

What Does It Take?

The Brands & Strategies Converting
Canadian Cannabis Consumers





Introduction

As the Canadian market increases in SKUs and new retailers open their virtual or brick-and-mortar doors, the resulting brand saturation, product diversity, and shelf space competition has led to consumer overwhelm.

This drove roughly 60% of Canadian brands to witness a drop in awareness from Q2 to Q3 2020. With this backdrop, **it is more important than ever that companies develop products and strategies** that can successfully convert cannabis consumers into brand loyalists. Below we discuss the various companies effectively moving consumers down the purchase funnel, and strategies they are using to do so.

Methodology:

N=3,000 Canadian Cannabis users collected quarterly. This report highlights data from Q1 to Q3 2020. Data is collected on a quarterly basis and is balanced on age, gender, and geography according to public Canadian population data. Our team of researchers use this data to diagnose gaps in brand health and identify forward-looking trends.

Distribution Domination



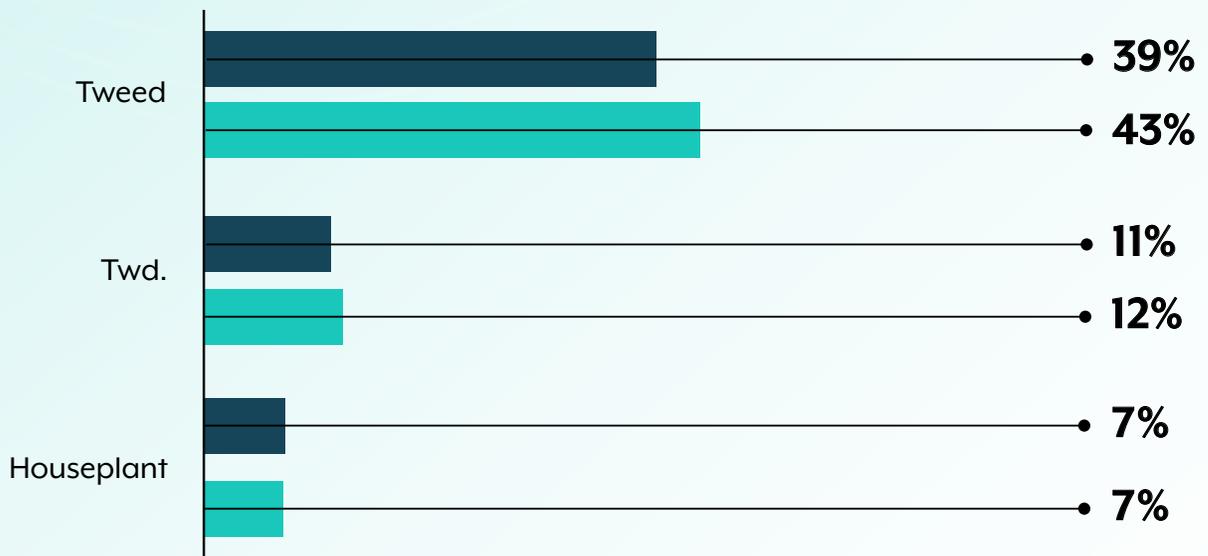
There are very few brands seeing increased consideration, purchasing, and brand loyalty—the ultimate goal of any cannabis company. **In fact, only 16% of brands are succeeding in all of these metrics.** Among these brands are **Canopy Growth's Tweed, Twd., and Houseplant. Consumers say that all three brands are “easily available,” indicative of their ample nationwide distribution.**



Beyond its wide availability, Canopy has also been able to move customers down the funnel by utilizing its understanding of the consumer to create better products and fulfill what the market desires. For example, the company's comprehensive flower quality improvement program sought to address consumer disappointment with low-quality legal bud.

Canopy Growth Brand Awareness % of consumers aware of brand by quarter

● Q2 2020 ● Q3 2020



The company has also heavily focused on Cannabis 2.0 and—coupled with broad distribution of these products—drove strong awareness by focusing on these burgeoning, novel categories. This awareness translated into purchasing and won the company significant market share across various 2.0 categories housed within its brand portfolio.



Right Product at the Right Time

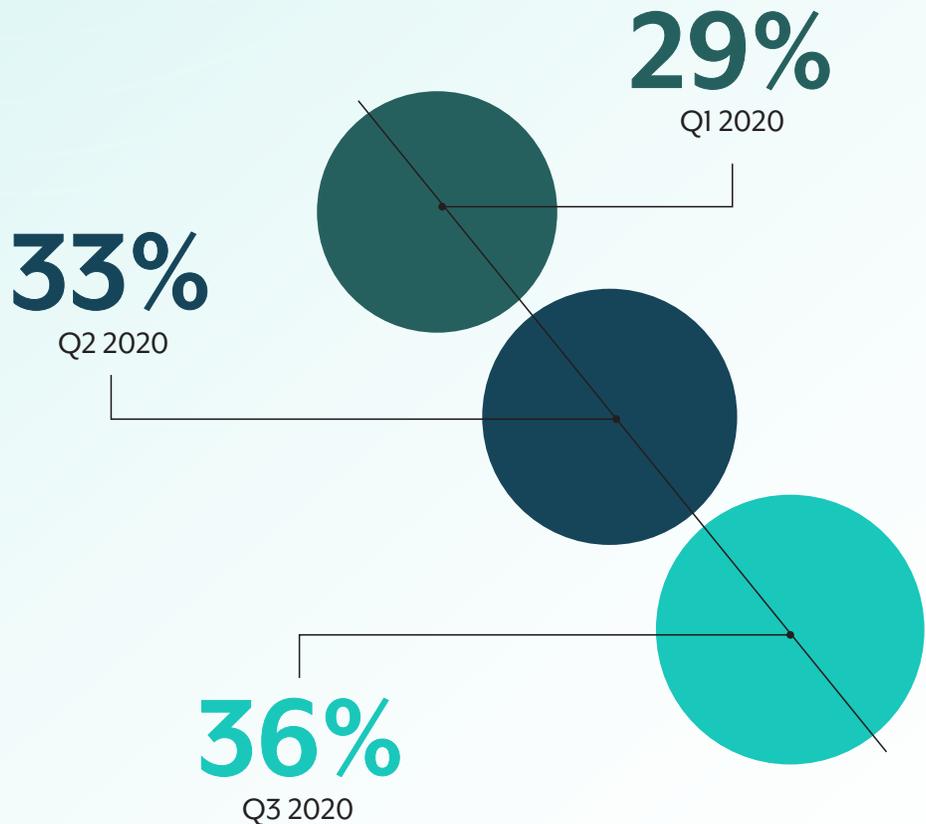
Zenabis' Namaste is also seen by consumers as "easily available," reflecting the brand's wide distribution through appealing channels. In addition, consumers say the brand is "within my price range" and "convenient to use," both of which have been significant purchase drivers during the ongoing global pandemic.



During this time, many consumers have seen their income reduced, driving attention to less expensive brands. With people refraining from consuming cannabis in groups, Namaste's multi-packs of 0.5 gram pre-rolls (three in each item) provide a personalized product at an approachable price-point. Zenabis itself has reported these products are in high demand, reflecting that consumers are truly enjoying this convenient way to smoke alone.

Namaste Awareness to Purchase

Of aware consumers, percent that went on to purchase



Quality Connoisseurs

Flowr (The Flowr Corporation) has taken a different approach that seems to be paying off. In the average province, **Flowr products are about 44% more expensive than average.** Despite the price premium, the brand has successfully leveraged its understanding of adult-use cannabis enthusiasts to increase its metrics across the funnel. **By focusing specifically on creating the best sensory experience possible with consistent results and robust terpene profiles, it has effectively and widely appealed to a sophisticated user base.** The company's scale also gives it the flexibility to adapt prices in line with ever-changing demand while maintaining its appeal among consumers who demand premium products.

Locking in Loyalty

PAX Cartridges have also seen an increase across all metrics. PAX is well-positioned to see purchasers convert into brand loyalists because, to use the company's pod-based vape products, consumers must purchase their proprietary vaporizers. **This effectively locks new customers into purchasing again** if they would like to make good on their initial investment. The other way the company **has expanded awareness is by regularly adding sizeable brand partners in Canada to generate cannabis extracts** in pods for use in PAX's Era devices. This allows them to capitalize on the awareness of other brands to convert them into PAX purchasers.

**The loyalty metric is based on respondents that chose they are very likely to purchase the brand again.*

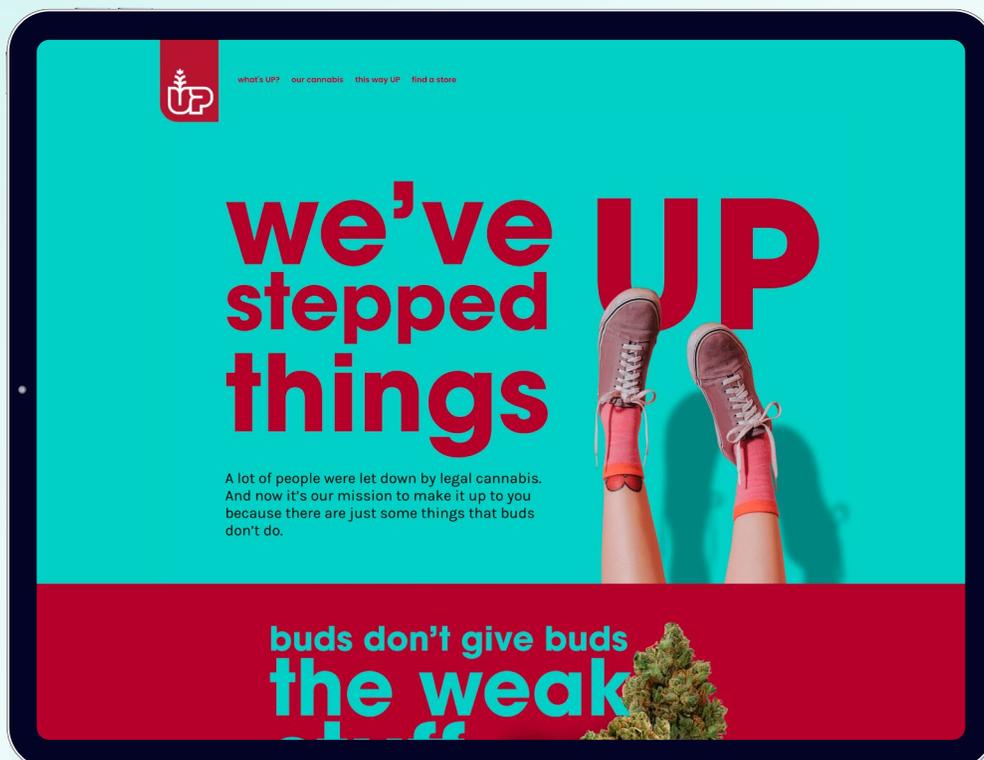


Beyond the Logo: Unique Branding Approaches



UP Cannabis from HEXO addressed consumer concerns around low-quality cannabis by rebranding its UP Cannabis brand with the “UP20™ promise”; every flower is 20% THC or higher. While others have quietly commented on improved product quality, UP is owning its improvements. The brand admits “a lot of people were let down by legal cannabis.” Directly addressing dissatisfied customers, they ask: “Ready to give us another shot?”

This approach aims to empathize with consumers. UP wants them to know it recognizes what they’re dealing with and understands the shortcomings consumers have witnessed on the formal market. In trying to redeem themselves, the brand hopes to gain consideration from customers previously dissatisfied as well as standing out in a crowded field of legacy Canadian LPs.



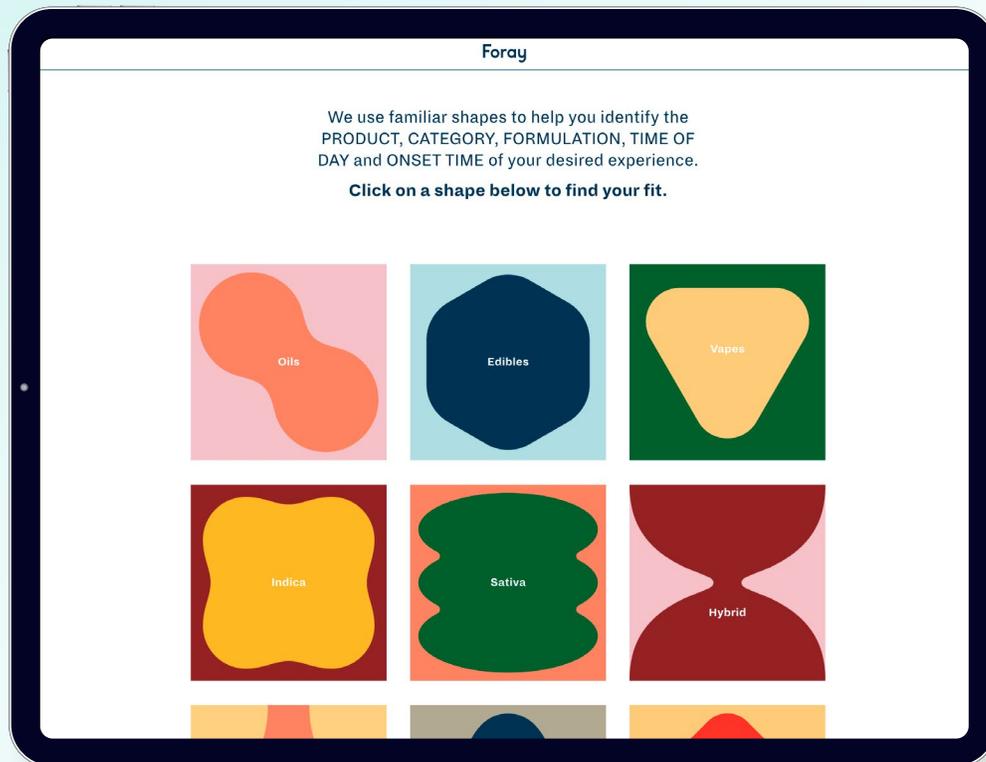
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Foray



Foray from Auxly presents customers with a **new way of finding products using a wide variety of attributes**. Other brands will include four to six categories—such as calm, awake, or sleep. Foray goes further, **using 15 shapes** to “help you identify the product, category, formulation, time of day, and onset time of your desired experience.” **Going for both simplicity and user control**, Foray makes it as easy as choosing the desired daypart to be as flexible as selecting the terpenes dominant in the formulation.

Casting a net for both newbies and connoisseurs is ambitious. But with products for all stages of a customer’s cannabis journey, Foray can form lifelong loyalties with new and existing consumers.



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