uncollected, as unregulated cannabis dominates the market.

While Canadian provinces continue to post excise tax revenues that were a fraction of projections, Colorado made so much tax money in Year 1 of legalization, they had to call a special session of the legislature to figure out how to spend all of the money before December 31st. Wouldn't that be a nice problem for Canadian provinces to have right now?

By encouraging the development of the legal cannabis sector, governments are not only creating jobs at a time when they are sorely needed, they are also generating significant revenues for governments in deficit.

ACCRES has been encouraging governments at all levels to recognize these opportunities and offer incentives to entrepreneurs to develop cannabis businesses to help with Canada's post-COVID recovery. There is a long way to go to get our economy back on track. Cannabis represents a sustainable economic driver for Canadians.

At a time when sustainable, environmentally conscious, economic stimulus is a critical concern for Canada, isn't it time to get serious about cannabis? ▲



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FEATURED RETAILER

# Elevate

by Laura Starr

Joshua Vera did his homework before opening Elevate in October of 2018. As one of the first cannabis retailers to set up shop in Edmonton, Vera (president and CEO) has set a high bar for how cannabis retailers can and should function. His successful venture started four years before Elevate ever opened its doors though, and it is in these four years that Vera laid the groundwork for what it would take to make his concept not only stick, but stick out. His diligent preparation seems to have paid off, given his 2019 nomination at the Canadian Cannabis Awards for Top Cannabis Retail Store in the nation, as well as Vera himself making the Top 5 list of nominees for the 2019 Canadian Entrepreneur of the Year Award. In addition to award nominations, Vera opened his second Elevate location (also in Edmonton) in July 2019.

Vera has always fostered a passion for cannabis, believing it offered much more to society than what popular stigma gave credit for. After graduating with a Bachelor of Commerce from MacEwan University four years ago, he caught wind of Trudeau's campaigns to legalize cannabis sales, and promptly decided to dedicate all of his time to learning about the industry, how it works, where it works well, and how it could work in Canada.

This involved travel to Amsterdam, as well as the North American motherland of legalized cannabis sales, Denver, Colorado, where Vera researched the who, what, when, and wheres of cannabis,

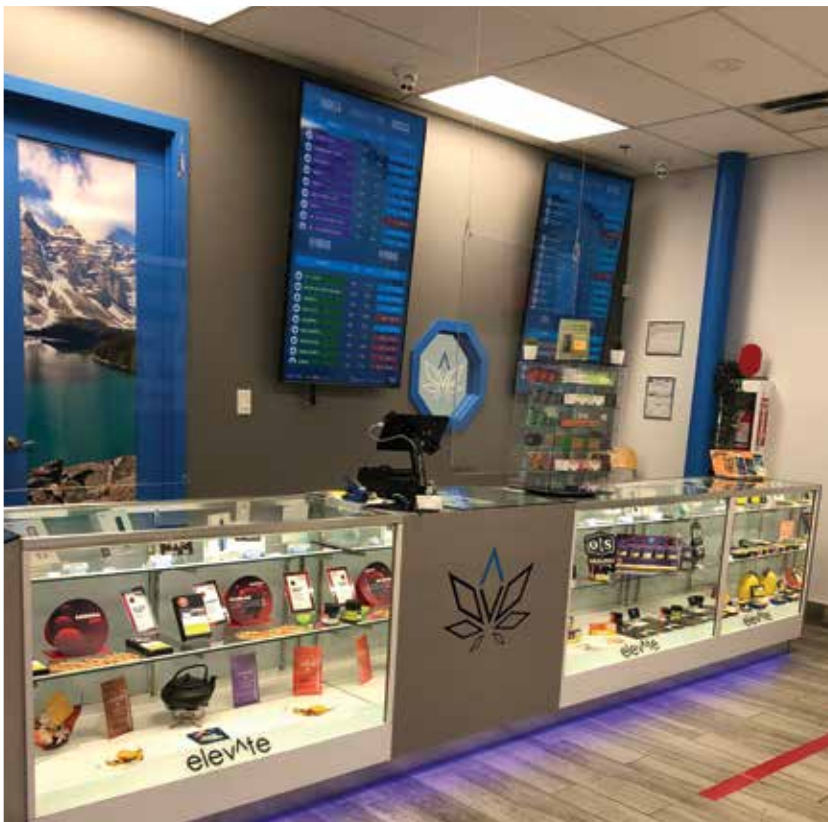
collecting best practices and tracking which stores, over time, found success, and which did not. He also took advantage of the education available in Colorado, taking a Cannabis Retail Training Course.

This experience played out for Vera twofold.

First, given the newness of legalized cannabis sales in Canada, and specifically in Edmonton, Alberta, Vera was able to participate heavily in the conversation around policy-making. Many policies were made on the fly, and it gave Vera the opportunity to build strong relationships with the City of Edmonton and helped to carve out a path for new businesses to gain traction in a market that is one of the most highly regulated in Canada.

Second, with so much travel and research in his pocket, Vera was able to identify that the stigma in Canada against cannabis was going to be one of his largest obstacles to overcome as a business owner. For this reason, he made education one of the pillars at Elevate.

Vera began with the development of a training program for his staff, and that quickly evolved into a culture that offers all clients a thorough education and training on product and safe use. This has helped him forge a loyal clientele that transcends demographic barriers—Elevate caters to all people and all levels of users, with a firm emphasis on human respect, inclusion, and building a trustworthy relationship.



Of course, in early 2020, COVID came along. As with most businesses, this was a devastating hit, but in keeping up with his caring and diligent reputation, Vera actually closed down his two Elevate locations, something he says no other cannabis stores did in Edmonton, in order to ensure his Elevate Family and customers were safe.

The turnaround was quick though, and the Elevate stores were eventually reopened with stringent safety procedures that go above and beyond government health recommendations, including limiting the stores to one customer at a time.

Vera says that COVID forced them to think quickly and pivot on a dime, something that is true for most businesses, but to many stores, it was not a natural frame of mind. Lucky for Vera, he is stimulated by the challenges of obstacles and constant change, enthusiastically getting his hands dirty with new, heated scenarios. It is this type of tenacity though, in combination with his compassionate and community-minded persona, that makes Elevate such a worthy and resilient contender in the highly competitive industry of cannabis retailers. ▀

Vera's secret weapon, however, is his capacity to build connection. Born and raised in Edmonton, he knows his community, his staff know their clients on a first name basis, and he refers to his staff as the "Elevate Family." Corporate social responsibility is something Vera takes seriously at Elevate, and although cannabis retailers are limited in the ways they can show support to community (for example, you cannot offer any financial support or donations to local events or causes), one of the first systems implemented at Elevate was an in-house recycling program, to help curtail the environmental impact of the vast amount of packaging that regulations require for cannabis products.



# Figr - Rooted in Farming History, Growing with Technology

Every big idea starts with a small seed. For Figr—a Licensed Producer with beginnings in Prince Edward Island—inspiration has always been rooted in their multi-generational farming history that spans 150 years. “Our heritage really stems from partnering with farmers first,” says Zack Grossman, vice president of marketing, North America for Figr Inc. Today, Figr’s farmers and scientists lean heavily on proven horticultural practices, while keeping an eye on the future, to craft an innovative, hands-on cultivation process that provides high-quality cannabis products to Canadian consumers.

## Transparency and Traceability

“When it comes to cannabis, it’s important to have transparency and access to information so you know your product is one you can trust,” says Grossman. “And why trust Figr products? Because we’ve gone through not only all the steps required by Health Canada, but

also many more that we put in place ourselves. Providing that trust and transparency in everything we do is paramount.” This philosophy led to the implementation of SENTRI<sup>SM</sup>, a one-of-a-kind traceability platform that combines technology, people, and processes to track the lifecycle of each product. This ensures consumers and budtenders alike feel confident that they are receiving high-quality, reliable products.

Data drawn from SENTRI<sup>SM</sup> is used to power the Figr Budtender App, which is a convenient and interactive digital education tool. For budtenders, the app gives them hands-on access to information about Figr’s products, which they can then pass on to consumers when they visit retail stores. For consumers, the app provides a level of transparency that gives peace of mind knowing where their product came from. “Budtenders and consumers can scan the packaging and see information like the product’s exact THC amount, the terpene profile, and Certificate of Analysis,” says Grossman.





## Supporting Educational Efforts

“Budtenders are leading the charge on consumer education, but we’ve heard them express the limitations of only categorizing things as indica and sativa, because it’s not necessarily the right rule for everyone,” Grossman states, which is why Figr has focused on providing detailed information that tells the story behind every product.

“We see a lot of LPs use the broad descriptions of terpenes and THC percentages,” Grossman continues. “While everyone has to put the THC and CBD percentage on the bottle, it can vary from crop to crop. Legal market genetics are still very young, so crop variation is still there. By providing the consumer the exact ratios of THC and CBD, as well as the terpene profile their specific product has, they can start to track how that impacts taste, flavour, and experience.”

Figr has been leading the market in terms of sharing this additional information with consumers, but educational efforts still need to continue. Right now, there’s still a strong preference from consumers for THC percentages. “But I think it will get more like the wine world where people truly appreciate the aromatic notes of the terpenes” says Grossman.

## Local Support Can Make a Big Impact

Figr has recently launched The FIGR Fund, a national program aimed at supporting the success and development of Black, Indigenous and People of Colour (BIPOC) small businesses owners, innovators, entrepreneurs, and community leaders. The goal is to help make a positive impact on local communities across Canada by supporting the economic vitality of businesses in BIPOC communities. “We look at ourselves as a farmer-first organization and we know what it’s like to be an entrepreneur of a small business,” says Grossman. “It’s really important for us to look at what’s happening in the communities where we operate and see how can we help by investing in and working with BIPOC businesses and organizations who can get the right products and services into the hands of the people who can benefit the most. We’re always acting local, but local doesn’t mean small,” says Grossman. “We may be one business, but we can still help support many others.”

Locally grown, Figr’s craft cannabis products are available in dried flower, pre-rolls and oils. Figr also offers 510 vape cartridges and the proprietary Figr Master Vapourizer and Master Pods, all of which feature natural flavours. Products are now available in eight Canadian provinces through retail locations and online stores, including Prince Edward Island, Alberta, Nova Scotia, New Brunswick, Newfoundland and Labrador, Ontario, British Columbia, Saskatchewan, and Manitoba.



[www.figr.com](http://www.figr.com)



# Changing Consumer Behaviour

by BDSA

The release of BDSA's most recent wave of consumer research has offered insight into how consumer behaviour has evolved within the last six months, including consideration of the changes within Canada's market as a result of the transition from Cannabis 1.0 to 2.0 and the impact of COVID-19.

Since Cannabis 2.0 products were introduced into the market, there has not been observed growth within Canada's cannabis consumer population. Since BDSA's last wave of the tracking study (fall 2019, pre-Cannabis 2.0), the proportions of cannabis consumers, cannabis acceptors (non-consumers who are open to cannabis use), and cannabis rejecters held steady at 35%, 28%, and 37%, respectively.

A notable difference has, however, been observed within consumer product choices. With the new availability of extract-based products such as edibles and topicals, the claimed average number of cannabis product categories used by consumers increased from 1.5 to 1.6. Consumption of these newer products has also grown, with edible consumption increasing significantly,

from 50% to 57% and topicals growing from 23% to 26%. By comparison, claimed usage of inhalables was flat.

the COVID-19 pandemic.

Claimed acquisition of cannabis from friends or family members has also declined.

## The shift in purchase channels is especially pronounced within BC.

Product preferences have also grown since Cannabis 2.0, with the percent of consumers reporting a preference for edibles increasing by 3 percentage points (27% to 30%).

### Consumers Adjusting Purchase Channels

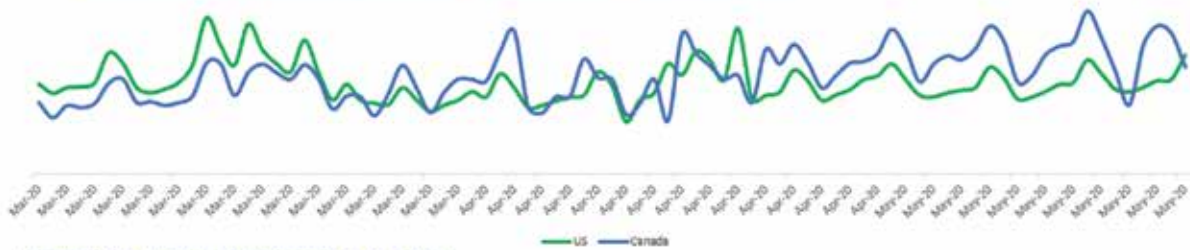
As predicted by many, the growth of Canada's legal cannabis market has resulted in a modest, 2% growth towards purchases within legal retail stores. Delivery service purchasing has also experienced a rise, likely as a result of both Cannabis 2.0 and the emergency orders allowing delivery during

The shift in purchase channels is especially pronounced within BC, the heart of Canada's legacy market. Consumers reporting cannabis purchases from a delivery service increased significantly, from 6% to 13% with reported acquisition from friends or family members declining significantly, from 44% to 37%.

### Impact of COVID-19

BDSA's recent research confirms that across North America, COVID-19 has impacted both shopping and consumption habits. While these impacts are evident in greater effect

## CANADA + US DISPLAY SIMILAR SALES TRENDS STARTING TO NORMALIZE AND SHOW WEEKLY PATTERNS



### COVID-19 Initial Response: Fri 3/13

- Canada sales on 3/13 +21% from previous Friday; Largest spike on 3/14
- U.S. sales on 3/13 +33% from previous Friday; Largest spike on 3/16
- Signs of "weekly trends" resurfacing since mid-May in the US and Canada, after the volatility seen from mid-March through April


Source: BDSA Retail Sales Tracking| Buddlio

within the United States, impacts within Canada are still notable.

In total, 47% of Canadian consumers say they have not made changes to their cannabis shopping trip frequency, but just under one in five say their shopping frequency has increased due to COVID-19. A roughly equal number of consumers say their shopping has declined or stopped altogether. Top reported reasons for consumption include relaxation and relief from stress and anxiety.

Research into both US and Canadian retail sales indicate that despite the ongoing pandemic, a return to normalized pre-coronavirus sales trends is developing.

Additional market insights into the Canadian cannabis retail landscape will soon be available with the release of retail sales tracking for Alberta and BC. Stay up-to-date with BDSA product releases at BDSA.com. ▲




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# Budgeting: Steer your Ship to Profitability

by Bruce Winder

When you own or run a business, budgeting can be a dreaded task. It can suck up hours of your week. Time you could spend on the sales floor or doing other things to increase sales. However, it has to be done. It's a necessary evil. Budgeting, as dull as it can be, is one of the most important things you can do to stay in business. Without a good, well thought through budget, that is updated daily or at least weekly, you run the risk of running out of cash and closing your doors for good. Sadly, it's something that is happening all too often during these tough times. So how can you make the most of this task?

## What is a Budget?

A budget is really a plan that shows what cash you bring in vs. what cash you spend, and when. It sounds too simplistic, but that is really what it is about. If you bring in more cash than you spend, you make money. If you spend more cash than you make, you lose money. But it's also about the timing of

these cash inflows and outflows. You need to have the right amount of cash in your business, so that when cash is set to leave your account, you have more than enough to cover it.

## How Can I Generate Cash?

You can generate cash in a few ways. The best way is to produce it from your operations. In fact, if you don't produce enough cash from operations to cover your cash outflows, once you are in business for a couple of years, your business is going to fail. Another way to generate cash is through borrowing from the bank or someone else. But remember, you need to pay interest on this cash and often lock yourself into covenants that keep you and your business on a tight leash. Another way to generate cash is to put more money in the business yourself or sell part of your business to other investors. For the latter, you give up control and dilute your own share of the company, so be careful. Another way to generate cash is to sell off an asset.

This can be the beginning of the end though and is not sustainable.

## Best Practices


When you sit down to plan and update your budget, start by giving budgeting the importance it deserves. Make sure you and your staff spend the time to do it right. Plan the year out by day and week. Look at last year's results and be realistic in terms of future growth. If you're too optimistic, you're going to fail badly. Add pluses and minuses to arrive at forecasted daily and weekly sales. Look at last year's expenses by day and week and roll them up. Your budget should show how much cash you're bringing in (being paid in your account) by day or week, and the exact timing of the cash. Then take every expense and show the same—cash that is leaving your account and exactly when someone will be taking it from you. Build in a buffer for unexpected expenses too. Then sit back and take a look. Does it balance? Probably not. Hopefully it does for the year overall, but



you are definitely going to need help during times when you have a lot of cash leaving and not a lot coming in, like when you buy inventory before you can sell it. This is where borrowing comes in or using other methods of generating cash to cover your obligations. Getting money from someone else doesn't happen overnight, so plan it out months in advance.

### What Can You Do?

You can also work to manage your cash flow proactively with your company's stakeholders. Negotiate longer payment terms with your suppliers if possible. Do the same with your other providers: insurance, rent, utilities, etc. Don't pay anyone early, but make sure you pay invoices on time. Shop around for different lenders and service providers often. You can lower what you pay out by doing a review of the market every year or so. If you at least focus on your largest suppliers, it can really make a difference.

 Manage your cash flow proactively with your company's stakeholders.

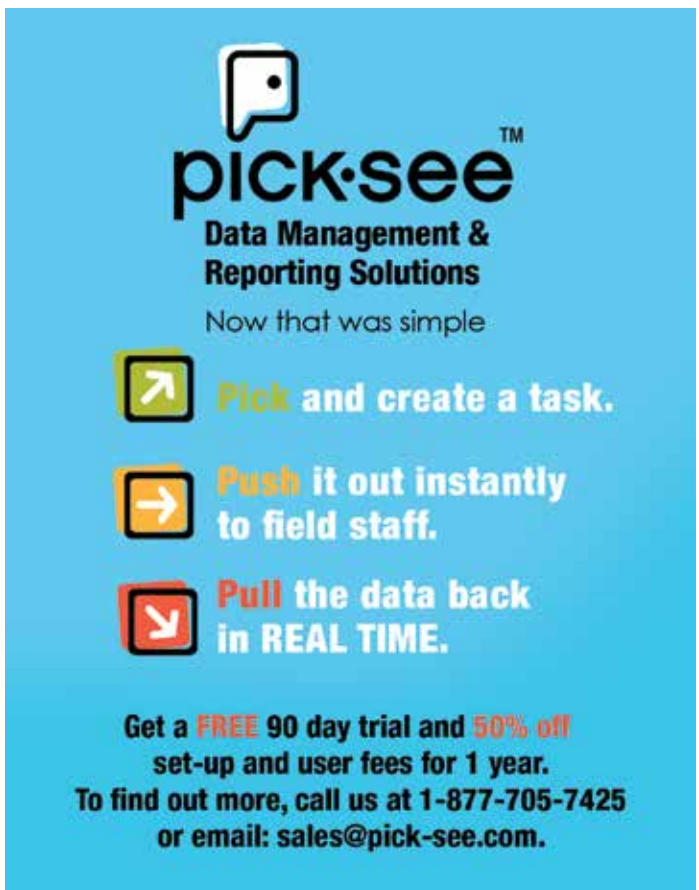
### Steer the Ship


Once you have a good budget, you now become the captain and must steer the "ship" daily and weekly. If sales are surging, can you move up orders of hot products? If sales are below budget, then find out why. Can you run a promotion to get products out the door? Will suppliers give you a discount on what you sell that week to maintain most of your margin? Or can you cut or defer costs? Push out receivables, cancel orders, ask part-time staff to reduce their hours.




If you always find yourself in a cash crunch then something is wrong. Either you're planning badly, your costs are too high to make a profit, or something in your operations is failing you. Find out, drill down, and right the ship! Build lots of flexibility into your business, so you can scale up and down easily to get through ups and downs. Be careful of too many fixed cost as that limits your ability to cut back in tough times.

You got this! ▲

*Bruce Winder is a retail analyst and author of newly published book RETAIL Before, During & After COVID-19 – available on Amazon. [www.brucewinder.com](http://www.brucewinder.com)*



  
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# Testing Techniques

by Amy Watkins

Courtesy of Pura Analytical Labs

Every batch of legal cannabis must be tested by licenced laboratories, according to Health Canada's guidelines for allowable limits of pesticides, microbials, mould, and heavy metals. THC and CBD testing (and labelling) is also mandatory, with some licensed producers choosing to test for other cannabinoids and terpenes as well.

"Cannabinoid potency and terpene testing doesn't have standard described methods. There's literature out there, but no standard description of how you prepare samples and how you measure," says Jodi McDonald, president & founder of Keystone Labs. "But when we talk about heavy metals, microbial, and pesticide testing there are published methods that describe how to prepare samples and measure for the absence of those contaminations."

Testing is done on the final packaged product, with different labs opting for different methods depending on individual preference and type of product. Variations in results occur due to different methodology and varied methods of sampling and may

lead to LPs 'shopping around' for a lab that suits their needs.

"Challenges for labs do include some error due to measurement, instrument or human error, but primarily due to sample variability," says Denise Johnson, Head of Laboratory at

flower or 1-5 g for extracts/concentrates. In the case of flower, it should come from several parts of the plant to provide a better representation.

"More variability exists in edible products just by nature," says Johnson. "Serving sizes

Flowers from the same batch vary in both potency and water content.

Pura Labs. "For example, flowers from the same batch vary in both potency and water content. Flowers at the top of a plant can be as much as 100% more potent than the bottom buds (e.g. 10% THC at bottom and 20% THC at top). Larger buds can have higher water content than smaller buds, etc. The higher the water content, the lower the THC potency by weight." Ideally, LPs submit a large sample size of between 10-25 g for

vary within a batch as well as homogeneity (how well dispersed the cannabinoids are) of the product. Infused, well-mixed products offer the best accuracy and consistency, while coated products can be highly variable from sample to sample. Oil tinctures are typically homogenous if infused with a soluble cannabis extract. If infused with insoluble flower parts, results can be variable."

## Cannabinoid Profile and Potency

'Potency' is a contentious term as some people think it's incorrect to refer to THC/CBD profiles as being the determinant of potency in a product (due to the 'entourage effect' of terpenes and other cannabinoids, etc.). Semantics aside, cannabis labels must display the total amount of THC/THC-A, and CBD/CBD-A by law. Other cannabinoids (and terpenes) are optional and labs can generally test for up to 16 cannabinoids, including the increasingly popular CBN and CBG.

"We have to magically change that solid dried flower into liquid form, so we do a really simple extraction in the lab and mix the dried flower with solvent then mix together vigorously," explains McDonald. "The dry material, now mushy, settles on the bottom. The beauty of the cannabinoids is that they really enjoy being in the solvent and they don't mind letting go of the plant material." There are two main methods of testing for THC/CBD and both involve separating the cannabinoids using high pressure liquid or gas to see which cannabinoids are present. Using a process called High Pressure/Performance Liquid (or Gas) Chromatography (HPLC/GC), the extract is injected into a stainless-steel straw column and chemically exploited to make the cannabinoids flow through at various times. "We use the key chemical structure of cannabinoids and their characteristics to separate them in time," says McDonald. "Think of opening your piggy bank and using one of those coin separators that looks for a different size for the loonies and toonies—some stay in the top layer or drop down through to the next level. It's kind of the same idea for how we do things in chromatography. We use the size and physical characteristics of each compound." GC tends to be used more for flower, rather than edibles or topicals, as the high heat means that only the decarboxylated THC/CBD can be measured, whereas the liquid method allows for THC-a and CBD-a, the acids that have potential to become THC/CBD when heat is applied.

Terpenes are often measured using GC due to their volatile nature. There's no legal requirement for terpene testing from Health Canada, but it's increasingly important to LPs trying to move away from the THC-only model of potency.



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Courtesy of Pura Analytical Labs

## Heavy Metals Testing

“Heavy metals testing is really fun as we take starting material—and it can be plant or oil—and we do a super concentrated acid digestion in a microwave oven, and the only thing that’s left at the end is acid and metal,” says McDonald. “We then use ICP-MS (Inductively Coupled Plasma - Mass Spectrometry) to do the imaging part of it. The instrument has a plasma flame, which ionizes everything going through plasma. On the other side of the plasma are a series of lenses that allow us to selectively identify the metals based on their mass.”

Heavy metal analysis is required by Health Canada to check for lead, which must be less than 500 ppb/parts per billion, and mercury, arsenic and cadmium, which all must be less than 200 ppb. Typically, labs use ICP-MS or another faster and simpler technique (with no sample prep) called X-Ray Fluorescence, but this has significantly higher start-up costs for labs.

Health Canada’s allowable limits for contaminants such as heavy metals are determined based on permitted daily exposure and concentration limits, and the ‘intended and reasonably foreseeable use of the cannabis product’ because the toxicity of heavy metals can vary greatly depending on whether the product is orally ingested versus inhaled.

## Microbial Limits

Testing for microbial contaminants falls broadly into two camps. One is a rapid method that is popular for a quick turnaround (48 hours) and is based on looking at the DNA of the sample. The other old-school method involves plating the material onto a growth medium and waiting five days to see what fungal spores grow. Fungi likes a moist atmosphere to grow on plant matter and this can result in spores growing after packaging (hence why Health Canada sets moisture limits at 10%).

Cannabis is also screened for mycotoxins (Aflatoxins B1, B2, G1,

G2, and G3), which are toxic and potentially carcinogenic chemicals produced by some types of mould. Microbial contamination tests look for total yeast and mould count, total aerobic bacteria count, and total bile tolerant gram-negative bacteria. There are no allowable limits for Salmonella, E. coli, Pseudomonas aeruginosa, Shigella, and Staphylococcus aureus.

Screening can include traditional plating methods that use specific media to promote the growth of the target organism over several days or rapid tests that can produce results within 24-48 hours. The Q-PCR (Quantitative Polymerase Chain Reaction) test amplifies the DNA of a specific pathogen if detected, then compares it to a positive control. “New advances with this technique can enzymatically remove any microbial contamination that has been irradiated so that “dead” DNA will not amplify and be detected,” says Johnson. Liquid media culture is another technique that is like plating, but also produces faster results as colonies are automatically counted via a fluorescence sensor and are updated hourly using computer software.

Health Canada’s regulations also require third-party mandatory testing for 96 pesticides, which are detected as parts per billion. Pesticide levels must be within agreed parameters and from a list of approved pesticides.

“While there may be variations in results between labs, each one must show and document that a known result can be detected using the given method within a range of plus or minus 20% (e.g. if a THC level is spiked at 100 mg/g (10%) then the results should fall between 90 and 110 mg/g),” notes Johnson. “Labs typically run duplicate or triplicates of some samples to verify results, ensure proper sample prep, and document sample result variability, known as RSD% (Relative Standard Deviation).”

Understanding the importance of testing cannabis can help retailers explain the rigorous testing procedures to consumers, which will make them feel more confident about purchasing products exclusively from licensed stores. ▲





# LEGAL CORNER

by Sara Parchello and Archana Ravichandradeva

## Cannabis at Work

### **Q: How should an employer deal with cannabis consumption at work?**

This is an interesting question because it underscores the need for employers to take time to consider a number of issues: (1) how cannabis differs, for example, from other legal potentially intoxicating substances; (2) the evolving science around medicinal cannabis, including delivery methods, dosage and impact; and (3) the interplay between occupational health and safety, human rights, and privacy legislation. Taking time to consider these issues in advance, and addressing them in policies and training with employees, is key to an employer mitigating operational, reputational, and legal risk.

That said, no matter what the challenges are to employers—including unforeseen events such as the pandemic and its impact on the workplace—the principles and obligations regarding health and safety in the workplace generally remain the same. When considering the consumption of cannabis at work, employers must understand their legal rights and obligations, so that if an employee is found consuming cannabis at work, appears impaired, or raises an issue around cannabis consumption that has a nexus to the workplace, the employer should determine: (1) if such consumption creates a safety risk in the workplace; (2) what steps should be taken to mitigate such risk; and (3), at the same time, what obligations it may have under applicable human rights legislation to accommodate an employee, if possible. This is a nuanced analysis that can be very challenging, especially in real time. Candidly, it is difficult for most employers to make a risk assessment without having considered these issues in advance. That is why it is important for employers to proactively develop policies and protocols to assess these issues.

An interesting and potentially complicated issue is what is the “workplace”, especially now, with so many employees working from home during the pandemic (more on that below). It may be that for some employees, the lines are blurred between what they do during their spare time, and what is expected of them at work or during working hours.

For that reason, employers should implement a drug and alcohol policy that sets forth the employer’s expectations, as well as prohibitions around consumption of intoxicants, including recreational cannabis, at work or while performing work, and the consequences of violation of that policy. When developing such a policy, employers need to think through and document the process for employees to come forward if they have a medical condition that requires them to take prescribed medication during work hours, including medicinal cannabis. This is even more important in a safety-sensitive environment—particularly if use or misuse (even innocently)—could lead to impairment during working hours.

### **Q: How does the landscape change if the employee has a medical prescription for cannabis?**

Again, the employer must abide by its obligations under health and safety legislation. Therefore, if an employee comes forward to disclose that he has a medical prescription for cannabis, the employer will need to consider what information it may need to confirm whether that prescription will affect the employee’s ability to performing his role safely and efficiently. Employers should not be asking employees to disclose details about the underlying medical condition or disability. Ideally, this is a collaborative process with the employee and a medical expert. The employee also has a duty to participate and provide timely and accurate information to the employer. Employers also have to consider the duty to accommodate to the point of undue hardship.

Unfortunately, there is still uncertainty regarding what the duty to accommodate medicinal cannabis means for safety-sensitive work environments, and this uncertainty is obviously very concerning for employers and the public. For example, on June 4, 2020, the Court of Appeal of Newfoundland and Labrador in *International Brotherhood of Electrical Workers, Local 1620 v. Lower Churchill Transmission Construction Employers’ Association Inc.*, 2020 NLCA 20 reiterated that the employer—in that case in a safety-sensitive environment—had a responsibility to accommodate a grievor who failed a drug test due to his consumption of medicinal cannabis to treat his chronic pain. The court held that the employer failed to accommodate the grievor to the point of undue hardship, and that accommodation has to be attempted and exhausted before employers can terminate employees due to undue hardship.

### **Q: What are an employer’s responsibilities with respect to COVID-19?**

Many clients have expressed concern about how to help support employees and their mental health during COVID-19. Employers should ensure that employees are aware of resources available to them, such as employee assistance programs that may help employees address feelings of anxiety or isolation.

Employers should also draft (or update) their work-from-home policies on drug and alcohol use and impairment, especially when the employer cannot interact directly with employees as they would normally at the office.

Occupational health and safety legislation may apply to home workplaces, though there continues to be uncertainty over the application of occupational health and safety legislation for home offices in various provinces, including Ontario. However, human rights legislation and the duty to accommodate apply broadly for employees who work from home.

*Sara Parchello is a Partner at Bennett Jones LLP. She has an employment and labour focused legal practice, with considerable understanding of the retail, hospitality, and mining industries.*

# TRENDS

## The Current State of Cannabis 2.0 Products

by Headset

While many expected a market boom in January due to the introduction of Cannabis 2.0 products (vapour pens, beverages, concentrates and edibles) much of that momentum was decelerated by COVID-related issues. However, there are some interesting trends developing.

Based on retail sales from Alberta, BC,

and Ontario, vapour pens are by far the most popular 2.0 category, which will come as no surprise to those familiar with more developed markets in the US. Since Q1 2016, Cannabis 2.0 category sales shares in the US have grown 8.4% quarterly in Colorado and 4.0% quarterly in Washington, with vapour pens accounting for roughly half of Cannabis 2.0 sales. Based on that growth in the US, Cannabis 2.0 products in Canada have plenty of room to grow into, and by using Washington and Colorado as proxies for a developed marketplace, it could be inferred that Cannabis 2.0 products can grow into approximately 40% of sales with vapour pens accounting for at least half of that share.

Cannabis 2.0 sales growth was vastly outpacing Cannabis 1.0 sales growth until April 2020 when the two product groups' growth converged due to COVID-related sales issues, which affected all categories similarly, resulting in nearly identical negative growth rates (see Table 1).

## Category Shares by Province

In Alberta, flower's sales share has decreased 15.8% from January 2020 to May 2020 while vapour pens have gained a 15.9% sales share as of May. In BC, flower still has a strong hold on sales. From January to May flower sales decreased just 4.9%, suggesting that Cannabis 1.0 categories such as flower and pre-roll may be slightly slower to relinquish share in that province compared to Alberta and Ontario. Similar to Alberta, BC has seen substantial growth in the vapour pen category, which captured 13.1% of sales in May. In Ontario, flower sales decreased 9.1% from January to May, while vapour pens have captured 14.4% of sales. While vapour pens are likely to drive much of the Cannabis 2.0 sales going forward, edible sales are likely to be the second largest Cannabis 2.0 category in the market, which is consistent with what has happened in developed US markets.

Table 1: Category Sales Mix Post Cannabis 2.0 Launch - Total Canadian Market

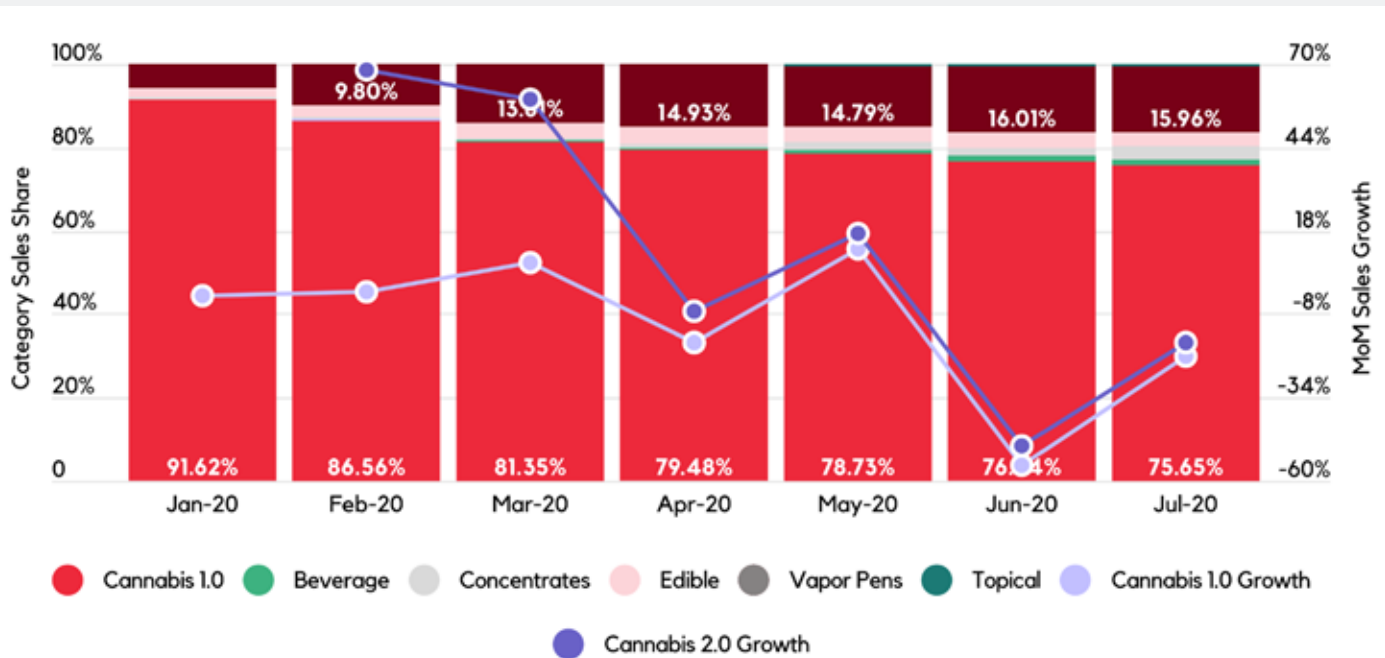
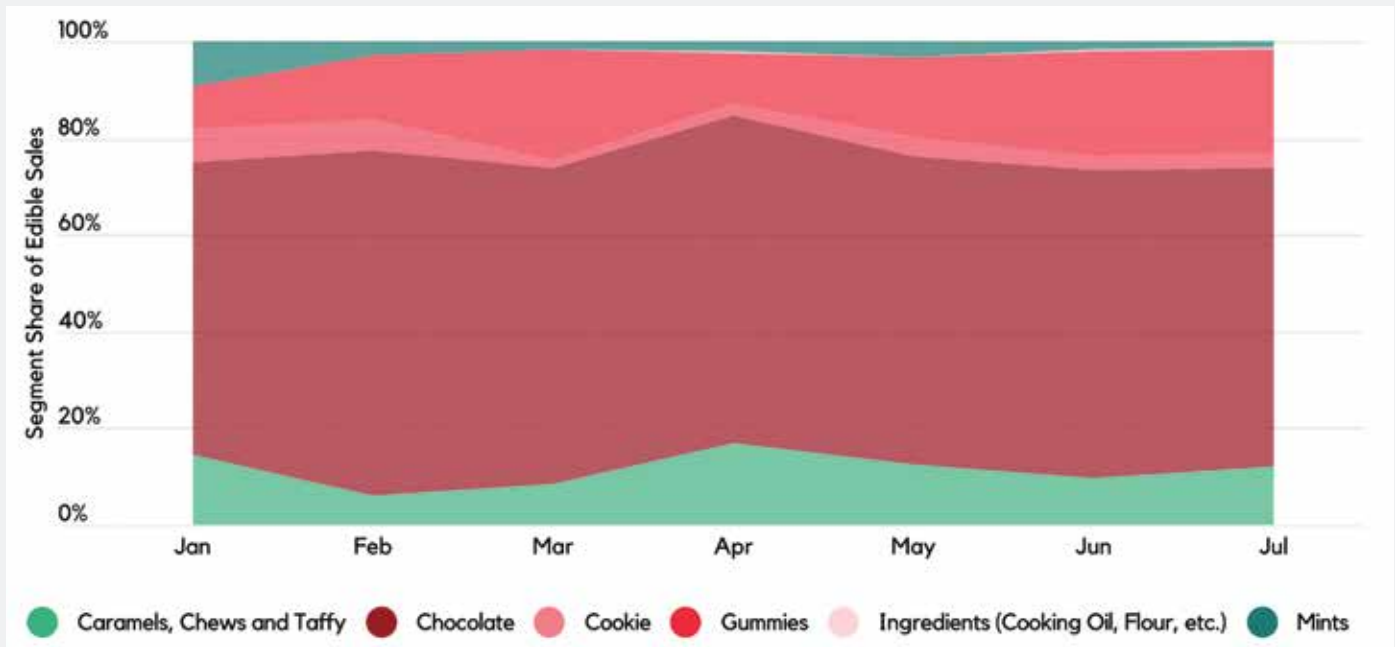


Table 2: Segment Share of Edible Sales - Total Canadian Market



### Current Edible Preferences

Chocolate is off to a dominant start in the Canadian market, capturing an average of 65% of edible sales over the past seven months. This is not unlike the initial stages of the US market, which saw chocolates capture 36% in 2015. The main reason for the large discrepancy in chocolates initially in the US when compared to Canada is primarily that the US has many more edible segments available to consumers (11 in the US, and only 6 in Canada). Another interesting finding that may be contributing to the relatively small share of gummies sales in Canada is that there are only a few edible brands that make gummies. For example, in Canada there are 12 brands that make edibles, but only two of them make gummies. To put this in perspective, in the US there are 187 brands that make

gummies, so there is definitely opportunity for new brands to enter the space in Canada (see Table 2).

The Canadian cannabis market has experienced significant sales growth over the past year, starting with the sale of only flower, oil, capsules, and pre-rolls and expanding into beverages, concentrates, edibles, topicals, and vapour pens in January 2020. The introduction of these new categories to the market will greatly change the growth trajectory as well as the product landscape of cannabis in Canada. By using developed US markets, such as Colorado and Washington as proxies for the future composition of the Canadian market, one can expect to see rapid sales growth of Cannabis 2.0 products and a more even split of category sales share between Cannabis 1.0 and 2.0 products. Within Cannabis 2.0

categories, it appears likely that vapour pens and edibles will lead the growth surge, and within edibles we expect to see an increased sales share of the gummies segment, which has become a dominant segment in US markets.

*Headset is a consumer data analytics platform that provides market intelligence for the cannabis industry. Headset's extensive Market Reports deep-dive into specific categories and aspects of the industry to help businesses better monitor the market and perform exhaustive category analysis. Reports are generated via aggregate, real-time transaction data to get a unique and thorough analysis of what's happening in the cannabis industry as the data becomes available. Visit [headset.io](https://headset.io) for more information.*

# How One Toronto Store Stands Out To Customers

by *Jacquie Maynard* | photos courtesy of *The Neighbourhood Joint*

A cannabis retail store in Toronto recently held its grand opening. There was a live band and swag bag giveaways. From the outside, it looks like just another cannabis store, however, The Neighbourhood Joint (TNJ), a family business co-owned by father and son Brian and Andrew Rhodes, is anything but run of the mill.

It's the closest store to the water in the Beaches neighbourhood of Toronto and inside they strive to foster a homey, welcoming vibe that fits their brand ethos of sustainability, organic products, and community.

"It's a tight-knit neighbourhood, and the entirety of Beaches strives to keep it independent. There are very few chains on Queens Street East," says co-owner Andrew Rhodes. "We are independent and family-owned, so we meshed perfectly."

But being independently owned isn't the only thing that sets TNJ apart from the competition: they have pneumatic tubes. Yes, pneumatic tubes deliver products to the customer in a little pod. Yes, they look as cool as you think they would.

According to Rhodes, the tubes are partly an ode to old Toronto, when over 5,000 km of tubes delivered mail throughout the city, and partly a unique solution to a design problem.

When they were creating the space for the store, at first they weren't sure how to use the main floor and the basement most efficiently.

"We had to make a decision," explains Rhodes. "Do we use the basement for a staff area and my office, or do we turn the basement into a vault and increase our security and safety? And if we do that, now there is a staircase between the product and the customer, so do I hire someone to run stairs all day?"

They ended up with two options: a dumbwaiter or pneumatic tubes. Vintage dumbwaiters, like you might find in old houses and fancy estates, worked using a pulley system, but modern ones are more like small elevators. That means they can be pretty costly, around \$50,000 for just one, and TNJ needed at least three.

That's when they decided on the pneumatic tubes.

"We thought not only is this going to be functional, but also a super cool way for customers to remember us and have their product delivered," he says. "Everyone loves it, it's really neat."

The tubes use a partial vacuum and air blower to get products from the basement to the main floor quickly and easily. It was also much more affordable. When a customer orders a product at the POS, a ticket is printed in the basement where the order is placed in a pod and fired back up the tube to the customer.

The tubes are one of the many ways that Rhodes is keeping things interesting for his customers. Aside from the grass wall and bright green plants, TNJ has a peg wall that changes monthly, and Rhodes says he tries to source products from all over Canada, bringing in an



array of dried flower from value to premium brands, a wide selection of Cannabis 2.0 products, and a completely organic section. He wants people to find what they are looking for, but also stick around to talk to budtenders and maybe try something new.

Since opening at the beginning of August, traffic has been growing steadily as TNJ settles in, and Rhodes is excited for the future of his shop and the industry.

"I can't wait to see where it's going." ▀

# Thousands of BC Craft Farmers Needed

by Jessika Villano and Andrew Gordon

In the July/August 2020 edition of Cannabis Retailer, the editor asked us to consider if Canada was a world cannabis leader. As proud Canadians, we all wanted the answer to be a resounding YES. Unfortunately, we know the jury is still out.

The reality is that the original public interest goals of our ground breaking *Cannabis Act* are not being achieved. The *Act* was supposed to reduce and gradually eliminate the illicit market. Instead, almost two years into the project, it has missed the mark by failing to offer a viable alternative.

Why are the vast majority of BC cannabis consumers still looking outside the legal market for their supply? The article touched on many reasons that retailers, consumers, and taxpayers are paying a price for this failure. In our opinion, Canada's inability to transition BC's world-renowned craft cannabis farmers to the legal market is at the heart of the matter.

The *Cannabis Act* was supposed to facilitate the participation of small farmers in the legal market. This is not happening either. Of the one million+ square metres of legal indoor and outdoor cannabis cultivation space approved by Health Canada across the country as of February 1, 2020, craft cannabis farmers account for a microscopic 0.17%. Only 15 BC micro-cultivators have been approved over the first 21 months of legalization.

The current Health Canada micro-production and processing regulations are so burdensome that thousands of BC cannabis farmers cannot afford to transition to the regulated market. Most need \$200,000 to over \$1 million just to be eligible to make the move.

While a restrictive approach may have been prudent at the start of this project, Canada's over-regulation has fueled the illicit market and prevented BC's craft cannabis sector from getting its product into retail stores across BC, Canada, and around the world.



While the *Cannabis Act* legalized our ability to process, it did not legalize our traditional supply. This is a fundamental problem. With a globally recognized brand and the most craft cannabis farmers in the country, BC's economy has the most to lose if these innovators are not provided with a chance to fully apply their skill and experience in the new market.

An economic analysis prepared last June confirmed 2,000 craft farmers can create over 4,000 direct and domestic jobs over the next 12-18 months. With these legal jobs, all levels of government will divide approximately \$400 million in new revenue.

As Canada and BC develop economic recovery strategies, they should seriously consider the unique opportunity presented by our craft cannabis sector.

It may be that things are starting to change.



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During the pandemic, thanks to the hard work of independent retailers, governments across Canada elevated cannabis to essential status—far from being illegal less than two years ago.

In March, the BC government approved incorporation of the BC Craft Farmers Co-Op under the BC Cooperatives Act. Micro-cannabis farmers, processors, and independent retailers now have a democratic, public organization to help them access the new market, maintain BC's top position as an international leader, and provide consumers with the highest quality cannabis.

With incorporation, the Co-Op announced plans to prepare a pilot project to support BC's post-COVID-19 economic recovery and create thousands of jobs starting this summer. This proposal was delivered to the Prime Minister, Premier, BC MPs and MLAs earlier this summer with the full support of the Association of Canadian Cannabis Retailers.

In addition to federal regulatory improvements, the project proposes actions and

investments both governments can consider to sustain BC's craft sector through this transition, the economic recovery, and beyond.

The results will divert millions from the illicit market to taxpayers, achieve the public interest of the Cannabis Act and create thousands of jobs in BC. A full copy is available at [www.bccraftfarmerscoop.com](http://www.bccraftfarmerscoop.com).

A craft cannabis policy reset was required before the pandemic. Today's economic crisis makes a reset even more urgent for all stakeholders.

Failure to act now will ensure the Cannabis Act is also remembered as a missed opportunity to create thousands of jobs at a moment when Canada needed them the most. ▴

*Jessika Villano and Andrew Gordon are founding members of the BC Craft Cannabis Co-Op and long-time cannabis retail leaders. Jessika operates Buddha Barn in Vancouver and Andrew is Senior Vice President with Kiaro.*

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